

Maintain Leadership Continuity with Succession Planning

By Jeff Radford RN, MBA



“Any discussion of leadership must entail consideration of succession planning and training”.¹ However, some organizations do not develop a succession plan. According to the Pricewaterhouse Coppers’ (PwC) 2006 Business Insights survey, over half of the companies involved “said that some or all of their senior management would be retiring in the next five years. However, 45% of the companies... almost all of them family or owner managed have not made any plans for passing the business on”.² What hinders succession planning? One reason is

due to Leadership in the organization.

According to Joseph Santora, “many organizations are led by obstructionist CEOs. They remain intoxicated with their own self-importance and power, too insecure to groom a second-in-command to succeed them, and indifferent about creating a healthy organizational environment”.³ They focus little consideration on the future of the organization without their leadership. Charismatic leadership can also be a hindrance to succession planning. Some Charismatic leaders give a larger-than life appearance and cast a large shadow^{ibid} on potential successors that have worked closely with them. The board members overlook those candidates fearing the same type of leadership, especially if significant change is needed. Some organizations face a dilemma of deciding when to bring in outside talent versus growing internal talent. For example, “If loyalty and longevity (officially or unofficially) are prized, then a greater focus can be on finding ways to teach and augment existing staff. This takes time, and immediate results are seldom seen”.⁴ These organizations are potentially looking for quick solutions for a seemingly dying organization and then chose to bring in an external candidate to make immediate changes. So why is succession planning important?

Let me give you an example using Stanton Solutions Corporation and how their founder lacked a succession plan.

Jack Stanton “spent thirty years building a manufacturing giant, Stanton Solutions Corporation. However, due to the rigors of maintaining his company, he had little time for any personal financial and estate planning. Then, Jack died unexpectedly in a boating accident. All of a sudden, Stanton Solutions, a multimillion dollar manufacturing empire, was facing an uncertain future caused by the loss of its owner and uppermost key executive”.⁵

If the top leadership of your company were to suddenly be unavailable to lead your organization, how would this impact the future of the organization? Are key members of your leadership close to retiring and if so, what plan do you have in place to fill those positions? As already mentioned, there are organizations that do not plan for these types of events. They rely on recruiting organizations to bring in external candidates that know little about the culture of the organization and the community served. Key reasons for developing and implementing a succession plan include:

1. Succession plans help leaders. In the 21 Irrefutable Laws of Leadership, John Maxwell explained that “leaders who develop followers grow their organizations only one person at a time. But leaders who develop leaders multiply their growth because, for every leader they develop, they also receive all of that leader's followers”.⁴ Also, when leaders develop other leaders, they leave more time “for a communications leader to provide forward-looking strategic counseling and build relationships”.⁴

2. Hiring an inside candidate brings someone who takes personal ‘interest’ in the organization. “Jim Collins, author of leadership best seller Good to Great, argues that ‘an outsider is a hired gun,’ ‘Wandering executives tend to be ambitious for themselves but not for companies they previously have had little stake in’, observes Collins, ‘while an insider may feel a deep commitment to a place that has long been a professional home’”.⁶ I have been an employee of my organization since 1998. During that time, I have served under the leadership of 4 CEOs. These leaders have been external candidates that were found through recruiting agencies. In my opinion, one of the CEOs did not focus on the needs of the organization and community, another CEO focused on building his resume while focusing on the needs of the community and organization and another CEO truly cared about the organization and community but was forced to leave due to a change in management companies for our organization. Our interim CEO is an employee of a Health system that is buying 50% of our hospital. The relationship with this CEO is new and our current leadership including myself await how this relationship and situation will unfold. From my observations, we have experienced both positive and negative aspects with external leaders that come to the organization; however, one component has remained constant because external CEOs have forced our organization to halt any growth until the leader becomes familiar with our culture and also communicates their goals. If an internal candidate is chosen, the organization can continue to grow. An internal candidate is familiar with the mission of the organization and would take personal ownership in making certain the organization would survive.

Succession planning does not have to be limited to internal candidates but I do think a focus should be placed on growing internal candidates if possible. According to Eric L. Veiel, an analyst at T. Rowe Price, "Whenever you start the process of grooming someone to take over the job, there's an opportunity cost of time and they can't get that back"⁷ and there are organizations that do not want to waste that time. However an important point to remember is that without succession planning, there is a high potential for a break in leadership continuity.

What level of impact would a break in leadership continuity have for your organization? William Rothwell wrote, "Amid the twofold pressures of pending retirements in senior executive ranks and the increasing value of intellectual capital and knowledge management, it is more necessary than ever before for organizations to plan for leadership continuity and employee advancement at all levels".⁸

As noted, there are organizations that do not feel succession planning should be a focus. Some of these organizations tend to think about replacing leadership after they learn the leader is leaving or has left and rely on recruiting agencies to attempt to find the appropriate candidates to fill the leadership position. However, based on my own experiences and research, there is a high risk for a break in leadership continuity and a potential result to stunt the growth of the organization. Whether an organization or leaders are blocking the implementation of a succession plan, prepare for the future and ensure continuity within your organization by implementing a succession plan for your key positions.

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