



NAC Executive Insights

Why Succession Planning Matters

Key Points

- It is important to identify key people with the skills, or potential to develop the skills, to succeed you in business.
- Doing so ensures that you are prepared to replace senior leaders.
- It also lowers your risk during leadership transitions.

Introduction

While many executives and their boards give lip service to succession planning, the conversation they are actually having is about ensuring that a trusted lieutenant will step in immediately after a personal emergency has taken place (the bus has finally been hit, someone's accepted an offer to serve the country, a spouse has a remarkable opportunity) to make sure the troops don't go AWOL.

That works in the short run. It may lessen disruption to the business—although any quick set of role transitions can create operational reverberations. Still, it doesn't ensure you have the leader you need to take the company forward. To provide long-term sustainability, companies need to identify and develop, strategically and systematically, internal talent, those who have the potential to fill key leadership positions. For employee stock ownership plan (ESOP) companies in particular, the investment in leadership development and succession planning is an investment to support an ownership culture that can contribute to business performance.

In my experience, the succession process has certainly been about lowering the risk of getting caught short without the right long-term leader. It's been about much more than that, however. It's been about identifying, assessing, and developing the next generation of leaders who can take us into the future. And not just a single leader, but a group of well-developed leaders who can act as a senior leadership team.

Achieving Succession Planning Successfully

Research has touted that developing insiders is more effective than hiring outside talent to succeed into senior and executive roles. With that premise in mind, I thought about what it would take to start getting a senior team ready five to seven years before I knew I was going to step down as the CEO but remain in the chairman's role. I also was mindful that our executive vice president in charge of operations would be retiring within a similar timeframe.

For example, with a company that is based on a strong culture of tradition with powerful values of integrity, teamwork, and professionalism and where behavior that is rewarded is the model, I believe a more organic type of transition is needed. That would involve evolving into a succession plan while being consonant as opposed to going through an abrupt transition. And because of the risks of developing years in advance only one person as an heir apparent to either the CEO and COO roles, the correct approach might be to develop initially six and then a seventh leader as a way to give the board more choices and to provide an opportunity for the leaders involved to develop collaborative relationships. In addition, this might allow time for the new emerging leaders to be a core senior team and develop their own successors as well.

The Process

The succession process means investing in a range of individual and team-based leadership activities, from leadership assessments to strategic planning. This may occur, for example, across a three-year period. The process includes the following:

- **Assessments**—A qualified professional consulting group is hired to conduct assessment surveys to learn more about the prospective managers' current capabilities to get work done effectively at different levels of the organization. They also conduct personality and working style assessments to gain insight into each person's values, behavioral strengths, and performance derailleurs, i.e., obstacles or barriers to performing at a higher level. This information is used to learn how leaders could both enhance their leadership in their current roles as well as what it might take to excel in a higher-level role. The consultant firm debriefs results with each person individually and then with the organization's CEO to discuss strengths and weaknesses and to create individualized development plans that provide opportunities for learning and professional growth. This includes new work assignments to help people stretch (for example, leading an initiative with an offsite team) as well as attending university-based executive courses.
- **Strategic Planning**— Again using a consulting firm, the candidate leaders are engaged in strategic planning to help them understand the company more holistically, to assess their strategic thinking, and to allow teambuilding. This involves interacting with members of the board.
- **Capacity Building** – Subgroups with the team may agree to take on improving a few core policies and practices across the company to provide better efficiencies.

Considering the three years I was involved in succession planning, I was impressed to see how the candidates learned to manage their competition and establish collaborative relationships to succeed at the strategic tasks on behalf of the company. While they all experienced a path that was not without bumps, they grew in their leadership roles.

Eventually, three from the group emerged. They had matured into senior leaders, had developed effective working relationships, and were already taking on more expansive roles. They were promoted to senior vice presidents and designated collectively as a senior leadership team.

The next key steps in leadership developmental include:

- Completing a university-based executive education program.
- Engaging in industry-specific education and networking.
- Taking on challenging assignments.
- Participating in an ESOP CEO program that includes leaders who are in or will be stepping into executive-level roles.
- Visiting with other ESOP companies.
- Mentoring by the current CEO.
- Coaching by consultants.

About the Author

Art Corwin was elected to the National Academy of Construction in 2016. He is president of Railroad Construction Company. He earned a bachelor's degree in civil engineering from the Polytechnic University of New York. Before his appointment as president of Railroad Construction Company, Art dedicated over 40 years to Moretrench American Corporation. He served in various engineering and executive capacities with the company, including chief engineer, CEO, and chairman.