Key Management Succession: Plan or Perish

History is replete with stories of companies whose futures were limited because their Transition Affects Others

Employees, suppliers, customers, competitors and bankers all have a legitimate interest. A company can become so torn with strife because of family in-fighting that if the business is put up for sale as a last resort, those who may earlier have wanted to buy it will lose interest. The company is then left to stagnate or die.
strong leaders neglected to provide competent successors. Leading financial sources attribute almost half of all business failures on the appointment of incompetents into key management positions.

Succession has never been a simple matter nor is it confined to top management. For example, the loss of a line supervisor can, for a time, be more critical in a highly automated manufacturing plant than a vacancy at the top management level.

Providing for succession so that trained personnel can assume authority with a minimum of confusion should not be deferred until key executives approach retirement. After all, not all executives hang on until age 65. Death, disablement, promotions, transfers, terminations or resignations are a part of the real world of business.

Closely-Held Companies

The smaller the family business, the more severe is the succession problem. When the younger generation takes over from the previous one, it is often due to an unexpected death rather than planned retirement. To make matters worse, the next in line--son, daughter or in-laws--may lack proper training or possess few qualifications beyond the family relationship.

And if that weren't enough bad news, they might not have the desire to go on managing the company.

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Why Successors Are Not Chosen

Let's face it. Most managers are so busy just "doing their jobs" they have neither the time nor inclination to groom a successor. Some independent strong-minded managers may even resent having a qualified subordinate waiting in the wings to take over. Others may feel they have "plenty of time" to groom a successor. The prospect of retirement can
be traumatic resulting in putting off planning for retirement and picking a replacement for as long as possible.

Self-delusion is a factor in the fallacies of indispensability and immortality.

While a certain manager may have his/her own unique methods and strengths, unique does not mean indispensable. Another manager may have a different combination of strengths and be equally capable.

How to Plan for Succession

A long-term solution to the management succession problem requires long-term planning and there may be a need to replace a manager before those plans can be put into effect. A short-term approach would be to have an executive's duties assumed either by his/her second-in-command or by a group of managers working together until an orderly transition to a permanent successor can be arranged.

Anticipating that every executive will ultimately retire, be promoted, become disabled, or be pirated away, a successor can be designated far in advance to work closely with the executive, assimilating the day-to-day routine and sharing the decision making.

By allowing the intended successor to work with his predecessor and familiarize himself with the routine as well as decision making processes, interest is stimulated while increasing skills.

There is no substitute for experience.

It may not be possible to teach things like winning the confidence of bankers and making far-reaching decisions on company affairs. Practical experience must take up where management development courses end. Each company tailors a process which best fits its circumstances.

What can be done if there is no qualified successor?

Since training takes time, if there are no qualified successors to fill key vacancies (especially the CEO), it may be better to sell a company rather than trying to train a successor on short notice. This may seem like a drastic step, but it must be considered as one of the options as the company's value and entire future may be at stake.

Summary

Key management succession should be a process, not a happening. To ignore the need for an orderly, planned transition of authority from one executive to the next is to ignore the facts of life and death.

In a closely-held company, it can mean the difference between survival and being dismantled.

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