

RD CORPORATE COMMUNIQUE...

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Management, Strategy and Leadership

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BEGIN SUCCESSION PLANNING BEFORE A CRISIS OCCURS

What if the founder and CEO of a closely held business announced one day, “I have been diagnosed with a terminal illness and must step down.” Or the bright, young CFO unexpectedly said, “I’ve been offered a wonderful position with another company and will be leaving.”

Both of these events has occurred in some of my clients. In the first case, it was caught totally unprepared and eventually did not survive. In the other cases, however, a relatively seamless transition or orderly sale occurred. What was the difference? The first client had not prepared a succession plan for its key executive and staff positions while the other clients had.

Succession planning is one of the most important issues businesses and organizations must address today. However, developing and implementing a sound succession plan cannot be done quickly or when a crisis occurs. It is a subject that should be addressed by senior management and periodically reviewed by the Board of Directors and the owners. Yet these parties are often reluctant to face it because it can be a sensitive issue, particularly in closely held and family businesses.

The process should begin with a candid evaluation of each member of the management team and other key personnel to identify the positions where the loss of a person would seriously affect the operation. The next step is to identify potential successors or at least back-ups if they exist within the operation and begin developing them to assume higher levels of responsibility if or when needed.

In some cases there will not be a potential successor for a key position such as the founder, CEO, CFO or leading sales person. In these cases, the operation must have at least a preliminary plan for sale or orderly dissolution. However, there are cases where an interim executive is hired to either stabilize the situation while a permanent replacement is found or to oversee a sale or dissolution.

Succession planning begins by asking the unpleasant question, “What if ...?”

Bob Denney

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