

The Case for Succession Planning

Approximately 40% of the American workforce is poised to retire over the next 20 years. Is your business ready?

Today's workforce is growing older. As of January 1, 2011, the first Baby Boomers, those born between 1946 and 1964, turned 65, and approximately 10,000 more will continue to do so every day for the next 20 years.

Currently, 66% of the nearly 78 million Boomers are employed in a full-time capacity, primarily holding executive, leadership, or management roles within their organization. While in recent years many Boomers deferred retirement because of a faltering economy and lack of access to reliable healthcare, the economy is now steadily improving, and recently passed legislation promises improved healthcare. As a result, the United States faces an even more concentrated exodus of Boomers from the workforce in the next five years. In addition, many companies enjoyed a false sense of security from the prolonged employment of the Boomers, which has interfered with the necessary development of successors from the younger generations.

This means that a leadership deficit is looming, with 40% of the workforce—that's 40% of the

knowledge, talent, leadership and vision we depend on—set to retire. Have you considered the impact of this impending shift in the workforce on your organization? Have you developed and begun executing a succession plan? An active and continual succession management plan is vital to organizational sustainability because it provides the benchmark for crises, keeps the dots connected, and provides the internal talent pipeline.

In this article, I'll discuss three principles for establishing and implementing an effective succession plan: (1) identifying successors and emerging leaders, (2) developing and engaging employees for leadership, and (3) retaining proven performers.

Identify Successors and Emerging Leaders

First and foremost, companies must look within to identify and rigorously develop immediate successors and emerging leaders. CEO succession, in particular, presents an immediate concern for companies with strong, visionary leaders who are aging out of the workforce.

While developing and retaining critical talent is a hot topic, many organizations fail to develop a sys-

tematic process or benchmark for the identification of these individuals. Adopting a "gut-feeling" approach, these companies are susceptible to common mistakes in the identification process—confusing charisma or current performance for leadership potential or concentrating on individuals who imitate existing leadership styles.

In setting your benchmark, look for:

- ◆ Visionaries with heart, passion, courage, curiosity, and integrity;
- ◆ Open-minded peers who listen and learn from others;
- ◆ Those who are willing to take risks and admit when they are wrong;
- ◆ Those who demonstrate acumen and longevity;
- ◆ Individuals respected by their peers for being value-driven, people-centric, trustworthy, humble, and authentic.

You may have other attributes to add, but remember to seek qualities that build followers and thereby promote the future sustainability of your organization.

Develop and Engage Employees at Every Level

The effect of Boomer saturation in the workplace has been that suc-

ceeding generations were largely overlooked for leadership development. Companies that neglect to develop leadership at all levels not only face the risk of losing knowledge, experience, and seniority when executives retire, but they additionally suffer lower productivity from an overall lack of employee engagement.

Leadership training and development can be conducted in a variety of ways, including formal training, executive coaching, mentoring, and job rotation, just to name a few. Additionally, many companies are now utilizing less-traditional methods:

- ◆ “Stretch” projects that intentionally place the candidate out of his or her comfort zone.

- ◆ Volunteerism and community service.
- ◆ Nonprofit board experience.
- ◆ Participation in industry and professional groups.
- ◆ Reverse mentorship, where a subordinate employee leads a team composed of superiors and valuable feedback is exchanged.

Regardless of the methods you choose, it’s incumbent on your organization to develop leadership at all levels.

Retain Proven Performers

Attracting, developing, and retaining talent is top of mind for many leaders and will continue to play an important role in competitive sustainability as Boomers exit the

workforce.

In terms of adding leadership value to your workforce, nurturing relationships with existing top performers is corollary to hiring new talent, and both are critical for long-term sustainability. But in terms of cost and productivity, retention and engagement outperform hiring, bar none. Consider the time, expense, and missed opportunity incurred with the search, hire, and training of new talent—a yet unknown quantity—instead of implementing solid retention measures that reward your proven performers. You should realize that your top performers offer a much higher return on investment because they possess both demonstrated experience and a grasp of the organizational vision.

Success through Succession

Again, over the next 20 years, succession planning will have an increasingly important role in whether an organization can sustain growth, viability, and relevancy despite the demographic shift in the workforce. Though unemployment rates are currently high as a result of the “Great Recession,” the talent war exists and will only escalate as the economy recovers. The companies who stand to win are those who prepare by identifying and developing successors, implementing retention methods to retain critical talent, and transferring the knowledge, talent, and leadership of today’s senior executives. **SF**

Jodi Chavez is senior vice president for Ajilon Finance. You can reach her at Jodi.Chavez@ajilonfinance.com.

Does the War on Talent Exist?

While unemployment rates have soared as a result of the recession, the current surplus of unemployed workers can’t be expected to counterbalance the number of workers who will be retiring in the next 20 years.

For a contemporary illustration of the war on talent, you need only look at the current shortage of accountants and auditors and the increased regulation that the Sarbanes-Oxley Act (SOX) introduced. When SOX was passed in 2002, it was difficult to gauge what its long-term impact on day-to-day business would be. In the subsequent confusion regarding the requirements of the law, however, one constant has emerged: Most companies were grossly unprepared and understaffed to comply with the new regulations.

As companies that struggled to meet deadlines for SOX compliance well know, skilled auditors and financial managers are in dismally short supply. The number of accounting degrees granted by U.S. colleges had been in decline for nearly a decade and only recently began to increase.* So the demand for top talent in this sector won’t vanish anytime soon, especially since companies and audit firms continue to feel the effects of a low-supply market. This is just one example of how the talent war has already begun showing its roots within the profession.

*2009 trends in the supply of accounting graduates and the demand for public accounting recruits, American Institute of Certified Public Accountants, Inc.