

# BOOST



## YOUR BUSINESS value with succession planning

By Steven Seymour of The Urquhart Partnership

The time inevitably arrives when it becomes expedient for the owner managers or drivers of a successful business to hand over responsibility to a new management. It is a critical time. Careful succession planning can minimise the risk of damage during the change and enhance the value of the business.

Over time, all enterprises evolve and grow around the vision, skill and enthusiasm of the people who lead and manage them. The business gradually becomes an embodiment of their judgement, values and decisions. If they retire or exit for other reasons, the ethos and dynamics of the business will inevitably change. If the value of the business is to be maintained or enhanced, it is imperative these changes are carefully controlled.

The first step is to formally decide precisely what difference their departure will make. If the retiring directors/managers were responsible for sales dynamism, strict financial control, key account customer loyalty or engineering innovation, for example, these are the critical skill gaps which will need to be seamlessly filled.

#### Looking inward for future success

The assumption is that companies will need

to recruit externally to fill operational gaps arising as they undergo change. This is not necessarily the case. External HR professionals can be brought in to work as change managers. They can identify current or anticipated gaps in managers' range of skills and employees' competencies and then develop the most cost efficient ways to fill these gaps.

However, there is more to succession planning. Rather than just being a way of averting the dangers of a foreseeable motivational and management vacuum, it can be an opportunity to refresh, revitalise or reposition a staid enterprise in a rapidly changing world.

I strongly believe businesses can move forward by optimising the contribution of their existing management, staff and workforce. It is highly likely that existing personnel will have undiscovered capabilities and talents. The fact these attributes have not become apparent in their existing roles is probably more to do with

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habit and complacency than a failure to invest in employee development.

It might be the case that they have simply not been invited to extend themselves in an unfamiliar direction or take on wider responsibilities. It is definitely the case that uncovering unsung talent in existing staff is less costly than recruiting and introducing new personnel. Job rotations can sometimes reveal these hidden reservoirs of ability.

Perhaps someone on your sales force has the potential to become an outstanding marketeer; perhaps someone from your shop floor or office has the potential to be an outstanding sales generator. An operative might have innate interpersonal skills which earmark him or her for development into line management.

#### **How to boost existing employees' skills**

In some instances, the skills shortfalls can be filled by job rotation. Skills shortfalls in one department can be overcome by importing them from another where a competent individual's ability is being under-utilised. There are huge savings to be made by offering coaching, mentoring or further job training to existing staff.

As an alternative to launching into a recruitment drive, taking positive and structured training action can expand the skills set of employees and identify and improve areas which require development.

My definition of coaching is not merely structured learning. It is more to do with supporting individuals and teams on their developmental journey – helping them to become the people they want to be and achieve the success they aspire to. It's a question of focusing on their true future potential and how it can be realised.

Similarly, I see mentoring as the passing on of knowledge by a more experienced person to a less experienced one. Again, it's not so much about structured learning; more about enabling through providing guidance, support and understanding.

External or interim HR consultants can provide mentoring and coaching on a stand-alone basis, either to supplement a training course or as part of a larger scale training and development programme.

#### **The benefits of investing in existing employees**

Investing in existing employees and working to improve their skills can prove hugely beneficial to an organisation. Apart from the obvious time and money savings, there are numerous other aspects which can impact on the corporate ethos and performance.

Employees' perceptions of their career progression prospects change. They will obviously be prepared to make a deeper commitment to an enterprise which demonstrably invests in them and their route to achieving their personal ambitions, perhaps through promotion. It also inculcates the wider perception that, as others advance, the gaps they leave will create promotion opportunities for their immediate delegates rather than outside recruits. This creates a sense of career scope and momentum among the whole workforce.

This should be an ongoing process. Trainers, coaches and mentors need to do far more than recite prescribed catch-all programmes. They should take time to get to really know their client's business and absorb its culture as a prerequisite of cultivating teamwork and enhancing productivity.

It is about identifying people who have

the capability to fulfil key roles both now and in the future; knowing who could step in immediately, who could be an asset to the company in a couple of years' time and who is likely to be leading the company forward in the longer term.

Background, qualifications and experience only paint part of the picture. The qualities which make people exceptional managers, leaders, drivers and visionaries are somewhat more elusive. You don't get certificates in perseverance, determination, emotional intelligence and resourcefulness. Years of service which may be attributed to the individual's lack of enterprise and ambition might actually be due to unwavering loyalty or the lack of real opportunity to develop.

#### **Assessment**

Internal recruitment for senior or critical positions is vital to the future of the organisation and needs to start some considerable time before the expected succession occurs, so the transfer of responsibility can be a gradual process rather than a sudden dramatic event.

After finding out what competencies a particular company needs to achieve its goals, HR advisors can devise exercises to identify and develop strengths, and remedial programmes to overcome shortcomings where there is a need for improvement.

A precise psychometric assessment of an individual's range of skills and capabilities will define their suitability for bridging the gaps which they will be required to fill. The objective is to get the closest possible 'fit' between the under-utilised potential and operational shortfall.

If it eventually transpires existing employees do not have the skills or potential to fill a role, it may be necessary to seek guidance in recruiting candidates who match the exact requirements of a particular role and culture of the company.

#### **Failing to prepare is preparing to fail**

The key to future success lies in assessing and understanding the value of the human resources you have at present and what resources you are likely to need in the coming years. The future performance of any company is reliant on the thoroughness and vigour of today's succession planning. Those with an interest in acquiring or merging with an existing business must put a finite value on it.

Any investor will agree running a slide rule over the fixed assets, past performance and future profit expectations of a target company is comparatively straightforward. What really interests them is the quality of the next generation of management and its preparedness to propel the enterprise to new heights.

Every management hopes it will be able to bring about a smooth transfer of control after an acquisition, merger or other transaction. Having competent and consistent management and an able workforce in place from day one will be a decisive factor in negotiations. It will influence the viability banks and equity houses place on the entire deal and the fiscal value placed on the business.

Careful planning also means your workforce will be less unsettled and disrupted.

In short, if you want to boost the value and saleability of your business for the future, start planning for and building the next generation of human resources right now.

#### **About the Author**

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