



How Good Succession Planning & Leadership Development Create Healthy, High Value Organizations

By John Higgins

Recently I was invited by a CEO and Board Chairman of a private company to discuss challenges they were having with organization succession. In the discussion it was noted that the current process for CEO performance evaluation was primarily based on financial performance. The CEO was an excellent performer who ran a very solid operation, had an excellent team and a fairly healthy organization. Nowhere had they documented the qualities, values, leadership style and experiences that a new CEO would need to be successful in this role. In addition, the Board Chairman and current CEO who are the owners expressed a desire to sell the business within the next two years and wanted to get a premium price.

After a very good discussion I was able to help them see the challenges, the opportunities, and a path forward. Our goal was to create a healthy Succession Planning process at the senior levels of the business, hire the right CEO, and be able to show any potential buyer the exceptional value of the leadership team, thus obtaining a premium price.

Here are some of the steps we took to build a quality set of processes for Succession Planning, Leadership Development and, Selection and Vetting of Senior level hiring:

1. The Position Success Profile (“PSP”): The first step was the development of a document where one could see all the critical requirements to ensure success in the role such as education, experience, leadership style, values, financial acumen, operational experience, KPI knowledge, etc. The interesting thing about gathering

this information is, it can be very different depending on who you ask. In our work we not only asked the CEO, we asked all the direct reports, board members, a few employees in all levels of the organization and a few key customers.

Once the information was gathered, we constructed the PSP and reviewed it in detail with the CEO. When a quality draft was completed it was then vetted by the CEO's direct reports and presented to the Board.

2. The PSP Gap Assessment: From the newly completed PSP, we developed a second document called the "PSP GAP Assessment". This document is designed to allow the CEO to self-assess against the current role attributes, expectations and desired outcomes. It was also presented independently to the Board Chairman for his assessment of the current CEO. When these two assessments were combined, we held a very in-depth review to validate the PSP, the GAPs and test the process.
3. The Internal Candidate GAP Assessment: Using the new PSP GAP Assessment tool we had each internal candidate self-assess their perceived capabilities and we had the CEO provide his assessment of each. When these were consolidated it was very clear that only two of the four candidates were close to meeting the Position Success Profile.
4. Leadership Development—Getting Internal Candidates Ready: One of the exceptional value builders this process has is the ability to identify high value internal candidates and set a course to develop them for success in their next role. Working with the "Internal Candidate GAP Assessment" the CEO and I were able to sit with the candidates and have a healthy trusting conversation on the GAPs identified and build a very focused joint plan to provide the experiences and opportunities to get them ready.
5. The External Candidate Assessment: Using the PSP and PSP GAP Assessment Tool the CEO, VP of HR and I were able to design a high-quality guide for interviewing external candidates. Knowing what you are really interviewing for is critical to successful candidate selection. This is just one tool in the toolbox of HR Leaders that they use to complete the selection process.

The process described above is now being implemented through two levels down in the organization.

Working with the CEO and Board we were able to implement high-quality processes for selecting the next CEO, Leadership Development and Succession Planning. These processes have also allowed us to build high quality leadership development plans that commit to the success of the individual, team and the organization.

Having an organization that has high quality Succession Planning, Leadership Development Processes and senior teams that are ready, and very capable of running the organization for a new owner, creates several strong reasons to obtain a premium when exiting.

Having been directly involved in numerous M&A deals I have learned that most important asset any company has is its leadership team and the employees that do the things that make the business the success it is.

To find out more about how DFS Consulting Services can help you with Succession Planning, get in touch with the author of this article, John Higgins, at jhiggins@dfs-solutions.com or visit www.dfs-solutions.com/services-consulting.

