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AGENDA

-  The Imperative and the Role of Perspective
-  The Opportunity Cost
-  The Benefits
-  The "Art and Science"
-  Case Studies
-  The Call to Action

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THE ROLE OF PERSPECTIVE



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Why were you able to identify these items so quickly?



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DISCUSSION



Our **Succession Planning Lens** is impacted by multiple perspectives and dimensions.

What might those be?



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HOW ORGANIZATIONS CAN VIEW SUCCESSION PLANNING SO DIFFERENTLY

What impacts views:

- Done it before, worked or didn't
- Culture of discipline/accountability...or NOT
- Impact of compensation systems
- The "exception" and the cascading impact
- Trauma
- "Not to decide is to decide"
- Deference to founders or "elites"
- Mentoring/coaching culture
- Buy-in/buy-out systems
- Plenty of others
- Concern for "politics"

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Legacy thinking's impact on perspective:

"Overcoming legacy thinking doesn't mandate erasing every strategy, idea, or leadership concept you've used in the past. Instead, identifying those ideas and strategies that continue to serve you well while pinpointing others that may have worn out their value."

-Daniel Burrus

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OUR FOCUS

Let's gain new perspectives:

We don't have to keep admiring the problem of how it's been done in the past or what challenges we may confront...our focus is on the future.

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DISCUSSION

Let's define: What exactly is **Succession Planning?**



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DEFINITION

Succession planning is the process of identifying the key roles on your team and figuring out how you'll fill them when they're left vacant (whether that's because of turnover, promotions, restructuring, or something else). *Think of it as future-proofing your team.*

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DISCUSSION

Why is Succession Planning so important?



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IMPORTANCE

Succession planning provides a company with a **course of action to avoid uncertainty** when a key person leaves an organization. This can make the transition period more productive and efficient to minimize any disruption during the change in personnel. Creating succession plans for important positions within the company aims to **ensure the company's best interests**.

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THE OPPORTUNITY COST



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What are potential impacts of poor succession planning?



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THE COST

Most common costs to poor succession planning:

- Client turnover and resulting revenue impact
- People turnover—especially high performers
- Organizational anxiety/lack of focus
- Brand impact
- Leadership ineffectiveness

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"THE HIGH COST OF POOR SUCCESSION PLANNING"

(FERNANDEZ-ARAOZ, NAGEL, GREEN)

Harvard Business Review, May-June 2021



The Problem:

Many large companies fail to pay adequate attention to their top-level leadership pipelines and succession processes, which result in excessive turnover and significant value destruction.



The Research:

Analysis suggest that market value wiped out by badly managed transitions is in excess of \$1 trillion. On the other hand, better succession planning can add a full point to the annual gains projected by Wall Street.



The Advice:

Companies must plan transitions well before they are needed, they must develop rising stars and give them access to leadership opportunities.

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THE BENEFITS



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DISCUSSION

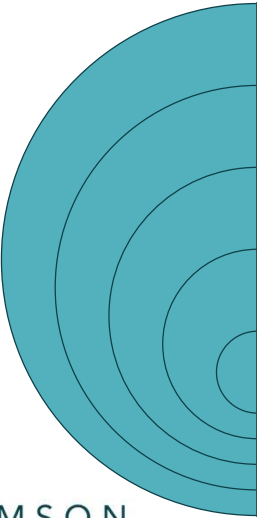
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What are potential benefits of good succession planning?




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THE BENEFITS



Talent retention
Performance maintenance
Organizational clarity
Crisis aversion
Reduced transition costs



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THE “ART AND SCIENCE”



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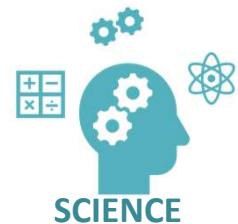
ART vs SCIENCE



ART

Associated with “**emotions**” and looking into the “**why**.”

Associated proving or convincing by raising the question “**how**.”



SCIENCE

My personal experience: Most firms are focused primarily, if not exclusively, on one or the other.

Question: What are the attributes, benefits and challenges of each approach taken in isolation?

Challenge: Finding the right intersection.

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DIMENSIONS

- Leadership
- Ownership
- Infrastructure
- Technical
- Client service
- Emergency/Contingency (*impact of mental health issues*)
- What else?

Point of emphasis: Each firm must uniquely evaluate the depth of the effort, but no firm is exempt from the requirement to think broadly and deeply.

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CASE STUDIES



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DOING IT WELL: CORPORATE AMERICA

McDonald's CEO succession:

- Formal Succession Plan: An established and formal succession plan in place.
- Multiple Succession Candidates: The company recognized the value of having multiple potential successors.
- Internal Talent Development: Rather than relying solely on external hires, they prioritized developing and promoting in-house talent.

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DOING IT WELL: CPA FIRMS

Consistent success elements:

- Incentivized to do so by specific compensation opportunities.
- Greater sense of engagement in the firm prior to succession planning.
- Have been in leadership role.
- Process began 3-5 years before formal succession.
- Great mentors and sponsors of people...see succession as extension of that role.

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DOING IT WELL: CPA FIRMS

Focus on client service model and satisfaction evaluation:

- Direct correlation between ongoing CX evaluation and client retention.
- Where a single “executive” was involved, the retention rate after 36 months was under 60%.
- Where two “executives” were involved, the retention rate after 36 months was approximately 72%.
- Where three or more “executives” were involved, the retention rate after 36 months was just over 85%.
- Where clients were involved in transition planning the success rate jumped 5-7%.

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NOT DOING IT WELL: CORPORATE AMERICA

Microsoft Corporation 2013:

- Abrupt resignation of CEO
- On July 14, 2013, Steve Ballmer, then CEO of Microsoft, was quoted by Business Insider as saying, “Our board always has a succession plan.”
- A few months later, on September 25, 2013, Forbes reported: “Microsoft did lack CEO succession planning...Ballmer and a board that includes Microsoft founder Bill Gates had more than a decade to develop a succession plan, one of their most fundamental responsibilities in guiding the company.”

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NOT DOING IT WELL: CPA FIRMS

Common challenges:

- Siloed
- Working on clients for which the firm is not looking to grow/expand/maintain
- Concerns about compensation
- Don't "trust" anyone else can do the work
- Find themselves to be "unique" and have been supported in that belief
- "My clients won't leave; why should it matter?"

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NOT DOING IT WELL: CPA FIRMS

Leadership transitions:

- Concerns among partners - we may not have the person in the building.
- Belief that the younger group doesn't want to lead (reluctance).
- Don't want to start too soon for fear of creating a "political" environment.
- Waiting for "perfect."
- The "obvious" choices may not fit our other firm objectives.

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CONFLICTING REALITIES

From recent managing partner meetings and experience.

We have those who are
wanting to leave earlier
than ever creating
surprises to our
succession plans.

VS.

When you combine some
economic uncertainty
with living
longer/healthier, we have
those wanting to work
even longer than in the
past.

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THE CALL TO ACTION...

Doing It Right!



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TACTICAL STEPS

CREDIT JAMIE BIRT

- Know your future plans
- Develop clear policies and documentation
- Encourage early warning
- Plan for the unexpected
- Prioritize specialized or “high risk” areas
- Provide developmental opportunities
- Identify your future leaders
- Facilitate a gradual transition

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TACTICAL STEPS

CREDIT INDEED

Have a specific transition plan to include items such as:

- Who will take over the role?
- What duties might be reorganized at this person’s transition?
- Date of transition?
- How will the successor be identified/chosen?
- How will successor be trained?
- How will practical/experiential knowledge be transferred?
- What skill gaps may exist at transition and how will they be covered?
- What about community relationships?
- How/when will we communicate to clients/outsideers?

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FOCUS

Think strategically, focus on the appropriate level involves:



- Transparency
- Continual evaluation
- Consistency
- Innovation
- Structural considerations
- Redundancy
- Leadership...be careful with the "benevolent dictatorship"

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PLAN

Don't wait but don't rush...be specific in your intentions.



- Make it a priority.
- Make it specific.
- Plenty of tools are available, choose the right ones.
- Err on the side of action, not process.
- Be resilient.
- Make it part of your culture and never stop.
- Own it like you own other KPIs.

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CONNECTIVITY



We must be able to link Succession Planning to other key business elements.

- Mission, Vision and Core Values demonstrate the necessity of Succession Planning.
- Strategy is known at all levels.
- Each leader/owner understands the correlation of their individual role to the success of the firm.
- There is a culture of high performance and effective transitions are evidence of those requirements.

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COLLABORATE



As we lead, we demonstrate teamwork

- Be inclusive to get the right perspective.
- Sponsor involvement.
- Be engaged.
- Consider client roles.
- Becoming “one” is not just a cliché for this effort...it is the effort!
- Start early and never stop.
- Collaboration usually allows for more vocal advocacy.

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AGILITY



“The best laid plans of mice and men”

- After parameters have been defined, allow some “looseness” if it allows appropriate exploration.
- More and more firms are thinking “out of the box” ...allow yourselves to go there in discussion even if you don’t end there.
- Resilience is a necessary component of success.
- Surprises will come...they don’t have to derail your efforts.

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ACCOUNTABILITY

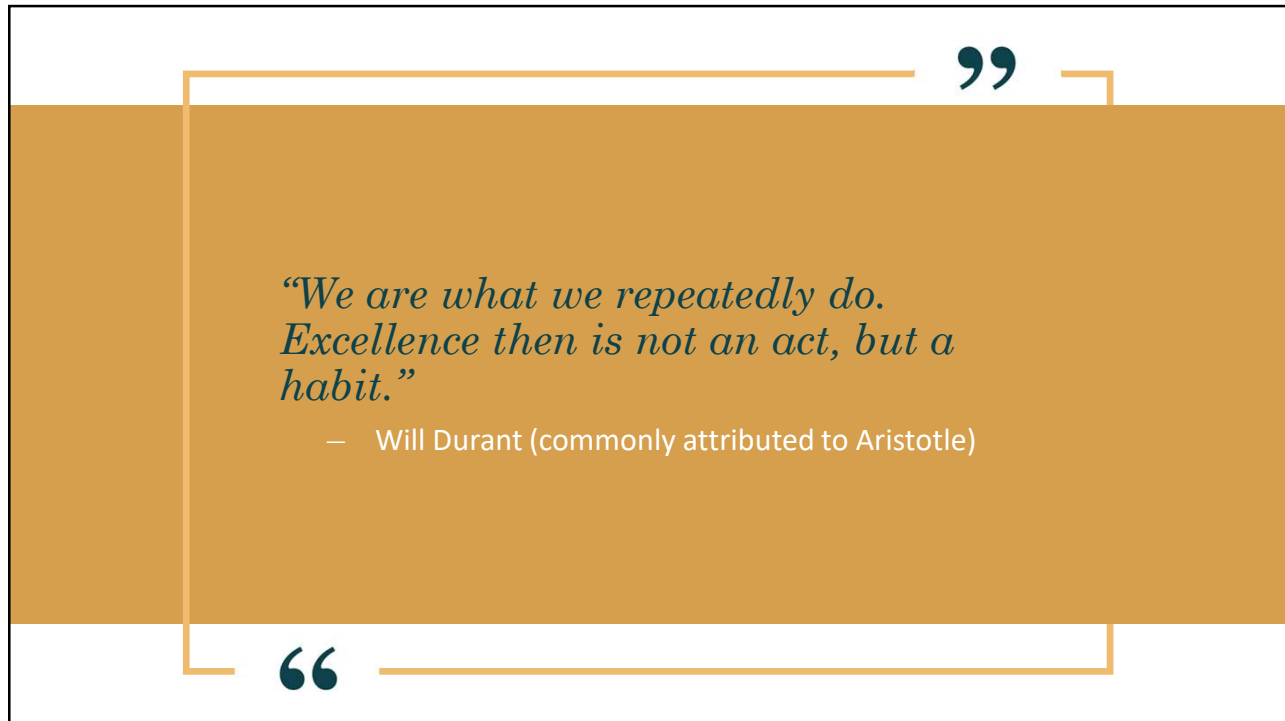
Don’t just “let it happen”



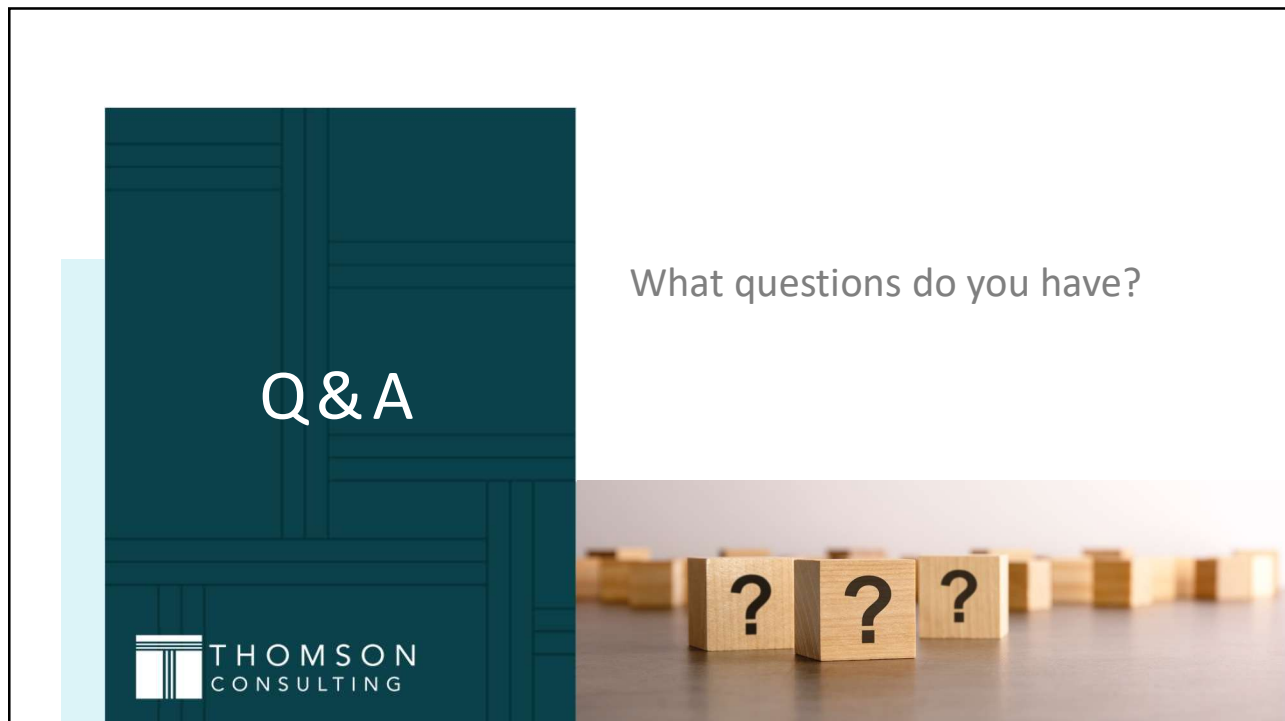
- Set appropriate goals.
- Be results and action oriented; admire solutions...not problems.
- Find strategic partners.
- Manage expectations.
- Provide motivation.

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“

I started this company to share my knowledge and experience as a practitioner and leader in the CPA industry to help others overcome uncertainty, gain clarity, and prepare for the future.

GARY THOMSON, CPA



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THANK YOU

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