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# DesignIntelligence<sup>®</sup>

SUSTAINABLE DESIGN & LEADERSHIP SURVEYS

# Engage Top Talent Through A Well Designed Succession Plan

Create a Succession Plan as a Magnet to Keep Top Talent

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## THE REALITY OF A TALENT GAP

During a discussion at a recent Design Futures Council board meeting the challenges that company leaders expressed about the need to keep and search for top talent emerged as a prime topic. Given that creative talent and effective project leadership are the “raw material” which gives rise to the buildings and spaces which support client’s needs this is no surprise.

Without talented and engaged people A&D firms lose focus and business. We have seen the ebbing tide of talent coming for a long time as demographic shifts are well understood and the subsequent talent shortages have manifested themselves in the design professions. As Baby Boomers retire or shift their work models there aren’t enough skilled replacements in the talent pipeline to supplant them. The competition for these skilled workers isn’t just coming from traditional rivalry with the firm across town but also from global design firms and new industries like video gaming and animation. Think about Disney and Pixar recruiting graduates from architecture and design schools. The talent war is on.

Top talent is not only required for executing great projects for clients but it is also the key to the health and sustainability of the firm itself. Successful firm leadership looks for talent and develops it within the firm on an ongoing basis.

Many companies have not been successful at keeping existing employees engaged. LinkedIn regularly conducts studies on worker engagement and employee satisfaction and found that 80 percent of the workforce is actively seeking a new position or is open to changing employers. Evidence from a recent Gallup poll suggests that over 75% percent of the workforce is not engaged in their company or work and the outlook for improved business fitness looks challenging. If the ability to compete and win the best talent available gives an edge in delivering the best ideas and providing strong firm leadership then what can firms do to get and keep their best people?

At Greenway Group, we research strategies which can positively influence a key employee’s decision to accept and keep one job/position over another. It begins with an under-

standing the factors which will influence the decision to stay, leave, or join one firm over another. A recent HR Statista study examined the issue of what would drive a professional to work for one company over another. The top five reasons cited were:

Salary, benefits and other financial incentives	84%
Work/life balance	64%
Opportunity for advancement	62%
Training and professional/leadership development	58%
Opportunity to work with knowledgeable colleagues	46%

Other key factors cited include shared corporate values within the firm's culture, environmentally friendly and responsible work practices, and access to effective technology tools.

A firm that puts strategies in place to respond to these factors is in a better position to engage and keep their key people who will become the future principals and leaders of the firm.

A good succession plan can help firms do just that. Unfortunately, more than half of US privately held companies acknowledge that they have no formal leadership succession plan in place.<sup>1</sup> This is a distinct disadvantage in retaining key people.

Crafting a well-constructed internal succession plan can be an effective means to address *three of the five* top reasons people decide to work or stay at a given company. A succession plan will provide future leaders with:

- 1) A path and opportunity for advancement
- 2) Training and professional/leadership development opportunity
- 3) Improved salary, benefits, and other financial incentives through ownership

## ATTRIBUTES OF EFFECTIVE SUCCESSION PLANNING

An internal succession plan ensures a sustainable future by developing the next generation of leaders who are poised to take on higher-level responsibilities. A well designed succession plan includes provisions for leadership training for these key people in anticipation of their new roles.

A well designed succession plan can also provide financial incentives and improve key employees' overall compensation. Future leaders who are already in-house would eliminate the cost of external recruitment. In-house talent development and "promotion from within" policies are effective in immediately slash-

ing recruitment costs, according to the Saratoga Institute, which puts the cost of external hiring at nearly twice the amount of recruiting and developing from within the organization.

It is never too early to create a succession plan. Regardless of the size of the firm, your particular corporate ownership, and governance policies, it is important to develop a succession plan far in advance of an actual transition. Ideally, succession planning should be a multiyear structured process tied to leadership development. If internal succession is planned well enough any gaps in skills can be filled over a longer time period. As future leaders are identified, it is important to make the succession plan clear to them to leverage their engagement through training programs, financial incentives and ownership opportunities.

Keep these key attributes in focus when designing and implementing a sound succession plan:

### **MAKE YOURSELF REPLACEABLE**

If the company is dependent upon the founders or owner then it will be more difficult for the next generation of leaders to assume leadership roles. This is particularly true for small firms. Smart leaders work to design and implement clear systems and processes that the next leaders or leadership team will be able to step into seamlessly.

### **SET A SCHEDULE**

Commit to target dates. It is unrealistic to keep future leaders wondering what the timeline for transition will be. Larger firms often have governing policies which prescribe age-triggered dates for divestment of stock or ownership. Set clear goals and milestones and keep to them. This will allow current leadership to establish manageable steps along the way.

### **IDENTIFY KEY ROLES**

Identify crucial roles in the company that need to be filled. It is generally not just the top position. Depending on the scale of the company there will be many different roles in which leadership will evolve. If you identify successors internally then a plan for all of these positions needs to be established.

### **DEFINE THE COMPETENCIES REQUIRED FOR THESE KEY ROLES**

Decide what skills are required to fill the key roles, and then assess internal candidates based upon these criteria. If these skills do not currently exist within the firm or they cannot be developed within the existing team then use them to evaluate external candidates. This is one reason for beginning succession plans early. More time is an asset in finding the right mix of skills and people to successfully take the company into the future.

## **LOOK AT THE LONG-TERM VISION**

A vision is a picture of the optimal desired future for the company. The succession planning process should therefore focus on the market and competitive context the new leaders will confront after appointment. Rather than assessing talent for the firm's needs today think about where the company is likely to be in the future. Which talents are needed to take the company further?

## **TEAM READINESS**

From the standpoint of strong morale and adapting to eventual changes in leadership, employees and management need to embrace the company's long-term vision. A shared vision and a solid supportive team of people who understand the succession plan can help to make transition much easier for new and outgoing leaders. Succession plans and transition are part of the natural course of a company's evolution. Both should be transparent.

## **TRAINING**

As the needs of a business change over time, so do the qualities required of internal candidates as a company's training and leadership development programs take effect. It's therefore vital to update, compare, and contrast the profiles of candidates against the relevant criteria regularly. This isn't a hard science but without rigor and tracking

it is easy to overlook. There may not be a suitable candidate who is ready to fill the top spot today. The reality is that even the best candidates will require some degree of training to prepare them to take over top leadership roles. The key is skills assessment and understanding the needed competencies for a particular role.

Rotation is a great way to expose internal candidates to leadership learning opportunities. However, rotation is not enough. A leadership-succession process should be a tailored combination of on-the-job stretch assignments along with coaching, mentoring, and other regular leadership-development initiatives.

## **EMPOWERMENT**

Succession requires that power will ultimately be transferred to others. As new leaders are identified and become engaged in a path to equity ownership or partnership the owners should start to transfer the work and responsibilities as a way to begin to empower the next generation. This means access to the financials and participation in important management decisions. These steps ensure a more seamless transition. Future leaders need to be involved with everything from branding to hiring decisions.

## IN CONCLUSION

Since the talent war shows no sign of abating, improving employee engagement is a smart and realistic strategy to pursue. A component of that strategy is a well-constructed succession plan which addresses the top reasons a professional would choose to stay (or join) one firm over another. We need future leaders to stay engaged and motivated to contribute to the success of the company. A succession plan directly addresses the preference of younger professionals to work at a firm which provides opportunities for advancement.

Too many companies treat leadership succession as a one-off event triggered by the retirement or departure the older regime rather than as a structured process. The succession is therefore often reactive, divorced from the wider system of leadership development and talent management. A forward-looking, multiyear planning process that involves the incumbent leadership would increase the odds of succession success. The firms that commit and succeed in creating a transparent succession plan have benefitted by achieving continuity, creating opportunity, and providing an engaging career path for key associates.

*Lisa Henry is CEO of Greenway Group. She serves on the executive board of the Design Futures Council. Greenway Group is one of the country's leading business strategy consulting firms for design-based businesses including the architecture, interior design, and engineering professions. The firm is committed to enhancing the success of design professionals and their firms through an array of services including strategic business plan-ning, financial and operations improvement, executive leadership assessment and development, succession planning, and mergers and acquisitions.*

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