



## Transition planning on the HR front is a long-term prospect

Contributed by Michael Epstein

Consultant Michael Epstein says companies must plan for succession not just months, but years in advance of anticipated transitions to ensure all business practices -- recruitment, professional development, industry networking -- are all aligned for success.

**October 2008**

Few HR professionals are actually adopting a long-term strategic approach to addressing the business upheaval that a founder's or leader's exit may bring. While they may have some foundations in place through recruitment, professional development programs, and industry networking, the key for an HR professional is to know how to integrate all the necessary business processes in order to ensure a successful transition plan.

With a large number of boomers expected to retire in the next 10 years, business- and ownership-transition planning is becoming an important strategic issue for HR professionals. Laying the groundwork for the inevitable retirement of key executives is not something that can be addressed at the last minute - it should take years of planning. It is especially important to think ahead in cases where the person bowing out of the business is a founding member or senior executive with far-reaching ties to the day-to-day workings of the organization. They are often integral to the ongoing success of the business, whether the glue to customer relationships or the key to critical supplier arrangements.

### Ensuring continuity in a changing world

It is far too risky in the current business climate to adopt a one-dimensional view of the transition-planning process. It's simply not enough to look at a typical recruitment strategy once an executive has declared his or her intention to leave.

The need for long-term strategic planning is more critical than ever because organizations of all sizes are facing a number of new challenges, including:

- An aging baby boomer population translates into more senior business leaders leaving, with fewer qualified people to fill their roles.
- Widening gaps in skills shortages, as there is a shrinking number of "middle-generation" workers who can train and mentor next-generation employees.
- The shortage of skills also means extremely aggressive competition from other companies, as everyone competes for the same talent.
- The demand for new skill sets - either selecting and grooming a single candidate within a company, or seeking an individual with the same attributes (which is difficult to find) to replace an incumbent - is no longer enough to guarantee a smooth transition.

The role of today's HR professionals must evolve beyond staffing and regulatory-compliance functions to playing the part of facilitator in ensuring a business can fill any potential voids that may develop. They must also have in-depth insight into the profile of the organization, the strengths and weaknesses of the business, industry trends, its people, identification of management-leadership talent within the business, and a clear picture of the skill set needed for future business success. In addition, HR professionals need to have a long-term strategic "talent plan" in place that can be used as a guideline when seeking successors.

## Plan early for transitions

When working with businesses on their transition planning, a general rule of thumb is to start at least five years before the plan is needed - preferably 10. This often comes as a surprise to many business owners and management teams, who consider transition planning as something that is put into motion a few months prior to the transition event. The event involves a change in management, leadership, and, many times, ownership. These are complex areas that require the necessary time to be successful.

There are many factors that need to be considered when developing a plan. First, it is important to understand the strengths and weaknesses of the leader who will be transitioning out of the business. How integral is that person to the business' ongoing success, and how hands-on is he or she in the day-to-day operational aspects? For example, replacing a highly involved owner who is key to customer relationships and people relationships, and who has a vested interest in the company, would present a much greater challenge for the HR professional than would a CFO with a shorter tenure and less personal involvement with people and business operations.

Another ongoing consideration that every HR professional needs to address is the available talent and skill level of people within the organization. An incumbent may have extensive "street smarts" that come with spending years in the business. However, that does not mean those skills have been passed on to the next management level.

Once a clear picture of internal resources has been developed, the next step is to identify the skills gaps, keeping in mind industry and technology trends that will influence the organization in the years to come. It is not enough to do a side-by-side comparison between the outgoing executive and a potential candidate.

After all, the only thing that is constant in business is change - as it must be in the executive profile of an organization. One of the more common mistakes comes when an internal candidate is chosen and groomed simply because he or she represents the closest match in personality and skills. While this may work in some cases, it is better to expand one's scope to include a consideration of present and future business trends and of his or her impact on the business as a whole.

Exiting baby boomers are often traditional leaders or entrepreneurs with a talent for sales or business development. But do they have the talent for developing people, improving business processes, or injecting the fresh perspective needed to tackle future business demands?

Remember that diversity is an asset. Successful transition planning often means looking externally to find people who are less entrenched in the current business culture and can bring a more dynamic and creative perspective to the organization moving forward.

HR professionals must also gain a clear understanding of the attributes that identify the leaders of the future, meaning individuals who are capable of nurturing long-standing relationships with clients and developing new ones. They must be comfortable with technology and change. More important, they must have the ability to find and attract new people, while retaining and developing existing staff. The last thing HR needs to face during a transition is a mass exodus of staff when a new executive comes on board.

Whether the talent you seek today to handle the coming change is internal or external, a transition strategy is far from over when the employment contract is signed. Having a mentoring plan in place long before the owner passes on the baton is essential to the integration of any new talent. A mentoring program should encompass two years at an absolute minimum, and the development and execution of the "blueprint" for that falls squarely in the lap of HR.

## HR as a strategic partner

Transition planning is something that is a universal challenge for businesses of all shapes and sizes. In our many years of providing strategic support to businesses, we have seen countless operations

struggling through this process. The war for talent will be endless - and relentless - in a majority of business sectors in the years to come, which is why long-term strategic transition planning is critical.

Unfortunately, many business owners have been demanding that their HR professionals spend a majority of their time and effort on administrative and compliance-driven issues. It is time for them to realize that HR is a strategic weapon that must be part of the leadership group and planning process.

The most valuable asset for future growth will be the HR person who understands transition planning and can effect a strategy that allows the organizations to meet its long-term goals.

Michael Epstein is the managing partner for Fuller Landau, a Toronto-based, mid-market public accounting and business advisory firm. Fuller Landau has more than 50 years of experience working with clients to develop business strategies that will facilitate innovation and growth and help them adapt to changing market trends. It also specializes in ownership transition, mergers and acquisitions, and operational change management. For more information, visit [www.fullerlandau.com](http://www.fullerlandau.com).