SUCCESSFUL SUCCESSION PLANNING FOR PARTNERSHIPS

Succession planning is an important aspect of thinking strategically about your company. It's a logical and necessary step in the process of an orderly transition from one generation of leaders to another. For partnerships, the questions of succession planning are double-edged: Not only are you picking tomorrow's organizational leaders, you are also selecting its future owners. Thus you need to evaluate a person's fitness for operational leadership as well as their suitability for ownership.

Adding to the complexity is the question of strategy. Your company is not likely to be the same in five years as it is today. Predicting the future isn't easy. But it's a necessary exercise if the succession planning is to be successful.

This tool provides a snapshot of how strategic planning can lay the groundwork for success in succession planning. It shows the steps needed to make the two processes intertwine.

Step 1: What is your vision for your company or organization over the next 5 years? For example, if you plan to expand geographically, or invest in different product or service lines, those decisions paint a picture of a future quite different than where you are today.

Step 2: What are the leadership skills you need tomorrow? How will they be different from the skills you have today? Imagine your next generation of leaders. What will they need to do more of? Less of?

Step 3: Consider the future structure of your management team. What roles do you envision? What structure will best create value for the company or organization? Are there people who will fit into the different roles you've envisioned?

When choosing to bring on new partners, consider using the following criteria:

- Have they demonstrated that they put the company's interests above their own?
- Are you convinced that they can "own" and manage important client and customer relationships?
- Do they show good financial acumen and the ability to manage budgets well?
- Have they shown that their personal and professional values align well with the company's values?
- Are they effective in communicating internally? Have they shown an ability to address and resolve conflicts with their subordinates, peers, and supervisors?

In order to check the "fit" of potential successors, it's important to gain perspective both internally and externally. Internally, you can set specific goals for each person you are considering. These goals should be a stretch beyond the requirements of their current role and test specific leadership skills that you desire. For example, if you're looking for the ability to form strategic alliances, give that task to a potential successor and assess the results.

Externally, you can ask clients or customers for their impressions. These candid observations can be invaluable. For example, during a succession planning interview, a client revealed that he had felt mistreated by a senior project manager over a change in contract terms. The approach had left a bitter taste in his mouth. When he was asked whether he could envision this project manager as a future partner, the client said: "Yes, but I can also envision that I'd no longer be your client!"

Other potential ways to assure a successful process:

- Conduct interviews with peers, subordinates, and supervisors. Gain their insights into whether a given candidate for partnership meets your criteria;
- Use psychological profiling to gain insights into their personalities. You can also develop a profile of your company's culture – and use that to test whether there is a good alignment of values;
- Run through some "what if" scenarios. What will be the impact on other people in the company? How will morale be affected if a given candidate is chosen for partnership?

Once you've identified a candidate's strengths and areas of improvement, you should tie the succession process to leadership and management coaching.

Financial and Other Considerations

Several key financial considerations come into play as partners plan how to bring in new partners to the company:

- How do we set a share value that is fair and affordable to buyers, fair to sellers, and supportable by the firm's cash flow?
- How can we structure the stock to be a good investment, whether through shareholder distributions and/or capital appreciation, taking into consideration relevant tax issues?
- How can we motivate value-enhancing behavior by all owners?

A practical consideration is how to phase in the buy-in process – and how much each existing partner will have to give up in ownership to make room for new partners. That decision should be driven by a vision of whether it benefits the company to expand the number of owners, or whether the goal is purely to replace the current owners with a new crop of highly motivated and invested people.