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## Succession Planning

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A sudden health crisis...forced retirement...a new job opportunity...ethics violation...death. These things do not typically occur regularly in our day-to-day lives. We generally go to work each day to familiar faces and familiar challenges. But life plays by a variable set of unpredictable rules and it is this unexpectedness that can take our predictable operations by surprise. A board of directors needs to be prepared in the event a director or officer is suddenly no longer part of the bank's future. Since the board's key responsibility is governance, leaving this important aspect of bank function to happenstance is remiss.

Aside from future preparation, some of the key immediate benefits of succession planning are the enhancement of leadership skills and a more intimate understanding of each other's roles and responsibilities. This is directly linked to improved job performance and synergistic team interaction. The confidence built in successful succession planning can also increase the effectiveness of planning in other areas of the organization.

There are three main areas to address in succession planning: Short-Term, Long-Term, and Permanent. Each will address certain key functions of continuity and the skill sets needed to assure their successful transition. What responsibilities that need to be covered in a Short-Term absence (three months or less) are quite different than what needs to be covered in a Long-Term (over three months) or Permanent absence.

During succession planning, include the involvement and input of all key stakeholders and address the following primary elements:

1. **Analysis:** What are the key challenges that face the organization today and within the next 5 years? This is important in evaluating whether to promote and train from within or whether to seek succession in an outside recruitment firm. While promoting from within can establish strong interpersonal relationships, it can be a long and involved process. Outside recruitment can bring in immediate experience, though relationships may take longer to establish themselves.
2. **Role Definition/Review:** Undergo an in depth study of each director and executive's role, responsibilities, and task definition. Areas undocumented should be documented. This process will allow everyone to become very familiar with each other's roles and heighten the awareness for successful planning.
3. **Selection & Development:** If succession is to occur from within, who in the organization is best qualified to assume key roles? Identify further training and mentoring needs to bring individuals up to competency in their succession role. If succession is planned to be outsourced, identify the target professional's qualifications for candidacy. Regardless, alternate internal candidates with comparable skill and competency should be identified for cross-training, should emergency succession require temporary fulfillment.

*Note:* Directors should not be looking for cardboard cut-outs to replace the incumbents. Each individual has a unique personality that allows them to bring their own definition to the position. Rather, skill sets and competencies applicable to the requirements of the job should be what are examined.

4. **Successful Transition:** Detail a process of transition that includes communication to staff, shareholders, and the public. There are different considerations for internal succession vs. external succession. With internal succession, the individual is known to the organization making it easier to address deficiencies. Regardless of which path an organization selects (or multiple paths), key milestones should be established for the first (up to) 12 months a position is replaced in order to determine if the succession is accomplishing the organization's goals. A coach might be brought in to facilitate the succession.
5. **Review:** Succession planning is much like business continuity planning. It needs to be periodically reviewed and tested for relevancy. Select a time for annual review of the document. Stage a periodic readiness evaluation, either artificially or when one of the key figures takes time off, such as a vacation. By simulating a succession transition, you can identify areas of weakness that can be addressed before a real event triggers the plan.

A change in leadership threatens the stability of any organization, especially if the circumstances surrounding that change are dramatic or sensationalized. Staff morale, shareholder confidence, and public opinion can all be affected, leading to further adverse conditions. Rather than be caught off guard and scrambling to cope with a sudden change in your key personnel, take the time to develop a contingency plan for a competent and reassuring transition.

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