

CERTIFIED MANAGEMENT ACCOUNTANTS | BRITISH COLUMBIA

# UPDATE



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THINKING  
AHEAD





• **Risk to clients:** A key part of succession planning is structuring job assignments that address development gaps. In professional services this must be managed carefully, so that employees who are learning are not putting client projects at risk and so that clients are not being double-billed when a mentor is assigned to correct someone's work.

• **Talent crunch:** In a professional services firm the senior partners or senior project leads are typically over-resourced on projects because they have specialized skills that are in high demand. This is especially true for senior engineers, tax professionals and accountants with specialized training. The catch-22 is that these are the same people who would make excellent mentors. This puts strain on the organization because while you need the senior people to mentor, you do not want to over-burden them to the point that they consider leaving the organization for greater work-life balance.

• **Partners who don't leave:** Given the partnership model in many professional services firms, partners often stay with the business for a long time. This limits career options for the next generation of leaders who want to fast track their careers. If up-and-comers feel like their careers are being stalled due to slow turnover at the top, they may opt to leave for larger firms.

• **Technical leaders promoted into people leadership positions:** Right now there are shortages of people who can fulfill the senior leadership responsibilities typically required in a professional services firm: sales, people leadership, client delivery and technical responsibilities. Given this, it can be tempting to promote a technical person into a senior leadership role, despite them showing limited potential to perform all aspects of the role. Unfortunately, there is a high probability they will fail. Don't forget, once you have promoted them, it is hard to reverse the decision.

• **High potential politics:** As part of a succession program, certain employees are often tagged as "high potentials." The firm invests more heavily in high potentials' skill development to address the succession gap. In a professional services firm, whether or not to call some people high potentials and not others needs to be thought through carefully. You want to ensure that future leaders know they are being considered for upcoming vacancies yet you don't want to alienate solid performers who may not be likely to progress.

• **Senior leaders feel threatened:** For senior leaders who have invested many years in the firm, succession planning may be viewed as a threat. If senior leaders feel pushed out of the firm or that their security and identity may be at risk, they may exhibit dysfunctional and protective behaviours and not truly support leadership development efforts.

For these reasons, it is important to have a well-thought-out succession management strategy and to proactively identify and address the issues that could derail your program.

## Key Success Factors for Succession Planning

Given these challenging realities, here are six strategies that can help your professional services firm develop a successful succession program.

• **Articulate a succession program philosophy:** Before getting started, take the time to articulate why you are embarking on succession planning and how investing in high potentials is similar to or different from other employee development programs. Be sure that the message is "we invest in everyone's development"; however, the development opportunities are different depending on the role and future opportunities for the person.

• **Get started early:** To avoid putting additional strain on partners and senior technical leads, get started early with succession planning. It is much easier to develop people over a longer time horizon than to implement a succession program when you are facing a crisis and need people to get up to speed fast.

• **Focus on culture and long-term incentives:** For smaller firms that may not be able to offer fast track positions, spend time developing your culture and offer lifestyle perks and project opportunities that far surpass the competition. The younger generation wants to have a career and a life and they may sacrifice career status for these benefits. Incentives tied to long-term performance can also aid in retention efforts and make it more difficult for people to leave, especially if the payout is significant for achieving long-term goals.

• **When promoting people, think holistically:** Before starting your selection process, clarify the experience, knowledge and behaviours that will lead to success. To add objectivity to selection decisions, use a variety of selection techniques such as structured interviews and psychometrics related to sales ability and people leadership. After someone is promoted, put a transition plan in place that clearly defines expectations and goals, and mitigates any downside.

• **Leverage internal mentors and coaches:** Internal mentors are senior people in the business who can help with knowledge transfer and learning the operational ropes. They offer valuable insight and hands-on experience to successors. External coaches can be used to help individuals refine certain leadership behaviours such as helping them to be more influential in the business and more effective at managing people. If internal mentors do not have the time, ability, or inclination to coach and develop people, be realistic about this and invest more heavily in external coaches or use retirees or consultants to help with development.

• **Add mentorship into partnership exit agreements:** When partners are slated for retirement, set the expectation that they are to stay on as part-time mentors for at least a few months after officially resigning from their role. Once their day-to-day responsibilities are off their plate, they will be able to provide more focused operational coaching to the up-and-comers, which is invaluable for developing successors. ■