NATIONAL DIRECTORS INSTITUTE | NDI Executive Exchange

## Top Takeaways

### Management Development and Succession Planning

These are the top takeaways from the roundtable on **Management Development and Succession Planning** moderated by Patrick Daugherty and Becky Navin on November 17, 2011, during the NDI Executive Exchange, a segment of Foley's National Directors Institute. Featured participants of the roundtable were Matthew Missad, CEO of Universal Forest Products, Inc. (Grand Rapids, Michigan), and Andrew Rooke, President of Manitex International, Inc. (Bridgeview, Illinois). These takeaways reflect the input of the audience members in addition to the individuals just mentioned.

1. **A formal leadership development program should not be considered discretionary in lean economic times.** Many companies are challenged to implement leadership development programs that balance the manager's significant operational responsibilities with the manager's need for leadership training. While lean economic times further exacerbate this problem, they also create a greater need for additional management bench strength. Creative leadership development solutions, such as formal mentoring programs with board members and/or senior management, rotations in other domestic or international locations, responsibility for special assignments (e.g., specific transactions), and placement of high potential individuals in community leadership roles and on other boards can provide needed leadership training for companies faced with budgetary constraints.

2. **Executive coaches can provide managers with a valuable third party perspective.** Although expensive, executive coaching can be an effective means of developing managers. Unencumbered by the cultural constraints of the organization, a qualified outside executive coach can provide valuable insight that will aid a developing manager in addressing issues faced by the company. In order to foster a successful coaching relationship, the coaching program should be presented as an investment in the manager's development rather than a critique of the manager's current performance. It is also important to involve the manager in choosing a coach.

3. **Identify and motivate high potential individuals.** A strong leadership development program should help companies retain their high potential individuals through the promise and realization of growth within the company. Providing individuals a challenging work environment, including assignments "above their fighting weight," acts not only as a means of development, but also as a reward for past performance and recognition of the individual's potential.

4. **Create a culture that employees cannot find elsewhere.** As the economy improves, companies can expect greater competition for top talent. While compensation and perceived opportunity for growth are important factors in employee retention, they are not always sufficient to attract and retain the best employees. Companies should also focus on demonstrating their commitment to creating a culture that provides development opportunities. In addition, companies should consider that high-performing individuals may value a culture that encourages employee innovation, facilitates community involvement and citizenship, and provides flexibility to meet the employee's non-work-related needs. The objective should be to create a company culture that top talent perceives as unique and irreplaceable.

5. **Transparency is the best policy in management evaluation**. Companies should establish and maintain a well-defined and consistently-applied evaluation system. The board should receive an annual presentation assessing the depth and development of management talent in order to assure that the evaluation process is yielding desired results.



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6. **CEO succession planning is essential for long term success.** CEO succession planning should begin 3 to 5 years prior to a planned succession and should not focus on a single candidate. The succession planning process should work in concert with the management development program to assure that developmental needs of potential successors are identified and addressed.

7. **The full board should actively participate in CEO succession planning.** While a board committee or the current CEO may oversee the day-to-day process of CEO succession planning, the full board should be fully informed and actively participate in the process. Key areas where the full board should be involved in the planning process include developing candidate criteria, evaluating and developing identified candidates, and selecting the ultimate successor.

8. **Plan for the unexpected – develop an emergency succession plan now.** The unexpected loss of a CEO for an ill-prepared company can cause significant disruption to the company's current operations and future prospects. The board and CEO should develop an emergency plan for senior management and review the plan annually or more often as circumstances require. One planning approach is to ask C-suite executives to name their own emergency successors annually. If suitable candidates cannot be identified within existing management ranks, this annual process should identify those gaps and require the board and management to take appropriate action. Another approach to emergency CEO succession planning is to identify a current board member that can fill the CEO role on an interim basis or longer.

9. **Develop a communication plan for CEO succession.** Every CEO transition needs a clear and logical storyline. With any CEO departure, especially an unplanned departure, the analyst community, shareholders, and company employees will look for clarity regarding the transition of leadership. It is important to provide immediate, clear communication of an orderly and logical transition plan in an effort to reassure these constituencies that seasoned leadership is in place so as to assure continued smooth operation of the business.

10. **Create a culture of transition.** A management team that is accustomed to operating in a culture characterized by rotational assignments will help facilitate smooth and seamless leadership transitions. Following a planned CEO departure, any ongoing role for the outgoing CEO generally should be limited in time and scope in order to allow the incoming CEO to effectively take the helm of the company.

**For more information**
For more information on the roundtable on Management Development and Succession Planning, please feel free to contact the moderators directly:

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