

AICPA Business Brief

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Tough Times Call for Serious Succession and Talent Management Planning

As a result of the struggle to prepare top talent to fill positions left vacant by an aging workforce, businesses and firms across the United States have employed succession planning measures that strategically address maintaining the strength of the organization while balancing the replacement of critical organization leaders. Experts are saying that with the cloud of recession hanging over U.S. businesses, now is not the time to abandon your organization's succession plan—in fact, it's the time to pull one together.

If layoffs loom in your company's future, it's time to implement your plan. "This is the time to keep your exceptional performers and their successors while cutting the average and (should they exist) below-average employees," says Bill Reeb, CPA, CITP of the Succession Institute, Austin, Texas.

Whether you're facing a layoff or not, if you don't already have a plan in place, Reeb recommends focusing on the leadership roles you need to fill rather than the people you need to replace. Your goal is not to replace personalities. That would be impossible. Instead, you want to clearly indicate the key roles and responsibilities of the positions in your succession plan. In addition, identify the authorities and limitations of those positions. Doing so allows you to internally develop and groom replacements (the preferred route) or seamlessly enlist a successor from outside the organization.

"Replacement planning vs. strategic risk-based succession management adds costs to the business—so all the more reason to be thoughtful with succession management and planning when times are tight," says Thom Solomon, PHR, Progress Energy in Raleigh, N.C. In assessing your company's talent, it is important to keep in mind who will be leading the company when the economy rebounds. In fact, Reeb explains that the succession planning process may bring to light the numerous management mistakes of the past such as incomplete performance reviews that result in undeserved raises and bonuses. In assessing your succession needs, the goal is to determine and hold-on to talented staff.

Should your business be forced into layoffs, there are several other key things to keep in mind besides your succession plan:

Plan early and carefully for a layoff (or potential future layoff). "You can hurt your business if you have to make talent adjustments in increments, so plan for a worst-case scenario

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upfront,” says Patti Gillenwater, CEO of Raleigh, N.C.-based, Elinvar. Gillenwater recommends considering your business’s sales cycle and forecasting the amount of talent you will (or won’t) need based on orders for an upcoming (and possibly slower) quarter.

Don’t necessarily bank on history repeating itself. Gillenwater cites the dot com bubble’s burst as a precedent for how *not* to manage the upcoming aftermath of the current financial crisis. During the dot-com fallout, businesses had a hard time anticipating just how badly they would be hit. As a result, many suffered multiple layoffs over a series of months and years. This time, businesses can bet that with the credit-crunch and difficulty in getting bank loans, this recession will be tougher and affect more workers at earlier intervals than the recession of 2000-2001.

Determine who your key people are and tell them. Without making promises, tell your all-stars that they have been identified as such. Explain the steps you are taking to try to keep them on during the turmoil. A business’s survival depends on the commitment of its top performers. But a business must demonstrate its commitment to those performers in return. Plan for what to do without these critical people if they are wooed away by a business or firm that is actively recruiting.

Be as nice as possible. Layoffs always come with hurt feelings and stress, and the staff you keep may have difficulty adjusting to the environment without their old teammates. During the layoff and after, it’s important to make certain the experience is as respectful and humane as possible. With advance planning, it may be possible to provide training for future redundant staff to help them set up for their next move. And it goes without saying, if you can provide outplacement services for those laid-off, by all means, do. Outplacement services can help encourage laid-off employees to broaden their network, find their next position, or even tap into a new career. Finally, during the layoff and after, be sure to consider the layoff survivors.

In the aftermath, keep remaining staff engaged. As with any business situation, a layoff provides both challenges and opportunities. Solomon says, “with layoffs come leaner organizations with high-potential talent capable of being stretched by untraditional or broader assignments.” Consider how to use these moments to challenge your remaining staff and engage them in projects where they might have otherwise missed out. Gillenwater asks, “How can you keep your remaining staff interested and happy? What can they sink their teeth into to stay engaged and excited?” One way to keep remaining staff motivated is to offer them training in a new skill, or involvement in cross-departmental projects so they feel a part of the strategy to get the company back on track. Providing the opportunities for potential triumphs makes staff feel valued and safe, a combination for success.

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