

The Definitive Guide

Succession Planning

For **privately held** agricultural producers and food manufacturers succession planning is central to long-term enterprise value.

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Table of Contents

- 01 ————— Succession Planning Checklist
- 02 ————— Identifying Leadership Risk
- 03 ————— Crafting Success Profiles
- 04 ————— Successor Gap Analysis
- 05 ————— Leadership Development Plans
- 06 ————— Assessing Institutional Knowledge Risk
- 07 ————— Implementation Planning

For **privately held** agricultural producers and food manufacturers succession planning is central to long-term enterprise value.

"A leader's lasting value is measured by succession." – John C. Maxwell

The Definitive Guide

Succession Planning



Succession planning is not exclusive to preparing for retirement. Losing institutional or tacit knowledge is an unnecessary risk that can be mitigated by identifying key positions and building bench strength within your organization to prepare for unplanned exits.

Succession planning is important for all organizations, but it is critical for small-mid-sized companies where an absence of leadership has an even greater impact on the long-term success of the business.

Understanding what type of succession plan works for your company involves understanding the underlying goals and values of your company.

Succession planning is not a one-size-fits-all process, and to get the most out of it, leaders should develop a living document that is well thought out and capable of adjusting to change. Creating a succession plan cannot be seen as a stand-alone event, but an ongoing process that is revised every 6 months.

This step-by-step guide was created for businesses to develop a practical, easy to

Understanding Executive Compensation

implement, plan for identifying 'at risk' positions, potential successors, and facilitating an orderly transfer of knowledge.

By following the outlined steps, you will learn to:

- Identify areas of leadership risk
- Craft success profiles
- Complete a Successor Gap Analysis
- Implement leadership development plans
- Assess institutional knowledge risk
- Implement the planning process



Before you begin, review the following items as part of your succession planning checklist.

Organizational Structure – Make sure your org chart is up-to-date so that you have an accurate picture of human capital within the company. This will help underpin your people strategy by clarifying roles and defining reporting relationships.

Once your organizational structure is up-to-date, take it a step further and assess what the future state of the organization may look like.

Consider the growth of the business accounting for new departments or divisions to emerge. Beware of the domino effect when promoting an individual from one leadership role into another and think about where their successor will come from.

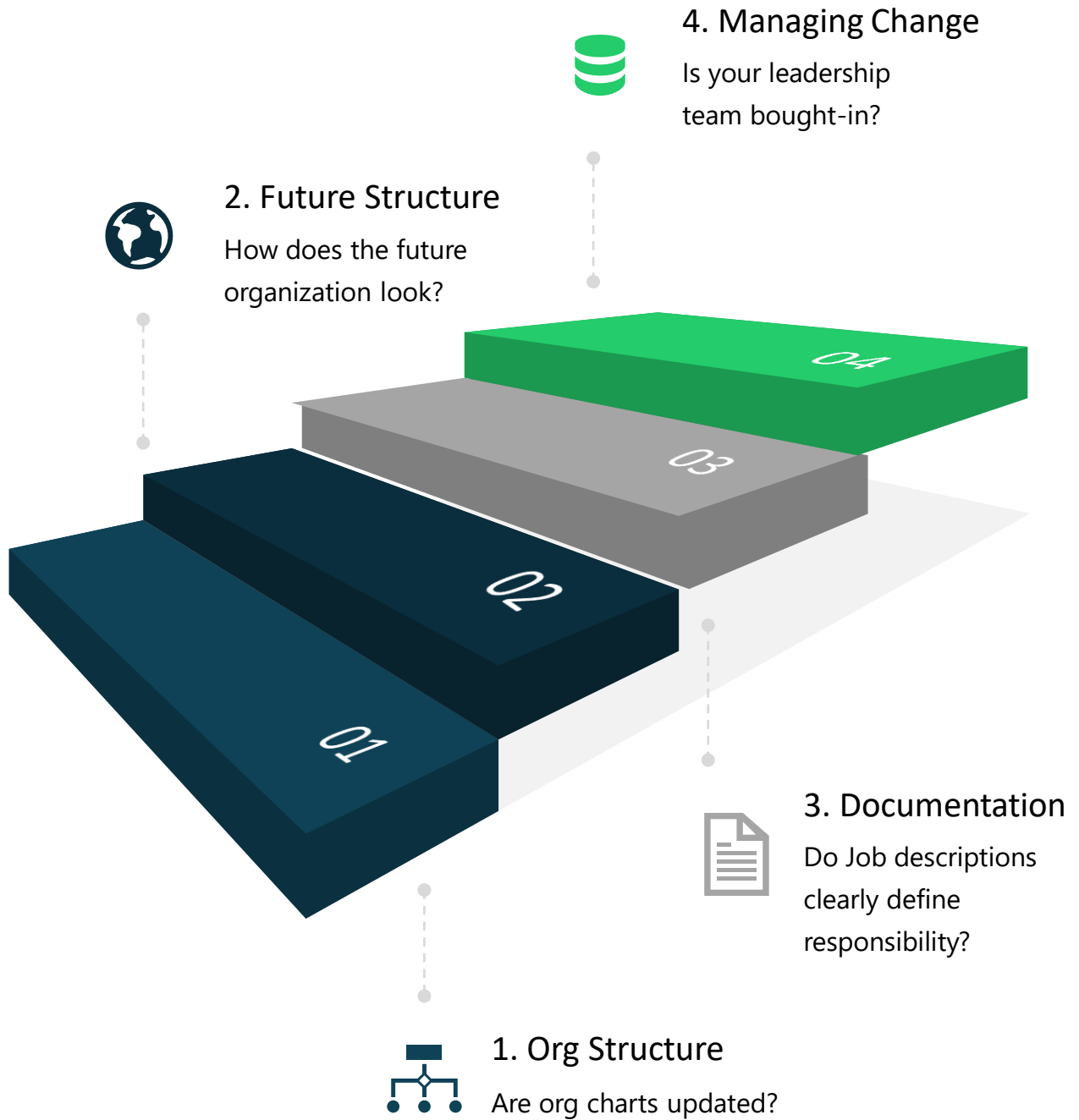
Update Job Descriptions -

An often overlooked tool, job descriptions help employees understand responsibilities, support the hiring process and are a foundation for training new hires.

Change Management – This is twofold; ensuring leadership buy-in and that the entire team is on-board, and secondly, assigning a process champion to steward the initiative by holding people accountable for action items and driving execution.

Succession Planning Checklist

Before You Start



Succession Planning

Leadership Risk



Small businesses often grow on the backs of a “rainmaker” who bridges the gaps between multiple disciplines.

Succession planning begins with asking the question, “how would we replace this person if they were no longer involved in the business?” Think through those roles that have an impact on driving top line revenue.

Where are important customer relationships or technical product knowledge concentrated?

Is there anyone else within the organization who could step-in and lead the team?

Consider factors for flight risk; the risk of losing an individual to another opportunity, retirement, or an internal promotion, and assign a numerical score between 0-5.

Do the same for the criticality of the position, and then multiply these two scores to formulate a figure for leadership risk.

Assessing Leadership Risk

Flight Risk x Position Criticality = Leadership Risk

Leadership Role	Flight Risk (0-5)	Position Criticality (0-5)	Leadership Risk (Flight Risk X Criticality)

Description text

Profiling Success

To formulate a leadership development plan, think through the success factors that will be necessary for a new leader to achieve desired business results.

Success factors typically come in four broad categories: behaviors, knowledge, experience, and skills. These categories can be used to draft a success profile that will help shape leadership development goals and are a valuable resource in aiding the communication between the incumbent and their heir apparent. Together, they provide a roadmap for developing internal leaders.

Behaviors

Relationship development is one of the most important behaviors for leadership success and includes both internal employees and external relationships with customers and partners. Identify which relationships will need time to foster and think through how you can bring potential leaders into the fray and begin to sow the seeds for developing relationships.

Leadership experience –
In small organizations with a limited staff, gaining leadership experience can be challenging.

Look for ways to help develop basic management skills like leading meetings, coaching subordinates, and performance management. Good leaders are not born, they are made through experience, and the behaviors necessary for success take time to develop.

Knowledge

Knowledge comes in many forms, but perhaps the most important for succession planning is the institutional knowledge gained over time spent working within an organization.

Understanding the inner workings of a company helps leaders assess risks, weigh options and make the decisions that have a long-term impact on business outcomes.

03

Succession planning must account for, and provide access to, those areas of the business where potential leaders will need exposure.

plans foster an open conversation and that there is room to learn when things don't go as planned.

Experience

There is no substitute for experience. The wisdom that comes with making mistakes, and recovering from them, is irreplaceable in forming the character for leadership.

Skills

Leaders must have subject matter expertise in all the areas for which they are responsible. If your next General Manager will be responsible for sales, product development, fulfillment, and logistics then they will need the opportunity to gain understanding in each of these areas.

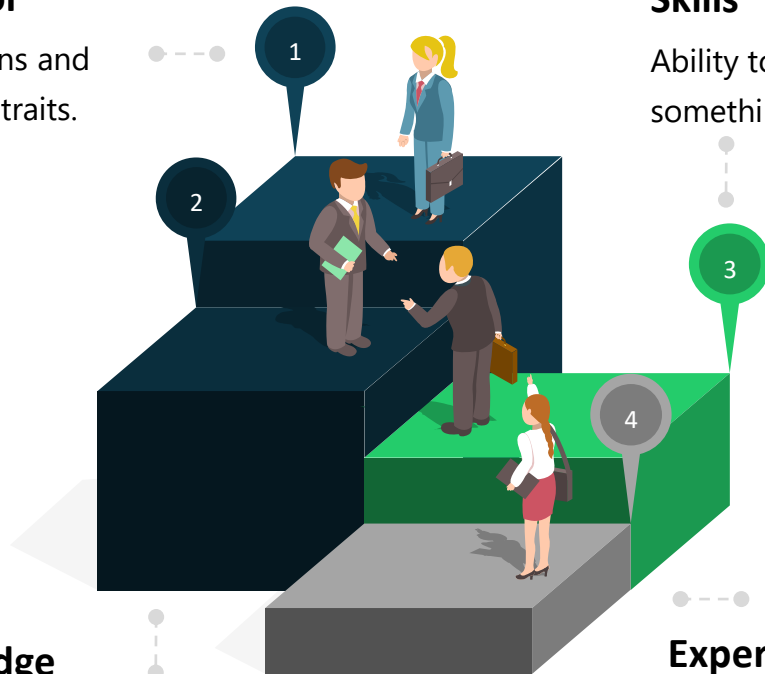
Make sure your leadership development

Behavior

Motivations and character traits.

Skills

Ability to do something well.



Knowledge

Job descriptions to define responsibility.

Experience

Wisdom from making mistakes.

Description text

Successor Gap Analysis

Once you have developed a success profile for the role, your next step is to evaluate potential successors against the profile to determine whether they have the knowledge, experience, personal qualities, and competencies required of the role. While knowledge, experience and skills are easier to train for, remember that behaviors

are inherent traits, and are often static.

Use the matrix below to rate the potential successor's skill level. A rating of 5 would indicate the greatest ability, and a rating of 1 would indicate that the potential successor requires training and development.



Success Factor	Desired Level 0-5	Actual Level 0-5	Gap (Desired-Actual)
People management and leadership experience			
Technical skills and subject matter expertise			
Professional experience and work achievements			
Behaviors, motivations and personal qualities			
Total Gap			

Successor Gap Analysis Matrix

Leadership Development Plans

Developing Leaders

Completing a gap analysis on how potential successors rank against the success profile helps frame your leadership development plan. Using your gap scores, identify which success factors will require development.

Have open discussions with current leaders and potential successors to facilitate the plan. As you document your progress, it is important to track success factor goals along with learning activities.

05



Identifying & Assessing

Knowledge Risk

06

When key leaders leave an organization, they take a lot more than their skillset with them. The institutional knowledge that accumulates over time – which empowers decision making, risk taking, and results – also walks out the door.

captured and transferred to the next generation of leaders. This part of the process is like step 1, however, in this case you are identifying critical knowledge that is at risk of leaving the organization.

To mitigate this risk, you will also need to spend time on the knowledge capture and transfer process. This is critical to ensure that knowledge is properly

Use the following scoring method to rate the amount of risk the organization would experience if this person’s knowledge and skills were lost.

Incumbent	Position Risk Factor (PRF)	Retirement Risk Factor (RRF)	Total Score (PRF X RRF)
Chief Executive Officer or President			
Chief Operating Officer or General Manager			
Chief Financial Officer			
Head of Sales & Marketing, Other			
Total Risk			

- 5 - Critical and unique knowledge. Requires 3+ years of experience. No ready replacement.
- 4 – Unique skill. Limited redundancy across the organization with no formal documentation.
- 3 - Important knowledge with documentation and other personnel possess the same knowledge.
- 2 – Non-mission critical knowledge. Documented and current training can be completed in > 1 year.
- 1 – Common knowledge and skills. External hires with knowledge/skills readily available.

Institutional Knowledge Risk Matrix

Succession Planning

Plan Implementation



Questions to Ask

- What unique skills or knowledge do you possess that may be difficult to replace?
- What key tools and resources do you use to do your job?



Capturing At-Risk Knowledge

Tools for capturing at-risk knowledge include; Stakeholder Interviews, Process Maps, Documented Processes, Knowledge Maps, and Job Aids.

Implementing a succession planning process has several objectives: identifying which roles you may need to hire for, creating mentoring and leadership development plans for potential successors, and capturing at-risk knowledge. Begin by outlining

questions which will help uncover unique knowledge and technical expertise. Utilizing tools like job aids and process maps will help you frame the basis for capturing at-risk knowledge and implementing a successful succession planning effort.

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