



— Business Advisory Services —

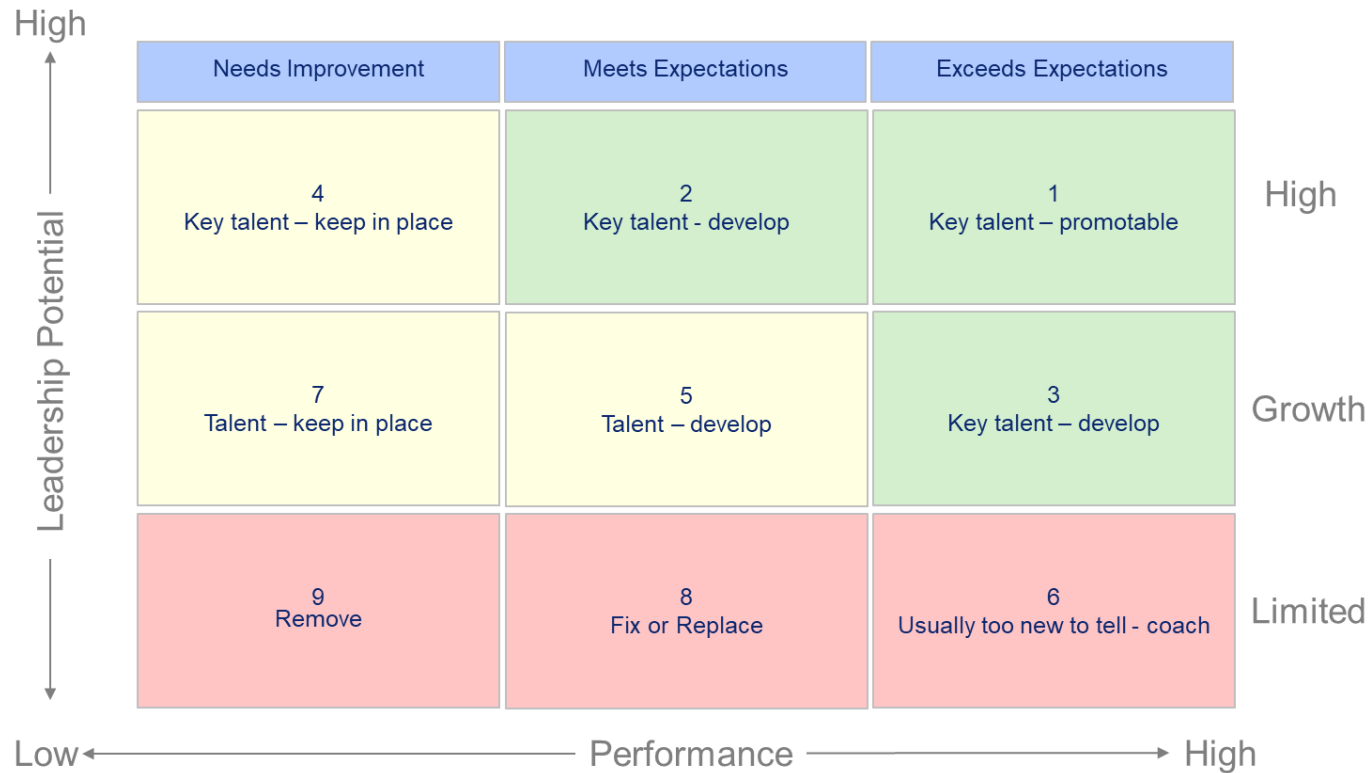
Succession Planning

Conway Center for Family Business- Manufacturing and Logistics CEO Peer Group

10.04.2024

9-Box Employee Evaluation

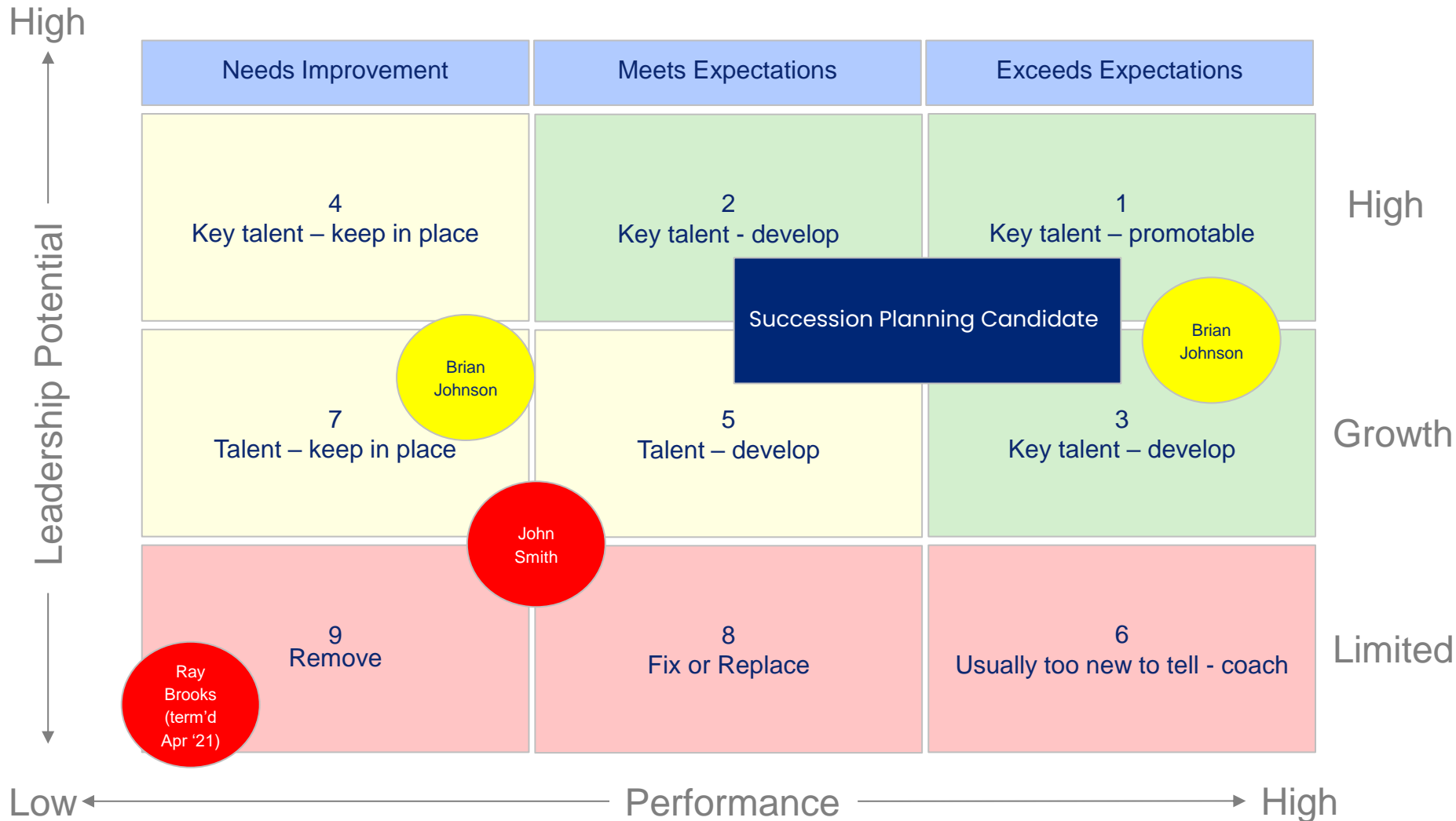
The 9-Box is an employee evaluation tool, where employee performance is evaluated, and employees are placed into one of 9 boxes in the grid below. The 3x3 grid includes Potential on the Y-Axis and Performance on the X-Axis.



Notes:

- It is critical to have many Core Players
- Refrain from sharing 9-box placement with employees
- The evaluation is the easy part, the harder (and more costly work) is development

9-Box Employee Evaluation






Definitions:

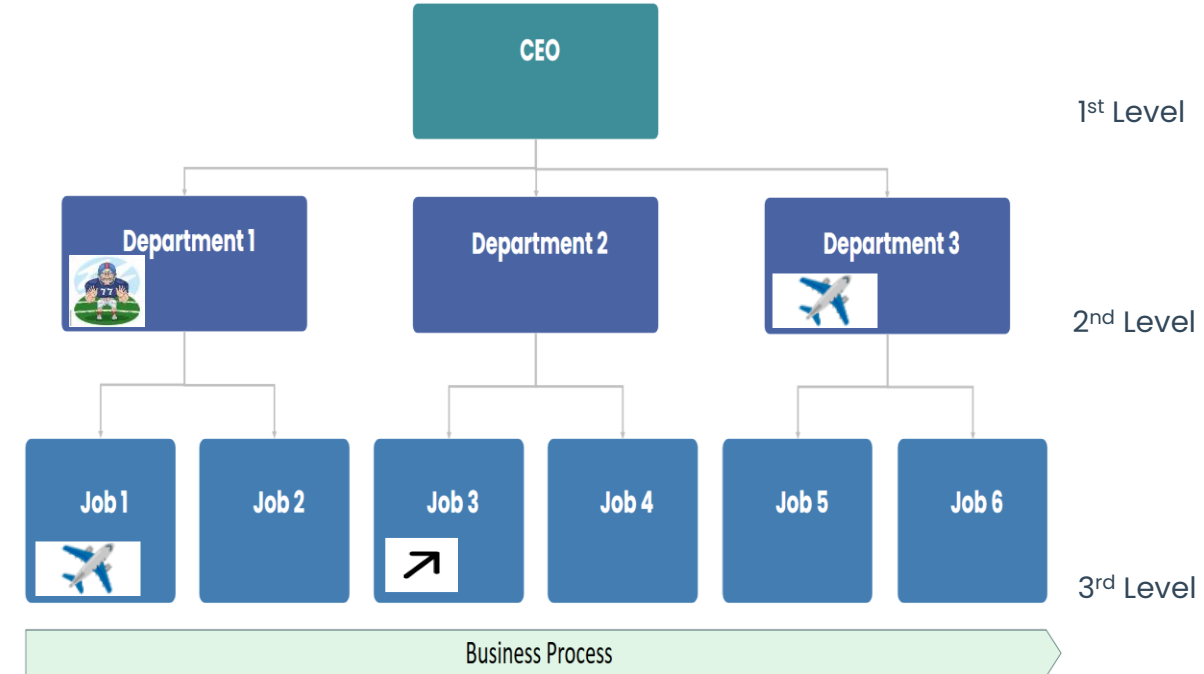
1. Demonstrates agility in a variety of complex jobs, capable of taking a position with significantly greater scope.
2. Currently delivering 'above and beyond' in current job. Shows capability for larger more complex roles.
3. Individual has high potential for future contribution but has room to contribute 'above and beyond' in current role.
4. Highly valued, seasoned professional in current role. Delivers 'above and beyond' in existing job.
5. Delivers what is required in current position. Shows capability for a larger role.
6. May be job mismatch, new hire with lots of potential, or new in assignment. Requires coaching to improve performance.
7. Solid performer in current role.
8. Determine if there is a job mismatch. If not, person should be coached to full performance or removed from position.
9. Consider reassignment, reclassification or exit.

Succession Planning

After you have identified top talent, review your organizational chart along the dimensions listed below. Then you can identify opportunities and concerns within your organization to make improvements.

Review Your Organizational Chart Along the Following Dimensions:

- ID key roles requiring succession plan
- Define succession criteria
- Agree on one immediate backfill
- Agree on multiple backfill options in 2 years
- ID flight risks 
- ID blockers 
- ID upgrade opportunities 



Succession Planning

After you have identified the roles that require succession planning, and you have identified potential succession candidates, Competency Management is a helpful method to refine your succession candidate list.

Examples of Competencies

Competencies are the skills and knowledge required to operate your business. Examples include:

- Customer-Facing
 - Lead-generation
 - Ability to manage large OEM
 - Deep relationship with key customer
- Operations
 - Ability to trouble-shoot equipment
 - Ability to automate
- Support
 - Knowledge of software
 - Ability to train employees

How To Implement

Evaluate the Company first:

- Define the competencies without considering people.
- Note that the 3 categories on the left can be altered

Secondly, identify candidates by competency.

- Some candidates may be ready now
- Others may require training and development
- One name can be considered for multiple roles
- Consider employees potential, their interests, their career-stage, etc.
- You may need to hire externally for some roles.

Succession Planning

Competency Map

Caption: Skill gaps

Customer-Facing Competencies

Lead Generation	Ability to Manage Large OEM	Long-term Strategies for Customer Engagement
Deep Relationships w/ Key Customers	Unique value propositions	Understands Org. Social Structure
Influence Others	Customer Relationship Management	Responsive to Customer Needs
Personal Authenticity	Market Research	Client On-boarding

Operations Competencies

Identify Risks	Ability to Trouble-shoot Equipment	Ability to Automate
Optimal Use of Resources	Creative Thinking Style	Research Informed Decision Making
Creative Thinking style	Drive Innovation	Process Optimization
Ability to Create Budgets	Formulate Strategies	Lead & Manage Change Initiatives

Support Functions Competencies

Knowledge of Software	Ability to Train Employees	Effectively Manages Time
Promotes Organizational Mission and Goals	Learn from those they Mentor	Build Rapport with Team Members
Project Management	Seeks to Understand Others' Positions	Facilitates Productive Group Interactions
Deals with Issues Promptly	Clear Communication	Builds Common Purpose

Succession Planning

Preparing the Next Generation to Lead

- **Vision for the Future**
 - Passing the family business to the next generation.
- **Preparation for Success**
 - Implement mentorship programs.
 - Provide formal education and training.
 - Encourage hands-on experience in various roles.
- **Advancing Careers**
 - Establish clear career advancement pathways.
 - Balance opportunities for family and non-family members.
 - Foster a culture of continuous learning.
- **Ensuring Equality**
 - Develop transparent policies for all employees.
 - Implement regular performance evaluations.
 - Promote diversity and inclusion initiatives.
- **Selecting Future Leaders**
 - Assess skills and competencies objectively.
 - Conduct thorough evaluations and assessments.
 - Encourage leadership development at all levels.

Succession planning is integral to ensuring the long-term success and stability of any organization. To implement effective succession planning, it is essential to follow several best practices:

1. Identify Key Positions: Begin by determining which roles within the organization are critical to its success and sustainability. These positions are often those that require specialized skills or leadership.

2. Assess Potential Candidates: Evaluate current employees and identify those with the potential to fill key roles in the future. Consider factors such as performance, skills, and leadership qualities.

3. Develop Talent: Invest in the development of potential successors through targeted training, mentoring, and career development programs. Providing growth opportunities helps prepare future leaders for their responsibilities.

4. Create a Succession Plan: Document a clear succession plan that outlines identified successors and the required steps to prepare them for their future roles. This plan should be regularly reviewed and updated to reflect changes within the organization.

5. Communicate Transparently: Share the succession planning process and decisions with relevant stakeholders to foster transparency and build trust within the organization.

6. Review and Adapt: Regularly assess the effectiveness of the succession planning process and make necessary adjustments to address organizational changes or unforeseen challenges.

By adhering to these best practices, organizations can ensure a seamless transition of leadership and maintain operational continuity.

Succession Planning

Preparing the Next Generation to Lead

Core values (beliefs)

- This is foundational, and is the “touch stone” by which all decisions should be made in the organization

Process – Earned Not Given

- Working outside the family business first
- Working in different roles inside the family business
 - Starting at an appropriate level and successfully working your way up
- Embrace the struggle
 - Entrepreneurial spirit that family businesses embody and embrace
- Avoid making promises – “someday this will all be yours”

Plan (vision) for the Company

- The family business needs to create enterprise value
 - Build an economic engine for the family
 - It is more than just providing jobs to family members
- How does the current generation set the next generation up for success?
 - Does the next generation want to be in the family business?
 - Is the next generation qualified?
 - Smooth handoff versus “throw it over the wall”
- Have a clear governance process, with family and non-family advisors
 - This will help reduce conflict in the business, and inside the family
 - Sounding board, voice of reason, facilitates family discussions, helps deescalate family related business conflict, helps separate business issues from family issues, trusted advisor, confidant.

Start the Process Early

- Think past the good intentions of passing the business to the next generation, and think about what you and the business need (transition before transaction)
 - Many owner’s wealth is tied up in the business
 - How do they fund retirement?
 - How do they get paid for the value they have created?
- Training / preparation for the next generation
 - Career development?
 - How will success be measured?
- Seek the advice of a trusted advisor to help you think through different scenarios

Best Practices

- Start early, give yourself time to establish a defined process for developing and selecting the next leader
- Have clearly define core values (beliefs) for the business
- Seek the advice of a trusted advisor to help you think through different scenarios
- Remember that the business is an economic engine for your family

Thank You.

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