

Succession Planning

Succession planning: A little preparation goes a long way

Earlier this year, recruiting firms across the commercial real estate industry reported that nationwide searches caused by succession planning processes had increased by roughly 50% year over year – and firms in Colorado are no different.

Between the storm clouds hanging over the office segment, the pandemic causing professionals to rethink their life priorities, and the extended interest rate forecasts for 2024, many senior CRE executives in the state are moving up their timelines for retirement. This, in turn, is putting unexpected pressure on companies to re-examine their succession planning processes.

Succession planning can be a delicate and tricky process to get right. If a company waits until a senior leader announces their plans to retire before ramping up a successor search, it's usually too late to implement the kind of smooth, strategic process that would deliver optimal results.

The best approach to succession planning is to make it a regular, ongoing thing, rather than treating it as a one-off event. Following are some best practices that have worked for Colorado firms:

■ **Make succession planning a regular part of the annual employee evaluation process.** It's typical for managers



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and human resources personnel to discuss whether a given employee is performing as part of the yearly evaluation process, or whether an employee's focus and priorities seem to have changed.

What's less common is to go a step further and think about a) the likelihood that the employee will leave; and b) who has the skills, training and experience to quickly step into their role if they depart. This is especially crucial for mid- to senior-level roles, where a tenured employee's departure can have a disproportionate impact on a company's performance.

If it's not readily apparent who has the key skills needed to replace a senior manager if he or she should leave, the organization should take that as a cue to enhance its on-the-job training programs around those specific skills that a prospective successor would need.

■ **Define the attributes a successor should possess and update them over time.** We've all heard it before, but when it

comes to succession planning, it's true: Cultural fit is often more important than specific skills. Just as importantly, the attributes a company prioritizes among its rising leaders will define that organization's culture going forward.

With that in mind, companies should take a thoughtful and systematic approach to identifying the traits successors for various potential roles will need. In my experience, some attributes are universally valuable for successors: Flexibility combined with decisiveness; urgency to improve the company mixed with gracious respect for what earlier leaders accomplished; a tendency to be a self-starter combined with excellent collaboration skills.

Many Colorado CRE companies pride themselves on their unique cultures, and this is the step where they can preserve and strengthen those assets. If the company prides itself on giving back to the community, it might want someone with deep local ties in the successor role. Does the company need a jolt from a big picture visionary, or does it want its leaders to be more focused on execution and operations?

This is also the step where companies can articulate new

skills or experiences they want to bring in. I typically ask companies, "What does the exiting person do really well? And where would you like to upgrade?"

■ **Avoid "analysis paralysis" by mapping out the process in advance, then stick to it.** Common parameters to define at the beginning of a succession planning search include the number of rounds of interviews to be conducted; the number of stakeholders who should be involved, and when; "deal breakers" that would eliminate a candidate; and other more in-depth steps such as personality profiles or cultural experiences (meals, outings, etc.) with the executive team.

Succession planning searches are more sensitive and complex than typical searches, and it can be wise to allow for more flexibility and time, if needed. Sticking to a reasonable structure, though, can be the difference between completing a search relatively quickly and seeing it drag on for months.

■ **In unexpected succession planning scenarios, don't wait to ask for help.** When a company founder or other leader departs suddenly, companies frequently find them-

selves lacking the necessary connections or understanding of the hiring landscape in their market to fill the role within an acceptable time frame.

In one such scenario with a Colorado company earlier this year, the company was inclined to hire from within, but wanted to consider outside candidates to be clear on the market. It moved fast to retain a search firm, which was able to quickly gauge the candidate pool, affirm its decision to hire from within and advise on a strategic plan to help the successor develop key skills where they did not have previous experience.

Succession planning scenarios are always challenging, especially with the personal relationships that are affected when a key leader exits a company; the time pressure that arises when retirement planning timelines are accelerated; and the need to maintain continuity for clients and employees alike.

By bearing in mind the pointers and best practices above, however, Colorado CRE firms can address these challenges with confidence and consistency. ▲

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