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Are You Planning To Be Replaced? If not, you should...



There comes a time in every successful executive's life when they need to start thinking about who will replace them when they finally hang up their gloves and enjoy a well-deserved retirement. It may be a daunting thought at first, but with the right preparation, it can be a smooth transition, even if it's not going to happen for another 5 or 10 years. Here are some considerations to make before choosing the best candidate for the job.

Hire Internally

Research carried out by professors [Rakesh Khurana and Nitin Nohria](#) at the Harvard Business School indicates that when a CEO retires, it is best to find an internal replacement. They studied the hiring practices at Fortune 200 companies over a 16-year period and charted the impact on operating returns to measure the companies' performance.

Their study showed that when companies hired externally to replace a retiring CEO, there was a 6 percent drop in performance. However, when a company hired internally, no statistical significance occurred. This shows that an internal replacement allows a company to maintain its performance.

Define the Criteria

This involves making a [list of criteria](#) that candidates can be measured against, which will establish exactly the kind of requirements that are important to fulfill the position in question.

Some of these requirements will be universal for all leadership positions, whereas others will be more specific to the company.

For instance, a legacy entertainment company may need someone who can gather digital properties, form a team that will use algorithms, and make the necessary shifts in both people and resources. In a medical group, the CEO's role may require a background in coding, Macra, insurance processing, and healthcare legislation. It is best to clarify essential qualities that are needed to do the job from the outset.

Keep an Open Mind

During the selection process, it's inevitable that the main person choosing a replacement will have a few favorites. This is why it's important to make a collective decision and involve other team members, or a corporate advisor. They are more likely to be neutral and form an opinion based on the credentials of the contenders, which plays a significant part in getting it right.

Having an outside perspective assessing internal candidates also lends a sense of transparency to the process, ensuring that employees are fairly considered.

Form a Contingency Plan

For many years, companies used scenario planning to develop good business strategies, and this technique can be applied to managerial leadership succession.

In this context, a scenario is a logical description of how the future might look. It is based on educated guesses. A range of possibilities are considered while analyzing the effects on the company. Then we examine how these changes affect the specific skills and experiences the company needs in its core decision makers.

Finally, we consider which aspects of the business model and strategy is expected to remain constant, and then decide who meets all the necessary requirements and has the right skills to carry the company forward.

In the military we have contingency plans for everything. A managerial leadership [contingency plan](#) is a good way to determine who is not just the best fit now, but for the future as well.

Business owners can equip their employees with the skills they need to succeed at work and identify those who have leadership potential. Even if retirement is 3, 5, 10 or even 20 years away, planning ahead improves the likelihood of the replacements being successful.

I would love your thoughts on this topic [here!](#)

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