



FOCUS ON SUCCESSION MANAGEMENT

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Talent Development Is the Key to Successful Leadership Transitions

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The way companies transition leadership at the executive level remains a critical indicator of future success and business stability.

The handover of responsibilities from one generation of leaders to the next is not just a matter of tradition; it ensures the continuity, resilience and long-term success of an organization. [FMI's 2023 Talent Study](#) sheds light on the complex challenges that businesses face in this process. This article delves into the essential process of successor identification and talent development, which the FMI survey revealed are two of the most prominent of these challenges.

The Reality of Executive Attrition

Companies across the built environment are experiencing a seismic shift in the executive leadership landscape. The rate of attrition at the top levels of companies in the engineering and construction (E&C) space has escalated significantly in recent years, casting a shadow of uncertainty over the sustainability of businesses.



When comparing the recent findings of FMI's talent study to data from 2015, a clear narrative emerges that highlights the need for an extended developmental timeline for upcoming leaders.

As seasoned executives depart for various reasons, a leadership void emerges that can negatively impact strategic initiatives, disrupt organizational harmony and erode institutional knowledge.

To compound the problem, more than two-thirds of survey respondents indicate that even their identified successors won't be ready to step into leadership roles until three to five years from now. The complex skill set necessary for executive positions, which encompasses strategic thinking, people management and adaptability, requires years of cultivation.

Often the timeline for preparing successors is underestimated or pushed because companies don't have concrete deadlines for making a transition. Other times firms are struggling with unclear development criteria and finding talent to fill the gaps left by employees who have been promoted.

Take a moment to consider how many of your employees understand what skills and behaviors are needed to be successful in an enterprise leadership role. This extends beyond simply transitioning current job responsibilities from one person to the next. It requires an intense focus on the behaviors the organization needs from its enterprise leader in the future.

If you don't have clarity around the developmental target for your successors, you will be unlikely to hit those goals by your desired transition date. Companies must recognize that grooming potential successors is a continuous process that cannot be rushed.

A Clear Path Forward

In the face of uncertainty, organizations must create a clear and definitive path forward. Succession planning is not just a buzzword; it is a lifeline that ensures the seamless transition of leadership. Almost two-thirds of survey respondents have yet to think about their succession plan strategically.

Talent Shortage

Average expected employee loss to attrition or retirement over the next five years

2022

22%

22%

23%

28%

2015

16%

8%

10%

10%

Executives

Senior Managers

Project Managers

Field Managers



Given that these incoming successors will ideally be leading the business long into the future, it is important to have a clear vision for where the company is headed before successors step into new roles.

Clarifying your organizational vision will shed light on the behaviors that will be required for future leaders, as well as help next-generation executives shape the organization they will be leading. Clarifying the organization's future before a transition gives incumbent leaders the opportunity to ensure the culture is preserved, impart their wisdom to the next generation, and assist new leaders in establishing a clear direction.

Once the organization's vision is clear, the picture of the kind of leaders the company will need begins to come into focus. To identify, assess and develop successors in a targeted way, it is important for organizations to first get clear on new leaders' responsibilities and what behaviors will drive success in these positions.

Often companies don't consider how these responsibilities and behaviors should evolve as the company and the operating environment change.

Setting clear criteria of what you are looking for in these roles will allow you to evaluate multiple potential successors. These individuals, possessing not just the requisite skills but also the potential for growth and adaptability, form the foundation of a robust leadership pipeline.

However, the path forward demands more than just identifying names on a list. You'll need to establish a strategic talent development process that hones the capabilities of future leaders to match the organization's future needs. Additionally, determining what constitutes an effective leader can be elusive, which can prolong the selection process and generate uncertainty within the organization. The more clarity you can bring to these strategic roles, the more focused, targeted development you can invest in to accelerate enterprise leadership readiness.

Succession Plans?



None to very little strategic thinking on succession plans



Organized and defined succession plans for all strategic roles



Organized and defined succession plans only for key executive roles

Crafting Development Plans

To develop effective talent, you need to look beyond generic approaches, to tailored development plans that cater to the unique strengths and growth areas of each potential successor. These plans are not rigid structures; they are dynamic road maps that evolve alongside the individual's development journey. Achieving clarity on what "great" looks like in strategic roles will allow you to assess your potential successors to determine which skills and behaviors need to be targeted in development plans.

A well-crafted development plan outlines specific learning objectives, skill-building initiatives, mentorship opportunities and exposure to different functional areas. It strikes a balance between on-the-job experiences, self-reflection and improvement, and relationship-building. The outcome is a well-rounded leader who possesses the depth and breadth of expertise and the self-acknowledgment of his or her strengths and weaknesses to navigate the complexities of the corporate landscape.

One key element of a successful development plan is accountability. The pressures of daily responsibilities can make it easy for long-term developmental goals to give way to what is most urgent.

By establishing a formal accountability mechanism for your successors, whether in the form of regular check-ins with current leaders or with an executive coach, you can ensure these individuals are driving progress, talking through challenges, and capturing rich takeaways and learnings along the way. An accountability mechanism can transform development plans from a paper exercise to a transformational road map for personal growth.

Reflect on what it would be like to found and lead a new construction company. You likely have your hand in every project, know each employee by name, and have the entrepreneurial skill set to change course quickly. Now picture running a \$1 billion general contractor with 200 employees with projects across the country. The leadership behaviors required to be successful at each company are vastly different.



Forging Leaders Through Challenge

One of the cornerstones of effective talent development is the utilization of stretch assignments. These are strategic challenges intentionally designed to take potential successors out of their comfort zones and propel them into uncharted territories. Stretch assignments are not mere tasks; they are transformative experiences that facilitate growth, build resilience and cultivate a profound understanding of diverse organizational facets.

The stretch assignments should be relevant and timely to company needs. You should also make sure to select assignments that specifically build the desired behaviors identified for success in key roles, so that successors can develop the behaviors under real organizational pressures.

Examples of stretch assignments:

- 1 Create a strategy to enter a new vertical market.
- 2 Open a new geographic office.
- 3 Lead a change initiative for the business.
- 4 Evaluate and/or negotiate potential merger or acquisition opportunities.
- 5 Assess the risk associated with complex contract negotiations with clients.

Assignments like these can help successors develop skills such as strategic thinking, decision making and the ability to thrive amid ambiguity. By embracing stretch assignments, organizations are nurturing individuals who possess the agility and adaptability required to drive the organization toward its goals.

The Pool of Successors

It's important to plan for various contingencies. Relying on a single candidate to bear the responsibility of a pivotal leadership position is a risky proposition that organizations cannot afford to take lightly—which is why it is important to plan for related contingencies. Cultivating a diverse pool of potential successors is paramount.

Establishing a diversified pool not only safeguards against unforeseen disruptions but also ensures that the organization is equipped with a cohort of leaders, each with their own unique strengths and perspectives. When you take this approach, you help build a strong executive team around new leaders and avoid disaster should the primary successor not work out. One of the best ways to support a new leader who will be making a significant developmental leap into a new position is to surround the individual with a strong team to complement specific strengths and growth areas.



Building a Deep Bench

The development of successors is only one facet of a multidimensional strategy. While focusing on the future, organizations must also be equipped in the present. As leaders are promoted or move on, gaps they leave behind must be swiftly filled to maintain operational efficiency and momentum.

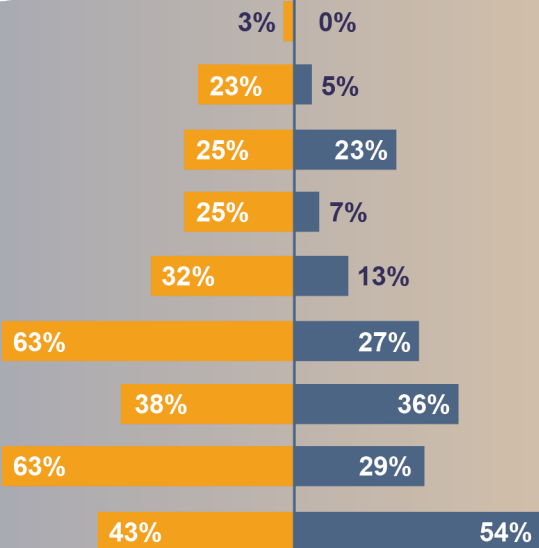
Building a deep bench of talent is akin to cultivating a reserve of skilled players ready to take the field at a moment's notice. This bench strength is not restricted to a single layer; it extends across various tiers of leadership. It ensures that when

the organization chart shuffle ensues, there is a seamless transition that keeps the company moving.

For every succession plan for an executive position, there must be a strategy for other key employees who could be stepping into those roles. In best-in-class organizations, succession planning and talent development are infused into every layer of the business and not just reserved for executive-level positions. The question is: What steps can you take toward becoming best in class?

What positions or roles are the most difficult to fill?

What positions or roles have the most turnover?



- C-Suite Leaders
- Corporate Staff Management Roles
- Corporate Staff Nonmanagement Roles
- Estimating/Preconstruction Management Roles
- Estimating/Preconstruction Nonmanagement Roles
- Operations Management Roles
- Operations Nonmanagement Roles
- Field Staff Management Roles
- Field Staff Nonmanagement Roles



Key Questions for Consideration

As your organization prepares for executive transitions, ask yourself:

- 1 What will our organization look like in 5 to 10 years, and what specific leadership criteria will be required to lead our business into the future?
- 2 Are we fostering a leadership pipeline at all levels of the business that identifies, nurtures and challenges potential successors?
- 3 What specific opportunities exist in our business in the next one to three years to stretch our next-generation leaders and develop the specific skills required to lead at the next level?
- 4 Are our transition plans adaptable enough to accommodate unforeseen changes while ensuring business continuity?
- 5 What resources, tools or external expertise can we tap into to refine our executive transition and leadership development strategy?

Conclusion

The backbone of resilient and adaptive organizations consists of strategic successor identification and talent development. The need to identify successors and nurture their growth is not just a pragmatic strategy; it is imperative to safeguard the future of the organization.

As executive attrition rates rise, organizations stand at a crossroads. They can either choose the path of uncertainty, where leadership voids jeopardize their survival, or they can embrace a path of foresight and preparation.

Organizations need to create a clear path forward, identify successors, develop talent and cultivate a diversified pool of successors to fortify their foundations, ensure continuity and march confidently toward a thriving future.



AUTHOR



Ryan Quigley is passionate about building strong leaders and developing high-performing teams through people and process improvement. He balances client work with internal research to support thought leadership team initiatives. Ryan has spent a significant portion of his time at FMI assisting clients with succession planning, talent development and building high-performing teams for large, complex projects.

Prior to joining FMI, Ryan was a financial center manager for Bank of America, where he motivated and inspired his team to establish strong client relationships and achieve operational excellence.

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Previously, Karisa worked in a variety of industries including education, construction, nonprofits, finance and grassroots politics. She was able to work in rapidly growing organizations, honing her skills with assessing gaps, scalability and succession. With her diverse background, she takes a broad approach to change management and organization development ensuring all facets of the organization are considered.

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