



PREMIUM PODCASTS FOR THE 21ST CENTURY

THE ANDERSON FILES

THE BOOK ON SUCCESSION PLANNING

This is The Anderson Files on PodClips. The Anderson Files is a look at commerce, investment, economics, and retirement issues that affect each and every one of you. Your host is Mike Anderson, Executive Vice President of the Warner Companies, a Foundation Risk Partners company. The Warner Companies is a registered investment advisor, with securities offered through M. Holding Security, Inc., member of FINRA and SIPC. And now your host, friend, and colleague, Mike Anderson.

My guest today is Daniel Feiman. Daniel is founder and Managing Director of Build It Backwards, a consulting and training firm based in Redondo Beach, California. He is also the author of a new book, ***The Book on Succession Planning Systems***. Daniel, welcome to the show.

Mike, thanks very much.

Great. As we get into learning about what you've communicated, what you want to communicate in the book. Stepping back a little bit, what inspired you to write it?

What really inspired me was working with organizations where I saw that they were floundering. They were focusing on only the immediate rather than the important, and some of us have heard that term before. They were only looking at today, putting out fires, not preventing fires. So I started to ask some questions and try a few things. And we eventually built out this system, this five-phase system, to help organizations, not only from a holistic standpoint, create their own ideal future, but evolve into a leadership development program that accomplishes both future-proofing the organization, as well as identifying, assessing, and developing tomorrow's leaders today. So it evolved from a need in the marketplace, to working with clients, developing a system, to people saying, You've got to put this down in writing. And this is what led to the book.

And this is one of several books that you've written, and how many books have you written previously?

This is the fourth we've had published. There are two more that are in the works right now. And my wife usually gets a little frustrated because she sees how much work I put into it. And she says, Do you really need to write another book? And I said, But I've got something to say.

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The one reason you need that, there's something to say with it. What's really wrong with the way most firms go about even planning for succession?

Most firms think of succession the way, oh, I think the Exit Planning Institute does, and I think, you know, I'm on the board of the Orange County Chapter. Succession is used in many situations to mean retirement or exit, or selling. And that is certainly one of the options. But too many organizations fail to realize that the succession of the organization, the success of the organization needs to be long-term, needs to be outliving any and all of the existing leaderships. Unless, for some reason, we think our firm should die with us, most of us don't think that way. So if we don't want the firm to die with us, what we want to do is look holistically. How do we take an organization, prepare it to not only survive, but thrive regardless of circumstances in the marketplace? And that is to develop the next generation of leaders, to put a strategic plan together, executed by those leaders, constantly building your bench strength. So you, as the founder or leader, or C-suite. When you want to transition out, when you want to retire, when you want to move to other responsibilities, you can successfully, and the organization can continue on and even thrive beyond what you do. That's what organizations fail to do right. They don't think of it holistically, they don't develop true leaders for the future, and that's what we're trying to fix.

And with that, is there a connection between succession planning and that leadership development element? Are they coupled?

I think they most definitely are coupled, at least in our experience. And with the over 100 firms that we have not only developed with this process, but actually use this process in across the country. So how we link it, how we think there's a natural connection, is if succession planning is the future-proofing of an organization, it is building it for the long-term, regardless of what happens, the only way you can successfully create that opportunity and assure yourself of reaching those long-term goals is to build a strong bench of future leaders to complement those today. So that's how we link it. The success of the firm is succession planning holistically, and for that to be implemented appropriately and to have true what they call legs. Long-term is to identify your high-potential candidates, to assess their talents and skills compared to your ideal, to create an individual development plan for them, and then implement that plan over time. So that sequence of steps is what links the succession plan to the leadership development. Which, believe it or not, has proven to put firms well ahead of their competition when they do this.

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And with that, an additional question. Do you see any particular advantage or disadvantage in developing that leadership being tied to the family of the current leadership, or a combination of family and non-family? I know there's a lot of combinations there, but I know what you unravel along the way is finding that path. As to where is the leadership coming from?

In a perfect world, and we all know we don't have a perfect world, but in a perfect world, you would objectively determine your needs. There's your future organization plan as part of your strategic plan. What are your long-term needs? Who do we have internally that is ready, willing, and able to prepare to take on additional responsibility, whether they're family members or not? If we really have the best interest of the firm in mind, even if it's a family-owned firm, we will look for the best candidates. When it's a family-owned firm, you do have the complication of some family members may be working in the firm and have certain expectations. Non-family members have certain expectations or lack thereof. So, developing a strategic plan for what's optimal for the firm, communicating that to everyone, being consistently objective in your assessments is what works best if what we truly want is an ideal firm. If we just want to pass it on from one generation to the next within the family, that might be okay, again, if we have family members who are ready, willing, and able, and who are more skilled than anyone else. And I'll give you a quick example. Ford Automobile was headed by a Ford member until 2004, 2005, when they recognized they needed to bring Mulally in from Boeing, which was a long, difficult process. He made some tremendous improvements and changes in Ford, but it took some time. He was the first non-Ford family member in 100 years, and it saved Ford. They were the only U.S. automobile company that didn't file bankruptcy. So I'm a firm believer in the best talent, whether they're family or not, should be involved, should be developed.

You're listening to The Anderson Files on PodClips.io with guest Daniel Feiman. Daniel, as we continue on the subject of succession planning, it's often seen as complex or even intimidating for most organizations. How do you simplify it for leaders who may feel overwhelmed?

That's a very important point. Too many leaders, when they get out of their immediate comfort zone, are uncomfortable, they are intimidated, they frequently won't move. So that's really why I wrote the book, Mike, because we broke it down into five simple phases. And each of the phases is supported by a sequence of templates, so we've made it agile or flexible enough, so

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you can choose what templates fit your particular need. But when you follow those five phases in sequence, it makes the entire process much, much easier.

And to pivot off that, you talk about 30 secrets in your book. Can you share one secret that many leaders overlook, but is absolutely critical for effective succession planning?

Yes, and I'm glad you used the word critical, because we have a tool in there called Critical Roles. And what it does is it again links to what do you, as the leader of the firm or the leadership team, what do you see as the most important roles in the organization? Not just today, but in the future? And then for those roles, once you've listed those, then you go through and you move from left to right. It's a simple matrix where we've got weights in there. How urgently does that position need to be filled? Do we have a sufficient number of internal candidates, or do we need to look externally? What's the quality of our bench strength? What's the business impact if this position becomes vacant? How unique is the skill set for this particular position, and what's the probability of, or the risk of, vacancy? When you go through and fill this out and put in the appropriate weights, it mathematically will give you your priority. So what's the most important single position to address? Second? And third? And when we've done this with firms frequently, they're quite surprised as to what their self-imposed first priority is. But then it gives clarity on what the next steps are.

On a side question. This may come up a little bit later in our talk, but as far as how critical time, giving things enough time, do you find that with certain firms, the planning, this is a four-quarter game, and you want a solution with the two-minute warning? Is thinking about, in your book, and time must be a really critical element.

Time is, but remember, we all have the same 24 hours in the day, so it's how you use it. So we've developed the system so that we can literally walk organizations through this system in the planning phase relatively quickly. We've done it literally in weeks, but it usually takes a few months. It's the implementation, like anything else, that takes much longer. But if an organization commits to themselves that, let's say, in 30 days, they're gonna build their succession and leadership development plans, we can actually do that with this model. We can walk them through, and then we can lay out a timeline with accountability for the

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implementation. That accountability makes it much more certain they'll make the needed progress.

How do you balance the development of current leaders with the identification of that future talent when you're planning for a succession?

Well, the most important thing is to recognize we have a business to run, so we don't stop anything to do this. We continue whatever development plans we have with our existing leaders. And be clear this is not guaranteeing anyone who is not in a leadership role today that they'll step in. This is giving them opportunity, this is really creating a career path. So the existing leaders are part of the overall planning. Those who are identified as potential candidates, it's communicated to them; again, they are assessed, a gap analysis is done, an individual development plan is created. And with some people, that may be a multi-year plan, and it all ties in really to a career path within the organization. So anyone who wants more responsibility, who's willing to invest in themselves and the effort with the organization, is given the opportunity. So no one is guaranteed anything. Existing leaders stay in their roles until they want to move on. So it shows there's opportunity for tomorrow, but you have to earn it. On the question of common mistakes, what's the most common mistake an organization makes in this process? How can they avoid it?

Well, the most common mistake organizations seem to make is trying to fit square pegs in round holes. Trying to either A) not plan, or B) stick people in positions that they may or may not be suited for. So we go back to, are you ready, willing, and able to take on more responsibility? Have you proven yourself? Have you taken the development plan seriously? And what we see is organizations frequently make the mistake of assuming that seniority equals ability, ability equals desire, desire equals experience. None of those are givens. So prove to me that you're ready, willing, and able. Prove to me you have the skillset to take on more responsibility, and it's an evolutionary process.

I'm Mike Anderson, and I'm talking with Daniel Feiman, and this is The Anderson Files on PodClips.io. Daniel, as we continue related to that, I'm thinking the personalities of the key people involved within the company. How often are you really managing those personalities, which could be quite different?

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Most definitely, as you know, I've had the pleasure of working in over 30 different countries and in almost every different industry there is. Every organization has an organizational culture that's somewhat unique, and not every leader, even in a given industry, is the same. So yes, we have to be very flexible, very sensitive, very agile in working with leaders to make sure that we understand where they're coming from, and we can help them see the true benefit of this. And when we do, and when they have that aha moment, is when we can truly make progress to help them help their firm.

And in your book, you discuss key strategies for leadership development. What's one strategy that you've seen be a game-changer for an organization when it comes to developing leaders?

Well, I would say the strategy of using a success profile instead of trying to create a job description out of thin air. That success profile covers four different parameters for the ideal candidate for any given role. It looks at, and again, you do this before you create a job description. You do this before you look at the individual, it looks at their experience, their knowledge, their competencies, and their personal attributes. So you say, for a CFO, for a chief engineer, for a marketing director, in a perfect world, this is the knowledge they would have, this is the competencies they would have, these are the skillsets, the experience they'd have, and here's their personal attribute, like emotional intelligence, et cetera. Then you take that and you say, all right, let me compare the individual candidate, either who I have in the role now, or a future candidate, compare them to this success profile. You see the gaps, the differences, not that that's bad. Those are the areas they need to be developed in. That's how you can develop the ideal candidate from the ideal job description, from a truly comprehensive and objective success profile.

And with that, do you see situations where they're on a good path? And, for selecting leaders, on their way to solid succession. And then something gets thrown into the works, a monkey wrench, and it throws them off track, because we know it's not a linear path. Are you pretty much constantly ready to deal with that, adjust, and get the project back on track?

In my experience, what the readers of the book will find is that the only way to future-proof your organization, the only way to give you the ability to handle any situation, is to be always building your bench, always looking long-term. Be flexible enough in your responsibilities, have

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people who can handle diversity, adversity, circumstances. I'll give you a perfect example. Some of us remember March of 2020 - Covid started. Now, how many organizations in the end of 2019, as they were planning 2020, prepared for the biggest pandemic in a hundred years? I don't know any of them myself, but what I observed, Mike, is those organizations that built in flexibility, that had people who could handle surprises, could handle adversity, who had relatively high emotional intelligence, that had built solid teams vertically and horizontally within their organizations, did significantly better than those who didn't.

And as you're talking here, I'm thinking of clients, corporate clients that I've had over the years. And, yes, have companies been bought and sold, have some closed, that had gone out of business, merged, all these combinations. What I've seen, though, one of the biggest challenges, an event is where the key person passes away suddenly, and there's this scramble. And I've seen situations where companies have been able to steady the ship; others, it was a catalyst to just disband, and everybody goes their own way.

I hundred percent agree, and I'll give you two examples I've seen in the last 18 months with clients. In one case, this was an international food distribution company. The founder, heart and soul, marketing whiz, CEO, didn't wake up Monday morning. The board panicked, didn't know what to do, was afraid of the impact, not of the marketplace, but of their competition. And liquidated the company almost immediately in a real fire sale situation and put 400 families on the street. That was because they didn't have a plan, and they didn't have the flexibility. Compare that to another client of mine who had a situation where one of their key people had a very unfortunate medical situation, was gonna be out indefinitely. Well, because they had a succession plan, because they were in the midst of developing their leaders and had bench strength, it was a next man up concept, as you see in sports teams all the time. And they were able to instantly have someone step into the role. Now, they didn't have the 40 years of experience this individual did, but by having someone who is preparing for more responsibility, who had the willingness to step in in an uncertainty, that organization did just fine. Moving forward, literally did not miss a beat with production, with customers, with finance. It was a huge win compared to the alternative.

And as we move to the close of our segment, how do you see the future of leadership evolving in the next decade? We know the velocity of business, the economy is at a very high pace,

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moving quick. How should organizations adjust their succession plans to meet these upcoming changes and challenges?

I think it's a combination of long-term planning and short-term action; it's that old linkage of strategy to tactics. It's extremely important for firms to have that long-term vision that they're working towards with established goals and objectives and metrics, and owners who take on personal responsibility. I'm talking about owners of each of the actions, each of the initiatives, number one. Number two, to recognize by creating a real succession plan for the organization. It's effectively a career path which leads to higher productivity, lower employee turnover, improved employee satisfaction. This leads to a higher bottom line, and Mike, I don't think there's any firm that doesn't want a higher bottom line. That's the future of succession planning, as I see it, over the next decade or two.

Daniel, where can listeners purchase the book?

Well, the good news is Amazon and Barnes & Noble still carry all of our books, so that's all they have to do is go there.

Great, and for listeners to contact you, what's the easiest way to connect with you? Either email me at danielfeiman@builditbackwards.com, and that's f-e-i-m-a-n, or at the website, which is www.builditbackwards.com.

Daniel, thanks so much for guesting today. Wish you fantastic success with the current book, and when you punch out those next two, feel free to come back, and we can talk about those as well.

Great, Mike. I really appreciate this, and I look forward to our next opportunity.

Absolutely. Thank you, Darrell Wayne, recording engineer; Mark Alyn, producer. I'm Mike Anderson, and this is The Anderson Files on PodClips.io. Keep calm and keep listening.

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