



Succession Planning:



Don't Wait Until
It's Too Late!

Rural Water Utility Board's Like a Family

For better or worse, a rural water utility and its board operate like a family, with members playing well-defined roles. Each has leaders and followers, quiet members and loud ones. And like families, some water utility leadership teams, and their boards, are more functional than others.

The similarity runs even deeper: when a rural water utility or its board suddenly loses a member, it's like the family's breadwinner dying without leaving a will. Uncertainties pop up. Tensions can mount. Questions long unasked now come to the surface, sometimes with unpleasant answers.

Unsure of what happens next or how the group dynamics could shift, people can begin walking on eggshells. The business — of the family or the utility — can't move forward until some basic questions are answered, including: where do we go from here?

A little advance planning can save a lot of after-the-fact hand-wringing or finger pointing. Attorneys advise their clients to draw up a will while everyone in the family is still healthy. It's the same for rural water utilities and their boards: a succession plan provides clarity and continuity, keeping uncertainty at arm's length.

As is often the case, proactive planning is cheaper than the alternative, which often is litigation.

In recent years, some rural water utilities or their boards got an unpleasant surprise after one of their members departed suddenly. In one case, a rural board didn't realize its financial exposure to customer water leaks. In another, important operational decisions were made by one board member without the input of others. We all know about the tragedy in Flint, Michigan, which was partly triggered by poor succession planning.



Succession Planning: A Strategic Priority

It's sad but true: rural water utilities are thinly staffed. Their boards are often comprised of part-time volunteers with little or no experience in water issues. As a result, important issues like succession planning often don't receive the attention they deserve.

If a board member's day job is a farmer, a manufacturer, or a retailer, that's where he or she will spend their time and energy. However well-intentioned, their board service has to come after the crops are in, problems with the manufacturing line are fixed, or the new store is up and running.

Industry sources say that many of the nation's rural water utilities, and their boards, lack a clear succession plan.

The absence of a succession plan can create a risk that invites potential confusion, delay, and poor decision making when a board member suddenly dies or departs.

"And all too often among those utilities or their boards that do have a succession plan, that plan sits on a shelf, unread and gathering dust," commented Matt Holmes, Chief Executive at the National Rural Water Association (NRWA).

“Working with our state-level member associations to draft, update, and implement succession plans continues to be one of our top priorities. We urge rural water utilities with an interest in succession planning to speak with their state associations about filling that need. NRWA has resources to support their state-level associations.”



Matt Holmes, Chief Executive, NRWA

Rural Water Utilities Need to be Operated as a Business

"Many rural water utilities have aging pipes, pumps, and equipment that need to be repaired or replaced," Holmes continued. "Water quality regulatory standards continue to evolve: a case in point is 'forever chemicals' like the family of man-made chemicals known as PFAS (per- and polyfluoroalkyl substances)."

"Maintaining, repairing, and upgrading rural water systems will put upward pressure on retail water prices, and we understand that is something many utility leaders and boards want to avoid," Holmes said. "Water utilities are a life-sustaining part of rural America, and they need to be treated as such."

Some states, like Tennessee, Mississippi, Oklahoma, Texas, New Mexico, and Louisiana have laws requiring rural water utility board members to go through some training before they can take their seat. But most states don't require any training.

"Running a rural water board is not as easy as it looks, it's not as easy as it used to be, and it's not going to get any easier in the future," the NRWA Chief Executive commented. "It's imperative that utility leadership teams and their boards have members with expertise in capital planning, budgeting, construction, environmental science, or setting prices."

*The water business faces
accelerating change
in the coming years.
Succession planning can
help prepare a rural utility
and its board to adapt to
those changes.*



Rural water utilities face increased urgency around replacing lead pipes and service lines. Aging pipes and pumps need to be repaired or replaced. Cyber defenses need to be set up and updated regularly. Water prices need to be adjusted to reflect essential capital expenditures that sustain life.

That's why rural water utilities need leaders and board members with real-world business experience.

Holmes, who served as the Executive Director of the New Mexico Rural Water Association before leading NRWA, said, ideally, new utility leaders and board members should begin recruiting their replacement immediately upon joining a board. "It may take five years to identify the ideal candidate, but you want to be in a position to able to make a strategic, thoughtful choice when a vacancy opens up."

Succession Planning: Straightforward but Not Easy

Water is a community's most important asset and therefore one of its highest priorities. Everything that is good in a community starts with reliable and clean water. The loss of reliable clean water would be catastrophic.

To give water its due, we recommend utility leaders and board members step back from their daily bustle and ask themselves, "What happens to my community if the water system collapses?"

That should help elevate the importance of succession planning for leaders and boards.

Fortunately, the succession planning process is relatively straightforward. But that doesn't make it quick or easy.

Briefly stated, succession planning is the future-focused practice of identifying the knowledge, skills and abilities needed to perform critical functions, and then developing a plan to prepare multiple individuals to potentially perform those functions.

Most practitioners agree that there are four critical steps to succession planning:

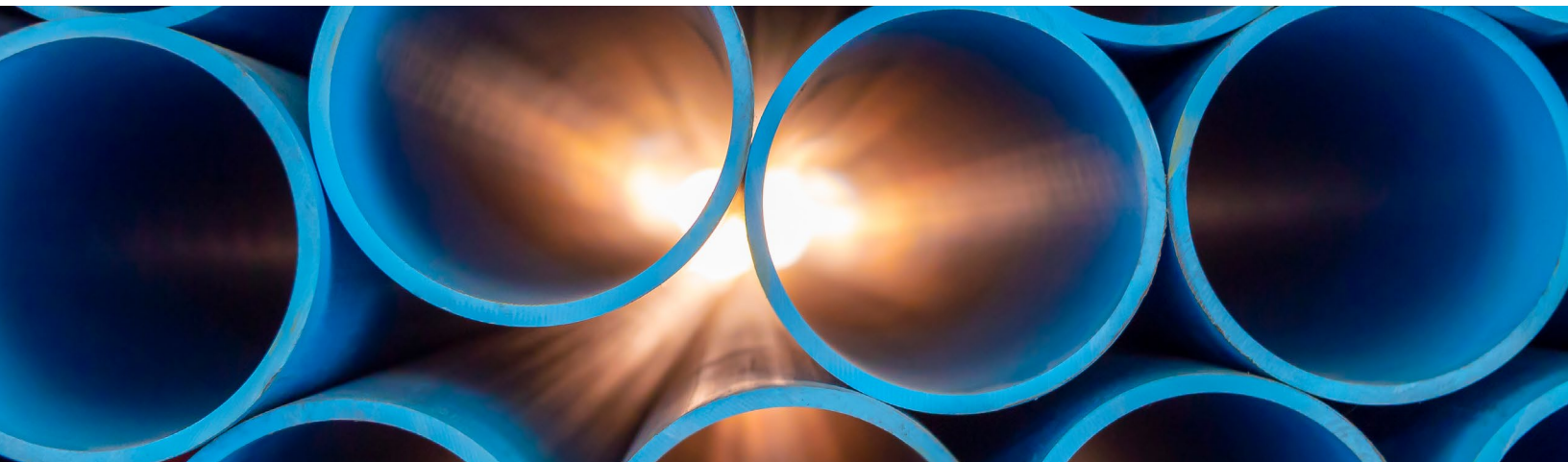
- Assess needs
- Develop plan model
- Implement plan
- Measure, evaluate and adapt

In conducting a needs assessment, three questions must be asked and answered honestly:

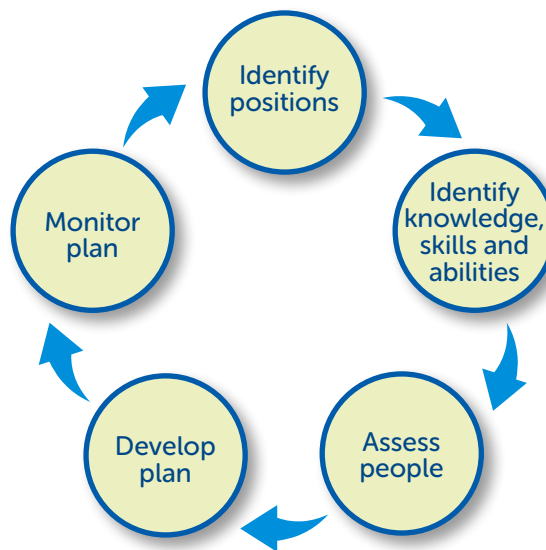
- Where are we now?
- Where do we need to be?
- How will we get there?

There is no one formula or path to performing succession planning. It will likely take one or more days of offsite workshops to conduct a needs assessment.

Then, answering those questions requires significant staff (or consultant) effort to collect and analyze data about critical functions and a host of other questions, including: What do we know about planned retirements? What critical skills are necessary to succeed in that function? Can we identify and prioritize key processes/positions? Can we grow that talent internally or do we need to look outside?



*Succession planning is a **systemic approach** that assesses critical functions, and determines what knowledge, skills and abilities are needed to perform those functions. It is about the functions, not the people performing those functions.*



The succession planning process does not have to be daunting. It doesn't require expensive consultants, though a trained facilitator can more readily identify important issues and concerns, leading to a better outcome. What is non-negotiable, however, is that the leadership team and board members be willing to invest the requisite time and thought before, during and after the process.

ServLine Takes One Issue Off a Board's Plate

When a rural water utility board loses a member, a top priority is to ensure that the ongoing business of the organization continues. Materials must be purchased and warehoused. Invoices must go out. Capital projects need to stay on track. Paychecks need to go out. Staff must be hired, trained, evaluated, and either promoted, reassigned or let go.

Water utilities are concerned about providing the best service to their customers. To ensure continuity despite the natural shifts in board and utility personnel is to have programs in place that run independently and efficiently, unburdening the often overworked utility staff. One example of this is the ServLine by HomeServe Leak Loss Protection Program.



Aging infrastructure is causing more and more water leaks each year, which can negatively impact utility budgets, efficiency and customer perception. Through exclusive affinity partnerships with the NRWA and 28 state rural water associations, ServLine offers a unique leak loss protection program to water utilities that helps them to better serve customers while improving utility operations.

The ServLine Leak Loss Protection Program offers utility customers peace of mind knowing that, should a leak occur on their property, they are protected from the expense of a high water bill. Additionally, the program features outstanding customer service and a simple and seamless claims experience, which increases customer satisfaction with the water utility.



The ServLine program benefits water utility companies by helping to recapture lost revenue and bad debt associated with customer water leaks while also reducing the stress, effort and time involved in administration of the leak adjustment process.



Succession Planning: Be Proactive and Strategic

Many rural water utility leadership teams and boards are made up of long-serving members. Sometimes, when an opening comes up, there may be the temptation to select a friend or anyone who seeks the position. This is short-sighted.

In fact, now more than ever, water utilities and their boards need to strategically recruit future members, even when there's no unfilled seat. Candidates need to have critical skills, like construction, finance, human resources, operations or cybersecurity.

Holmes urged state water associations and rural water utilities that lack a succession plan to become more intentional and proactive about creating one.

"With rural water utilities and their boards, it's always a question of priorities," said NRWA's Holmes, drawing on his 21 years of leadership with rural water issues. "There's almost always something on the front burner that needs to be taken care of today. As a result, important issues that are not urgent tend to get pushed to the back burner. But eventually, that important-but-not-urgent issue becomes urgent. That's the wrong time to think about succession planning."



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