

Succession Planning

Businesses of all sizes and within all industries often suffer from poor planning. A key area which needs consideration is succession planning for both ownership and key management.

IT IS THE RESPONSIBILITY OF EVERY BUSINESS OWNER TO PLAN FOR THE DAY WHEN THEY WILL NO LONGER BE INVOLVED IN THEIR BUSINESS ON A FULL TIME BASIS.

Often, we hear of small to medium sized businesses built primarily on the drive and enthusiasm of a key individual, only to falter when that person is no longer there. Similarly, larger public companies can experience great turmoil if their management and ownership criteria are not clearly defined and allowed to develop correctly.

Within succession planning we are not simply talking about small businesses or personal financial planning. We are looking for business to be planning for its future success - and for that success to be facilitated by a transfer of ownership and management responsibility to successors who are ready and prepared for the responsibilities involved.

CONSIDER THESE QUESTIONS TO HELP YOU WITH SUCCESSION PLANNING:

Does anyone else really want this business (or position)?

Succession planning requires you to be quite honest with yourself as to just what style of business you have, whether it really has value to outsiders, and whether it can be made more valuable. Without addressing this question much of the other work you do may be pointless.

Can the business survive without me?

One of the keys to good management is to make a business or position able to operate without you. Here we are talking about the functions and processes that you or the business might undertake, not necessarily the visions and ideas that you personally might have.

To facilitate your business operating without you, you will need to consider business and operation plans, financial factors, staff selection and assessment procedures, training, the systemization of processes (one of the great benefits of the quality movement) and the maintenance of a management environment that encourages others to participate within the business.

Are there clear lines of separation between ownership and management?

While one individual might happen to be both the owner and CEO of a business, there is no reason why that needs to continue. You should clearly identify the roles required of the owners and managers of the business and deal with each of those.

In terms of looking at succession, three general questions should be asked for both ownership and management. They are:

Who, When and How?

- *Who is the appropriate person or who are the appropriate people to take over your responsibilities?*
- *When is the appropriate time for them to assume those responsibilities?*
- *And how will that change over be implemented?*

Are your business structures appropriate to allow for change?

Start considering the legal structures within which you operate. Are the business assets properly located in the right entities to allow for future changes between ownership and management of the business? What operational systems can be changed to facilitate succession? What arrangements can be put in place with partners and fellow shareholders to provide them with protection without jeopardizing your own interests? Are your business partners prepared for the changes involved?

Have you planned personally for a change in role?

Very often, we find that successful business people cannot fully let go and gave no arrangements in place to occupy themselves once they step back from full business activities. This is often one of the key causes of the failure of succession - the old management group just fails to let go.

Have you properly planned for your own retirement and lifestyle needs?

This involves consideration of financial requirements and investment decisions. These matters cannot be fixed with short notice. They require you to consider what action you can take now so that the future is more controllable.

Have you properly allowed for your family's needs through both retirement planning and estate planning?

Consider the disposition of assets under your Will. Your family should know how the business works and how your investments are held. When major family businesses are involved, proper wealth creation and estate planning techniques need to be considered so different assets can be left to different members of the family without jeopardizing the business itself.

Are you prepared to do something now?

The longer you have to implement different strategies the more likely it is you will be comfortable with the results.

While succession planning is usually not an urgent issue facing a company, it **is** important. The longer an owner waits to begin the planning process, the more urgent the issue becomes.

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