



Succession Planning

What?

Who?

Why?

When?

How?



What is Succession Planning?

A strategy and management plan for implementing the next generation of ownership.



Who does Succession Planning?

- Family owned companies with upcoming generations
- Partners
 - Burnt out
 - Retiring
- Entrepreneurs
 - No family member interest but employee interest
 - Planning to sell
- Large corporations at all levels



Why Succession Planning?

- Protect company assets and valuation
- Perpetuate the family business
- Determine optimal exit strategy
- Lower cost and improve efficiency
- Avoid burn out
- Ensure a smooth leadership transfer

When to do Succession Planning?

NOW

It is never too early

It can be too late



How to do Succession Planning?

Determine succession goals and strategy

Integrate succession with Strategic Plan

Develop succession management plan/process

Sell the business



Develop next generation

Transfer management team (internal, external)



Management Transfer Best Practices

- Clarifying strategic vision, values and objectives
- Determining organizational needs, critical roles and skill sets
- Assessing and identifying possible successors (family, management, outside hires)
- Communicating succession opportunity with key employees
- Developing appropriate skills/experiences – the Plan
- Measuring and managing performance



Common Pitfalls

- Limited sense of urgency and/or perseverance
- Limited leadership support
- Not fully understanding the financial ramifications
- Losing objectivity
- Making assumptions
- Succession not integrated with strategic plan

Case Study: External Management Transfer

Situation

- Professional services firm
- Senior partner retiring in 3-5 years
- Senior partner principal rain maker
- Strong reputation and growth potential
- Four partners assumed potential successors

Succession Plan

- Assessed partners leadership skills business development skills
- Determined skill gaps in partners
- Conducting search and hired external partner(s) and/or companies with skill sets

Case Study: Internal Management Transfer

Situation

- Large corporation
- Senior leaders approaching retirement
- No structured performance management or training
- CEO makes all key decisions
- Five year Strategic Plan drives company

Succession Plan

- Identified skills to support Strategic Plan
- Identified high potential managers with base skills
- Provided tools for growth and development
- Defined individual development plans to prepare for succession

Case Study: Family Management Transfer

Situation

- First generation seeking retirement
- Second generation in charge
- Third generation emerging with no career paths
- Family business/mom & pop culture

Succession Plan Elements

- Created a family constitution
- Developed retirement funding plan
- Developed a structured operating style
 - Job\ descriptions
 - Performance management
 - Process management
- Defined a third generation career development plan

Case Study: ESOP Conversion

Situation

- Owner has no family members
- Owner ready to retire
- Strong management in place
- Industry leader, strong performance
- Strategically driven

Succession Plan

- Continue maximizing growth and value
- Involving general manager and key staff in succession planning
- Evaluating ESOP
- Acquisition pending

Case Study: Divestiture

Situation

- Second generation owned and operated
- Owner is burnt out
- Significant untapped growth potential
- Significant management capabilities untapped
- Sons are not an alternative

Succession Plan

- Developed a 5 year strategic plan
- Provided manager training and career path to include promotion
- Upgraded reporting and tracking processes
- Identifying buyers within a 3-5 year period

Succession Planning Next Steps?

- Bucket 1: Hopelessly worried stage
 - Commit to getting started
 - Succession education among key players
 - Succession options and financial ramifications understood

- Bucket 2: Kinda Sorta – Somewhat stage
 - Strategic plan defined and integrated with succession
 - Organizational needs defined
 - Key people engaged (family, partners, management)

- Bucket 3: Plan in Place - Implementation stage
 - Persevere when bumps in road
 - Remain committed
 - Measure and monitor performance and progress to plan

Bottom Line

Succession planning

- is critical to protecting business assets
- requires a commitment
- involves key players
- is never done too early
- reaps high rewards