

# Is Your Company Without A Rudder?

By Jon Ford

A business without a succession plan is like a ship without a rudder, unable to navigate safely and wisely the sometimes placid, sometimes stormy seas ahead.

If you are a business owner you should take the time, as early in the business cycle as possible, to examine where you are going and how you are going to get there. Don't be put off if you can't see an immediate reward for your early planning, the key is to have time on your side. Leaving your planning too long can jeopardize all that you have built and hoped for. Effective internal succession planning is ongoing and the earlier you start planning, the more viable you can make the business.

and groomed appropriately to lead the business into the future.

The ownership succession plan enables the business to be "groomed" attractively to ensure that it is seen in the best possible light and gets the best price if you plan on selling. Ownership succession planning is "complex, emotionally confronting, and carries high penalties if it is deferred. It's confronting because it deals with the fundamental question of the inevitable mortality of the owner, and potentially of the business."

Inadequate planning can be dangerous, and not having a well-considered succession strategy in place exposes even the most successful business to catastrophe. If you

- Ensures a smooth transition with less likelihood of disruption to operations.
- Clarifies authority and decision-making roles.
- Maintains accountability and ensures stability.

This plan should "shockproof" your business against the unexpected, ensuring its continuity and future success long beyond your management and the current operation and ownership structure. It will enable you to leave behind a legacy of a profitable and sustainable business, a strong brand, solid strategic positioning, an untarnished reputation, a committed team, and a good work culture.

This legacy will get you a premium price for your business and attract the right successors. □

*“Succession is best described as the transfer of both management and control within a business.”*

There are many aspects to consider, and there are different plans to suit the different stages of succession. And you need to plan for all those stages. Succession is best described as the transfer of both management and control within a business. It does not mean a complete exit from ownership, but it does mean an exit from management. It can be described more definitively as having two dimensions: ownership succession and management succession.

Ownership succession focuses on who will own the business, and when and how that change will happen. Management succession focuses on who will run the business, what changes will occur, when the new management will be accountable for results and how results will be realized. But there is another plan to consider first.

Internal succession is defined as a disciplined means of nurturing, developing and retaining talent as a platform for an owner's eventual transition from management and, in many instances, from ownership.

Executed internal succession planning creates an environment, that ensures that the best people have been chosen wisely

put succession planning in the too-hard basket, or act only when retirement is on the horizon, you could experience monetary losses, and even loss of the business itself through any number of factors. These include the degradation of the brand, failure to keep pace with the competition, loss of customers, loss of sales, staff attrition and loss of key talent, a fracturing of stakeholder relationships and goodwill, and a gradual decline in the value of the business.

## **A well-structured succession plan:**

- Attracts and retains suitable staff through development and nurturing strategies.
- Ensures a continuing sequence of qualified people to move up and take over when managers and key people retire or move on.
- Ensures the business' value is protected and maximized by demonstrating a clearly defined viable future.
- Establishes and progressively builds up equity.

## **Test Yourself**

How prepared are you? Six important questions for the business owner:

1. Do you have a strategy in place should you, or a key staff member, be unable to return to work for a long period or ever?
2. Is this strategy documented and has it been communicated effectively to the business?
3. Do you have a process in place that ensures qualified and appropriately trained staff can take over competently when the current generation of managers and key people retire or move on?
4. Has this strategy been documented and communicated to the key people involved?
5. Are you able to demonstrate your business plan for a clearly defined viable future?
6. Have these plans been clearly articulated, documented, and communicated to the key people within your organization?