

# Succession Planning When There's No Apparent Heir

## The 10 Steps to Effective Succession Planning

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Do you sometimes find yourself wishing you were an employee and not the boss? As the boss you aren't concerned with being fired, but -- neither can you quit. Too much depends upon you for you to even consider quitting. The business you worked so long and hard to build, your employees, their families and yours, rely upon you to keep the ship on an even keel.

Perhaps you have read articles on succession planning - how to pass the baton to family or employees. However, the kids don't seem interested in taking over and you don't have an employee who could fill your shoes. What to do?

Somehow the thought of selling your business is distasteful to you. Perhaps because the business is a reflection of you. It reflects your vision, personality and dreams. The business is almost like a child in that respect. You don't sell children, do you? Certainly not, but as the child matures, natural forces of nature call for a change. Eventually the child marries and begins a new family. The new family contains elements that are a reflection of you. This is the way our values and principles continue.

Succession Planning is very much the same in that the suitor has to be the right person, one who will do right by the business. In addition, you will expect a handsome dowry before you give your approval and let the new operator take over.

### Ten Steps to Effective Succession Planning

1. **Face the reality** that both you and your business are constantly changing. Eventually the needs and requirements of your business will conflict with your personal lifestyle needs.
2. **Develop** some non-business interests. Make time to develop these outside interests.
3. **Begin** to establish financial resources independent of your business. Take advantage of opportunities outside the business as well as tax advantaged retirement programs.
4. **Start sooner**, not later. Transition takes time. You have a lot to do before you can let go.
5. **Identify** your ideal replacement. Only when you understand what your company is today can you identify what it could be tomorrow. List the skills, interests, talents and resources your successor must possess in order to capitalize upon the opportunity your business represents.
6. **Prepare** the business for transfer. Take stock of those areas where your personality, skills or influence are key elements of your firm's success. Begin a program to transfer these activities to others within the company.

7. **Review** the company's financial statements. In most private companies the need to show a profit is overridden by a desire to minimize taxation. Make sure you and/or your accountant hasn't done this job too well. It is important for a wary suitor and his/her advisors to be able to easily identify the discretionary and non recurring expenses that can be added to profits.
8. **Trim** or eliminate those activities, expenses and personnel that exist essentially to satisfy your personal and/or ego needs.
9. **Seek** and use advisors. Succession planning is very personal and can be an emotional process. It's not unlike giving your daughter away in marriage, or to some, putting a child up for adoption. This is a once in a lifetime action. You need every advantage you can garner.
10. **Determine** the value of your company. In order to accomplish this you need to know the difference between the various types of buyers active in today's marketplace. To some your company may appear worthless, to others it may be worth millions!

## Summary

Before you act, you must prepare and have a plan. Ideally you will :

- understand what your business requires of its succession management
- will know what your business is worth and that the timing is right
- will have identified the attributes of your ideal successor

Ultimately, one of two options exist for every business owner. Either,  
(a) the succession of your business will be an event controlled and planned by you or,  
(b) it will be an unplanned occurrence brought on by outside forces.

Others point out more harshly that eventually;  
either a succession plan is implemented  
or the business closes down.

For the good of your business, your employees, customers, vendors and family -- decide.  
Decide to begin planning your succession now.