

Safeguarding Your Family Business Legacy

Four essential steps to preparing a succession plan.

BY JEFF PANNELL

WHETHER YOUR FAMILY BUSINESS is in its first, second or third generation of ownership, succession planning should be an important part of your business strategy. Over the years, you, or those who came before you, have put immeasurable amounts of blood, sweat and tears into getting your business off the ground — and creating a family legacy. Now it's time to cement that legacy through preparing an effective succession plan.

This type of planning goes beyond family members who have a stake in the business via ownership or otherwise. To execute your plan successfully, you need to ensure that the right people, whether they are family or not, are in the right key management positions. You also need to ensure that if those people decide to leave, you have a transition plan in place.

The process of creating a succession plan not only helps to safeguard your business, it also helps you to identify successor candidates for those key positions while keeping employees engaged with professional development opportunities.

Here are four steps you can take to begin formulating your succession plan.

1. Take Stock of Your Current Situation

Begin your succession plan by analyzing the current landscape of your business. You can do this by answering a few key questions:

- › Who will be retiring soon, and when?
- › Are there any transition gaps?
- › Am I at risk of losing key people before retirement age, or do I have a robust employee retention program to keep those employees?

Once you've assessed your landscape and noted any leadership transitions that could take place immediately, establish a timeline for those transitions.

2. Identify and Assess Skill Sets and Gaps

You have likely created descriptions for key positions within your business. Revisit those descriptions, making sure you have correctly identified the skills, talents and abilities that a quality leader should have. As you review each position's skill set, think about potential changes in the industry and technology. These factors will influence which skills will be most useful to your business in the future. If there are any gaps of skills or knowledge between the updated position description and the person who currently holds the position, work to amend those discrepancies immediately.

At this time, it would also be beneficial to evaluate your organizational structure and determine if the right people are in the right positions.

3. Identify Successor Candidates

It's likely that your successor candidates are already among the people with whom you currently work. Take a look at your current staff to see if there are people who have the technical skills, leadership skills and desire to grow with your company. Then talk with them to understand their goals and see if they have an interest in taking on a future leadership role.

Whether you find a candidate within your staff or need to implement a recruitment campaign, refer back to your assessment of required position skills and identify any of the

candidate's knowledge gaps. If the candidate is currently on staff and has knowledge gaps, take action to close them. Establish a timeline in which the potential candidate must learn the necessary skills. This timeline will correlate with the overall leadership transition plan created in Step 1.

4. Create an Individual Development Plan

You can help position an internal candidate for success by having them create an individual development plan. This plan will align with the timeline established for leadership transition and should include tracks for education, training and introductions to specific business operations.

The candidate should work closely with HR to find training programs to build their technical/management skills. They should also work with a mentor to find opportunities for getting involved in operations. This mentor should coach the successor and help to hold them accountable to the plan. The development plan should be flexible in case there are changes in the business or the position's skill sets.

When it comes to positioning your family business for future success, the stakes are high. It could be well worth your while to work with an objective adviser who can help develop a plan that will ensure long-term success.

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