

Succession

For most family and closely held businesses, planning for succession is the toughest and most critical challenge they face. Yet succession planning can also be a great opportunity to maximize opportunities and create a multi-generational institution that embodies the founder's mission and values long after he or she is gone. You are the driving force and inspiration behind your business, so what will happen to it when you leave? Most business owners want the business they've worked hard to establish to continue to thrive when they leave, whether it's in the hands of a family member or a new owner. Succession planning helps to ensure that a business owner gains full financial benefit from leaving or transferring the business management role and ownership. A succession plan will ensure the business remains viable and successful, no matter what the circumstances, by allowing for contingencies. Nobody likes to think about it, but it's inevitable that one day you will leave your business. Whether you decide to sell up, retire or have to get out of business due to health reasons, it's important that you plan for that day. A succession, or exit, plan outlines who will take over your business when you leave. Succession Planning is about planning today for tomorrow's future. An owner's reasons for exiting their business vary, as does the method of ownership transfer. It is vital we Plan today for tomorrow's future. Succession planning is an area of interest to all business owners and entrepreneurs, and positive and immediate benefits are gained if exit options are explored and planning implemented well ahead of the planned exit date. Some basic questions to ask: → Where is your business today? → What is the current market value of your business? → What action planning such as coaching and mentoring should be implemented in advance of the exit date to

improve profitability and consequently increase the business value → What could your business be worth at the considered exit date? → What exit options should be explored e.g. Family succession, external sale, MBO, MBI, acquisitions and or mergers → Who are your prospective purchasers → What realistic steps can be taken to achieve the maximum outcome? → How should we create a business plan and exit route strategy A good succession plan enables a smooth transition with less likelihood of disruption to operations. By planning your exit well in advance you can maximize the value of your business and enable it to meet future needs. Make sure your succession plan is attainable - set a realistic timetable and measurable milestones along the way and stick to them. Succession Planning for your business is about putting a plan in place for your business so, ultimately, when you sell – be it to family, staff or the market – you will not only maximize your price, but also ensure an easy transition process that will increase the marketability to a prospective buyer. Consider this story. In the US, an owner of a very successful family business practiced dying once a year. This man has been walking into one of his stores, singling out an employee and greeting them with, "I'm dead". He says nothing else. What follows is a procedure called a "fire drill" which sees that employee instantly call the boss' son, who is not allowed to ask the employee whether his father has really died or is it another drill. The son then summons the six store managers who meet and implement the plan. Though the son admits he has a sick feeling once a year, every year, he gets past it and follows the script — the written, thought out, succession plan. This chilling and undoubtedly over-realistic fire drill story was told a few years ago to over 200 owners of Australian family businesses at the first Family Business Australia (FBA) national conference. Don't leave it until it is too late. For those

wondering when a succession plan should be created, it's the day you become boss of your operation. Unless you can guarantee the impossible — that you won't kick the bucket, leaving your business and family floundering — then Plan B has to be formally in place. This advice is even more important if a spouse knows nothing about the business or you want your children to inherit and run the business. Of course, every family who owns assets, whether they are in business or not, should have a plan for this scenario, along with their regularly updated will. Another chilling but true observation is that a family business crisis could actually be worse if the owner confronts death, but actually lives. A power of attorney (properly drawn up by a solicitor) will at least allow the business to continue if signing cheques or moving money is dependent on the person who is too ill to do these things. A business and a family with no succession plan or power of attorney in place could mean curtains for their commercial operation. Don't say these things don't happen —they do.

J and L Consulting Group is a firm of Business Success Partners working with business owners long-term to help improve profit, growth, and value.

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