Succession Planning Part 2

In Part 1 presented previously, we discussed various exit strategies. This edition will discuss specific tools that can be used to transfer ownership to one generation of owner to the next. There are many ways to do this and several are usually used together to achieve the desired outcome. The more difficult process is management transition, which we will outline key points for this as well.

Management Transition

Management transition is one of the most difficult elements of a successful succession plan. It involves the following:

- Indentifying future leaders, which may be current employees or people you need to recruit
- Preparing them to assume responsibility for the day-to-day management of the company
    - Develop organizational structure and lines of communication
    - Develop job descriptions, roles and responsibilities
    - Establish a decision making process
    - Develop training/mentoring programs
    - Develop and document standards, policies and procedures
- Making the company succession ready
    - Develop an equitable ownership structure
    - Assess financial capability
    - Establish a compensation methodology and process
    - Develop and annual strategic planning process
    - Consider outside advisory board members

Succession Planning Tool Belt

Once you know you have the right leaders and have established the infrastructure for succession, then you can focus on the process to transfer ownership. The following are tools to be used in transitioning the ownership of a company:

- Stock bonus plans
- Deferred compensation
- Family transfers (gifting)
- Employee stock ownership plan (ESOP)
- Defined benefit pension plan
- Stock redemptions
- Sale of company owned real estate and leaseback

This process is very involved and requires a number of years to prepare and execute a succession plan that achieves the objectives for everyone involved. To achieve the highest level of success, it is best to start planning **5 to 10 years in advance**.