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STRATEGIC INSIGHTS

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Quote of the Month

Well-behaved people seldom make history

"In our work we have done due diligence on many business founders. If I'm going to be in a "foxhole" with someone, I have to be sure that person is ethical and acts with integrity. But I don't stop there.

I also look for signs that the founder is "persistent (bullheaded), persuasive (flexible with the truth) and visionary (delusional)." Like it or not, those are the character traits typical of people who found businesses that create or redefine an industry.

In fact, starting a game-changing business is so audacious, disruptive and preposterous on the face of it that you have to be a little crazy and transgressive to try it.

So, I'm not surprised that Facebook founder Mark Zuckerberg allegedly stole the idea from a set of Olympian twins and screwed the college buddy who provided seed capital.

Don't get me wrong - I'm not endorsing criminal or unethical behavior. But if you're looking for people who want to change the world, don't go in search of those who fit neatly into the world as they originally found it."

Matt Harris - Fortune.com

Putting the Success in Succession Planning

Succession is obvious right? The owner leaves. Someone else takes over. Simple enough. A few legal documents and we're good, right? Not so fast…

What about this definition of succession? Succession is a lifelong process of planning and management that encompasses a wide-range of steps aimed at ensuring the continuity of the business through the generations (Arnoff, McClure, & Ward, 2003). What exactly does that mean?

Consider these 3 areas:

1. **The implications for the owner and "his/her afterlife" -** Succession for the owner means figuring out what's next and creating an identity outside of the business. After devoting a lifetime to work and raising a business like a child, the concept of retirement and not having a place to go daily can be too hard to imagine. It may seem far easier to "die with your boots on" than find a way to exit gracefully.

2. **The matter of business ownership** – CPAs, lawyers and financial advisors are very good at handling the business transactions of succession, like estate plans and efficient tax structures. However, the business also needs to show good financial practices that create business value. One way to ensure this is through an advisory board that helps align financial choices with building business value.

   Furthermore, next generation owners, family or non-family, need to be educated on what it means to be an owner. Simply declaring ownership is not sufficient preparation and results in obvious disconnections between the next generation shareholder vision, corporate strategic objectives and successor skill sets.

3. **Business management transitions -** Strongly held assumptions, such as incumbent leaders may assume the successor will continue to run the business exactly as the previous owner, contribute to misunderstandings. More often than not, new ownership comes with different policies, procedures, and leadership. Frequent communication can mitigate the frustration or disappointment that can derail the succession process. Leadership, communication, and conflict management training as well as assistance in selecting the right people for the next generation of management can support the transition.

Addressing these three issues makes succession planning a long process. A comprehensive succession plan not only covers the business aspects of the transition but also clearly defines the roles of the exiting generation, details the expectations of the entering generation, and addresses management transitions, ensuring the health of the business and its longevity for generations to come.