

Succession Planning Toolkit



Tips and Assessment based on Dr. Randel Carlock's workshop at the 2006 FIDI Congress in Beijing, China

Selection of the next...

Family and/or competence?

Competence needs to be a substantial criterion in the succession planning selection.

Do you need to know moving operations to be able to manage a moving company?

It is very important as a manager/owner that you add value to the process of the business: people management, financial management, innovation, cross fertilization with others, ...

In the content of the moving business itself, you can rely on experienced people - you hire people as you know they have certain expertise and knowledge. However, both aspects process and content need to be carefully balanced: in function of the size of your operations, size of the team, the goals of company, ... you can define whether the manager/owner needs a lot of content knowledge or not.

Planning

As from the moment you start your own business, succession is on your to-do list!

Succession is a process - it takes place over years! Start planning the succession on time - participants agreed that the best timing to start is not carved in stone but depends on the situation.

How to prepare for transition?

When preparing for a transition to the next generation, create a mentor/coach relationship for a period to increase the chances of success.

The next generation

What to ask from the next generation?

Give children a clear responsibility with Profit and Loss to proof themselves. Introduce them into the management team gradually.

Training & education or immediately in business?

Invest in your children's education! Their intellectual capital, unlike stock options, will never depreciate! A fresh view on the process side of your company will be interesting to complement with the current business.

Another job first or immediately in own business?

It is very good to have the son/daughter build up knowledge in a study and experience in a first working experience outside of your own industry. It adds value and perspective to your own business.





financials

Same pay for all family members?

Being family should not be reason enough to give all family members the same pay; allocate financial rewards based on competence just like with any other employee. Also, transparency in family arrangements is very important!

How to arrange for financial transfers?

Different models can be applied that give different advantages for having the appropriate return for the giving and receiving generation and taking into account tax implications, risk factors, ... A consultant can help you to find your best model.

Management

Healthy Attitude

If the older generation is open to new views and allows the younger generation to learn, explore and make mistakes, the chance of growth and positive continuation is highest. It is wonderful to have views from both generations and see through glasses of the other generation to move forward.

How to avoid conflicts?

A clear and open communication between both generations is key in this process. If conflicts arise, they should be taken care of at their root with an open mind and objective arguments.

Your Board of Directors...

If your company has to elect or change its board of directors, remember that outside input is valuable – don't stick with a board limited to family or insiders!

What about non-family management?

Non-family members in management are critical, even in a family business. Make sure that you find the right way of rewarding and recognizing your employees in line with your company strategy, the employee's performance and job description. It is important that these managers understand the company's business model as well as their own scope and responsibilities.

The contact for shareholders...

Shareholders should refrain from directly "bossing around" the management; they should get in touch with the board first as it is the board's job to ensure that the company is correctly managed. It is also recommended to have a shareholders' agreement.

Emotions

Family business more complex to manage?

The CEO in a family business can be called the 'Chief Emotional Officer': indeed, emotions are a very important factor to take into account in a business where family is involved. The family system will inevitably have its impact on the dynamics in the company.

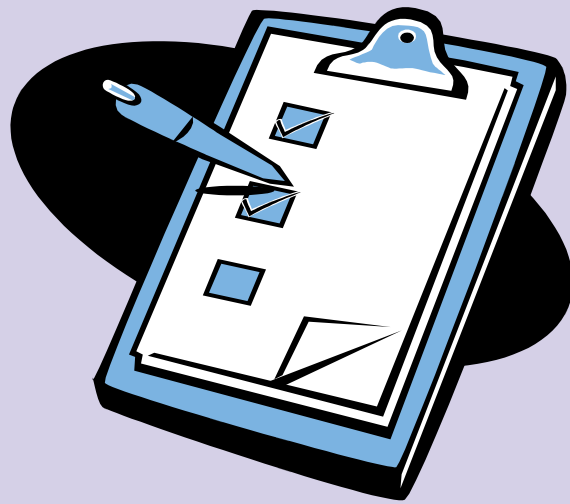
Critical Success factors

What factors are crucial to consider in the process of Succession? Our workshop participants discussed and here is the outcome:

- **Good long-term planning**
- **External board members**
- **Shareholder agreements**
- **Clear roles and responsibilities**
- **Encouragement of employees**
- **Setting and managing expectations**
- **Management of relationships**
- **Good and open communication**
- **Dialogue between the parties**
- **Effective management of conflicts**
- **Awareness of problems**
- **On-time action**
- **Balance of interests**



Family Business Succession Readiness Assessment



Score the following statements accordingly.

Scoring: 1 = Seldom, 2 = Sometimes, 3 = Usually

1. The family meets regularly to discuss family and business concerns. ()
2. The business vision is compelling to the firm's owners. ()
3. The management team is producing growth and financial results. ()
4. The next generation understands the future ownership structure. ()
5. The firm's owners support the business and management plans. ()
6. There is a functioning board of directors that meets regularly. ()
7. The next generation see themselves as stewards of the family's assets. ()
8. The next generation are motivated by their family business careers. ()
9. The family is proud of the family's reputation and business legacy. ()
10. The family's values drive family and business actions. ()
11. There is a succession plan with timing for the CEO and senior executives. ()
12. The owners support risk taking and new business investment. ()
13. The family addresses conflicts to protect family relationships. ()
14. The next generation members are delivering strong performance/results. ()
15. The owners have agreed on terms and timing for the transfer of control. ()
16. The management team has identified new business opportunities. ()
17. There are written family agreements on careers, ownership and governance. ()
18. The next generation has good working relationships among themselves. ()
19. The management team is held accountable for the business performance. ()
20. There are clear reporting relationships in the business. ()

Total Points: _____

After you have answered all the questions add the points you received for each column to obtain a total score. The higher your total score, the greater your level of succession readiness. It is also important to complete the score sheet and graph on the following pages to assess the balance of your succession planning activities. It is important that you work on all aspects of the succession process.

Here are action guidelines to help think about your score:

0-25 points: Your family business needs to begin planning for management and ownership succession. You should consider discussing succession as a family and identifying action steps that will support your family business vision.

26-45 points: Your family business is on track for succession. You should consider identifying three or four additional activities to move succession process to a higher level.

46-60 points: Your succession planning and actions are strong. Keep up the good work! You should consider one or two additional activities to continue to energize the succession process.



Score Sheet

Family Participation

Question 1 Points: _____

Question 9 Points: _____

Question 10 Points: _____

Question 13 Points: _____

Question 17 Points: _____

Sub Total for Family Participation: _____

Business Performance

Question 3 Points: _____

Question 11 Points: _____

Question 16 Points: _____

Question 19 Points: _____

Question 20 Points: _____

Sub Total for Business Performance: _____

Ownership Engagement

Question 2 Points: _____

Question 5 Points: _____

Question 6 Points: _____

Question 12 Points: _____

Question 15 Points: _____

Sub Total for Ownership Engagement: _____

Next Generation Preparation

Question 4 Points: _____

Question 7 Points: _____

Question 8 Points: _____

Question 14 Points: _____

Question 18 Points: _____

Sub Total for Next Generation Preparation: _____

Total Score: _____

Graphing Your Score

On each axis place a large dot by the number that represents your score from the corresponding category on the score sheet. Then connect the dots with a line to create a graphic representation of your family's total succession readiness.

A diamond shape formed by the four points represents the behaviors supporting balanced succession process. A graph that is negatively skewed on any category means a lack of the necessary activities to support an effective succession. For example, if all there is a high level of readiness in the business, next generation and ownership but a very low level of family engagement the family could be a source of conflict or resistance to the succession process.

