

Building a Framework for Successful Succession

A basic overview

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<i>Succession Planning Template</i>	
1. What type of succession is being planned	
2. Why is succession being planned at this time	
3. What do you believe is the type of successor the organisation needs?	
4. Has anyone been identified?	
5. Have you thought about how you might communicate your plan and how to manage the key stakeholders?	
<i>Checklist (you might even want to start with this)</i>	

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Confidentiality

Before you start thinking about succession, be aware this isn't something you just "raise around the dinner table" or informally. Informal discussions are good for "sounding-out" ideas and perspectives, however not to raise the possibility of succession.

Succession requires careful thinking prior to speaking with any family member or employee, and must be treated with the up-most confidentiality until at least a rough framework has been developed. This is crucial so you have the thinking behind some of the questions interested parties are likely to ask, as this will allow you to control the message and eventually the success of succession.

Starting with what

The first task when analysing succession is to ask what type of succession should the organisation consider.

In this document, we are reviewing a framework for succession for a business founder.

Every organisation (in simple terms) needs to have a succession plan, and they can fall into two camps:

1. Succession to another person
2. Succession to another organisation through business sale

Succession to another person can be a family member, an existing employee, or an as-yet unknown individual who will be identified closer to the time of actual succession.

Succession to another organisation through business sale is often what occurs when

- there are no obvious successors
- financially it makes sense to sell the business
- in a family business, the family members are not interested in being part of the business

Key considerations as to the reasons for succession – the why

In evaluating succession, it is important to understand the underlying motivators for seeking to define a succession plan.

These can include:

- Health of business owner/leader
- Size of business (which is now too big for the business founder/owner/leader to manage)
- Performance of business (what is required is beyond the skills and capabilities of the current leader)
- ...

It is important for all involved to ensure that the reasons for succession are clearly communicated (and appropriately where health is involved so as not to "spook" customers and suppliers).

Building the communications and stakeholder management plan

Communications and stakeholder management are one of key aspects of any succession decision. Success is an area that impacts people's egos, careers and financial well-being and therefore needs to be considered carefully.

First step – what are you going to communicate

The first step is to define what you are going to communicate. This initial communication should include:

- The reason behind starting the search for a successor
- The process ...

Second step – when are you going to communicate

As noted above, the leadership team ...

Additional considerations

In addition to the above, we do recommend some time is spent with accountants and legal advisers in relation to:

- Business structures
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