

Succession Readiness

“Maybe it will go away if we ignore it”

Thinking about succession planning is sometimes a threatening concept for many owners and managers. They have difficulty seeing the business being successful without them at the helm and they have difficulty seeing their life without the business. The better prepared for such a potentially significant change the easier the change can be.

This section provides you with some statements to help you gauge your readiness to embark on the succession journey.

As succession planning generally happens only once in the life of the business, few organizations have much experience with the process. Yet the process and the end result can have a significant impact on the future and the fortunes of the business. Different people in the company (and in the family) can and generally do have very different ideas and thoughts about how succession could or should happen. These ideas may be well synchronized or they may be quite different. Understanding the wide spectrum of decisions, opportunities and expectations is of vital importance.

Answer each question by circling the choice that best applies to your business.

1. Preparing for the transition of your business requires a mental readiness on your part. How much thinking and planning have you done about the transition of the business up to now?
 - (a) I have not done very much thinking or planning about this issues
 - (b) I have done a lot of thinking but have taken little action to date
 - (c) I have had some discussions with my advisors (legal, accounting, insurance, banking) about this issue
 - (d) There has been much planning to date and I am ready to put these plans into action
 - (e) I have trying to take action for some time now without much success

2. There are only 5 ways to transition a business. Which one or ones do you think has or have the most potential for you?
 - (a) Sell the business outright
 - (b) Sell the business to family members
 - (c) Sell the business to an employee/employee group-Management Buy Out
 - (d) Wind down the business
 - (e) Do an Initial Public Offering (IPO)

3. You may be ready to transition your business but other stakeholders need some preparation. Please note how prepared others are for the transition.
 - (a) My family members are ready for a transition-we have had open discussions

- (b) My employees are ready are ready for a transition-we have had open discussions
 - (c) My family members have the leadership skills necessary to assume management of the business
 - (d) My employees have the leadership skills necessary to assume management of the business
 - (e) There has been no or very little discussion on the transition to date.
4. Maximizing the value of the company is a critical element as you begin to think about transition planning. What steps have you taken to ensure the business will have the highest value possible when you decide to sell?
- (a) We have been working hard to position the company so the business value is as high as possible
 - (b) We have only just begun to consider how to maximize the value of the company
 - (c) We are not sure what steps to go through to maximize the value of the company
 - (d) The value of the business will not really change over the next two years because of the industry or the life cycle of the business
 - (e) The value of the business could go down over the next two years because of the industry or the life cycle of the business.
5. What do you see as the key elements in maximizing the value of the company-rank in order of importance?
- (a) Show a positive history of sales growth
 - (b) Show a positive history of profitability
 - (c) Develop a good strategic plan for the business
 - (d) Begin to identify and qualify potential buyers
 - (e) Put financing in place to support an MBO or a sale to an independent party.