

## Plans Are Critical For Smooth Successions

Good succession planning is a process. The importance of leadership for succession is required! If a key leadership role in your business was unexpectedly vacated by death, disability, or disqualification, who is ready to step up? Understanding the value of succession planning requires everyone to be more engaged.

A reluctance to plan is understandable. Reasons families do nothing run the gamut: the senior generation fears letting go; the business is going well and it is too much fun to let go; the business is struggling and the senior generation feels like they have to get it back on track; the senior generation's belief that the rising generation is not ready or not interested; the senior generation's indecision in choosing the next leader; the family wants to avoid difficult or awkward conversations; psychological and emotional connections to an identity connected to leading the family business.

Business families succeed when they are able to discuss the difficult issues, plan for the future, and work together as a cohesive unit in a unified structure. When the ownership is beyond the founder/entrepreneur and consists of a sibling group or a cousin consortium, there is even greater opportunity for misaligned expectations, misunderstanding, and conflict. The dialogue required for this planning is not always comfortable or easy. The discussions need to address, among other things, business goals, business management, ownership, and shareholder expectations.

For a smooth succession planning process:

**Cast the vision:** The vision is the shared image of the family's definition of success and what the family wants the business to be. The vision provides a future orientation. It points the direction for where you are going.

**Identify the Talent Pool:** Examine the current talent pool of individuals in the family and the business to understand potential options for future leadership.

**Plan for the 'what ifs':** This means consider what scenarios may occur and how the family and the business will respond.

**Communicate Communicate Communicate:** For succession plans to be smooth and effective, it must be made known to those it impacts. These discussions may be difficult, however in the absence of communication individuals will create their own narrative.

**Formalize the Plan:** Draft a written plan, along with a timeline, for the transitions to the rising generation. Review the existing Shareholder Agreements, Buy-Sell Agreement, compensation arrangements, Key-Man Life Insurance policies, as well as additional legal documents.

A defined transition plan should be flexible enough to deal with both current issues and future issues, and yet detailed enough to provide meaningful guidance for both generations.

Effective succession planning is a process that can make or break the future of an organization. Even with the best transition plan in place, however, the plan must be executed. Contact an advisor to help guide the process. Both generations need to execute the plan with a focus on the present and striving toward a vision of the future.

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