

Special Edition

Successor Planning Part 3

In my last several articles, I've discussed beginning the process of planning the succession of your business. I've discussed how to begin the process, how to evaluate members of the family, and I've provided examples of companies that decided to sell to third parties because they didn't believe that the family had the desire/or ability to continue to perpetuate their business.

Transfer of ownership becomes increasingly more difficult each year, due to the fact that:

- The "heir" supply is simply not there, and;
- Early retirements and company re-organizations, leaves an "aging" depleted pool of management talent.

Each year we face a more critical shortage of top level leaders, which is only going to get worse as the "baby boomers" retire.

The end result is competition for key executives is and will continue to be extremely competitive.

Organizations who primarily grow their own internal leaders, will save a lot of money and have a much higher success rate in filling senior management positions than someone that has to recruit from the outside. One of the things that a company has to do when they are planning their succession is to emphasize and focus on developing one or more internal talent pools.

As a business owner myself, my advice is to implement programs to identify and develop the next generation of company leaders.

Grooming Internally

Historically, the larger the company, the more options you have in choosing a successor if your children aren't interested/or capable of taking over the business. However, with a small trucking company, your choices may be limited. **A small trucking company needs to look at all their options and they need to start an internal process** of developing non-family successors.

You should develop a program in which:

1. You involve your top performers and provide them more than "on the job" experience.
2. Develop your key employees by exposing them, over time, to the skills they will need to manage all facets of your business, such as giving them responsibility for managing a division or a product line.
3. Provide specific target training to increase the confidence that you desire in successor management.
4. Practice continual coaching and mentoring to your potential successors, and;
5. Create goal-manager spots.

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Part 3



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If you are nearing retirement and have the time and the interest, offer to share your job responsibilities with the new named successor, or management team for several months to a year.

This will allow the new leadership the extra time to learn and make the transition easier, and potentially successful.

The Family Business

If you're a family owned business, chances are; you want it to remain in the family upon your retirement or death. In fact, in my surveys with my clients, the majority stated they would love to have their children continue to operate their business, but the reality is, it's normally not going to happen.

As I stated previously, successor planning and the transferring of power is;

- a) Very sensitive, and;
- b) Very emotional.

There are a lot of reasons an existing founder or owner may not feel comfortable about the next generations commitment. For example;

- No family member may want to own the business or run it.
- Or maybe that family member is not competent to operate the business, or;
- Too many family members want to succeed the owner.

When this happens, things really get complicated and, in many cases, cause conflict. There can only be one leader, and if you have 3 or 4 children in the business, it is certainly an emotionally draining experience – **but you have to choose one.**

The toughest questions facing a parent of a second or third generation family member is; how do you make the choice of the successor;

- For one thing, you must watch and observe how each child approaches tough decisions.
- How he/she solves problems.
- How they meet responsibilities, and;
- How they handle ethical challenges.

This is an extremely difficult process for “baby boomers”;

- “Boomers” are relationship driven.
- They have values instilled in them in life through strong work ethics, and;
- They like to “touch and feel” people and develop relationships.

Today, we are in a maze of;

- “Text messages”, “emails”, impersonal relationships, and;
- Some of our children have an “entitlement theory”, not all, but some.

In other words, if their name is Ahern, Jones or Smith, they believe they are entitled because of their parents success.

Many business owners are successful because they struggled in their early years. Unfortunately, as parents we have a tendency, sometimes, to over compensate our children. The worst mistake we make as parents.

I remember one time I was talking with one of my sons and he stated how hard he had it. How hard his father was on him, how his father made him pay for his gas and his car insurance when he was 16 years old and he wasn't driving a \$50,000 sports car; he was driving a pickup truck. I remember thinking that my first car was \$50.00 and I was very proud of that car because I paid for it myself.

The next car I bought, I spent \$125.00 and I was very proud of that car because I worked for it; and when I bought my third car it was \$700.00 and, again, I was very proud and appreciative. In those days, I had to work double shifts to afford college and pay for my room and board. However, it was an experience I will never forget and it helped me through the ups and downs of my business career. **My point; when I listened to my sons comments, I started to think to myself; “Ahern what a shmuck! You made it too easy for him.”** That day, I changed the way I handled my children. Today, as adults, they are;

- Independent.
- Self motivated, and;
- Most are very successful.

In closing, as parents, we have a tendency to over compensate our children because we don't want our children to suffer the challenges that we had; but if they're going to be successful in life and successful in business, they have to deal with challenges and recognize that if they create a problem, they have to solve the problem. My grandfather would always tell me that there is no more valuable experience than experience. If your children don't experience challenges and learn how to solve those challenges, in an ethical and moral way, then as parents, we have failed to provide them the proper “road map” to succeed.

In my subsequent articles, I will be discussing the process of successor planning; selecting competent advisors; how to set up a board of directors, and how to evaluate employees and children's value in reference to what they bring to the business.

QUOTE OF THE WEEK:

“Open up doors for talented people below, beside, and above you. Then you will be surrounded by the best.”