

## 6-Page Succession Plan

**YOUR BUSINESS NAME:**

**Purpose:** Although every succession plan will look different, each one will share several common ingredients. The purpose of this 6 Page Succession Plan is to provide you the opportunity to articulate your plan *as it currently stands* (recognizing it may go through several reiterations over time). Please take a few moments to complete the following questions:

### TOP 2 PREFERRED MODELS

Which TWO of these models do you currently feel are most promising for your business?

Transitioning your business to a family member		Dissolve the business and sell off its assets		Sell to key employee(s) or manager(s)	
Transition the company into a worker co-operative		Sell the business to a known outsider		Sell the business to an unknown outsider	
Sell to a competitor		Merge with another business		Keep the business as a cash cow	

### YOUR TEAM

It is critically important to build a succession planning team. That is, a network of individuals and businesses who can assist you as you execute your succession plan. In the space provided below, please identify who you expect to be a part of your succession planning team.

Personal mentor(s)		Accounting support	
Business valuation		Key employees	
Legal support		Other advisor(s)	
Other advisor(s)		Other advisor(s)	

### MY SUCCESSOR

We have heard much about the importance of finding a 'fit' between the current owner of the business and his/her successor. With that in mind, we would like you to think about what you are looking for in a successor by completing the following sentence: *For me to consider someone as a prospective successor, he or she must demonstrate the following skills, traits, or goals:*

- 1.
- 2.
- 3.

## YOUR KEY ASSETS

When it comes to selling or transitioning your business, one of the key questions is: *what am I actually selling? Or, what is my successor actually getting?* Answering this question puts you in a position to emphasize these assets so as to maximize the value of your sale. For each of the following categories, please rate each one from 1-10, where 1 indicates an asset of negligible value, and 10 indicates an asset of extreme importance.

A physical building		Special equipment or machinery		A strong brand reputation/identity	
A loyal list of customers and associated data		Loyal/contract employees with specialized skills		Intellectual property (trademarks, patents)	
Operating systems or processes that would be difficult to build		A strategic location that competitors couldn't match		Special licenses or permits that would be difficult to get	
Efficiencies or cost advantages built over time		Exclusive access to software or technology		Exclusive access to distribution rights	
Long-term customer contracts		Transportation or distribution systems		Sustained growth pattern	
Training manual		Other (specify)		Other (specify)	

## THINGS TO KEEP AN EYE ON

In our Succession Planning Program, we explore both the PEST analysis and Porter's Five Forces. Those strategic analysis tools show us that no business is static; it exists in an ever-changing environment that is sure to have consequences on the business' value and its attractiveness to potential successors. Please take a look at the list of external pressures many businesses face, and identify the TOP THREE factors you feel you must monitor closely as you prepare for succession.

Municipal, provincial, or federal tax policies		Employment laws or employee safety		Product safety standards or labelling requirements	
Industry-specific regulations		Environmental regulations		Interest rates	
New entrants into your industry		Local economic growth or decline		Skilled labour availability/employment rate	
Consolidation within your industry		Population growth or decline		Online shopping or e-commerce trends	
Society's attitudes towards your industry		Technology change or automation in your industry		Stability of your key suppliers	
Minimum wage legislation		Competitors' expansion plans		Tourism	
Other key stakeholders		Other (specify)		Other (specify)	

## SUPPORTING YOUR SUCCESSOR

It is fair to say that most individuals who assume ownership or leadership of a business expect support from the previous owner or leader. Please consider the following questions, which relate to the level of support you wish to or expect to provide to your successor.

1. In a perfect world, for how long *after* you transition ownership/leadership would you like to provide support for your successor (in weeks, months, years)?

2. Naturally, you bring a very specific set of skills and competencies to your business that will be missing once you leave. If your successor asked you to outline the THREE (3) most important competencies that you possess (which will have to be replaced once you leave), what would you tell them?
  - a.
  - b.
  - c.
  
3. Listed below are several different roles business owners sometimes play in the business once they transition ownership or leadership to someone else. Which of the following seems *most* appealing (A) and likely (L) to you right now (recognizing they may not be the same)?

Leave the business entirely, immediately	Remain in the business in a different role
Work as a paid advisor for the new leader/owner	Work as an unpaid mentor for a limited time
Remain on as a minority shareholder	Provide formal training for the successor
Provide formal training to any new employees the successor brings on with them	Other?

**LOOKING INWARD**

One of the first places many businesses look for a potential successor is – naturally – within the business. Thinking about key managers or employees within your business, please complete the following table:

Employee name	Current title	Time before he or she could lead the bus.?	Top 3 skills	Skill gaps	How interested do you think emp. would be (1-10)?
i.e. Rhonda Akers	Operations manager	2 years	Cust. service, organization, supervisory	Leadership, dislikes working overtime	6

## DEALING WITH EMOTIONS

The three E's of succession planning are Emotion, Emotion, Emotion. Listed below are several different emotions a business owner might expect to feel as he or she moves through the succession process. Please identify the THREE (3) emotions you feel might be most difficult for you.

Fear	Anger	Sadness	Joy
Anxiety	Trust	Overwhelmed	Empowered
Relieved	Uncomfortable	Nervous	Excited
Enthusiastic	Guarded	Tense	Focused
Confident	Skeptical	Calm	Glad

What strategies will you employ to manage these emotions? Who will help you?

## FINANCES

It almost goes without saying that finances factor immeasurably into the succession planning process. Please take a moment to consider the following financial questions.

	YES	NO
In the back of your mind (or maybe in the front of your mind), have you thought about the financial return you would like to receive as you exit your business?		
Have you had a formal business valuation completed to determine whether your expectations are realistic?		
Do you know by how much you will have to grow your business (between now and your exit) to achieve the financial return you require?		
If you sell your business, do you think you would be willing to extend owner-financing to the successor to enable the transaction to occur?		
Have you thought about what you would do if a formal business evaluation revealed that your business was worth substantially less than you expected?		

## FINANCES PART 2

It is undeniable that the financial performance of your business is of major importance for would-be successors. In short, they want to know how your business has performed and what financial performance they might expect to see if they succeed you. It is quite common for buyers of your business to require the past three years of financial data. Although they will likely require full and audited financials, here is your opportunity to complete some basic data:

<i>Income statement data</i>	2014	2015	2016
Total sales revenue (A)			
Direct cost of goods sold (B)			
<b>Gross profit (C) = (A-B)</b>			
Selling, General, and Admin expenses (D)			
<b>Net profit (before taxes) (E) = (C-D)</b>			

In addition to your income statements, many potential successors will also want you to disclose some other key ratios and performance indicators that ‘tell the story’ of your business. Please input the following data:

Indicator or ratio	Most recent available	Indicator or ratio	Most recent available
<b>Current Ratio:</b> (current assets/current liabilities)		<b>Quick Ratio:</b> (current assets – inventory/current liabilities)	
<b>Debt:Equity Ratio:</b> (total debt/total equity)		<b>Return on Assets:</b> (net profit after taxes/total assets)	
<b>Average Collection Period:</b> (accounts receivable)/(net sales/365)		<b>Accounts Receivable Turnover:</b> (net sales/average accounts receivable)	

**MANAGING CRISIS**

Few entrepreneurs enjoy thinking about this, but it is a statistical certainty that some entrepreneurs will be forced to step away from their business well before they had intended (and for unforeseen reasons). This may result from illness, injury, family circumstances, or even death. Please consider the following question: *if you knew that in one week from today, you would no longer be able to own, run, or lead your business, what do you think would happen to it?*

If for some reason your ‘plan A’ (above) was not an option, what would be ‘plan B’?

**INTANGIBLES**

Inevitably, most business owners believe there is more to their business than ‘just the numbers’. That is, there are intangible strengths and assets that exist within the business that potential successors need to know about. Now is your chance to tell them. If you were sitting down with a potential successor *tomorrow*, and your goal was to convince them that the future of your business is bright (in ways that the numbers might not totally capture), what would you tell them?

- 1.
- 2.
- 3.

**WHAT'S NEXT FOR YOU?**

Many entrepreneurs approaching succession planning – understandably – spend almost all their time and energy on the process itself. They spend far less time asking ‘*what’s next*’? We would like you to take some time to think about your post-exit options. Please review the post-succession options below, and indicate which THREE (3) are currently most appealing and/or likely for you.

Travel	Find a new job	Retire from work	Mentor others
Consult within your industry	Start a new full-time business	Start a new part-time or hobby business	Be a speaker or writer for your industry
Take time before deciding (gap year)	Spend time with family	Pursue a hobby	Nurture friendships or relationships
Focus on health or recreation	Pursue academic education	Become involved in philanthropic activity	Invest in other companies
Care for aging parents	Start a non-profit	Volunteer	Other (specify)

**YOUR ACTION PLAN**

Congratulations. You have arrived at the end of your 6-Page Succession Plan. However, there is one critical step remaining: *the commitment to act*. Please take a few moments to complete the following table, which will outline the steps you intend to take in the coming months and years.

I will do the following	By what date	I expect the following outcome(s)