



WELCOME

Succession Planning: How and Where to Get Started

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- Works one-on-one with entrepreneurs on all aspects of their businesses, including marketing, financial forecasting, strategy development, and succession planning.
- Sat on the board of Deep Roots Music Cooperative and Clean Annapolis River Project.





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CENTRE

Succession Planning

A One-Hour Guided Tour



- Your name
- Your business/org name
- Your location
- “When I think about business succession, I think about ____”

WHO IS ALONG FOR THIS **WEBINAR?**

Who am I?

- **Joel Stoddart** of Kentville, NS, by way of Clark's Harbour, NS
- 11+ years with AEC as Business Counsellor, Facilitator, and Trainer
- 4+ years as Business Mgr. of Careforce
- Started and sold own commercial and residential painting company
- Have advised numerous businesses on succession planning since 2004
- Father of 2, avid reader, runner
- Find AEC on LinkedIn, Facebook, Instagram (search for Acadia Entrepreneurship Centre)



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SUCCESSION IS ALL AROUND US, ALL THE TIME





If you are like most entrepreneurs, you are aware that – no matter what – *something* is going to happen to your business. Presumably, you would prefer it if that ‘something’ provides the best possible return to you and/or your family and community, however you might choose to measure that return (i.e. financial, community, legacy).

What do we know so far?

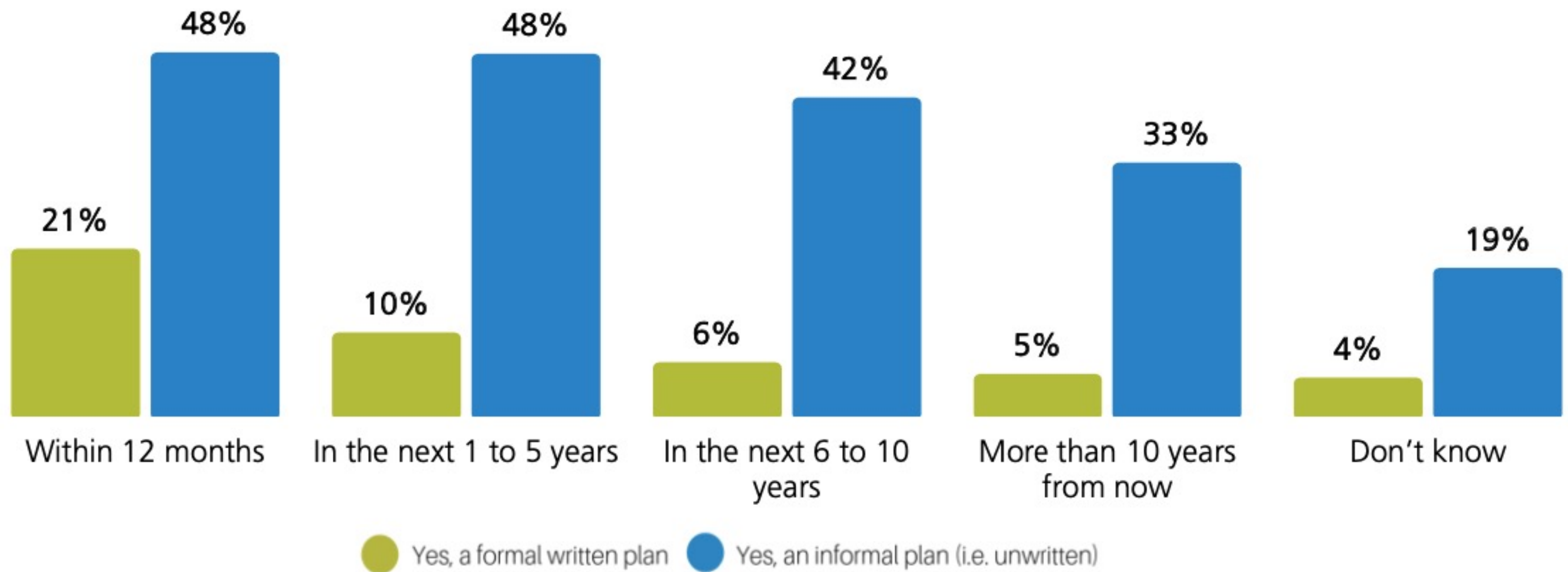
AKA the obligatory 7-minutes of stats and data 



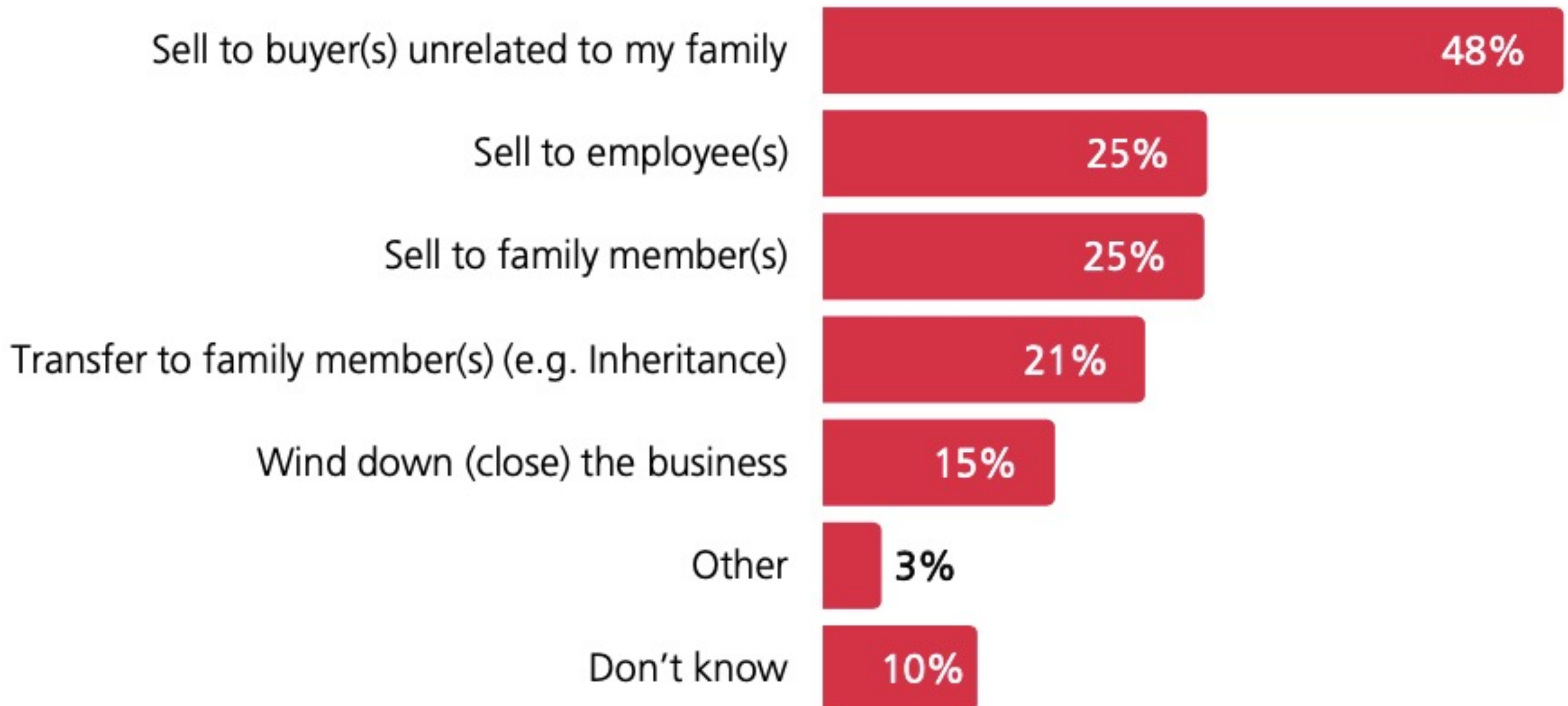


- 51% No
- 41% Yes, an informal plan (i.e. unwritten)
- 8% Yes, a formal written plan

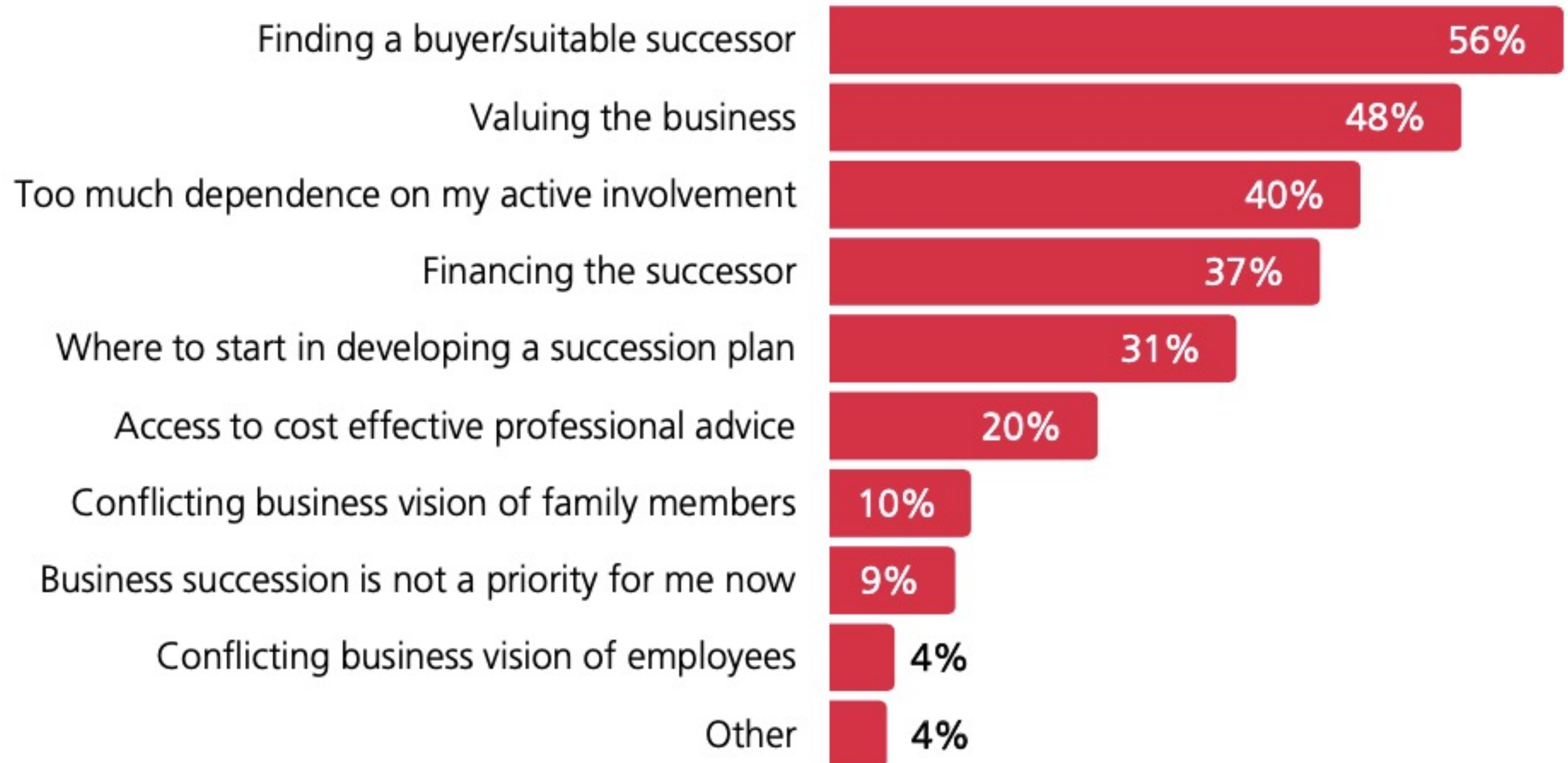
Existence of a Succession Plan According to Exit Timeline



Method of Exiting



Barriers to Succession Planning



Other Succession Planning Barriers

- *Groomed successor decides they are not interested.*
- Current owner can't let go, decides not to sell/leave.
- Failure to groom/prospect.
- *Bad faith negotiations.*
- *Buyer/seller can't agree on price and terms.*
- *Business isn't saleable.*
- Successor wasn't ready.
- Fractured relationships.
- Seller can't find anyone interested in the business.
- *Seller overestimates business' value.*
- Buyer can't secure capital.
- *Successor doesn't share seller's vision, energy, or knowledge.*
- Neither seller or successor fully understand the skills required to replace seller.
- DIY approach (no experts).

What can you do?

1. See if you're ready
2. Consider your exit strategy
3. Build your team
4. Get your 'manual' ready



ARE YOU READY?

A succession planning readiness assessment

26 'Readiness' Questions

1. Have you identified a time frame?
2. Are you ready to have a valuation?
3. Are you emotionally ready to let go?
4. Is your family on board?
5. What do you want/need in a successor?
6. Do you have systems in place?
7. Are you ready to open up to stakeholders about it?

ARE YOU READY?

A succession planning readiness assessment


What can you do?

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- 2. Consider your exit strategy**
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At least

WAYS TO EXIT YOUR BUSINESS

- 
- Dissolve business; sell assets
 - Sell to key employees/managers
 - Worker co-operatives and social acquisitions
 - Sell to a known outside buyer
 - Sell to an unknown outside buyer
 - Sell to a competitor
 - Merge with another business
 - Pass business on to family/child
 - Keep business as a cash cow

At least

WAYS TO EXIT YOUR BUSINESS

Succession Planning

Exploring Your Options

Approach/Option	Description	Pros	Cons
Dissolve the business and sell assets	Many business owners choose to quietly wind down their business, sell any tangible or intangible assets where possible, and move on.	<ul style="list-style-type: none"> • Dissolving is relatively easy • Owner can end involvement with the business at any time. • Potential successors may be disappointed 	<ul style="list-style-type: none"> • Usually no legacy • Assets may be difficult to sell independently • No goodwill or future cash flows considered in sale
Sell to key employees/managers	Under this scenario, the business owner identifies one or more employees and negotiates a purchase and sale agreement with them.	<ul style="list-style-type: none"> • Greater chance of successful transition, since employees know the business well • Built-in target market • Can often sell faster and more seamlessly • <u>Generally</u> less post-sale involvement/coaching required (since employees know the business well) 	<ul style="list-style-type: none"> • Negotiating with one or more employees can be difficult while also running the business • Can be complicated if some employees are interested and others aren't • Employees may not be the highest bidder (less return) • Failed negotiations can be disastrous for the operation
Form a worker cooperative	A worker co-operative is a distinct legal structure, where the owner sells to a group of employees. These employees democratically manage the company and actively recruit other employees to acquire an ownership stake.	<ul style="list-style-type: none"> • Greatest chance of longevity • Business model is good for all employees (social good) • Increases employee engagement • Many employees = larger pool of capital to buy the business • Employees tend to be heavily invested (financially + emotionally) 	<ul style="list-style-type: none"> • Requires lengthy negotiations • By-laws and additional legal requirements • Democratic decision-making model can slow business progress • No outsized return on investment for any individual
Sell to an outside buyer you know	Some business owners opt to sell their business to a friend, an acquaintance, a supplier, or someone else they have an existing relationship with.	<ul style="list-style-type: none"> • Buyer and seller tend to be more open earlier in the process • May be easier to ensure confidentiality • Better able to assess buyer's ability to manage the business 	<ul style="list-style-type: none"> • Can strain personal relationship if negotiations go awry • Can strain personal relationship if buyer is unsuccessful after takeover

What can you do?

1. See if you're ready
2. Consider your exit strategy
- 3. Build your team**
4. Get your 'manual' ready



YOUR SUCCESSION TEAM



Inside your business

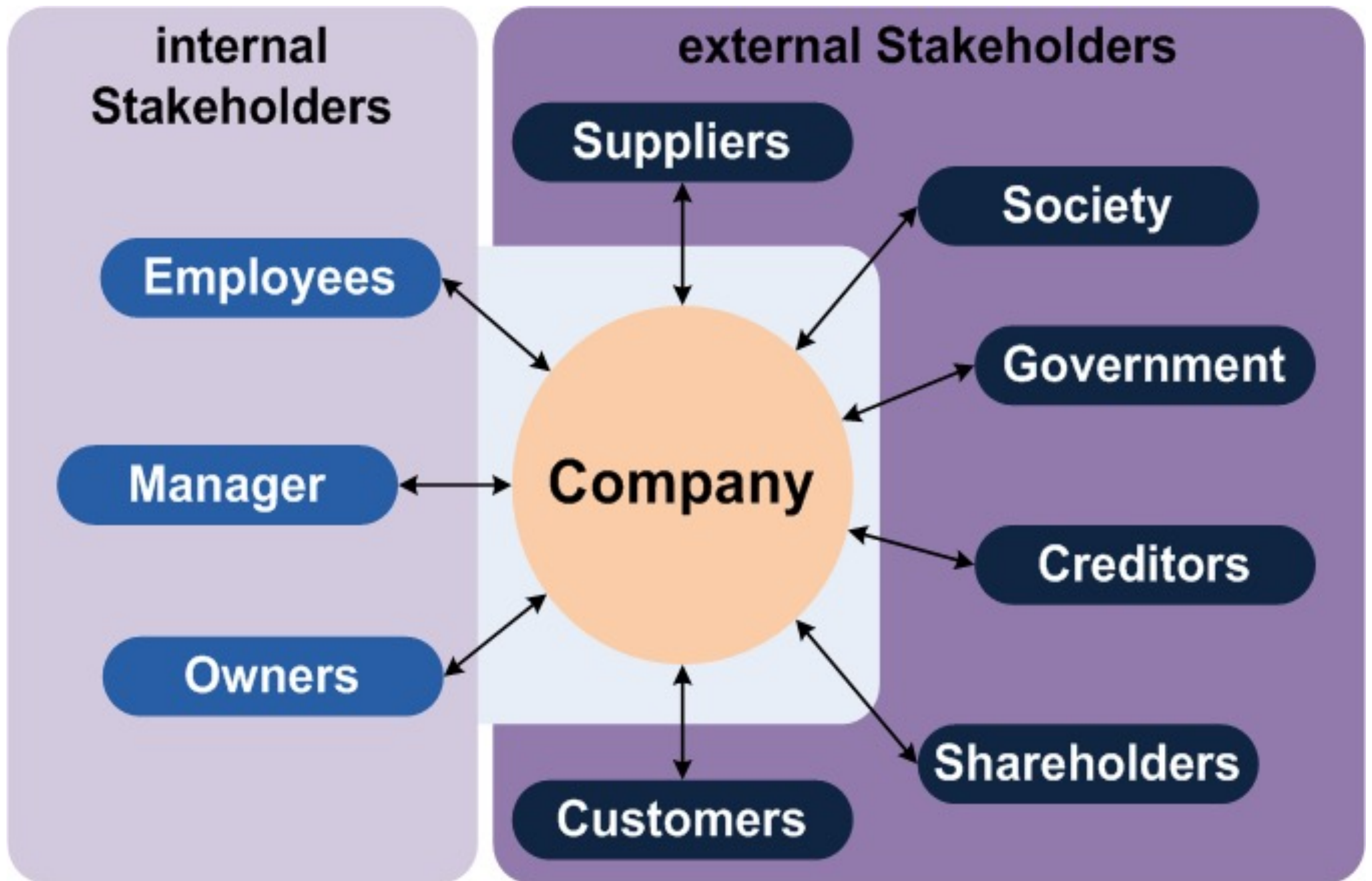
EXTERNAL

INTERNAL

Outside your business

Who belongs on **your**...





SUCCESSION: ESSENTIAL PLAYERS



Succession Planning: Building Your Succession Team

EXISTING BUSINESS RELATIONSHIPS

NAME/TITLE	WHEN TO ENGAGE?			
	Already engaged	<6 months	6-18 months	>18 months
Immediate family members				
Other owners, shareholders, or partners				
Management/key employees				
Other/all employees				
Board members				
Suppliers				
Creditors/lenders				
Investors				
Key customers/accounts				
All customers				
Municipal government				
Provincial government				
Federal government				
Community-at-large				
Media				
Competitors				
Regulatory bodies or government agencies				

What can you do?

1. See if you're ready
2. Consider your exit strategy
3. Build your team
- 4. Get your 'manual' ready**

A stylized illustration of a hand holding a green book. The book's cover is a light green color, and the title 'User Manual' is written on it in a yellow, cursive-style font. The hand is rendered in a simple, sketchy style with pinkish skin tones. The background is a solid light yellow.

User Manual

THE SUCCESSION PLANNING MANUAL

A stylized illustration of a hand holding a book. The book's cover is dark blue with the words 'User Manual' written in a gold, cursive font. The hand is rendered in a simple, sketchy style with dark outlines. The background is a solid dark brown color.

User Manual

THE SUCCESSION PLANNING MANUAL

25 Key Manual Components, including:

1. Business plan
2. 3-5-yr financial statements
3. All job descriptions and staffing data
4. Policy manual
5. List of key customers, suppliers, ongoing contracts
6. Description of key assets (tangible or non)
7. Other KPIs
8. Testimonials and anecdotes
9. Awards
10. Legal history
11. Forms and templates

1. Succession planning matters more than ever before, on both a micro and macro level.
2. Succession planning isn't for everyone, and you must know if you're ready.
3. There are many possible paths to succession, and businesses should keep an open mind.
4. There are many intermediaries who can help you, and many stakeholders who have a role to play. It really is a team effort.
5. Succession planning takes more time and costs more money than most businesses first assume.
6. Businesses owe it to themselves to maximize their return on years of sweat equity.



KeyTakeaways



Page Succession Plan

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)	

A wide-angle photograph of a desert landscape. A long, straight, light-colored road or path stretches from the foreground into the distance, leading the viewer's eye towards a range of rugged, brown mountains in the background. The sky is a clear, pale blue. The ground is dry and sandy, with some sparse, low-lying vegetation. The overall mood is one of vastness and solitude.

The End

UPCOMING WEBINARS

- Thursday, December 16, 2021, 10 am: 3 Short Form Videos You Should Make for Your Business. This is part two of the two-part series on short form videos.
- Subscribe to the inTouch Newsletter to receive notice about the topic of the next webinar in the series.

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