

SUCCESSION PLANNING

Managing the process of succession

Family Matters Section 5 Topic 6

The RETAILER programme aims to provide practical resources for independent retailers in the Eastern region, backed by the support of intermediate mentors and the RETAILER website www.independent-retailer.com

The RETAILER programme is supported financially by the European Social fund (ESF). Elements of the RETAILER programme build upon the APU SESAME programme. If you are interested in joining the RETAILER programme, please complete and return the form at the back of this document.

This RETAILER topic is based on Topic 6, *Managing the process of family succession*, from Section 5, *Exit*, of the SESAME Family Matters materials.

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Topic 6 Managing the process of succession

In Topic 5 you examined how important it is to get the process right when making decisions about family succession: this includes getting help and advice, where appropriate, and applying objective criteria for choosing the most appropriate family member.

'The world's oldest operating family-owned business is Hoshi Ryokan in Japan, which has been entertaining guests in its 100 rooms since 717 AD (46 generations). Designed by Garyo Hoshi, it was built near a spring believed to have miraculous healing powers.'

Source: Guinness Book of World Records/CBS Inc.

This topic looks at other elements in the process of planning for family succession: training your successor, communication and planning your own future.

Training your successor

When considering candidates for the post of successor, you may well find that a clear favourite emerges, but that they don't meet all the criteria set, in terms of skills or experience. This is not an insurmountable obstacle. Provided the successor has the required abilities and potential to develop, a programme of training can be set up to prepare them for the role.

It may be important not to force the pace, but to nurture the successor's involvement in the company, so that the transition is a gradual process. This will be important for all parties involved.

- It gives the successor the opportunity to grow into the role, and scope to try out their own ideas.
- Staff and others working for the business have time to get to know the successor and get used to working with them.
- Customers of the business, too, have a chance to get used to dealing with the new face of management, working alongside the old familiar face.

Communication

As well as starting to plan in good time, you should be consulting with other people from the earliest stages. In particular, you will need to communicate your ideas to your family. There may be formal mechanisms to do this, e.g. through family meetings or by following guidelines laid down in a family constitution, if one exists.

Above all, don't make assumptions about what other people want. For example, don't assume that the person you have earmarked as the family business's future leader actually wants the job ... you will explore the dangers of doing this in the next topic.

Talking to non-family members may also be crucial, especially if they are able to offer an unbiased perspective on your plans.

I was only in my late twenties when my father raised the possibility of my taking over from him and running the firm he'd set up. I was surprised he spoke about it then – I know it was something he hankered after, but he'd always been careful not to 'name' this hope. Instead, he let me get on with my own life. Anyway, he was barely 50 and I couldn't see what the rush was – he wouldn't be retiring for at least 10 years. But when we sat down together and worked through what the job involved, what skills I might need and how long it would take to prepare for the role, 10 years suddenly didn't seem that long at all!

Christopher, son of managing director

Take a back seat

As you have seen, choosing and grooming a successor requires careful planning – and time – but another side of the process is planning your own exit from the company. It can be incredibly difficult to let go of the reins, especially if you are giving up control of a business you yourself founded. There is evidence, though, that by delaying their departure (often into their 70s or 80s), the owners of many family firms actually cause their beloved business great harm – sometimes even inflicting terminal damage.

Retirement: key steps

- Be ready to give up your control.
- Set a date for retiring.
- Go when you say you will!
- Don't interfere from 'beyond the grave'.

The key is to give the successor the independence to run the business, not to feel constantly in their predecessor's shadow. There may a vital role for the outgoing founder, e.g. in strategic planning, new product development or in a promotions role, but this should be negotiated and not assumed.

Another part of retirement planning is ensuring that you have a financial base that is independent of the business. This is discussed in more detail in Section 3, Topic 6, and in this Section, Topic 11. Setting up this secure base is again a long-term project – one that should be started as early as possible.

‘Nearly two thirds of all identified successors have worked for businesses other than the family-owned business. Of these, nearly half have worked for other businesses for a substantial number of years.’

Source: Bournemouth University Business School (1999)

Check Point

(Complete this check point only if family succession is a likely option for the future of your business.)

Reading through this topic, identify priorities for action in the three areas covered. Make brief notes here before summarising your thoughts in Action plan 5.

- training your successor

- communication

- planning your retirement.

Now that you've seen some of the RETAILER materials, would you like to benefit from the RETAILER programme?

Through the RETAILER programme, Anglia Polytechnic University offers Till Side Training for independent retailers in Cambridgeshire, Suffolk, Norfolk and Essex employing less than 250 people.

The training is backed by practical materials, relevant resources, the support of experienced mentors and the RETAILER website.

Retailing is a 'people' business. Supermarkets, department stores and chains spend a significant amount of time and resources training their staff. Product knowledge, customer service, merchandising and selling are prerequisites for working in these companies, but training also:

- demonstrates commitment to their employees and their professional development (for many employees, the offer of training is the reason for deciding which company to work for)
- forms the principal rationale that supports all quality initiatives from simple Quality Control right up to Total Quality Management.

The RETAILER programme is supported financially by the European Social Fund, and is free to beneficiaries. The RETAILER programme is intended to train you, train your employees, and help you train future employees.

To find out more about the RETAILER programme please fill in your details below and send a copy of this page to:

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