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The Six Steps for Smart Succession Planning



According to a [Nationwide survey](#), the majority of business owners with 300 employees or fewer do not have a succession plan.

A leader's job is to plan for the future. Business owners and those in senior executive positions are often woefully unprepared to turn over their business and their jobs. Leaders need to develop a plan that ensures both a smooth transition AND the ongoing longevity of the business after the owner or senior people have handed over the reins.

Here are six steps for smart succession planning:

1. Decide On the Desired Outcome

Every C-level executive, business owner, and director will have an opinion about the desired outcome of the succession plan. According to the [Harvard Business Review](#):

"one of the toughest scenarios is planning for the departure of the founder of the organization. It is hard for someone who started a company to think about a day when they do not wake up and go to the business they created."

How can a business owner exit the business? What are the options?
Some common examples are:

- Find/groom a replacement CEO, but maintain a seat on the board
- Find/groom a replacement CEO, with an intent to sell the business
- Pass on the business/sell the business to a family member
- Sell the business outright and walk away

2. Consider the Stakeholders

Even if a business is solely owned by a single person, there are still many stakeholders who need to be considered when developing a succession plan.

These include:

- **Staff** – who have a vested stake in the future of the company, and are key to making a succession plan successful
- **Customers** – if they sense instability, they may take their business elsewhere, thereby devaluing the company and risking its future
- **Co-owners**
- **Family, in a family-held company** – family passdowns are tricky. Some staff will view the family's dynasty as nepotistic, giving family members an unfair advantage over other, more qualified employees. Top talent sometimes shies away from family-owned business because they feel they will not be given a fair chance at getting to the top.

3. Seek Input From Experts

Most business owners are great at building a business, but may not have the skills or knowledge to be aware of all the options they need to consider in their succession plan. Seeking help from companies like [Productive Leaders](#) can ensure that the best succession plan is developed.

4. Develop a Plan with Clear Strategies and Milestones

As with all business planning, it is essential that the succession plan is developed with clear strategies and milestones. For example, if the goal is to sell the company, then the plan needs to focus on maximizing value for a potential buyer. If the goal is to pass the company on to one or more family members, then the business owner needs to allow sufficient time to mentor the heirs. If the goal is for the business owner to remain on the board with a new CEO, then handover time must be allowed for along with a clear delineation of future roles and responsibilities.

Once the succession plan is developed, the next thing to do is to implement it and to track the plan against the milestones to ensure that targets are met.

5. Create Fallback Contingencies, in Case Things Change

Even the best of plans can fail due to external reasons. For example, the economy may change. The person selected to take the helm in the future may have a life event that alters their ability to step up into the role, or they may prove themselves unable to take on the role when given the opportunity.

All of this means that a good succession plan needs to consider all possible 'worst case' scenarios and develop strategies to mitigate for those events. While it does not need to consider every eventuality, it does need to cover the likely ones.

6. Plan For Life After Succession

After the successor is in place, the business owner or executive needs to have a plan for his or her future that extends beyond their present job. Without this, there is every likelihood that the business owner will want to keep a hand in the business, and could unwittingly sabotage their own succession plan.

I saw this happen frequently in the military. Many people knew they were going to transition out of the military after 20 years or more, yet when the time came, many people didn't really adjust their mindset to being a civilian. They had not explored what the next stage was, and they suffered by not having clear goals after their career. Proper planning for the next step, whatever that is, eases the transitions and promotes success.

I'd love to hear what you think about this article. Please post your comment [here](#).

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