

THE ART OF BUSINESS SUCCESSION

Part seven: Role of the advisor

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ROLE OF THE ADVISOR

Despite all of the sound business reasons for doing so, the fact remains that most privately-owned businesses never actually accomplish true succession planning. Evidence shows that the reluctance to plan is attributed to the perceived difficulty of the task, and that there are too many business and personal issues to consider that require expertise from too many different disciplines. To increase the likelihood of success, a responsible succession planning program may require enlisting the assistance of many different individuals with different areas of expertise, such as tax specialists, lawyers, management consultants, appraisers, insurance professionals, employee-benefit specialists, estate planners and financial planners. While well intended, these advisors may offer conflicting advice that will confuse and frustrate owners and managers. Add to the mix the constant pressures of day-to-day business management plus a reluctance to deal with the relationship issues, and many owners are almost certain never to 'find the right time' to develop their succession plans. Some try to apply the 'do-it-yourself' approach, without assistance from outsiders. This decision is usually driven by the frustration described above, combined with a desire to save professional fees or an often unacknowledged need to maintain absolute control. In some circumstances, where the business is relatively small and the amount of complexity limited, this approach may work. In the case of a larger business system (involving a considerable amount of wealth, numerous stakeholders, significant income and tax issues, share transfer issues, compensation issues, management development considerations, complex insurance needs, business valuation and communication issues), the task becomes too complicated to accomplish without expert assistance.

SELECTION OF AN ADVISOR

As succession planning is often a 'once-in-a-lifetime' event, the process is not something with which most business owners have experience. In many cases, the use of a succession planning advisor is the right answer, as seasoned advisors can help to anticipate and identify potential problems that would otherwise be overlooked. Business owners should carefully select a succession planning advisor with the right blend of experience, insight and resources at hand.

The use of an impartial succession planning specialist also adds the necessary degree of professionalism and legitimacy to the process. In many cases, this can provide critical leverage to the process because succession planning is often as fraught with emotional issues as it is with those related to business.

SELECTION OF AN ADVISOR

Because the emotional component can take a toll on the interpersonal relationships and financial condition of the stakeholders, one role of the succession planning advisor is that of a professional facilitator, especially during the important goal-setting process. Facilitators help to collect candid information from stakeholders, build a shared understanding of the differing viewpoints, manage emotional turmoil, arrive at equitable compromises and help build a shared vision for the future. It is often very difficult for an 'insider' to accomplish this important and systematic process effectively.

In reality, no single individual possesses all the deep technical, consultative and relevant skills needed to develop the best possible succession plan. A coordinated team of specialists representing multiple disciplines should be on call. The members of the team should have experience working together to develop the integrated components of a succession plan.

FIGURE 7.1



THE ROLE OF THE LEAD CONSULTANT

While all of the different specialists of a succession planning service team are important, the most crucial member of the team is the lead succession planning consultant. The lead consultant is the individual with whom the stakeholders work directly throughout the succession planning process. The lead consultant must have a very conceptual 'big-picture' understanding of the overall succession planning process and how the different relevant pieces fit together. Although the lead consultant will not possess all of the deep specialised expertise suggested above, that individual should have sufficient competency in all the different elements of succession planning combined with immediate access to a network of 'specialists' should the need arise. The lead consultant should have a solid consulting background with privately-owned businesses and good communication and facilitation skills. They should also have a respectable amount of general business acumen and experience, as well as special skills in dealing with human emotions and interpersonal relationships.

Many individual advisors claim to have succession planning expertise like that of a lead consultant, (e.g. insurance expert or family business counsellor), but in reality specialise in only one aspect of designing a comprehensive succession plan. Too often, advisors who do not have regular working relationships with each other struggle to integrate and coordinate elements of the succession plan. They may even act as if they are competing with each other, issuing conflicting advice and impeding the development and implementation of solutions. Members of a single, coordinated succession planning team are much more likely to devise an effective, synchronised plan at a reasonable cost in time and fees.



The ability to communicate and listen is critical. The succession planning lead consultant must be able to interact effectively with the business owners and stakeholders by communicating concepts clearly and understanding the information provided in return. Too often, advisors unilaterally implement solutions to accomplish tax savings or generational share transfers, based on what they feel is best for the business owners, without spending sufficient time trying to understand the goals and expectations of those individuals significantly affected by the plans. Be thorough! The consultants you select to help build your succession plan should have the best possible credentials – credentials that are in proportion to the magnitude of the task. Remember the succession planning process is a watershed event in the history of your business and family. Decisions made today will affect many of the people you care about for generations to come. Take the time to do it right.

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