



SUCCESSION PLANNING

Diane Hallifax
Human Resource Specialist
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The buzz words for 2010 are 'succession planning'. Increasingly succession planning is becoming more critical in small businesses where business owners not only need to think about risk management but also future exit strategies.

As most business owners know there is generally not enough hours in the day to accomplish the day to day tasks, much less plan for something unlikely to happen for years. However, it is imperative that planning does take place if you want to retire sometime in the future or want to hand the reins over to someone else, to mitigate monetary loss, or even loss of the business itself.

Ideally succession planning should happen over a period of time and the key aspects are the choices you have and the expert advice available to help you make good choices.

Some of the elements of a succession plan are:

- 1) Identifying the biggest risk to your business. For most small businesses, death, disability, losing key employees or a change in the market can have a substantial and irreversible effect on the business. By identifying the risks you can formulate a plan to mitigate or minimise the impact they could have.
- 2) Decide on an exit strategy. Think about what you want in the future. Do you want to retire by a certain age, do you want to hand the business over to a current employee or family member or do you want to sell the business for a profit and develop another area of interest? How you go about exiting your business will determine what you need to put in place to make it happen.
- 3) Talk to your advisors about how to manage the risks in your business and around your exit strategy. You will need to talk to your accountant, lawyer, insurance broker and your human resource specialist to obtain relevant, independent and practical advice on each area of succession planning. The advice will provide you with the facts to make an objective and informed decision.
- 4) Identify a successor. It may be that there is a person internally who you may be able to groom to take over your business. Think about the skills, knowledge and abilities you think an internal successor should possess. If there is no successor internally you may decide to recruit someone who may be interested in taking over when you take off.

P 07 857 0716
F 07 857 0718
E info@everestgroup.co.nz
www.everestgroup.co.nz

Waikato Innovation Park
Ruakura Road
P.O. Box 12700
Hamilton 3248

- 5) Determine what you have in place currently that will assist with succession planning. Do a stock take of the systems, processes, policies and people you already have. Undertaking this process will also assist you with the identification of risks.

You don't want to wait for a crisis before putting plans in place. It is much better to decide on a succession plan while your business is stable and profitable. It affords you the time to choose from a full range of options and to control your destiny.