



MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 87 Transcript

Announcer (5s):

Welcome to the maximize business value podcast. This podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host, the CEO of mastery partners, Tom Bronson.

Tom Bronson (35s):

Hi. Again, this is Tom Bronson and welcome to maximize business value. A podcast for business owners who are passionate about building long-term sustainable value in their business. This episode is part of our series on getting your business ready for next year. Bring on 2022 business planning is something that too often takes a back seat to the day-to-day running of a business, particularly in small businesses in this series, we've already talked about budgeting and we're going to talk about setting up key performance indicators or KPIs, business growth and more. But today let's talk about something that few small businesses actually talk about succession planning.

Tom Bronson (1m 20s):

Now just like last week, if you have already have succession planning process in place at your business, feel free to skip this episode and go back and relisten to our tales from the 17% club. I don't think you'll be disappointed in that again, but if you're like most small business owners and you don't have a process in place, then I'm going to give you some solid reasons. You really should work on succession planning and a step-by-step process to get you started. Let's start by defining succession planning. Simply put

succession planning is a process for identifying and developing new leaders to affect a smooth transition for a business leader when they leave or retire, no matter how old you are, no matter how long you've owned the business.

Tom Bronson (2m 14s):

The simple fact is that every business in the world will eventually transition. So wouldn't it be a great idea to have a plan in place when that inevitable business transition happens? Business succession, therefore primarily focuses on the transfer of leadership and or management from one generation to the next, within the business. Now without a succession plan, there's a potential for a power vacuum. Should something happen? Succession planning allows the organization to target talent investments, to ensure leadership continuity. It reduces risk from leadership attrition, and it focuses on those critical roles that are so important to the critical objectives of the business.

Tom Bronson (3m 4s):

Let me ask you a question. What would happen to your family and your business? If something happened to you tomorrow, would the business continue to operate? Would your family be taken care of leaving behind solid instructions for your family is the purpose of the green box exercise, which I learned about from Vistage. And later in this series, we'll have a podcast on the green box, extra summits, but for now let's get back to succession planning. Succession planning is a key component of the exit planning process, which is made up of three major sessions, exit planning, succession planning, and continuity planning.

Tom Bronson (3m 45s):

A frequent question I get from business owners is why succession planning is so important if I plan to sell the company externally. Well, there are two great reasons. Number one, many buyers want to have a team in place already. And number two, owner dependency absolutely kills deals. A business that is dependent on the owner could kill a future transition. A great succession plan will solve for both of these issues. There are three steps to developing a succession plan. Step one is identifying key roles for potential vacancies.

Tom Bronson (4m 27s):

Remember everyone eventually leaves retires or dies and then assessing requirements and skills of existing employees. That includes you. Step two is filling those future vacancies. Now you can do that one of two ways. First consider internal candidates. This will help you identify future leaders that already exist. Now, if none exist, then you should consider hiring in my businesses. I always instructed my managers to always be hiring their own replacement. And again, that includes you, that ensures a solid growth potential.

Tom Bronson (5m 11s):

Step three is to assess the skills of the candidates from step two and then fill the gaps through training and development. So let's break down each one of those steps so that you can start working on your own succession plan. Step one, identifying critical roles. Since you are probably critical to the success of your business, you should probably start with yourself once you're comfortable with the process. I urge you to do the same thing with each of your managers and supervisors, and you can even carry this all the way down to the frontline employees. Succession planning has a place in the entire organization.

Tom Bronson (5m 53s):

Start by listing all of the things that only you can do, make a list of the critical functions that only, you know about. Let me give you an example. Believe it or not many years ago, I was the only person in my organization. They could calculate commissions. Why? Because I wrote the plan. And at the time we only had three or four salespeople. It was a very small company. We had about 13 people in total, and I believe that I was the only person that would be diligent enough to get it right every time. And besides it would take me way more time to teach someone rather than to just do it myself.

Tom Bronson (6m 35s):

One day I realized that I had a team of nearly 50 salespeople and the process that used to take a few hours. Now it took me two full days every month. That's 10% of my available time. Every month something had to change reluctantly. I brought in one of our

admin folks and ask her if she would sit with me and, and meticulously document the entire process for the full two days that it took me to do it. Now, the following month, I went to her office and sat with her to follow the process for a full two days.

Tom Bronson (7m 16s):

You know what I discovered within a few months, she was able to do the same thing that took me two days and a fraction of the time, really in just a few hours. And we had a documented process for someone to follow in case something happened to both of us. So one of the things in your business that only you can do is it related to banking, customer relationships, overall management, perhaps payroll, or, or writing checks, lists those things to get you started. And then we can move on to step two. You feel free to pause this and go list those things and, and just hit the play buddy button when you're ready.

Tom Bronson (8m 1s):

Step two for each of those folks, jot down a possible successor for it. Someone that's already in the company. Now, if there's not one internally, then just write new hire for that particular item. Now, this is critical for step two. And specifically for each of the internal candidates, you have identified who are already in your business for each of the tasks and successors it's time for step three, determine how ready that person is to take on that specific role. So before we move on to step three, feel free to pause again here and write down the successors to each of the items in step one.

Tom Bronson (8m 46s):

And if you're ready, we're moving on to step three. Are they ready to take on that specific role? Are they either a ready to assume full responsibility? B can perform the task with some help or see completely untrained with little experience. Of course, if you listen to the candidate as hire externally, you won't know yet. If that person has the skillset needed to assume the position, but you darn well be prepared to assess that when you hire for that replacement. Now I frequently hear that it gets a little challenging when you go beyond the tasks and have to identify the successor, but consider that if you do this as a routine process in your business, we like to do an annually, how much easier and better it is compared to the challenge of how hard this exercise can be.

Tom Bronson (9m 44s):

If you're under pressure that someone left, died or became disabled, okay, now that you have the tasks and you've assessed the successors, it's time to think about developing and grooming those candidates to get them ready to assume the responsibility. It's absolutely essential to start with an honest assessment of where the candidate is currently. Then you can fill the gaps through training and development, come up with a strategy to develop those candidates. Every good development plan will likely include perhaps on the job training, giving them some extra exposure, sometimes actually doing the job for some period of time, or perhaps maybe even some behavioral training.

Tom Bronson (10m 39s):

If that's needed. Once that candidate is fully trained, I like to give them frequent opportunities to use their notes, new skills by having them perform the tasks. Occasionally sometimes while I'm on vacation or away from business, or way way on a business trip that will keep these new skills fresh so that they're prepared to step in. If the time comes now, I fully understand that some of the things a business owner might do, you might not want to hand off those tasks to anyone else just yet perhaps due to confidentiality or some other reason. And if that's the case, then it is absolutely essential to clearly document those things.

Tom Bronson (11m 25s):

So someone can assume those responsibilities. If something happens to you, you might want to go back to our podcast last year on documenting processes to learn more about that. So let's review the three easy steps to starting a succession plan. One, identify the tasks to select a successor and three assess and develop that for assuming that responsibility through succession planning, you can actually identify and develop potential leaders in the organization, which will increase the availability of experienced and capable employees.

Tom Bronson (12m 9s):

It affords an opportunity to evaluate individuals for roles here she might want to have, but not have experience with. And it ensures constant development of employees which

leads to better employee retention and satisfaction. Most importantly, it guarantees that employees on hand will be ready and waiting to fill new roles, which will allow the business to grow and flourish. Now, I encourage you to think a little time right now to start working on your succession plan and carry this exercise to the managers and supervisors in your business.

Tom Bronson (12m 49s):

Now that might take a little coaching from you at the beginning because a typical employee reaction to succession planning is fear of replacement. Now it helps to explain that you're working on succession planning throughout the business and make sure that there are so that you can make sure that the business will continue to thrive as it grows and new opportunities present themselves or in the event of an unforeseen disaster. So why do it now? Well, things happen and sometimes things happen that are so catastrophic that it knocks the train off the tracks.

Tom Bronson (13m 31s):

Think about the five DS. The five DS are death, divorce, disagreement, disability, and disaster. Those things happen usually when we least expect it. And those are things that we can anticipate as we de-risk the business with a solid succession plan, a key part of any great exit strategy. It genuinely pays to think about the worst case scenario and plan for it. What happens if the owner dies? What happens if the owner becomes disabled and can't work? What happens if a key employee leaves or dies?

Tom Bronson (14m 14s):

Look, you might never need it, but if you're unprepared and something happens, then it's too late to do something about it. So there you have it. Go work on your succession plan. If you need help, just go to our website, masterypartners.com and click on the button to schedule a call with me. By the way, here at mastery, we offer a half day workshop on succession planning for your whole team. It might be worth doing in your business, just call me and let's talk about the details. This is the maximize business value podcast, where we give practical advice to business owners on how to build long-term sustainable value in your business.

Tom Bronson (14m 58s):

Be sure to tune in each week and follow us wherever you found this podcast and give us a comment or a suggestion for future podcast. So until next time I'm Tom Bronson reminding you that solid succession plan is something that is critical for your business while you maximize business value.

Announcer (15m 22s):

Thank you for tuning into the maximize business value podcast with Tom Bronson. This podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition on their terms, learn more on how to build long-term sustainable business value and get free value building tools by visiting our website, www.masterypartners.com that's master with a Y masterypartners.com. Check it out.

Tom Bronson (16m 8s):

That was perfect. I wouldn't make any changes.