



FORESIGHT

CONTEMPORARY IDEAS FOR BUSINESS MANAGEMENT

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LOOKING AHEAD

Get Started Early with Transition Planning

It's inevitable. At some point, you will want to leave your company and move on to what's next.

If this idea makes you nervous, you're not alone. Approximately 40 percent of business owners would like to exit their companies in the next five years, but only 25 percent have an exit plan in place. Obviously, leaving the company is not an easy decision, but planning ahead will ensure that the company will continue to thrive.

Of course, a thriving company is desirable not only because it's a meaningful legacy, but also because it's an income stream to fund the owner's future. Here are some things to consider to ensure that your company is left in good condition:

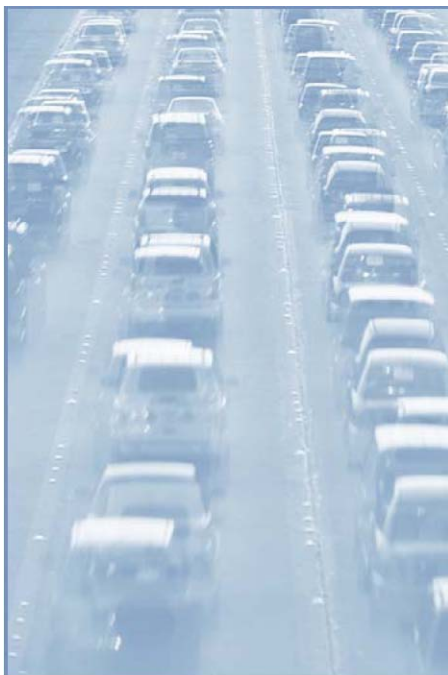


Figure out who's next. Deciding who's best qualified to take over is a crucial decision. Perhaps it's a son or daughter. Maybe it's an experienced employee. Or perhaps it's an outsider who can help the company reach the next level.

Choosing a family member deserves special consideration. Don't assume, for example, that the oldest child is the most qualified or most interested in leading the company. Also, avoid unconventional arrangements such as having siblings share "equal" management duties. This is likely to fail as a long-term solution, since "management by committee" rarely works.

It's often wise to solicit outside input on this decision from a trusted advisor who either knows your company well or has experience in transition planning. He or she will be less emotionally attached and can add an unbiased opinion to the discussion.

Identify success factors. As the owner, what are you doing now that is essential to the company's success? For example, do you develop and maintain most of the client relationships? Are you integral to the product development cycle? Is hiring new talent part of your job?

All of your responsibilities must be

identified and transitioned, either to the new leader or to someone else on the staff.

Put it in writing. Putting a transition plan in writing helps to make it "real." It also provides a way to check progress. The plan should cover the details of the transition — the "who, what, when, where and how." Share the plan with the management team so that they know what to expect.

Clean up. Most businesses are in need of some reorganization. Now's the time to clean up the company and get it in good shape for the next generation. For example, get the right team in place at all levels. Limit discretionary spending. Update insurance policies and leases. Improve your management information systems. Address all of the things that have been overlooked while the business has been growing.

The key to success with a transition is to start planning early. Realistically, it will take at least a few years to get the company set up for success. And when the time comes, go. Trust that you have put in place the right team to lead the company into the future. ❖

Thinking about succession planning? Our firm can assist you in working out the details. .

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