

Is Your Succession Plan Complete?

There is more to a Succession Plan than choosing a successor and an estate freeze.

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You may have been putting it off for years. But it's time to set the stage for your step-by-step exit from the company - after decades building it up into the corporation it is today. Aside from choosing your primary successor and the insurance & estate freeze considerations, here are eight other essential aspects you may need to address:

- 1. Recruiting Other Talented Leaders.** It is a common pitfall for us to think that a Founder of a business can be replaced by a single successor. Analyzing the leadership team mix may uncover certain key skills of the departing Founder - such as marketing savvy or leadership charisma - that need to be recruited.
- 2. Key Leaders - Share Purchase & Share Option Transactions.** It is common to begin sharing equity ownership with your key leaders, to reward them for their service and for retention purposes.
- 3. Setting up Employee Share Ownership Plan (ESOP).** One of the proven methods for rewarding and retaining employees is to establish an ESOP. Another benefit of an ESOP for your company is a marked improvement in productivity.
- 4. Valuation.** As one of the cornerstones for your plans and strategies, consider using an independent firm for a valuation of your company. If the valuation is being used for pricing shares for employee ownership plans, be sure to consider a wide variety of potential future financial outcomes. It is not uncommon to find ESOPs frozen, due to unexpected wild fluctuations resulting from their share pricing formula.
- 5. Unanimous Shareholders Agreement.** This tends to be a crucial component of succession plans. Keeping it simple, yet effective for the numerous future potential courses of direction, is a challenge.
- 6. Management Buyout (MBO) & Related Financing.** This area requires its own well thought out game plan.
- 7. Other Exit Options, including Sale to an Outside Third Party or Going Public.** Each of these Exit Options requires its own extensive business plan. Higher values generally come from synergistic or public company buyers who are getting something extra with the purchase of your company.
- 8. Life after the Succession Plan.** Consider a Coach, a Mentor or new Board members to assist the new team with taking your company to the next level.

Brian Hamilton is the CEO of Corplan Advisors Inc, a Calgary-based firm dedicated to helping Owners and CEOs of mid-size companies in Western Canada cross the finish line smiling with their Succession Plans & Divestitures.