

# Choosing a Successor

*Picking a new leader is one of the most crucial moves with succession plans.*

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Moving out. The Baby Boomers atop Canada's mid-sized companies are heading for their exits. Yet some owners are shocked to find much of their company's value staring back at them in the mirror every morning. The dilemma they face is how to retire from their life's work with the best price for their company when they themselves account for the biggest share of its value.

Picking a new leader is one of the most crucial moves with succession plans. Why? Whether it is an outright divestiture or a management buyout, the future of the company rests with the successor at the helm to guide the team and the business. From the outgoing owner's perspective, a great replacement preserves the value in the company and may boost it considerably. However, a good successor will also have a very positive impact on the employees and will often chart a course for the company that causes the company to reach a whole new level.

The value of a business which is scheduled for a divestiture can be greatly enhanced if a solid successor is put in place a number of years in advance of the planned sale. By showing the enterprise continues to be successful and is no longer reliant on the owner, prospective purchasers will pay more. The more confident the buyer is with the successor, the closer to full enterprise value they will be willing to pay.

The new leader can also inject energy and excitement into the existing employee group. Sometimes it is the successor's own youthful energy. Sometimes it is their fresh ideas and bold initiatives. Perhaps they come with proven experience in new markets. In those situations where there is a good fit between the successor and the existing personnel, the end result can indeed be a much-multiplied outcome, as the new leader's enthusiasm and energy is transferred to the entire staff.

Just as in the analogy of building blocks, by adding a great successor a company is also setting in place a foundation enabling a whole new level of growth and development. The leadership team is bolstered. A fresh business plan is assembled. New priorities and market initiatives are hashed out. Creative thoughts for new products are hatched. Inventive ideas for improved efficiencies and profit margins spring to life.

Thus one of the best ideas an owner can have is to begin early to plan for and choose a successor. There's still time. It will be worth it. Find a great successor, work along side this new recruit for a few years and you and your employees will reap the benefits. Then it will be all the more satisfying, whether you're golfing, sailing, traveling or just hanging out with your spouse and friends.

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