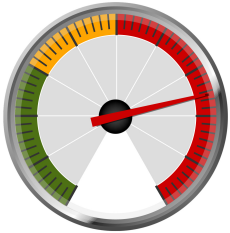




SuccessionStrength

# SUCCESSION STRENGTH ASSESSMENT REPORT

PREPARED FOR TERRY SMITH



STRESSFUL SUCCESSION

## OVERALL RESULT: **STRESSFUL SUCCESSION**

Your succession efforts are resulting in more stress than is normal in a transition. Sustained stress could jeopardize operations and have negative implications on the success of the business. Work should be immediately to move out of Stressful Succession range and into the Normal and/ or Strong Succession range.

Transitioning from one owner to another could be an extremely stressful time in the lifecycle of a business. This changing of the guard is also a stage where many, otherwise strong businesses, go under. As with any major commitment, this is not a stage in the business' evolution that should be treated casually. Your approach to this succession transition is weak. Pay keen attention to the areas below to ensure that your business passes successfully from one owner to another with minimal disruption.

## **COMMUNICATION**

**Weak Communication.** Communication, communication, communication. This is the foundation of any major change. In the same way that a couple ensures that their values, goals and desires are aligned before getting married, the series of conversations about assuming control of a business needs to be as open and explicit. Your approach to communication is not strong. There may be unspoken assumptions that are not in alignment. Make it a priority to address this area immediately.

## **PREPARATION**

**Strong Preparation.** You have taken a critical step in designing a plan to prepare your successor to take the helm. Your plans, once executed correctly, should ensure a smooth transition.

## **EXECUTION**

**Normal Execution.** You are experiencing some stress in your executing your transition. Although some friction is to be expected, you may be exerting more effort than you need to for the transition. There might be gaps in your communication and or preparation, but you are managing to work through these. Refer to your skills gap analysis and transition plan to ensure that any outstanding items are addressed within

the designated transition timeline. Review your communication and preparation recommendations and take action to address any gaps for a smoother transition.

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### **DETAILED FEEDBACK**

*Terry, the feedback on the following pages is based on your specific answers to the questions in the assessment survey. Please read through them carefully.*

### **COMMUNICATION**

Running a business is a major commitment that should not be taken lightly. Both you and your successor need to be aligned in terms of your future desires. This should not be assumed, but should be clearly and explicitly discussed in a conversation.

You did not receive explicit acknowledgment of the intended successor's interest in and agreement with assuming control of the business. As with any major commitment, think about a marriage for example, there needs to be an alignment of interests and a clear agreement on the proposed terms. Committing to running a business should be no different. An alignment or agreement should never be assumed. It is not too late to have the conversation with your intended successor. This is one of the critical conversations covered in our conversation guides.

You seem open to the possibility of making changes to the business' strategy. Ensure that you openly communicate this to your successor so that he/she feels a level of comfort from knowing that you are not opposed to such changes. It also gives him/her a chance to exert his/her influence and make a stamp on the organization in a way that motivates him/her to lead with conviction. While you may offer your suggestions, your successor may or may not involve you in making strategy changes. Try not to take this personally. If you find it too difficult, consider asking him/her to make changes after the period of transition when you would have exited the business. If your guidance is requested, provide it, but again, do not take it personally if all elements of your advice are not accepted or implemented; your role is that of an advisor to your successor at this point.

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## **PREPARATION**

It is good that your successor seems to have spent enough time in the business to know how the operation works. Make sure that you remain available during the transition time to clarify any doubts.

Having your successor shadow you should be less about understanding what you do and more about understanding why you do what you do. Your successor may or may not make the same decision in the future but he/she would at least have understood what goes into making such a decision.

It is good that you and your successor are aligned on the vision and strategy of the business. It would prevent disruptions to the business resulting from a change in direction once your successor assumes control.

Your plan to transition the business in under 5 years signals the commitment of the parties to the transfer of control. At this stage, key employees, customers and suppliers should be familiar with your successor. Interactions should be more with him/her than with you.

Unless you have concrete post-transition plans, it may be difficult to really step back from the business and give your successor the room to exert his/her influence independently.

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## **EXECUTION**

Your successor spends about half the time that you do in the business. He/she may have just begun to learn about the business but his/her attention is divided; he/she may be at the beginning stages of the transition process.

A new leader working with a relatively new management team could be a recipe for disaster. Ensure that your successor takes the time to really understand the functional areas in the business so that he/she could both guide and challenge the management team as needed. You may help by providing insights into the personalities of the team. Be sensitive that your successor may take time forming his own opinions of persons which may differ from yours. At this stage, he/she should focus on learning about the business from these persons. In time, he/she will make the decision on who remains on the management team. Chemistry will also inform that decision.

Services businesses like yours typically rely on close customer relationships as a way of

building a competitive advantage via loyalty. It is essential that your successor have a good working relationship with your biggest customers and treat them well if he/she intend on keeping them. Building and maintaining good customer relationships is a key practice that you may have started and perfected. Have a plan in place for transitioning these key relationships to your successor and be sure to share some tips with your successor about that works and what does not with individual customers.

While services businesses like yours typically do not rely on close supplier relationships as a way of building a competitive advantage as much as a manufacturing/distribution business would, your successor recognizes that having a good working relationship with and treating your biggest suppliers well will go a long way in having them provide timely and uninterrupted deliveries. Managing supplier relationships well is a key practice that you may have started and perfected. Have a plan in place for transitioning these key relationships to your successor and be sure to share some tips with your successor about that works and what does not with individual suppliers.

While having an in-demand proprietary process is always important to a services business, it tends to be rare. It is more typical to gain a competitive advantage by having superior customer relationships which build customer loyalty and keep them coming back.

Your successor should know who the key employees are along with what they do. The success of his/her efforts sits on these employee's shoulders and it could go a long way in building loyalty and authenticity.

The business has been in existence for longer than you have been in control. This means that it has successfully weathered a change in culture. However, this may not make your transition any easier. Key stakeholders (employees, customers, suppliers) who would have gone through the transition before may no longer be in the picture and may not be there to comfort existing stakeholders who may be anxious about the change. Try to put yourself in the shoes of your successor in providing the support that he/she may need during this transition. If you do not believe that you could support the changes, it may be better for you to suggest that changes be made after you have exited the business. Infighting during the transition period could undermine the efforts of your successor after your exit and this could hurt the business.

## **NEXT STEPS**

If you have questions or need help, we'll meet with you to learn about your priorities, circumstances and needs. Our guidance and self-help solutions in business, family systems, and conflict management are mapped to your unique goals.