Chapter 15

The Final Harvest of a New Venture

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What is Succession Planning?

Succession Planning can be defined as a purposeful and systematic effort made by an organization to ensure leadership continuity, retain and develop knowledge and intellectual capital for the future, and encourage individual employee growth and development.

SUCCESSION PLANNING

5 COMMON MISTAKES TO AVOID

trg talent

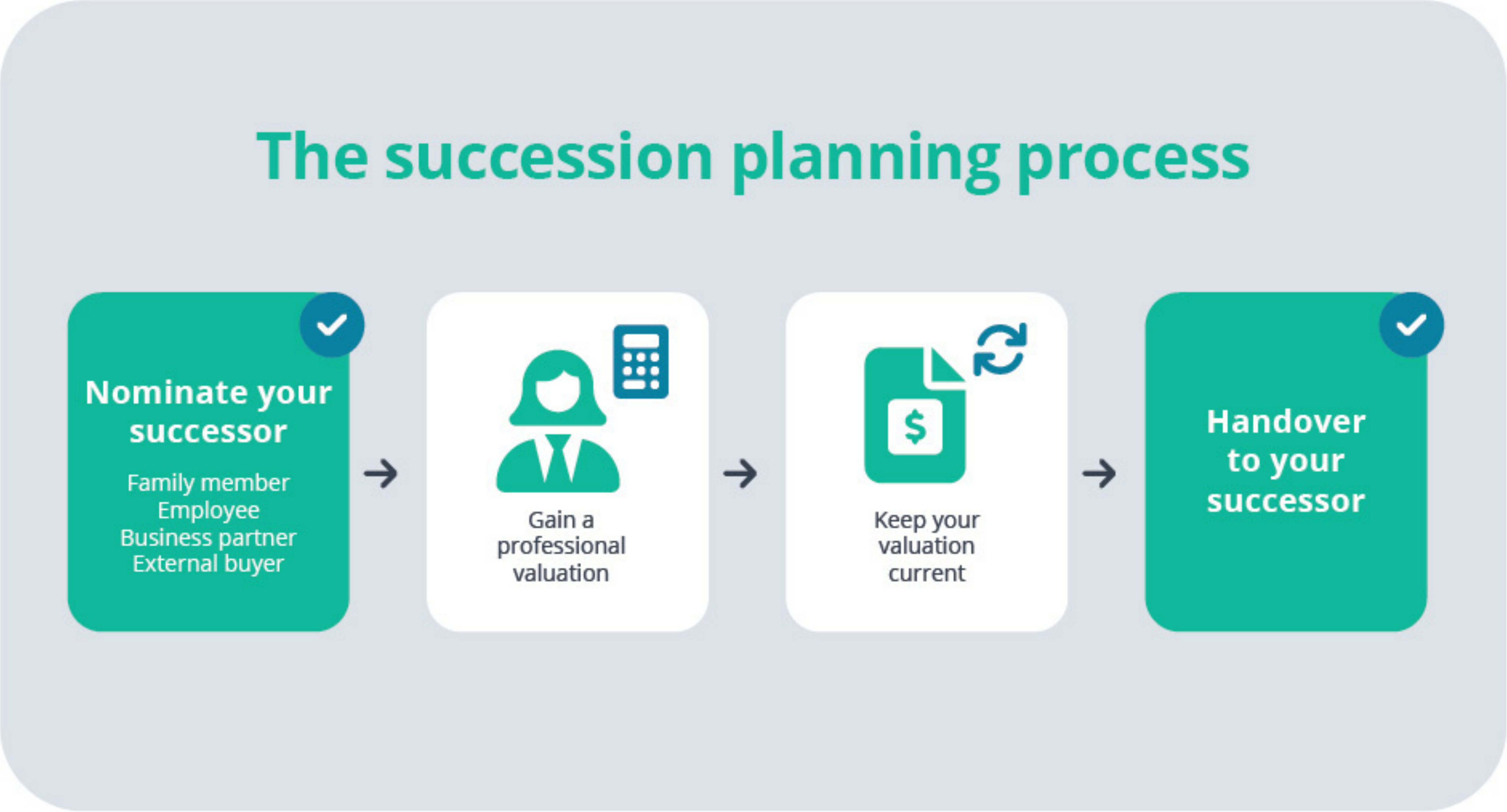
#1: You play favourites.

#2: You don't have an objective process for spotting successors.

#3: You don't address disappointment.

#4: You turn the process into a competition.

#5: You keep the succession planning process a secret.


The succession planning process
Nominate your successor
Family member
Employee
Business partner
External buyer
Gain a professional valuation
Keep your valuation current
Handover to your successor

Events / Forces (replacement of owner / manger)

1. Death.
2. Illness.
3. Mental / psychological breakdown.
4. Abrupt departure.
5. Legal problems.
6. Severe business decline.
7. Financial difficulties.

Sources of Succession

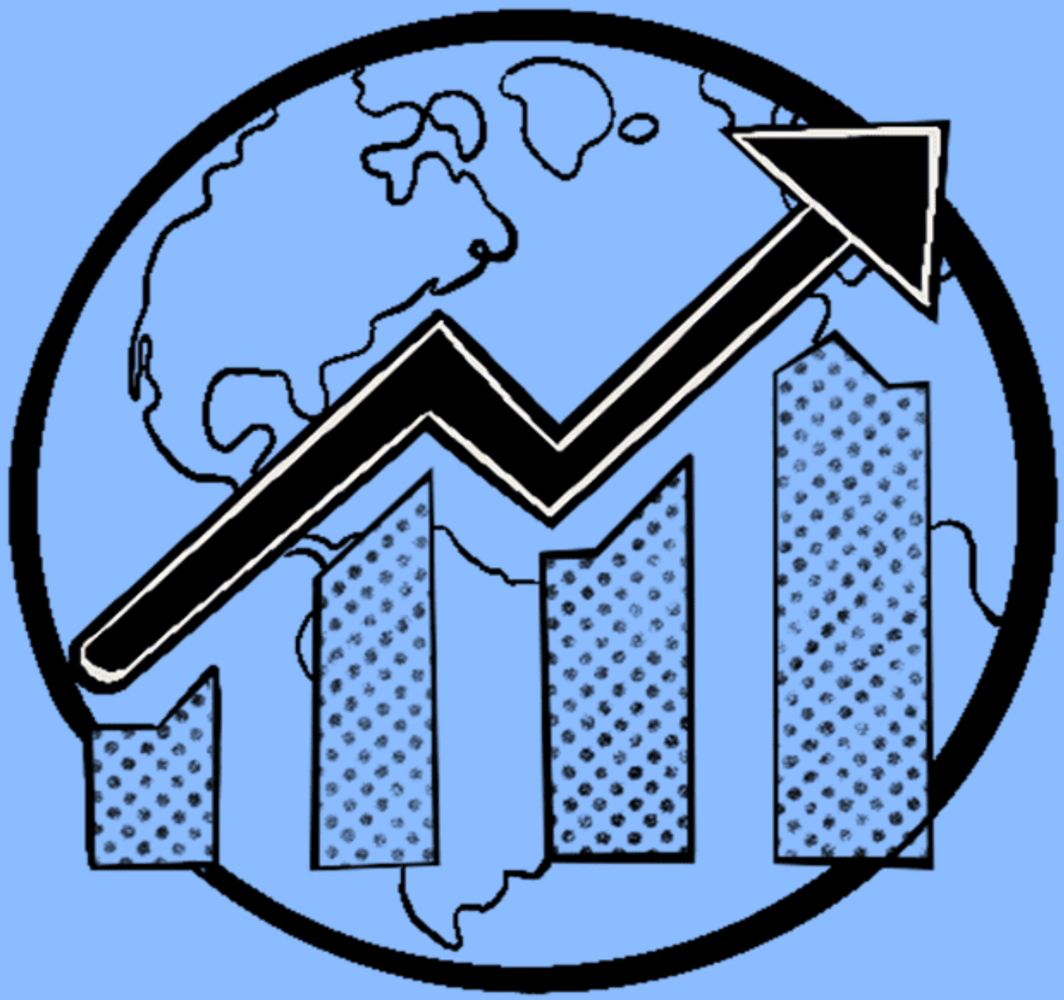
(which one you think is the best)

1. Inside owner's family and inside the organization.
2. Inside owner's family and outside the organization.
3. Outside owner's family and Inside the organization.
4. Outside owner's family and Outside the organization.

Developing a Succession Strategy

(Several Important Steps)

1. **Understanding the contextual aspects**
   a) Time
   b) Type of venture
   c) Capabilities of the manager
   d) Entrepreneur's vision
   e) Environmental factors
2. Identifying successor qualities
3. **Developing a written succession plan** (A written policy can be established using one of the following strategies)
   a) The owner controls the management continuity strategy entirely.
   b) The owner consults with selected family members.
   c) The owner works with professional advisors.
   d) The owner works with family involvement.
   e) The owner formulates buy / sell agreements at the very outset of the company.
   f) The owner considers employee stock ownership plans.
   g) The owner sells or liquidates the business when losing enthusiasm.
   h) The owner sells or liquidates after discovering a terminal illness.



IPO

[ˌī-(ˌ)pē-ˈō]

The process of offering shares of a private corporation to the public in a new stock issuance for the first time.

Complete Sale of the Venture

(steps for selling a business)

- **Step 1** : prepare a financial analysis
- **Step 2** : segregate assets (for taxation purpose) (consult tax accountants and lawyers)
- **Step 3** : value the business.
- **Step 4** : identify the appropriate timing
  a) Sell when business profits show a strong upward trend.
  b) Sell when the management team is complete and experienced.
  c) Sell when the business cycle is on the upswing.
  d) Well when you are convinced that your company's future will be bright.
- **Step 5** : publicize the offer to sell
- **Step 6** : Finalize the prospective buyers
- **Step 7** : Remain involved through the closing
- **Step 8** : Communicate after the sale.


Thank you