

# Succession Planning Starts With Soul Searching



“Retirement was good for me. I sold my business and my doctor immediately took me off my blood pressure medications. I didn’t need them.” The speaker pauses and sighs. “What I do need, though, is some kind of plan for what I am going to do for the rest of my life.”

This gentleman goes on to describe the typical, unprepared retiree’s experience: lots of naps, TV, golf, his spouse getting more and more irritated with him, a bit of depression and a little more alcohol. If he would’ve had a personal transition plan, he wouldn’t have experienced so many unpleasant aspects of an old-school approach to retirement.

## Let’s Take a Step Back

Succession planning is probably the most important step in increasing the value of your company up to five years before you sell your business, and assures leaving a proper legacy. If you have a written plan, you are ahead of the 80 percent who don’t, but if not, start with these questions:

- **Pre-retirement succession plan:** Do you have a healthy and productive management team? Is your business at its peak value? Do you have a business successor? What will happen to your business and employees after you leave?

- **Post-retirement personal transition plan:** What specific plans do you have in place for the next 20-30 years to maximize living a purposeful life? What will be the objective of your life after retirement?

If you don’t have a personal transition plan regarding what you will do after you sell your business, you will not be motivated to create a business succession plan for your company.

Most business owners don’t want to think about their “platinum years.” That time may be far off, and yet it’s something they have in the back of their minds. So what’s the big deal? Well, what if you don’t get to retire? What if, heaven forbid, illness or death strikes before you have a plan? Who will decide what happens to your business when you’re unable to offer guidance? Statistically, more than 75 percent of businesses sell during the ailing or death of an owner or when a company bottoms out.

The harsh reality of life after work is that while you’ve been thinking that time off is something you need (certainly something you’ve earned), without a personal transition plan, you’ll likely get bored. You can only take so many naps and play so much tennis and golf. You’ve always been a rolling stone. Putting the brakes on that inertia isn’t healthy. A more prudent thought is you

need both a business succession plan and a personal transition plan — that way, you’ll be covered on both ends.

It’s time for some soul searching. Your many years of business experience is invaluable to your community. Perhaps you could find a way to share it. Maybe you want to volunteer, travel, take up yoga, exercise more, learn a foreign language or start a part-time job.

## Document Answers to 4 Questions

Whatever you do, think about these things (and document them) up to five years before you think you’ll retire:

1. **How can I maximize the value of my company from a buyer’s point of view years prior to selling?** Know the eight key drivers that increase the value of your company, and commit time and people monthly to address them. (See sidebar, “8 Key Drivers of Business Value.”) Consider hiring a leader to help keep you focused and execute your plan.
2. **Do I have a successor to run my business after I leave?** If it’s a son or daughter, are they in line because they are family or because they are both qualified and interested? Look further inside your company for other leaders to take on a leadership position. Also consider other performers that with training or mentoring can be ready soon.

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Last, prepare to look outside the organization if no one is qualified and interested in the position.

3. **What do I want the future of my business to look like for my employees?** If you sell to a strategic buyer, will your employees be guaranteed jobs? Will the culture become more aggressive? If you pass on to an heir, will that person milk it or grow it? You leaving can give many people an opportunity to advance if they step up.
4. **What do I want my personal future to look like? What do you enjoy doing that you have less time for now?** Grandkids, travel, exercise, scuba diving, learning a foreign language, volunteering? Whatever it is, write down your laundry list of objectives that will help you stay relevant and fulfilled. You've worked too hard to not plan for life after work. ■

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## 8 Key Drivers of Business Value

1. **Financial Performance:** Your history of producing revenue and profit combined with the accuracy of record keeping
2. **Growth Potential:** The likelihood to grow your business in the future and at what rate
3. **Switzerland Structure:** Your dependence on a single customer, employee or supplier
4. **Valuation Teeter-Totter:** Whether your company is a cash cow or bleeding cash
5. **Recurring Revenue:** The proportion and quality of automatic, annuity-based revenue you collect each month
6. **Monopoly of Control:** How well you differentiate your business from competitors
7. **Customer Satisfaction:** The likelihood your customer will repurchase and refer others to you
8. **Hub and Spoke:** How your business would perform if you unexpectedly couldn't work for three months