

The Importance of Head and Heart Leadership in Succession Planning

FLAGSTAFF REGION SUCCESSION SERIES



Over the past number of weeks there have been a number of articles published about the topic of "Small Business Succession." It has become obvious Business Succession is likely to impact many Canadian small businesses in the near future and the Small Business Community in Flagstaff County is no exception.

It is equally important to recognize that Business Succession does require planning and



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preparation to help increase the likelihood of the best return to the current owner, the potential owner and the community as a whole.

Before looking at the 1-2-3's of developing and implementing a successful plan, let's take a moment to better understand the term "Business Succession." The following is the traditional definition often referenced to when discussing this topic: "Succession Planning" is a process that involves stakeholders and often external advisors – working together to transition business assets and liabilities. In doing so it creates a management strategy that addresses stakeholder's concern and goals while working with the family's values and framework.

Ok, but what about the concept of "Business Succession 1-2-3?"

My research and "on the ground" experience as shown me there are three primary points that many current business owners considering succeeding their businesses – the Wallet, the Head, and the Heart:

1) The Wallet – This component relates to the finances of the business including the financial health, the impact of taxation and the protection of the equity in the business;

2) The Head – This component refers to the business's history and the experiences of the founder and the successor – in essence their "story;"

3) The Heart – This component refers to the family dynamic, customer relationships and legacy of the business.

One of the first elements often explored by those considering succession is "The Wallet" – topics in this area include taxes, insurance, investment or finances.

There are a number of reasons for this:

- The majority of business owners getting ready to retire or move on to new opportunities have spent years often decades building their enterprises always with the hope that the business will also become the foundation of the "retirement readiness."

The second element considered by most is "The Head:"

- What is the value of my business and how much of this value is dependent on my continued involvement or sharing of my expertise and knowledge to the new owner. How prepared is the potential new owner to assume ownership and leadership of the business?

Often the current business owner will seek out a "second party" expert to assist in addressing the first two elements – when doing so it is important to note that it is your business and the professional that you engage to support your efforts must "feel right" for you.

The third element and perhaps the one most often overlooked is "The Heart:"

- This component refers to the family dynamic, customer relationship and the legacy of the business will have on your family, customers and the community.

This is an area that I most typically focus on – the decisions you make today will have long-term impact on many of the relationships and the value that you have brought to your family, customers and your community as you have operated your business.

There is great "reward" in knowing that your efforts have impacted others so much in a positive way and the potential of passing the torch to someone new should also help you in knowing that your legacy will live on.

As you look to an eventual and successful succession of business it is of real value to consider and include the concept of "Business Succession 1-2-3" in your planning.

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