



Welcome to Accountants Minute. I'm Peter Towers, Managing Director of ESS BIZTOOLS.

Accountants – Businesses Need a Broad Succession Strategy

The normal understanding of succession is questions being asked: *"What would happen is something happened to our owner or CEO?"*

Most small/medium enterprises cannot afford to have a stand by CEO sitting in the wings. Alternative strategies need to be developed to ensure that the business has an effective "succession strategy".

The concept of a "succession strategy" will become a high priority for many businesses that are hoping to expand their operations by raising capital under the Early Stage Innovation Companies process, starting from 1st July 2016.

However, many investors will be asking questions relative to the effectiveness of the business' innovation policies and also questions on succession within the business. Does the business have a "succession strategy"?

The development of a "succession strategy" can be a business advisory service package, offered by an accountancy business, to assist clients with this very difficult question. The key components of a "succession strategy" include:

- Review of the corporate management chart – are there any obvious deficiencies in jobs that are being performed by the management team?
- Review of job descriptions for members of the management team – do the job descriptions adequately describe what that management person is doing? Are they doing the work that has been allocated to them in their job descriptions?
- Review of the job descriptions of the CEO – is there any obvious areas that could be delegated to other members of the management team now, not at some time in the future?
- Conduct of a Corporate Governance "Think Tank Workshop" with the management team, to take them through the process of management responsibilities, how a Board of Advice operates, how a Board of Directors operates and discussions on corporate responsibilities.
- Preparation of a skills' matrix by working through the 50-60 key functions that apply in most businesses, to ensure that these are being adequately allocated throughout the management team.

Hopefully, you don't have a situation where 85% of these roles have all been allocated to the owner or CEO. The whole process is trying to understand how much of the CEO's current role could be allocated to other members of the management team.

This will then lead to the identification of team members who could temporarily, at least, perform some of the CEO's ongoing role.

The outcome of this type of exercise will be that the management team members will have a greater appreciation of the way that a Board of Advice and a Board of Directors work in an organisation. Succession within the organisation will be enhanced by all members of the management team, having a better appreciation of their role and, in particular, any aspect of their stated role that they haven't been performing.

The organisation will benefit by each team member having a skills development program for the next 12 months that they will be expected to implement and the business will have current job descriptions for its management team members.

ESS BIZTOOLS currently has a Succession Planning package and we're currently updating that package, to include some additional material relative to "succession strategy" guidelines, looking at the business as a broad entity. We will be releasing the updated material in a few weeks' time.

We will be conducting a special webinar featuring "**Succession Planning**", on Tuesday 7th June 2016 at 12pm AEST. You're invited to attend this webinar, free of charge. Please [click here](#) to register to attend.

A complimentary copy of the article we've produced, "**Succession Planning**" is attached with this transcript.

If you have any questions on any aspect of succession planning, please don't hesitate to contact us.

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