



ESS AccountantsMinute

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

Every Business Needs a Succession Strategy

Do you know that succession or exit planning has been identified by small/medium enterprise operators as one of the key issues for business success, in various surveys over the last 15 years?

ESS BIZTOOLS has developed a full product package on succession or exit strategies, to assist accountants/advisors to deliver a full range of services to small/medium enterprises.

In fact, the ESS BIZTOOLS' package includes questionnaires so that you can get input from your clients – the owners, directors, Board of Advice members (if the business has them), the management team and the team members themselves – so that they can answer a series of questions on where they perceive the business, in which they are very closely involved, is going.

Then there's a further set of questionnaires relating to the business itself. What's the key attributes of the business? Where's the Intellectual Property filed? How much Intellectual Property is in the owner of the business' head?

What are the succession issues? Are there family members in the business who have aspirations to be owning and also managing the business? Remember, those two issues can be split into an ownership group and a management group. In some cases, it might be decided to skip a generation if there's no one within the family who wants to have the responsibility of being the CEO for the next decade. Perhaps it's a good idea to bring in an outside management person to be the CEO and the long-term plan would be that a grandchild of a founder may very well be groomed to ultimately be the CEO of the business.

Another very important question for the owner of the business is: Will they have enough money to retire or are they relying on the business being sold with a major cash payment being made to them, so that they can retire with dignity?

The succession system also includes a personal due diligence list, which encourages the person for whom the succession planning strategy is being determined, to go through and answer various pertinent questions.

Other questionnaires prompt the following discussion:

- Is the corporate structure appropriate to a succession?
- Is it an appropriate time for the business to be incorporated as a company?
- Should the company be looking at doing an Initial Public Offer (IPO) in the next 3-5 years? What planning needs to be put in place now to enable that to happen?

This brings up a whole series of questions relative to ownership options:

- Are there alternatives to the current structure in which the business is held?
- Should there be some external shareholders invited into the business, to facilitate the succession?

All of these discussions can lead into some other very interesting areas, such as should there be a Family Charter or Constitution? Many family businesses around Australia have these. This is primarily a mechanism which is put in place where the family is not directly involved in the management of the business to give the family a formal input as to what is happening within the business. This can lead to a Family Council, whereby this group is completely separate from the Board of Directors of the business (although there may well be some common members). The Family Council looks at the issues relating to the family and one of their key investments as a family would be the shares that are held by the family in the family company.

The ESS BIZTOOLS' Succession Planning package contains a number of articles on succession plan. There's a SWOT analysis from the point of view of planning succession. All of these articles are going to assist in identifying what can be some very important issues relating to succession planning.

Succession planning doesn't just always relate to the retirement of a CEO or an owner. In fact, we believe that succession is an issue for every position within a business. Who is being trained to take someone's place? Is there adequate staff training, team development and planning for the future going on within the business? This is also part of succession planning.

All these processes mentioned contribute to the development of an overall report which, as the accountant/advisor of the firm, you could submit to the owner, CEO or the Board of Directors, outlining an appropriate succession strategy within the business. Hopefully, the succession plan is going to be put in place over a longer period than just a couple of weeks so that it might even be a one or two-year plan, to ensure that appropriate training and development is performed and all the very important information that's locked in the head of the retiring CEO has been appropriately documented.

We're presenting a special webinar, free of charge, featuring **"Every Business Needs a Succession Strategy"**. This webinar will be held on **Monday 8th August 2016 at 12pm AEST**. [Click here](#) to register to attend.

A complimentary copy of our article, **"Succession Planning"**, is attached with this transcript.

Succession planning is one of the very important issues that affects every business. Therefore it's an activity that accountants/advisors should be very seriously looking at because, at various stages in your clients' careers, they're all going to need input from their "trusted adviser" on succession issues.

If you have any questions on how the ESS BIZTOOLS' Business Advisory Services products can assist you in providing advice to your clients, please don't hesitate to contact us.

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