

Hi, this is Wayne Rivers at The Family Business Institute. Thank you for tuning in. We'd love to have your comments below. Check out our YouTube channel and subscribe so you never miss another blog and, finally, let us know what ideas you have for future blogs. We're very interested, we think these are interesting, but we try to know what you think is interesting.

So, this week I want to talk about do you have a succession plan really? Okay. This was sort of brought home to me by a study that the CFIB, the Canadian Federation of Independent Businesses did. So, here in America we have the NFIB, the National Federation, Canada has a similar organization, CFIB. They did a survey, now keep in mind, these tend to be your smaller companies, your family businesses, the people that FBI addresses its message to. So, they went out and they said do you have ... specific question ... do you have a succession plan in place? 75% of senior generation business leaders said, "Yes, we have a succession plan." Well, CFIB did something really smart and really interesting, they also asked the question of the potential successors, so children and high-potential non-family employees, and they said, "Does your company, your small business, have a succession plan?" Well, only 15%. So, 75% of senior generations, they say yes, only 15% of successors or potential successor said yes.

That's a heck of a disconnect, right, 75% on the one hand, 15% on the other. So, a couple of observations. Number one, if you ask a senior generation family business leader, do they have a succession plan, a great many are going to say yes, because they've got a drop-dead plan, that means, wills, trusts, they've been to the lawyer and the financial planner, they bought some insurance and they say, "Man, if I drop dead, we're slick buddy. It's all ironed out, we're not going to pay any taxes and all that." Hey folks, that's a drop-dead plan, that is not a succession plan. That answers the question, what if I die, not what if I live.

So, that's not a succession plan, but I think many people confuse it with a succession plan. A succession plan means I'm 60, where am I going to be at 70? Am I still going to be employed here? Who's going to be taking over my role? Who's going to take over my daughter's role or son's role? We have a succession plan in the sense that we're building on our talent, we're building on our capabilities, we're building on our business development, we're building on our operations infrastructure, we're building on our financial infrastructure, we're building out our space, we have a plan for doing all those things. That's a succession plan.

So, one more defense of those senior generation who said 75% do have a succession plan. Maybe they did. Maybe they actually did hire some high-powered consultant and the consultant came in and put together a strategic plan that outlines the next five or ten years. But even if they did, they only shared it with 15% of the next generation. So, to the degree they went out and went through all this time and trouble and potentially money to create a succession plan, and then they failed to share it with the very leaders who are going to be taking over the company 10 or 20 years from now. That is a foolish mistake and we actually encountered that this summer at a really smart, great successful, profitable family business where the leaders had gone out and they had engaged a consultant and they really did have a really good strategic plan. I read it. I mean, it looks really good, they update it ever year. The finances are a part of it. I mean, it's really, really well thought out.

Found out this summer they had never shared it with any of their employees. And they've got some terrific next-level managers and leaders in the organization. Had never shared it. Vision, mission and value. So critical to the long-term success of your family business and attracting the kind of talent that you want and yet they've never gone out and shared it with these high-potential leaders in their businesses. So, did they have a succession plan and a strategic plan? Yes. Could it have been better? A thousand times yes. Because they could have shared it with the other people in the organization and thereby strengthened and built the culture of the organization even better than it already is. As good as you are as a family business and as a leader, you can also get better, right?

That's the kind of thing that we're talking about when you take things from top down. I have the information here. I make the decisions here as the leader. When you can push decision making down. When you can push a strategic plan or a succession plan down in the organization, so we develop and build out the team and even begin to solicit ideas from the bottom up. That's when your organization reaches its peak strength. Top down can work in a very small business. As your business grows and prospers, you need to be more of a bottom up leader, listen more and integrate people more. Part of the way to integrate, share that succession plan, share even elements of the drop-dead plan. Let them know that they're not going to be out on a limb if lightning strikes and if you do have a strategic plan and you've gone out and paid money to consultants, by all means, push that thing out into every corner of your organization and talk about the vision, mission and values and where you're going and you'll strengthen your organization and you'll all be better as a result.

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