

Why Every Firm Needs a Succession Plan



Presented by: Kathleen Held, CPSM; Kate Petrovich, CPSM;
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Meet the Presenters



Kathleen Held, CPSM



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How prepared
are you?

A person in silhouette is climbing a vertical rock face. The scene is set against a dramatic sunset sky with golden light and scattered clouds. The sun is low on the horizon, creating a strong glow. The rock face is textured and appears to be made of large, stacked stones or blocks. The climber is positioned in the upper right quadrant of the frame, reaching up with their hands and feet on the rock.

“A goal without a plan is just a wish.”

Antoine de Saint-Exupery

The Process





Audience Poll



Strategic Planning

What is a Strategic Plan?

Defines who you aspire to be and the steps needed to get you there



What does it accomplish?

- Identifies what you bring to the marketplace
- Defines a vision for your firm's future
- Establishes measurable goals
- Defines strategies to achieve the goals
- Assigns responsibility and accountability
- Builds consensus among firms leadership



What are the Key Elements of A Strategic Plan

- Mission and Vision
- Core Values
- SWOT Analysis
- Objectives, Strategies and Operational Tactics
- KPI's
- Action Items



Strategic Plan Includes

- Business Plan
- Marketing Plan
- Human Resources Plan





“Plan” is a Verb



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Strategic Planning
= Investment in
Firm's Future



What comes first... Strategy or Talent?

- What is strategy?
 - Choosing targets, goals and direction
 - Purpose of organization
 - SWOT
 - Core competency – what makes you better and different
- What is Talent?
 - Talent is your strength
 - Talented people more productive
 - More capable of promotion
 - Key to succession planning
 - Talent is what makes your firm successful



Succession Planning

What is Succession Planning?

*Identifying and mentoring
new leaders at all levels*



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Why Being Proactive is Important

Not something that can successfully happen overnight



Why are Talent Reviews Important?

- Transparency
- Communication
- Goal-Setting
- Map-out Career Paths
- Eliminates Assumptions

Potential



Performance

Use as Hiring Strategy

JOIN OUR TEAM



Who Makes a Great Leader?

“Management is doing things right;
leadership is doing the right things.”

– Peter Drucker

“Before you are a leader, success is all about
growing yourself. When you become a
leader, success is all about growing others.”

– Jack Welch

“Leadership is the capacity to translate
vision into reality.”

– Warren Bennis



Management vs Leadership

Manager

- Copes with complexity – brings order & stability to unpredictable situations
- Plans & budgets
- Organizes & staffs – sets up systems to ensure that plans are implemented precisely & efficiently
- Exercises control & solves problems
- Strong MANAGERS are essential to ensure efficient progress given a steady course



Leader

- Anticipates & produces change – enables adaptation to new circumstances
- Sets direction & course
- Aligns people with vision – gets them to believe in an alternative future
- Motivates & inspires people
- Strong LEADERS are essential to envision & stimulate necessary changes & long term survival

Who do you think is the best leader?

Alex

- Always on time & budget
- Processes are efficient & under control
- Designs reliable systems to manage operations
- Steady, reliable & organized
- Diplomatic & reserved



Chris

- Creates a cohesive engaged team
- Persuades others to accept new ideas & changes
- Builds strong networks & relationships
- Enthusiastic & impulsive

Baby Steps to Transition



Why Succession Plans Fail

- Lack of communication
- Adopting an informal strategy
- Focus on past not future
- Making assumptions about your talent
- Failing to plan and follow through
- Not thinking about ownership transition





Ownership Transition

Key Objectives of Ownership Transition

1. Reward current owners
2. Provide opportunity for key leaders to become owners
3. Attract new talent
4. Allow for the continuation of the business
5. Sets up ownership for the future



Ownership Transition Process

1. Understand firm's culture
2. Understand goals/objects as an owner
3. Set criteria for leadership
4. Decided how you will finance a transition
5. Create a timeline
6. Know how to place a value on firm
7. Put in place buy/sell agreement
8. Continue mentoring / succession plan



Ownership Transition Options

- Internal Transfer
- Bring in a Leader
- Merger
- Acquisition
- Employee Stock Ownership (ESOP)
- Liquidation



What is Value?

Defined as the amount that an informed buyer will pay a willing seller



Why We Need Valuations

- Takes ego out of the equation
- Gives you someplace to start the conversation
- Helps you make decision on how buy-out will occur
- Sets the actual value of the firm





Options to Finance the Transition

1. Gradual share buy-out from bonus money
2. Escrow account from bonuses or deferred compensation
3. Pledge future profits to departing owners
4. Loans from bank or others
5. Home equity borrowing
6. Life insurance cash value
7. Sell to an external buyer
8. Special Benefits

**Offer
Different
Levels of
Ownership**



Things to Keep in Mind...

Do..

- Sell in small increments over time
- Keep sale process as simple as possible

Don't..

- Give away the firm
- Make offer until you have a valuation
- Start buyout without new ownership in place



Tying it All Together

1. Planning
2. Leadership
3. Timeframe
4. Valuation
5. Financing





Questions?

Thank You!



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