Why Every Firm Needs a Succession Plan



Presented by: Kathleen Held, CPSM; Kate Petrovich, CPSM; Sharyn Yorio, FSMPS, CPSM



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ACCELERATE

Meet the Presenters



Kathleen Held, CPSM

Kate Petrovich, CPSM

Sharyn Yorio, FSMPS, CPSM

How prepared are you?

"A goal without a plan is just a wish."

The Process





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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





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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





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





Use as Hiring Strategy

JOIN OUR TEAM





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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 stead course



Leader

- Anticipates & produces change – enables adaption 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?

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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





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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

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Key Objectives of Ownership Transition

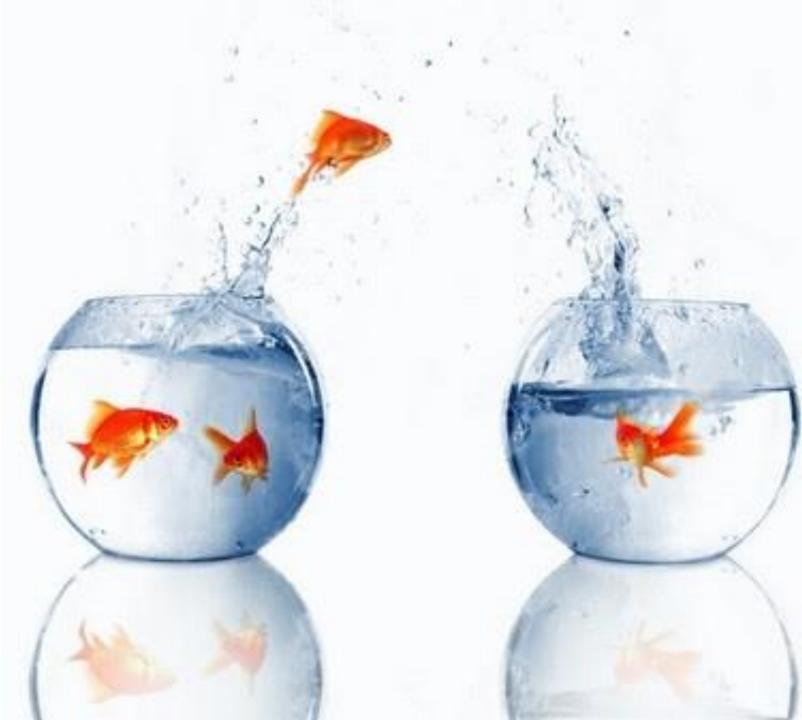
- 1. Reward current owners
- 2. Provide opportunity for key leaders to become owners
- 3. Attract new talent
- 4. Allow for the continuation of the business
- 5. Sets up ownership for the future

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





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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



DIDIDIFICATION

Offer Different Levels of Ownership





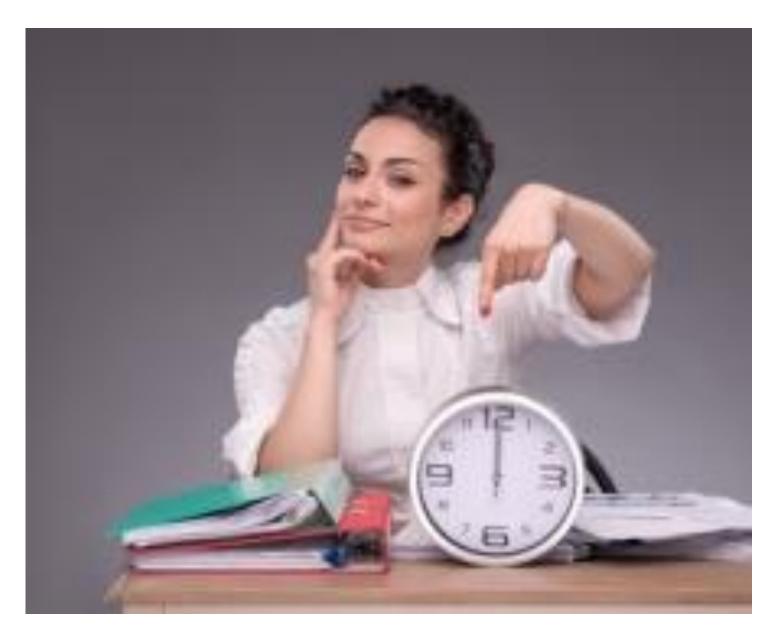
Things to Keep in Mind...

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?

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Thank You!



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