Ten steps to effective succession planning – Secrets to successful succession.

Succession is not an event but a process that can be prepared for. Family Business Leader at PwC Ireland, ***Paul Hennessy****, offers ten practical steps to facilitate a smooth and effective succession within the family business.*

1. **Get experience outside the family firm**

   As the business landscape becomes more complex, it is vital to bring a broad range of experiences to the task of leadership. So develop a career plan that involves working outside the family business, to allow you to acquire the specific skills the family firm needs.

2. **Develop a strategic plan for the medium term**

   The next generation often sees the succession process as an opportunity to modernise the business, and there may indeed be a need to do this. But it is important to make changes in the context of longer term objectives, which is why it is vital to have a strategic plan, developed jointly by both the current and incoming generation and in consultation with all the shareholders.

3. **Broaden the decision-making process**

   As the business passes from one generation to the next, it's important to create an organisational structure which is not dependent on one single individual. Decisions need to be made collectively, and with proper information and preparation.

4. **Strengthen the role of the Board**

   The Board has a key role to play in overseeing the succession process, and in ensuring that family members are only offered positions they are properly qualified to fill. Becoming a member of the Board is a useful way for the retiring generation to make an invaluable ongoing contribution.

5. **Clarify what the retiring generation will do**

   The current generation needs to have a clear plan for their life after retiring. This will prevent misunderstandings, or the temptation to interfere. Taking on roles outside the family business – in the community, for example – can be both worthwhile and rewarding.

6. **Start early**

   It is vital to start the process as early as possible. Everyone needs to know what to expect, and what the timetable is, to avoid misunderstandings and unspoken tensions that could lead to outright conflict. This is especially important for family members who are going to take executive roles in the future. Our advice is always to transfer shares during the current generation's lifetime.

7. **Communicate, communicate, communicate**

   Decisions need to be made by a process of consultation and discussion, not dictated by the owner. Everyone with a stake in the future needs to have a say in it.

8. **Do your homework**

   Make sure that you know the tax and legal implications of your succession plans. Depending on your circumstances and jurisdiction, some approaches may cause difficulties which may not be obvious until it is too late.

9. **Invest in education**

   The people who are going to be running the business need the right expertise to do that, but ownership demands specific skills too. Make sure all current and prospective shareholders are educated to become professional and competent owners.

10. **Diversify your wealth**

    If the retiring generation rely entirely on the firm to provide a retirement income, that can put a disproportionate strain on the business. It can also make it harder for the older generation to 'let go', because their lifestyle is at stake. So build assets outside the family firm from an early stage.