

## **Are You Prepared for The Future? Succession Planning Panel Discussion Points**

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### **I. Company Organization**

- A. Legal Document Review — Mitigate Risk
  - 1. Articles of Incorporation, Charter, Bylaws
  - 2. Governing Body (Executive Committee, Board of Directors)
  - 3. Insurance Policies (D&O — are right people covered)
  - 4. Non-Compete v Non-Solicitation Agreements
- B. Office Operating Procedure Manual — Need Important Tasks Documented
  - 1. Examples:
    - a) Import Permit Application/Renewal/Amendment
    - b) Office Alarm Codes & Error Messages
    - c) Credit Card Processing
    - d) Payroll Processing
    - e) Sales Tax Remittance Procedure
- C. Financial Systems/Assets
  - 1. Bank Accounts and Passwords, including contact information
    - a) Will also be included in succession plan
  - 2. Credit References
  - 3. Asset Inventory (also useful for Insurance Company)
  - 4. Contractor Records & Processing Procedures, including W-9s
- D. Employee Manual
  - 1. Ensure Annual Review of Policies (keep up to date)
- E. Emergency Procedure Manual
  - 1. Key Personnel Designation
  - 2. Utilities Information (heat, electric, gas, water, phones)
  - 3. How to run company systems (boilers, irrigation, temp alarms, computers)
  - 4. First Responders & First Aid/CPR Trained Employees
  - 5. Disaster Preparedness (e.g., assembly points)
  - 6. Emergency Phone Tree

### **II. Succession Plan**

- A. What is the Plan?
  - 1. Take control of inevitable! Every business owner will leave the business. If no planning is done — lawyers and government will control the process. Do you want that?
  - 2. Options
    - a) Turn Over to Next Generation
    - b) Take in Partners/Sell to Outsider with Buy Out Plan
    - c) Sell to Employee Stock Ownership Plan (ESOP) (or partial sell)
    - d) Management Buy-out (or part management/part ESOP)
    - e) Liquidation

3. Considerations in Decision
    - a) A good plan MUST begin with clearly defined goals of the owner — the question should be “What do I want for my future, my family and my business?” rather than “How can I avoid paying taxes?”
    - b) If owner plans for an orderly transfer, can reduce taxes paid, get maximum value out of business, leave business in hands of chosen successors and avoid family/business crisis (a quick, unplanned transfer is crisis management and not good for any one)
    - c) There are many alternatives/tools to use to achieve a successful transition and the desired results for the owner
  4. Procedures and Conditions
    - a) When succession plan takes effect, communication to leadership (Board, Officers, Executive Committee/Key Personnel, etc.)
    - b) Communications Plan
    - c) Approval Process (if required)
  5. Key Information in One Location
    - a) Bank Accounts and Passwords (including contact information)
    - b) Tax ID #s; Electronic Payment System Information; Records
    - c) All Insurances (including policy numbers, renewal dates, contact information, who and/or what covered)
    - d) Supplier and Vendor Contacts (e.g., website, IT/data service, PayPal, telephone/cell phone, credit card companies)
- B. Leadership
1. Owner(s) need to make succession planning a priority — shows management and key employees the company/their future is secure
  2. Owner’s goal/succession plan needs to be shared with management/key employees who have been identified as leaders — provide data-driven direction and understanding
  3. Groom/develop and engage your outstanding leaders for succession, which may include new positions/responsibilities; include them in the process; reward employees with stock ownership; determine if outside employees needed
- C. Knowledge
1. How do you share your outgoing staff’s knowledge with others?
    - a) Standard Operating Procedures or Standards Documents
    - b) Mentoring/Coaching
    - c) Artificial Intelligence (AI)
    - d) Written Manual
    - e) Training Tools

### **III. Strategic Planning**

1. For strategy to work, need critical support of top leadership, and any Board or Executive Committee support, when formulating, executing and adjusting succession plans

NOTE: particularly for HR who typically formulate succession plan, as well as other top management who will be remaining at the company

2. Determine What Positions Included in the Succession Plan
  - a) how and when to communicate if a position is involved in the plan
  - b) how to gain buy-in from top leadership and any Board or Executive Committee throughout the process
3. Communication of Succession Plan (to staff, customers, vendors, etc.)
4. How/When to Begin the Transfer of Duties — when to take the back seat