

Why succession planning is important for SMEs

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A successful business is one that can outlast its founder and creator. The better business owners plan for the next phase the better the chances of survival.



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Succession planning defines how the business will be run in your absence, and it is one of the most consequential steps you will ever make as a business owner. Ultimately, the goal is protection. You want to protect what you've built, your vision, and the livelihoods of your employees.

But all too often the transfer of a business results in focus being lost, efficiencies being eroded, or the business departing from the owner's original vision.

Your succession planning priorities will depend on the structure of your business. If you're an entrepreneur who built your business from nothing and kept close executive control over it, then properly documenting your knowledge, vision, contacts and procedures is key to preserving the ability of the next executive to proceed. If yours is a family business, then setting out and agreeing to a family constitution will ensure that there is clarity on issues such as inheritance, rights and responsibilities of non-employed owners, and the like.



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Succession planning, properly done, is a comprehensive, time-consuming process. Considerations might include, amongst others, conditions of ownership and voting rights; dispute resolution processes; business valuation; insurance plans; management of contract agreements; confidentiality agreements; conflict management; non-compete policies and

governance criteria.

Start early and be transparent

It's therefore essential that the planning process starts early and is thorough and transparent. It doesn't help if you've done all the work and no one knows where to find it, and the transfer of a business shouldn't be a time for guesswork. Speak to a lawyer or financial advisor with experience in these matters, and who will be able to manage the process and clearly communicate its outcomes.

Once you've found an advisor you trust, make sure they understand your unique circumstances. You'll want to discuss the nature and size of your business, state of indebtedness, family situation and, crucially, your goals and desires for the transfer of your estate. Then you can work with them to quantify those goals, and finally to put proper plans and arrangements in place.

It is important to keep personal and business affairs clearly separated. Many small business owners blur the lines between personal and business accounts, credit and assets. It's understandable but will make the succession process considerably more complicated. Effective succession planning depends on a degree of separation between owner and business. Draw up a personal will that is clearly separate from the affairs of the business.

Document processes and procedures

Finally, document processes and procedures. Who do you call when things go wrong? The next owner needs to know that. Who are your contacts? What business opportunities were you pursuing? The more that is explicitly recorded, the better off the business will be. If you have a successor in mind, put in place a training programme that involves introducing them to your accountants, lawyers and bankers. It helps if your support network knows where to turn, and in whom you've placed your trust.

It might feel as though the business you have built is inseparable from you. But with forethought, planning and the right advice, the transfer of your business will herald the next phase of its growth, and the further realisation of your vision.

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