

Helping your clients create a business succession plan

by Glen Foster

Business succession plans are important for growth strategies and peace of mind. According to Portia Hickey, chartered business psychologist and co-founder of Thrive Matters, "Succession plans don't just help set your business up for the future, they help you get the most out of your staff right now. If everyone understands what they're working towards, they'll know what skills they need to develop."

And Irish small business owners seem to agree. We recently polled 500 SME owners across The Republic and found that a third of those with a clear succession plan in place feel more confident about the future of their businesses. A further 17% said having a succession plan in place has brought their families closer together.

This is relevant for accountants because they can be much more than just number crunchers – with the right approach and attitude, they can be trusted advisors. Here's what to advise if you're asked about succession planning.

What is succession planning?

Succession planning is about thinking long-term – giving the prospective inheritors of a company the tools they need to succeed through a clearly defined process of training and assessment.

It could as easily be called 'transition planning': ensuring that leadership quality remains consistent even as the leaders themselves retire and are replaced.

If an internal successor is chosen, it can be extra motivating for staff, who'll ideally be working under someone they know and like, and also save on costs and time spent scanning candidates from other firms.

With small to medium sized family firms making up three quarters of Irish businesses, having a robust succession plan is crucial to the wider economy.

Imposter syndrome

From a psychological standpoint, succession plans can also help to protect against imposter syndrome. Imposter syndrome is a psychological pattern which manifests itself by doubting accomplishments, accompanied by a persistent fear of being exposed as a "fraud". The problem with Imposter Syndrome is that the self-doubt persists despite objective evidence that the person is highly competent. There are inherent psychological reasons why some people suffer from it, but if someone feels like they got the job just because they're family, rather than because they have the skills, imposter syndrome could be triggered. You can work with your clients to help create a plan that alleviates these personal challenges.

Similarly, having a method for choosing a successor means that you can remove any worries about an internal candidate being handed the keys on a silver platter. There's a clear opportunity here to help ensure the business continues to prosper during the transition.

Create an exit strategy

Business owners tend to underestimate how long it takes to sell a business. The truth is that it can be difficult to balance the need for a succession plan with the immediate requirements of the company. The process usually takes years, so it's worth getting started on the exit plan sooner rather than later and making space for the regular conversations and decisions that can decide the

business' future direction. The more it's rushed, the more likely you are to make mistakes and sell at a price that your client isn't happy with.

An exit plan should outline what needs to happen within a set timeline or schedule. But you'll also need to account for your clients' feelings. The thought of leaving the business they've built can be understandably tough, but these emotions can also affect the decision-making process. Try to acknowledge feelings when you can to help draw a line between emotion and logic.

Incumbents are likely to have some anxiety around succession. They won't necessarily know how to train their appointed heir or even know how to plan for the future, and it's not a given that you'll be able to persuade them that the whole process is worthwhile. Handling these human factors will be an integral part of helping your client develop a new generation of business leaders.

It's unlikely that clients will have sold a business before, so you'll need to explain the process to them in layman's terms. Setting a schedule will really help alleviate any anxiety, as will to do lists and thorough notes. A schedule should include but is not necessarily limited to; planning, business housekeeping (e.g. financial/developmental/legal), successor mentorship/training, handover and transition. Being flexible is key. Agreeing short term goals will help sustain focus in the long run.

A lot of business owners sell to family or loyal staff members, which can sometimes mean the buyer won't have all the money right away. If they can't pay straight away, you'll need to help your client create a plan for slower transition and staggered payments. Handing over to a family member does not remove the need to account for timings, desire and other personal circumstances.

You'll also need to advise on a contingency plan in case plans fall through. This needs to be an extensive document covering all potential scenarios and their impact on the business. By creating a robust plan, it will help ensure that your client's succession plan is equally as extensive. You can also help your client communicate this to the wider business by advising them on transparency and discretion. Your perspective will help guide on who needs to know what, and when. The more time employees are given to digest the news, the better they'll adjust to the change: a long, peaceful transition is always better than a short, sharp shock.

Make sure the business is ready to sell

The business needs to be in the best shape possible before it goes to market. This means that staff should be fully trained, business systems modernised and any other tasks that bosses tend to put off need to be taken care of.

One thing you can control is getting the financial data in order. Buyers will normally want to see two years' worth of financial data so if your

client has neglected their financial records, you'll need to take action. Online accounting software will help you get records up to date so that you don't have to rush the process, or get bogged down in time consuming admin.

It's also worth taking time to figure out what drives value in the business and developing them further to increase the overall value of the company. If you do this with enough time to spare, you can help make a real difference to the sale price.

Similarly, try and fix the things that might put a buyer off. For example, there are probably workflows that could be overhauled and made more efficient. Automating functions like accounts payable, receivable, payroll and expense management will instantly tighten things up and make them easy for the new owner to pick up.

Sell the business

Unless your practice has a business brokering service, you'll need to refer your client to other professionals when it comes to selling. Build connections and trust with brokers and lawyers that you can refer your client to, and they'll likely reciprocate further down the line. Keep in touch with your client and let them know what they can expect from lawyers, brokers, and the due diligence process. Communication is key at this stage.

As one of your client's most trusted advisors, you should expect them to come to you for advice throughout the entire succession process. While you don't need to necessarily know

the legal ins and outs, it will help if you are confident on these topics and able to relieve any potential concerns.

Succession plans create more clarity for everyone involved. Those that have one in place find it easier to make business decisions, and they also give everyone in the company a better idea of where the business is headed. If you're an accountant, you can play an important part in the process if you want to – there's so much more to it than managing the books and counting the beans. Succession planning is a strategic requirement, and modern accountants must be strategists above all other things to prove their worth to clients.

If you do so, you'll be more valuable to your clients' business than ever before – and become a loyal, trusted advisor that they want to build long-term relationships with.



Glen Foster,

As the Director responsible for our sales team and sales performance, I lead a team of 65+ including a sales management team, field-based account managers which cover both national accounts, regional account management and a large inside sales team in Ireland and the UK.



- Voluntary strike-off advertisements for only €99 plus Vat per company
- Full strike-off service for only €199 plus CRO fees (includes Vat and advert)
- Discounted rates on liquidation advertisements

"formerly **mystrikeoff.ie**"

Call us today for more information!

Tel: 041 981 0541

Email: info@closedforbusiness.ie