Why does a succession plan matter?

No matter the age — or stage — of your business, it is always important to have a long-term plan that will direct not only how your business moves forward, but who will replace you and run the business after you have decided to retire. Selecting a successor is often the hardest decision for owners reluctant to let go of the reins of a company. However, choosing the right succession plan and creating a seamless transition is critical to the health of the business going forward. Knowing your company will be run successfully after you leave provides peace of mind for you, your family and your employees.

Key actions to take:

- **Define your vision:** Few businesses become successful without an owner skilled at defining goals and putting the pieces in motion to achieve them. Sorting through the longer-term picture beyond success is sometimes harder to envision. Start to create that picture by answering some basic questions about what you want for yourself – personal goals, the goals of your family and the definition of success for your business. What does success look like for the business? What economic goals do you need to meet? Will you want to sell the business at some point? Then determine how these goals can be accomplished, how you will know they are met and how long you want to stay involved in the business.

- **Identify succession leadership options:** The availability, skills and interests of employee or family successors determines your leadership pool. Is your family ready to step in? Will they need mentors or specific industry or technical knowledge to help them prepare? How well would the family work together, both those actively involved in the company and those with only an economic interest? Are there long-term employees who will be better suited to run the company? Should you consider hiring from the outside to ensure the business succeeds? Or, does selling the business to a third-party investor or company make more sense?

- **Consider the impact of change on the business:** A change in leadership affects not only your employees, but your customers and community as well. How easy, or difficult, it will be to introduce new leadership will be largely determined by how intertwined you are with your business in the eyes of these groups.
Ensure a smooth transition process: When you are ready to implement your succession plan, begin by starting the selection process, as well as communicating to your existing employees and management team as early as possible. Ease the new leadership into responsibilities and duties to create management continuity throughout the transition. Be prepared to manage the transitions with other owners, suppliers, customers and advisors as well.

Click below for additional resources:

Selecting a Successor: 7 Steps to Success
Understand the steps to implementing a successful succession planning.

Preparing to Let Go
Plan an effective business transition.

Building a Template for Transition
Best practices to tackle transition, retirement and succession.

Let SunTrust know how we can help your business.
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- Call us at 800.752.2515
- Visit suntrust.com/bizbestpractices

1 SunTrust conducted research with 532 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2018.

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