

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

Kathy McGinty

North Creek Nurseries, North Creek Road, Landenberg, Pennsylvania 19350 U.S.A.

kathy@northcreeknurseries.com

Keywords: Succession planning, nursery industry, business planning, strategic planning

PANEL DISCUSSION OUTLINE:

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