

# Succession Planning

A Toolkit to Ease the Process



LAKE SUPERIOR COMMUNITY  
**PARTNERSHIP**

CONTACT THE LSCP BUSINESS DEVELOPMENT TEAM

[MARQUETTE.ORG](http://MARQUETTE.ORG)

[LSCP@MARQUETTE.ORG](mailto:LSCP@MARQUETTE.ORG)

906.226.6591

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## Introduction to Succession Planning

When it comes to starting a business, there is a lot of planning involved. Where should the business be located? What should the name of the business be? Where do I go to receive financial help? Do I have a business plan? All of these are great questions to ask when planning and creating a business. With all the planning involved, one question tends to slip and be forgotten and that question is, who will I transition my business to when the time comes?

The Lake Superior Community Partnership has developed this Succession Planning Toolkit to help ease the planning process. It will provide guidance from when you should start thinking about planning, to the many resources available to assist you during this process.

Often times, succession planning ends up on the back burner as you go about your day to day operations. Planning the end of your business ownership lifecycle can be hard to grasp at times. With the proper guidance and toolkit to help, succession planning can be a simple and smooth transition.

## When and Where to Begin

The ideal time to start succession planning for your business is when you are in the startup phase or in the early years of operation. When writing your business plan, add a section that deals with where you see your business in 5, 10, or even 50 years down the road. Having a succession plan included in the business plan will serve as a reminder of what to do when the time to retire or sell your business arrives.

Although the ideal approach is something to consider when starting, a business may wait until they have 5 or 10 years already under their belt. The important thing is to start planning now. If you plan to retire or sell the business completely, look at a time frame of around 3 to 5 years to begin the process and formulate what you would like to see happen. Following are ideas and questions to consider when beginning the succession planning process, as well as some organizations that can help you.

## Questions and Resources

<u>Questions</u>	<u>Explanations</u>	<u>Resources</u>
Do you have a business plan to lay out everything from start to finish?	A business plan will help keep everything organized once you start the next phase of your business.	<p><b><u>SBDC's Guide to Starting and Operating a Small Business</u></b>  <a href="https://sbdcmichigan.org/wp-content/uploads/2017/03/2017-Guide-to-Starting-a-Business-WEB.pdf">https://sbdcmichigan.org/wp-content/uploads/2017/03/2017-Guide-to-Starting-a-Business-WEB.pdf</a></p> <p><b><u>LSCP's How to Start a Business</u></b>  <a href="https://marquette.org/business-resources/start-a-business/">https://marquette.org/business-resources/start-a-business/</a></p>
Why do you want to sell or exit the business?	<p>Wanting to retire and prepare for new ownership to take on the responsibilities of your business is a common reason for wanting to sell or exit the business.</p> <p>List a few reasons why you do not want to continue.</p>	<p><b><u>Now Is the Time to Think About Your Business Succession Plan</u></b>  <a href="https://www.entrepreneur.com/article/248716">https://www.entrepreneur.com/article/248716</a></p> <p><b><u>How to Write A Business Succession Plan</u></b>  <a href="https://www.forbes.com/sites/groupthink/2014/05/14/how-to-write-a-business-succession-plan/#11ad5c6f7657">https://www.forbes.com/sites/groupthink/2014/05/14/how-to-write-a-business-succession-plan/#11ad5c6f7657</a></p> <p><b><u>9 Keys to Ensure Your Business Continues to Succeed Without you</u></b>  <a href="https://www.entrepreneur.com/article/245814">https://www.entrepreneur.com/article/245814</a></p>
Do you need assistance with legal documents to utilize when succeeding the business?	Provide documents with all legalities of the business. A lawyer can provide assistance and clarity with drafting confidentiality agreements between buyers, family members, internal employees, purchase agreements, etc.	<p><b><u>Government, Education &amp; Individuals</u></b>  <a href="http://marquette.memberzone.com/list/ql/government-education-individuals-8">http://marquette.memberzone.com/list/ql/government-education-individuals-8</a></p>

## Questions and Resources Continued

<u>Questions</u>	<u>Explanations</u>	<u>Resources</u>
Is someone internally interested in purchasing the business?	Be sure to see, within the business or with a family member, if they are interested in the business and have the potential to take on the day-to-day tasks.	<p><b><u>How to Ensure your Business Survives the Next Generation</u></b>  <a href="https://www.entrepreneur.com/article/249044">https://www.entrepreneur.com/article/249044</a></p>
Are you looking to list the business?	<p>Make sure business records are in order. These records consist of, but are not limited to: Financial Statements, Business Evaluation, etc.</p> <p>Have a commercial relator help with listing the business or get an appraisal.</p>	<p><b><u>Real Estate, Rentals, Moving &amp; Storage</u></b>  <a href="http://marquette.memberzone.com/list/ql/real-estate-moving-storage-20">http://marquette.memberzone.com/list/ql/real-estate-moving-storage-20</a></p> <p><b><u>Finance &amp; Insurance</u></b>  <a href="http://marquette.memberzone.com/list/ql/finance-insurance-10">http://marquette.memberzone.com/list/ql/finance-insurance-10</a></p> <p><b><u>How to Plan for a Succession When There's No One to Succeed You</u></b>  <a href="https://www.entrepreneur.com/article/316848">https://www.entrepreneur.com/article/316848</a></p>

Organizations

<u>Succession Planning</u>	<u>Contact Information</u>
	<p>(906) 250-9182</p>
	<p>Business Development Representative (906) 226-6591</p>
	<p>Upper Peninsula Region – Michigan Technological University (906) 487-2469</p>

<u>Financial Assistance</u>	<u>Contact Information</u>
	<p>(906) 225-1166</p>
	<p>(906) 226-7526 <a href="mailto:Angela.abbott@ampf.com">Angela.abbott@ampf.com</a></p>

Organizations Continued

<u>Financial Assistance</u>	<u>Contact Information</u>
	<p align="center">(906) 226-1671  <a href="mailto:info@northerninitiatives.org">info@northerninitiatives.org</a></p>
<p><b><u>MAKELA, TOUTANT, HILL, NARDI &amp; KATONA, P.C.</u></b>  <small>CERTIFIED PUBLIC ACCOUNTANTS</small></p>	<p align="center">(906) 228-3600  <a href="mailto:mthnk@mthnk.com">mthnk@mthnk.com</a></p>
	<p align="center">(906) 226-8711  <a href="mailto:contact@mommaerts-mahaney.com">contact@mommaerts-mahaney.com</a></p>
	<p align="center">(906) 228-7616  <a href="mailto:office@chapmanmyers.com">office@chapmanmyers.com</a></p>
	<p align="center">(906) 273-1423  <a href="mailto:info@tailoredcpas.com">info@tailoredcpas.com</a></p>

Organizations Continued

<u>Realtor</u>	<u>Contact Information</u>
<p align="center"><b>CENTURY 21.</b> Prime Realty</p>	<p align="center">(906) 228-5230 <a href="mailto:info@upprimerealty.net">info@upprimerealty.net</a></p>
<p align="center">             SCHMIDT FAMILY OF COMPANIES         </p>	<p align="center">(906) 225-5992</p>
<p align="center">  </p>	<p align="center">(906) 228-7255 <a href="mailto:Look@LookRealtyInc.com">Look@LookRealtyInc.com</a></p>
<p align="center">             Northern Michigan  <b>Land Brokers</b>  <small>Land and Home Sales</small> </p>	<p align="center">(906) 225-5263 <a href="mailto:northernmichiganland@gmail.com">northernmichiganland@gmail.com</a></p>
<p align="center"> <b>RE/MAX</b> 1st Realty  <u>Fran Sevegney</u> </p>	<p align="center">(906) 225-1136</p>
<p align="center">  </p>	<p align="center">(906) 228-2772 <a href="mailto:officemarketing@selectmqt.com">officemarketing@selectmqt.com</a></p>

Organizations Continued

<u>Law Office</u>	<u>Contact Information</u>
	<p align="center">(906) 228-6212</p>
	<p align="center">(906) 273-1293</p>
<p align="center"><b>KENDRICKS BORDEAU</b> KEEFE SEAVOY &amp; LARSEN, PC — ATTORNEYS AT LAW —</p>	<p align="center">(906) 226-2543</p>
	<p align="center">(906) 225-1770</p>

## Timeline

The hardest part of creating a succession plan is actually getting started. Whether you are starting a business, have been in business a few years or are just thinking about retiring, the time to start planning is NOW. It is never too early to plan. To help in the process, create a timeline to keep yourself on track. Set goals and deadlines to meet daily, weekly, and monthly. This plan cannot be completed overnight. Succession planning can take as little as a few weeks, or as long as a few years.

Here is a link to a Succession Planning Timeline (<https://templates.office.com/en-gb/Project-planning-timeline-TM00002025>) as well as a template of what to do. This will help you organize and stay on track with your planning. The six-week calendar template allows you to plan based on what works best for you. The Succession Planning Timeline shows examples of how to color coordinate your meetings and when to sit down to write the plan. For the sample, assigned to each category is a color. Relator is in orange, the Lake Superior Community Partnership is in blue, meeting with suppliers in grey and so on. The color chosen for each topic matches the note, meeting, or reminder on the calendar.

Legend:	• [ Realtor ]	• [ Lake Superior Community Partnership ]	• [ Succession Plan pt. 1 ]	• [ Suppliers ]
	• [ Law Office ]	• [ Financial Advisor ]	• [ Succession Plan pt. 2 ]	• [ Other ]

The timeline is what you decide to make it. Once you have decided on everything you wish to accomplish in those six weeks, all that is left to do is get started!

# Succession Planning Timeline (Sample)

Start: June 2019 End: April 2022

	Notes	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Week 1								June 1
Week 2		2	3	4	5	6	7	8
Week 3	Think about having a Succession Plan	9	10	11	12	13 LSCP: Webinar on Succession Planning	14	15
Week 4	Start on Part 1 of Succession Plan [Work on creating contact list, writing out plan]	16	17	18 Meet with LSCP at 2p.m. Make Apt. with Law Office	19	20 Meet with Financial Advisor at 3p.m.	21	22
Week 5	Talk with Bob Smith about supply order for holiday weekend	23	24	25	26	27 Supplier Order Friday for Monday	28	29
Week 6	Contact Commercial Realtor by July 10	30	July 1	2	3	4	5	6

Legend:	• [ Realtor ]	• [ Lake Superior Community Partnership ]	• [ Succession Plan pt. 1 ]	• [ Suppliers ]
	• [ Law Office ]	• [ Financial Advisor ]	• [ Succession Plan pt. 2 ]	• [ Other ]



## Contact List

A key component in running a successful business is having the right connections, whether it be to vendors, suppliers, or other professionals in the industry. Providing the new owners with these contacts can help to ensure an easy transition. The following templates will help not only organize your contact list, but help provide an understanding of who to go to for certain products or services.

The [List of Suppliers, Utilities, Etc. Template](#) will provide clarity for whoever is succeeding the business. Having the name of the business as well as the main contact person(s) and what services or products your business receives from them. Below are directions of what to put in each column and on the following page is an example.

### List of Suppliers, Utilities, Etc. Template Directions

<u>Business Name</u>	<u>Name of Contact</u>	<u>Contact Information</u>	<u>Connection with Business</u>	<u>Comments</u>
<b>Name of the company you do business with</b>	The person you keep in touch with at said business.	Phone number, email, website, fax, etc.	What is the connection to your business?  One of your suppliers? A utility company?	Any note or comment that you would feel is necessary to have.

The [List of Business Contacts Template](#) provides the same benefits to the future owner. The name of any businesses or clients that your business works with will be placed in this template. The last column on the right details how the business is connected. Examples could be your loyal customers, members, vendors, suppliers, or anyone who have an important connection to your business. Below are directions and on page 13 is an example of what would be placed in the template.

### List of Business Contacts Template Directions

<u>Business Name</u>	<u>Name of Contact</u>	<u>Contact Information</u>	<u>Connection with Business</u>	<u>Comments</u>
<b>Name of the company you do business with</b>	The person you keep in touch with at said business	Phone number, email, website, fax, etc.	What is the connection to your business? Is it your accountant, lawyer, manager?	Any note or comment that you would feel is necessary to have.





## Succession Planning Myths

There are a few things to keep in mind when constructing a succession plan. Here is a link to [Common Succession Planning Mistakes and How to Avoid Them](https://www.entrepreneur.com/article/241782) (<https://www.entrepreneur.com/article/241782>) and a list of additional mistakes to avoid.

### Selling the Business to Family

When it comes to family, the best way to engage in any conversations or dealings about the business is to treat the conversation as a business discussion. Do not let personal matters get in the way of deciding what is best for your business.

Think carefully about the family member you are considering selling the business to. Are they ready for the commitment? Are they a good fit? Do they have the skills to be trained for the position as the new owner? If you feel that the person is not ready, do not feel obligated to hand them the keys to your business. It takes time to understand what will be best for the business.

One thought to keep in mind is to make sure the next generation of your family truly wants to take on the responsibility of owning the business. If they are not interested or engaged in the day-to-day decisions or, the business basics, it might not be suitable for the family member.

### Selling the Business Internally

Another way you may find the right person to succeed the business is looking at your current employees. Is there someone who shows potential and could financially take on the responsibility? Find someone you believe is a good leader and is as passionate about the business as you are. Mentor them and have them shadow you on a daily basis. This will help them understand just what it means to run a business.

It is important that you understand the person is not you, and they may choose to do things differently. This does not always mean their way of operating is wrong. It is just different. It is important to acknowledge your way is not the only way to successfully run a business.

### Selling the Business Externally

Before selling the business, understand the new owner will not be exactly like you, but can be just as effective and do things efficiently. Try to find the right fit for your business, but be aware of hanging on too tightly during your search. If you are not open to a new way of running your business or if you are expecting to find another you, it may prevent you from being able to move forward with your buyer.



### Creating the Succession Plan

Having the succession plan completed before the time comes to retire or sell the business is ideal. Whether you created the plan when you started the business or just a year prior to the thought of retiring, the plan may change. Do not fret if the plan needs to be adjusted. Planning is a fluid process. Taking time to plan your succession strategy and adjust to the changing landscape will be critical.

Putting off making the changes to the strategy or even getting started will become an issue in the end. Procrastination is not your friend. Set aside time for each step of the process. Use the Succession Planning Timeline to help set deadlines. Taking the time to plan every step is important and may minimize surprises.

### On a Personal Level

One thing that tends to be left on the back burner is making sure you are emotionally prepared to walk away from the business you have built. If you are willing and ready to let the next person take control of the day-to-day operations of the business, the transition will be much smoother.

Staying with the business for a transitional period can be beneficial for new owners as well. Helping them get started is great, but be careful not to micromanage the process. It is important to understand that the person taking over may not have the same leadership style as you. **Your role is to be a resource.**

### On a Business Level

It is understandable that moving away from the business can be difficult. Keep in mind it is going to be a big change for your employees as well. A major change like this may cause some difficulties with the transition. Talk to your employees and let them know what will be happening, when and how it is expected to affect them. Keep them informed along the way and be available to answer questions. Retaining your employees is important for a smooth transition.

In going through the succession planning process, approach it as creating a legacy. Your business will continue to thrive and grow. It may not always be easy to see as you are going through the transition, but it is still something to look forward to.

## Succession Planning Checklist

Having a checklist will help keep you on track as well as provide a way to follow your succession planning progress. If you need more time or struggle with where to start, this checklist will provide direction.

### 1. Everything in Order: Time Span (3 to 5 Years Before Succession)

- Make sure your policies and manuals are up to date internally.
- Scout out a potential successor. Make sure they are capable of taking on the responsibility.
- Create a list of all vendors, suppliers, etc. that you work with.
- Create a contact list of customers, members, board members, etc. that are involved with the business.
- Look over your business plan and make appropriate changes. If you do not have one, contact the LSCP, and our Business Development Representative can assist.

### 2. Who to Contact: Cut Off (1 to 2 Years Before Succession)

- Contact a Financial Advisor to evaluate your business.
- Have an Attorney assist you in preparing legal documents. (Drafting confidentiality agreements between buyers, family members and/or internal employees; purchase agreements; etc.
- Start talking with a Realtor if selling your business.

### 3. Business Change: Cut Off (1 to 1.5 Years Before Succession)

- Inform your employees of the business change that will occur.
- Make any final changes to manuals, policy procedures, etc.
- If you have a Board of Directors, let them know of the change as well if you have not done so already. (The time and manner in which this is done may be spelled out in your bylaws)
- If you want to succeed the business to a family member or a current employee, let the person(s) know. Begin to train the employee(s) on the day-to-day operations.

### 4. Succession: Cut Off (The Year of Succession)

- Have all documents ready and in order. This would include: legal, financial, checklists, etc.
- Finish remaining items on the checklist above if you have not done so already.
- Make sure to take time for yourself.

### Position Strengths and Weaknesses

When it comes to finding the right candidate to join you on your succession journey, it may not be as quick as you hoped. If the person you are looking to take on the business is new to the field or has been there a long time, there may be some extra help to make sure they fit the part. A candidate profile of their position in the company and their strengths and weakness can help you understand what might be beneficial for the business.

An important thing to consider would be when the person you are looking to transition to ownership to would be ready to take that responsibility on. The section below provides a simple timeline for determining if this person is ready to take on that responsibility now or maybe a few years down the road. This will also help with keeping your succession planning on track and what changes are needed to your timeline.

<u>What time frame would this person be ready?</u>				
Ready Now	Ready within 1 Year	Ready Within 2 Years	Ready Within 3-5 Years	Not Ready

Another opportunity to consider would be what could benefit the candidate when taking on the ownership responsibility. Is there training needed that could upscale a current employee that is looking to own the business or is there someone who may have the ability to take on the day-to-day operations, but might not have an understanding of the craft? This section below can help decide if training may be needed. An example of how the profile of a candidate's strengths and weaknesses can be filled out is on the following page

<u>Management</u>			<u>Financial</u>			<u>Operations</u>			<u>Other</u>		
Yes	No	Possibly	Yes	No	Possibly	Yes	No	Possibly	Yes	No	Possibly

## Position Strengths and Weaknesses

Candidate: Jane Smith				
Position Title: Operations Manager of ABC Company				
<u>What Time Frame would this person be ready?</u>				
Ready Now	Ready within 1 Year	Ready Within 2 Years	Ready Within 3-5 Years	Not Ready
<u>Training Needed</u>				
<u>Management</u>	<u>Financial</u>	<u>Operations</u>	<u>Other</u>	
Yes <input checked="" type="radio"/> No <input type="radio"/> Possibly <input type="radio"/>	Yes <input checked="" type="radio"/> No <input type="radio"/> Possibly <input type="radio"/>  Accounting Webinar	Yes <input type="radio"/> No <input checked="" type="radio"/> Possibly <input type="radio"/>	Yes <input type="radio"/> No <input type="radio"/> Possibly <input checked="" type="radio"/>  Human Resource opportunities  Maybe Marketing	
<u>Additional Comments:</u>				
Jane has been with the company for 5 years. She has interest in taking on the responsibility. Needs additional help in financing. I can see her taking on the business within 2 to 3 years.				

## Summary

When owning a business, there is much to consider. From starting your business all the way to the succession of new ownership, there is planning and organizing involved. The Succession Planning Toolkit is a way to keep your business organized and well prepared. The toolkit will help ease the process and guide you through the steps that may not be thought about otherwise.

Now that you have tools needed to start your succession planning, you are one- step closer to completing the transition of your business. Whether it is placing your business in the hands of a family member or passing the torch to another passionate entrepreneur, the toolkit will guide you through every step.

# Succession Planning Timeline

Start:

	Notes	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Week <b>1</b>								
Week <b>2</b>								
Week <b>3</b>								
Week <b>4</b>								
Week <b>5</b>								
Week <b>6</b>								

Legend:







# Position Strengths and Weaknesses

Candidate:														
Position Title:														
<u>What Time Frame would this person be ready?</u>														
Ready Now			Ready within 1 Year			Ready Within 2 Years			Ready Within 3-5 Years			Not Ready		
<u>Training Needed</u>														
<u>Management</u>			<u>Financial</u>			<u>Operations</u>			<u>Other</u>					
Yes	No	Possibly	Yes	No	Possibly	Yes	No	Possibly	Yes	No	Possibly			
<u>Additional Comments:</u>														







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