

# Succession Planning Strategies

An Adaptable 4 Step Process for Business and Industry Executives

## ENSURE YOUR LEGACY WITH A SYSTEMATIC SUCCESSION PLAN

Aging leadership is a challenge across industry segments as the average business owner is 50 years old. Executives in the baby boom generation are now between 57 and 75 years old, and many do not have succession plans to guarantee the survival of the businesses they worked so hard to build.

Succession planning is vital for younger executives as well. The need for planning is magnified by the “Great Resignation,” where 33 million Americans have quit their jobs since the spring of 2021. The sudden loss of leadership often throws organizations into a downward spiral with no clear direction, loss of critical employees, and plummeting revenues as once-loyal customers struggle to connect to the new regime.

A high proportion of small businesses are family-owned. However, statistics show that only a small portion of companies successfully transition to the next generation. Further, companies without a succession plan struggle to maintain employee morale and engagement, negatively impacting sales and customer retention.

A successful succession plan covers four primary phases starting with preparation. First, organizations must meticulously document procedures, update systems, or replace them with modern applications designed for tomorrow’s industry leaders and ensure a smooth knowledge transfer. Second, choosing the best successor without concise evaluation criteria and plans poses an enormous risk. Third, transitions are most successful when existing leadership can slowly transition knowledge and responsibilities to the new management team. Finally, executives can exit the business with a continued role as mentor or advisor to ensure continued success for the company, customers, and employees.

This playbook provides a foundation for successfully transitioning corporate leadership to new management teams. Readers will learn about the importance of succession planning and factors to consider for their industry. Take the evaluation survey to learn where you are in the process, discover tips to ensure your success, and consider alternative exit strategies.

## PREPARE YOUR ORGANIZATION FOR THE FUTURE



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“We want it [Acumatica] to be a legacy for the second generation. I want the next generation to be setup to make business much easier for them.”

– GLENDA STARKWEATHER, VICE PRESIDENT, BOULDER CREEK STONE

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## INTRODUCTION TO SUCCESSION PLANNING

# Why is succession planning so important?

According to the U.S. Bureau of Labor Statistics, only 36 percent of businesses survive ten years, and only 12 percent make it to their twenty-sixth year. In fact, less than one percent of companies reach the century mark.

According to the U.S. Bureau of the Census, about **90 percent of American businesses are family-owned** or controlled, with an **average lifespan of just 24 years**. Less than half make it to the second generation, and only 13 percent make it to the third generation.<sup>1</sup>

Founders and owners across industry segments are aging. For example, the average age for finance, insurance, and real estate business owners is 54 years. Other industry segments with owners over 50 years of age include wholesale trade, agriculture, forestry, fishing, mining, services, public administration, and manufacturing. Conversely, construction, retail trade, and transportation industries have younger ownership with an average age of less than 50 years.<sup>2</sup>

Succession planning is vital for older business owners. However, succession planning has many benefits for younger business executives. For example, a 2015 Software Advice survey concluded that **94 percent of employers said a succession plan positively impacts employee engagement**.

Succession plans inspire younger workers between 18 to 34 years old. A survey revealed that **90 percent of younger workers would “improve” their engagement level if a clear succession plan were implemented**. However, 29 percent of businesses did not have plans defined.<sup>3</sup> Other benefits include improved training and employee development, brand integrity protection, lower employee turnover, reduced recruitment costs, and risk mitigation. Below is additional research supporting the importance of succession planning.

- 86% of leaders believe succession planning is an “urgent” and “important” priority, yet only 13% believe they do it well.<sup>4</sup>
- Only 35% of organizations have a formalized succession planning process.<sup>5</sup>
- 40% of family business owners expect to retire. But of those planning to retire in less than five years, less than half have selected a successor.<sup>6</sup>

<sup>1</sup> Source: [Cornell University: SC Johnson College of Business](#)

<sup>2</sup> Source: [Experian: Providing more insights into the small business owner](#)

<sup>3</sup> Source: [Software Advice: Aided by Software, Succession Planning Expands Beyond the C-Suite](#)

<sup>4</sup> Source: [Deloitte: The Holy Grail of Effective Leadership Succession Planning](#)

<sup>5</sup> Source: [Association for Talent Development: Succession Planning – Is Your Organization Prepared?](#)

<sup>6</sup> Source: [Conway Center for Family Business](#)



## INDUSTRY FACTORS

# Industry succession planning concerns

Transitioning leadership strains every business, with each facing unique challenges. In addition, successful transition plans must meet the specific needs of the company's industry. For example, manufacturers' transition plans differ significantly from construction or wholesale distribution plans. Therefore, make sure to consider industry requirements related to product knowledge, business processes, and related factors.

## FOURTH-GENERATION FAMILY BUSINESS

“With Acumatica, we liked that we could access information from anywhere, and that we would gain an efficient inventory system sooner . . . Our customers don't know that we're using Acumatica, they just know we're giving them the right answer and they really appreciate that. And for us to give that answer, we really appreciate Acumatica.”

– TODD SNYDER, CEO AND CO-OWNER, C&O NURSERY

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### AGRICULTURE, FORESTRY, FISHING, AND MINING



Natural resource management businesses must document land, maps, and equipment information to ensure a smooth transition. Arm incoming executives with field information, fishing locations, timber tracts, and mine details. Update equipment to alleviate burdens on new management teams and prepare legal documents for transitioning your estate and properties if needed. Work with key employees so they understand how to support your successor during the transition.

### SERVICE ORGANIZATIONS



Succession planning for service organizations should focus on ensuring the same level of service to constituents without disruption. Savvy executives will update facilities and equipment and fill open positions. Document policies and procedures and update customer and vendor information in your CRM and ERP systems. Finalize contracts or partnerships and plan the transition for a slow time in the business. For example, an accounting firm should avoid transitioning leadership during tax season and a summer recreation park should transition leadership in the fall or winter.

### FINANCE, INSURANCE, AND REAL-ESTATE



Succession plans are crucial for banking, finance, insurance, and real estate businesses. Fill open positions and ensure that essential staff is trained. Close major transactions to alleviate pressure for the incoming executive. Work with board members to develop a support system and plan the transition to avoid busy end-of-year activities. For insurance agencies, understand which contracts and compensation are vested and which assets are transferable to your successor. Real estate agents and brokerages must also understand laws for managing in-process transactions during the transition period.

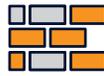
### RETAIL AND COMMERCE



Transitioning a retail or commerce business to new management is easier with preparation. Complete store updates and upgrade your commerce storefront before the transition. Work with suppliers to shore-up long-term contracts and introduce your successor to strategic vendors before leaving. Clear obsolete inventory from warehouse or retail shelves and replenish popular items. Do not forget to notify strategic customer accounts of the transition, introducing the incoming executive team.

## CONSTRUCTION

Executives planning to exit construction businesses need to backfill open management positions and evaluate equipment before the transition. Incoming executives will have enough challenges without having to hire key employees and may struggle with untimely financial burdens to replace broken equipment. When possible, plan the transition during slow times. For example, a home builder in Ohio is busy from the Spring to Fall. Plan the transition for late Fall or Winter to give the new executive team time to adjust to the business. Clean up your systems and data, such as closing out old estimates, finalizing completed projects and billing, and processing outstanding mechanics liens or legal claims.



## WHOLESALE DISTRIBUTION

Distribution executives should renew strategic vendor contracts and optimize inventory levels before transitioning out of the business. Make sure to introduce your successor to strategic suppliers and large customer accounts. Purge obsolete or slow-moving products from inventory and restock popular items to avoid rush orders and stock-outs during the transition process. Automate business processes with barcoding for warehouse management transactions such as picking, packing, shipping, and put-away. Negotiate and renew transportation and logistics contracts with strategic carriers and update warehouse equipment, including racking, forklifts, and other material handling equipment.



## FIFTH-GENERATION FAMILY BUSINESS

“Upon flipping the switch for go live with Acumatica, we were receiving orders, our trucks were out on the road, all was well; we were drinking champagne.”

– CLYDE ATTARD, SALES DIVISIONAL MANAGER, P. CUTAJAR & CO. LTD

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## TRANSPORTATION AND LOGISTICS

High employee turnover in transportation and logistics disrupt even the best-laid transition plans. Secure critical employees and fill open management positions. Work with customers to extend contracts and update accounting, warehouse management, shipping, and logistics applications. Update mission-critical fleet and capital equipment and invest in repairs to ensure assets run at peak performance and avoid issues during the critical transition to your successor.



## COMMUNICATIONS AND UTILITIES

Incoming communication and utilities executives struggle to manage unplanned outages and ever-changing industry regulations. Prepare for transitions as you would for other emergencies. Make sure essential equipment and supplies are available. Document procedures and automate business processes. Update or replace antiquated systems and secure vital employees to keep things running in the worst of times. Get in front of pending legislative changes and lock in long-term contracts. Introduce your successor to strategic business partners, customers, and suppliers.



## MANUFACTURING

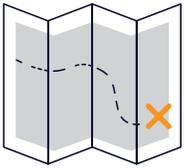
Previous manufacturing owners have decades of industry experience. They know how to maximize resources and throughput while maintaining just-in-time inventories and production schedules. Manufacturers need to document and automate procedures, invest in capital equipment and repairs, and lock in crucial employees. Avoid transitions during quality audits or peak production seasons. Update or replace your ERP system and prepare role-based dashboards and alerts that arm future executives with the information they need to manage the business effectively.



## PUBLIC ADMINISTRATION

Government and public administration organizations are not owned outright by any individual. However, succession planning still applies to ensure a smooth transition to newly elected officials and executives replacing retiring directors. Close-out long-standing projects and issues. Document procedures and highlight outstanding issues with background information for the new management team. Lastly, update systems and policies before you leave.





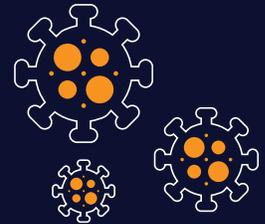
## PLANNING PROCESS

# Four steps to successful transitions

Opinions may vary slightly, but every succession plan follows four general steps—**preparation, evaluation, transition, and exit**. Preparation is vital to ensure key employees and staff are ready for the change, systems are updated or replaced with modern and intuitive applications, and transition processes are clearly defined. The second step sets criteria to evaluate potential successors and establishes the evaluation process and timeline. Next, the outgoing executive transitions power to their successor. The most successful transitions allow exiting executives to work alongside their successors before leaving the organization. Finally, outgoing leadership mentors their successor with periodic oversight to safeguard business operations.

## SUCCESSION TRANSITIONS IN THE PANDEMIC ERA

There are few bright spots in global pandemics. However, the recent Future of Work study by SMB Group found that just under half of business leaders accelerated technology adoption due to the pandemic. The report further illustrates how businesses improve agility with collaboration tools and automation while reacting to employee mobility and telework preferences. Modern business applications like Acumatica set a foundation for tomorrow's younger workforce.



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## EFFECTIVE TRANSITION PLANS TAKES TIME

A familiar mistake executives make is rushing their exit. Instead, planning should start years before the exit date. Extended time allows the outgoing executive to clean house and make changes to empower their successor's chances for success. It also enables the retiring executive to work alongside their successor before leaving the organization. Finally, after officially departing from the organization, the exiting executive continues to work with their successor in an advisory and oversight role. Below is a sample timeline of milestones in the succession planning process.





## STEP 1: PREPARATION

# Prime Management, Update Systems, and Define Processes for Efficient Transitions

The first step in succession planning involves retaining critical employees and filling open positions. Make sure you give new employees time to assimilate into the organization. Talk candidly with employees about the succession plan. Failure to do so will only cause concern and rumors that derail transition plans. Next, consider replacing ineffective managers and promoting staff. Then, evaluate critical business processes. Document procedures and consider simplifying or automating complex procedures where possible.

Set yourself up for success by upgrading business applications, purchasing modern and intuitive ERP software like Acumatica, and fixing or replacing aging equipment. Throw away unnecessary files, papers, or other records. You may also consider renovating or adding office space and rearranging the warehouse or plant floor.

## THIRD-GENERATION FAMILY BUSINESS

“Because we didn’t realize we already had something in another warehouse, we would buy things we didn’t need and carry excess inventory. In addition, we relied on internal knowledge for special pricing because the old system could only keep track of a few items . . . We’ve really taken the human element out of things like special pricing and leaned on the Acumatica system, which has paid a lot of dividends. It’s made my life a whole lot easier.”

– BRETT DAVIS, OPERATIONS MANAGER, BOB DAVIS SALES

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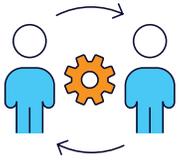
## STEP 2: EVALUATION

# How to Find the Best Possible Successor

Many family-owned businesses have children or younger relatives in mind to take over. However, sometimes children have no interest and pursue a different career path. In other cases, the next generation may not be ready to take control of the organization.

Bring them into the organization early if a younger family member is next in line to take over. Expose them to different areas of the business and teach them about business practices and daily operations. Consider hiring an experienced CEO or senior-level executive in cases where a younger family member is not ready to take control. If no heir is apparent, consider top managers for the role, transfer the organization to your employees through an employee stock ownership plan (ESOP), or hire a recruitment firm to identify potential candidates.

Create a job description listing the attributes of the ideal succession candidate. The job description includes industry knowledge, business acumen, leadership skills, excellent communication, and experience or success in similar organizations.



### STEP 3: TRANSITION

## Arm Successors with Knowledge and Feedback

Congratulations! You are ready to transition responsibilities to your successor. Create executive dashboards, critical reports and inquiries, and other information. Work alongside your successor for at least six months before exiting the business. Train your successor on systems and equipment. Meet with them often to discuss policies and changes to the organization.

Slowly remove yourself in meetings and give them more face time with employees. Empower them to make decisions. Monitor their progress and offer constructive feedback to help them along. Remember, you have years of industry experience and tribal knowledge. They will need time to take over your role and gain long-term employees' trust.

Assess their performance using benchmarks and metrics. Survey managers and seek feedback from major customers and strategic suppliers or business partners. Take corrective actions for issues and publicly praise your successor's accomplishments. If the successor continues struggling without measurable progress, you may need to consider replacing them. This is another reason it is crucial to start the succession planning process many years before your desired retirement date.



### STEP 4: EXIT CONCLUSION

## Stepping Away for Good

A thorough succession plan enables executives to step away, knowing the business they worked so hard to build is positioned for success. Many retired executives retain a small role while others cash out and start enjoying their retirement. Maintaining relationships with the successor is advisable as there may be occasional questions that a quick phone call or meeting can resolve. Many owners maintain a presence on the board of directors, oversee business results, and track potential issues using mobile access to dashboards, reports, and notifications. However, be careful not to overstep your successor's authority as it can destroy employee confidence and derail your succession plan. Sometimes, it is best to step away and not look back.

### TOMORROW'S DIGITAL AND MOBILE BUSINESS LEADERS

Tenured executives remember ledger books, printed receipts, and their first green screen computer programs. Young business leaders are accustomed to having information in the palm of their hand, anytime, anywhere, on any device. Conversely, legacy ERP systems require complex connections for mobility or remote access. Outgoing executives should consider replacing aging ERP systems with a modern, cloud application like Acumatica. The holistic business application is robust, scalable, and intuitive for the next generation of business leaders.





## SUCCESSION PLANNING SELF-ASSESSMENT SURVEY

# How Prepared Are You?

Business owners struggle to get their businesses in order before leaving the organization. Despite best intentions, they find themselves pulled in different directions with little time to focus on transitioning the company to their successor. The following survey is designed to help executives understand how they stack up against best practices and help them prioritize succession planning activities.

### SUCCESSION READINESS SURVEY

Complete the survey below by clicking the boxes in each column. Then, count the results and enter the total at the bottom of the form.

SUCCESSION READINESS	TRUE	FALSE
A successor or alternate strategy has been identified. Alternatively, the evaluation criteria and executive search are in process at least one year before the targeted exit date.		
A succession plan is established at least three years before the executive exits the business.		
Evaluation criteria, benchmarks, and metrics are defined for successor performance assessments.		
The successor is currently employed with the company and groomed for the position.		
The successor has leadership skills, business acumen, industry knowledge, and prior success.		
Major long-term customer and vendor contracts have been finalized through the transition period.		
Outstanding legal matters have been resolved in advance of the succession transition.		
The transition date occurs during a slow-time or slow season for the business.		
All financial obligations on behalf of the exiting owner or executive are completed.		
The outgoing executive plans to mentor the successor for at least six months before leaving.		
The succession plan facilitates ongoing mentorship and oversight after the transition period.		
Critical equipment and machinery have been replaced, upgraded, or fixed.		
Office space has been remodeled or reconfigured for future growth.		
Unnecessary documents and clutter have been removed from corporate buildings.		
Critical business processes have been reviewed, documented, and automated where possible.		
The existing ERP software is no more than five years old and has been upgraded to a recent release.		
Dashboards, alerts, reports, and inquiries are available to provide KPIs or metrics for the successor.		
All mid-level or executive management positions are currently filled with quality leaders.		
Employees have been notified of the forthcoming leadership transition with complete transparency.		
Strategic customers and vendors have been notified of the pending leadership transition.		
<b>TOTAL</b>		

“Bell and Company was started in 1955 by my grandfather, Fred R. Bell, Jr. . . . You often hear about the complexity of ERP systems. With Acumatica, I think we got the full capability of an ERP with the simplicity that allows not only me, but our entire sales force to take advantage of the system.”

– DAN WILKINS, PRESIDENT, BELL AND COMPANY

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### SUCCESSION READINESS ASSESSMENT RESULTS

Add up the true answers. Then, use the table below to see how prepared you are for the transition.

18-20	<b>Transition Ready</b>	Congratulations! There are only a few outstanding activities to finish before you exit the company. Take time to review your entire plan to ensure that nothing was missed. Enjoy your retirement.
15-17	<b>Prepared</b>	You are in the home stretch. Most of the work is completed, and you are in an excellent position to transition power to your successor in the next six to twelve months.
12-14	<b>Not Prepared</b>	You are making progress, but there is work left to be done. You have at least two years before the targeted exit date. If you have less time, consider moving your date back.
0-11	<b>Getting Started</b>	Your answers indicate that you are just getting started. If you thought you were further along, you need to reevaluate your process. At this stage, you should have at least three years before the targeted exit date. Avoid transitioning too early. You may need to move your exit date back to ensure a successful transition.



### ALTERNATE OPTIONS

## How to Find a Successor

Many business owners do not have children or relatives interested in taking over the business when they retire. Other executives struggle to identify an outsider in time for their planned or untimely exit from the company. Below are three alternative options to consider.

#### TRANSITION OWNERSHIP TO EMPLOYEES

Transfer the business and assets to a single employee, group of employees, or all employees as part of an ESOP arrangement. Consult with a professional financial planner, trusted CPA, and business attorney for questions and assistance.

#### SELL THE BUSINESS

Sometimes it is best to sell the business to a third party. This could be a competitor or any individual interested in owning a business with the financial means to acquire the company. Be cautious to protect loyal employees and customers. Sales agreements may include legal clauses to guarantee employment for staff for a defined timeframe after the acquisition. You can sell to the highest bidder or take less from a more trustworthy suitor.

#### LIQUIDATE BUSINESS ASSETS

Your best choice may be to liquidate assets and close the business. This strategy is typical for smaller companies in niche industries with declining market share and no apparent successor or interested third parties for acquisition.



## STRATEGIES AND TIPS

# Improve Your Chances for a Positive Transition

Executives and owners improve their chances of success by implementing strategies that support the transition process. Further, several slight changes make it easier to transition business leadership from generation to generation or executives outside the organization.

## SECOND-GENERATION FAMILY BUSINESS

“If you want to grow rapidly like we are, you’re going to need something that’s going to keep pace with your growth. Acumatica allows you to scale, but still have control with approvals, with automation, with workflows, but more importantly, it’s cloud-based and goes wherever you are.”

– JULIA PINTO-CISNEROS, COO, QUALITY MATERIAL HANDLING, INC.

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### USE TECHNOLOGY TO YOUR ADVANTAGE

ERP systems like Acumatica provide embedded wikis to document processes. Make sure customer, vendor, partner, and prospect information is stored in a centralized and connected CRM application. Configure dashboards, alerts, reports, and inquiries to manage metrics. Project accounting can be beneficial to manage succession planning tasks.

### GET OUTSIDE HELP

Complex successions may require assistance from experienced accountants or professional financial advisors. In addition, get input from trusted family, friends, employees, and industry peers.

### KNOW THE VALUE OF YOUR BUSINESS

Work with your CPA or firms that specialize in business valuation to understand the value of your business. Owners may undervalue their business or believe their company is worth more than fair market value.

### GIVE YOURSELF PLENTY OF TIME

It cannot be overstated that succession planning takes time. In most cases, the process will take a minimum of three years. In other cases, it may take much longer, especially if your first choice fails.

### DO YOUR RESEARCH

Scour the internet and read books on succession planning. Write down ideas and talk to peers who successfully transitioned out of their business.

### SELECT THE BEST CANDIDATE

Choosing a family member, close friend, or loyal employee as your successor is tempting. However, they may not be the right candidate. Carefully set objective business criteria to take the guesswork out of your decision. If the person you choose does not meet the requirements, consider grooming a more experienced candidate until your preferred successor is ready.

### COMMIT TO THE PROCESS

Succession planning takes time and encompasses multiple phases and steps in each process. Therefore, do not take shortcuts, adhere to timelines, and prioritize the process from start to finish.

### BE TRANSPARENT AND HONEST

Avoid rumors that impact employee morale and distract workers by providing honest and accurate information regarding your succession plan. Meet with employees often and frequently communicate to keep everyone motivated and focused on business.

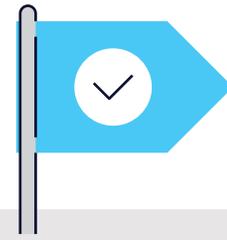
# Protect Your Legacy with Acumatica, a Future-Proof, Cloud ERP Application

Aging business owners often struggle to transition their business to the next generation. Unfortunately, few family-owned businesses make it to the next generation, and fewer make it to the third generation. Lack of succession plans disrupts business operations, hurts employee morale, and causes a lack of continuity that frustrates customers and limits growth.

The four-step succession plan prepares executives to manage their transition effectively. First, prepare business systems and management for the change. Next, set successor candidate criteria and identify the best possible person to take over when you leave. Finally, work with your successor during the transition period and continue to mentor them and evaluate their performance after your departure.

Modern ERP applications like Acumatica improve succession planning by providing an intuitive user interface, robust features, and a friendly mobile application for younger leaders. In fact, Acumatica is consistently **highly rated** for usability by industry analysts and customers alike. Further, role-based dashboards, configurable workflows, and actionable reports and inquiries empower leaders with real-time information to manage the entire business.

Acumatica delivers unparalleled value to small and midmarket organizations. Integrated workflows span the full suite of business management applications, from Financials, Project Accounting, and Inventory Management to CRM. Specialized industry solutions include Construction Edition, Manufacturing Edition, Commerce Edition, Field Service Edition, and Distribution Edition. Acumatica is built on a future-proof platform with open architecture for scalability, ease of use, and rapid integrations.



“Forty years ago, my uncle started the business right here on this farm . . . Our success is ultimately tied to Acumatica’s success, and they are building a strong and healthy product. They have a vibrant customer and development community and a product that’s growing, not stagnant. We can really craft Acumatica to do what we need it to do.”

– BEN ROTHE, GM AND CEO  
PREMIER 1 SUPPLIES

## ABOUT ACUMATICA

Acumatica Cloud ERP provides the best business management solution for digitally resilient companies. Built for mobile and telework scenarios and easily integrated with the collaboration tools of your choice, Acumatica delivers flexibility, efficiency, and continuity of operations to growing small and midmarket organizations.

Business Resilience. Delivered.

Learn more about how Acumatica can work in your business by visiting us online at [www.acumatica.com](http://www.acumatica.com).

