CONTRACTOR SUCCESSION:
Setting Up the Line

Here Are Some Personal Considerations to be Made in Arranging For the Continuity of Your Business

By T. L. Fair

The problems of planning for succession in a family owned business are seldom as difficult as the contractor involved supposes them to be. The big step is to establish the procedures long before they are needed. If left until the last moment the results that follow will seldom turn out to be what were anticipated.

Waiting until that last minute to set things up properly (upon impending retirement or during a illness) is a procedure to avoid. In many cases on record it would have been better to have done nothing at all.

Start training someone right now. Even though it is inconceivable that it will be necessary for someone to succeed you during the next twenty years it is still one of the best-business steps that can be taken.

It is even better, if you have two or more acceptable people for the role, to train them all and select the one who demonstrates the most capability. Things can also happen in the life of a single individual that will result in your having to go through the entire process again and again in the future.

Make the succession itself something to be earned; not an outright gift. When this is done your family owned business is better assured of continuity because the person you selected has a major private stake in its success.

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Where you have no one in the immediate family capable of carrying on its management don’t hesitate to go outside. Ownership itself can still be kept in the family with your successor as a hired executive responsible to your heirs.

It is advisable, in such situations, to set up a share of ownership for that individual when the time comes even though it may be small. His or her services are more apt to remain with your succession when this is done.

Forcing succession on a specific individual is not necessarily a wise procedure. Be sure that the job is desired. That should be part of your planning.

Many businesses have been wrecked by a son whose father forced him into becoming an immediate successor. It’s a fallacy to assume that he will, in time, learn to like the business as much as you do.

Once you have selected an individual to succeed yourself make that training complete and thorough. Holding back anything for yourself insofar as business know-how is concerned is not altogether advisable. It can slow down the person’s effectiveness

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not only in training but in actual handling of the business’s affairs after he or she has taken over the job of being your successor.

Give the successor actual management responsibilities from time to time even during your training period. The person adept at theory could be incapable of application when the time comes if no real experience was part of that training.

These responsibilities can start slowly and gradually be expanded in importance as time goes along. They should never be limited to unimportant areas.

Be sure to have your total plan for succession and the documents involved thoroughly checked by your lawyer. Not only will you probably be lacking in legal knowledge but your proximity to everything been done may hide something of major importance that should not be overlooked.

**Sound Business**

Keep the business itself financially sound from the moment you have established your line of succession. An unstable condition in this area may be such a burden to your successor that it will be impossible to cope with it. How to keep it in that condition should also be part of your training program.

If you want to keep the firm a wholly owned family business the best plan of succession could be a division of management responsibilities where there are more than one heirs to your estate. Major participation by the ones involved provides a sufficient stake to give the business the sort of devotion you have held for it.

Your successor’s capability to function may depend on the people he or she knows in the business world. Make part of your program a good introduction to dealing with all of the people you have contact with today. It should be more than a one-experience contact but something done over and over again in the operation of your business.

Encourage this individual to develop ideas of his or her own almost from the first moment you begin training as the successor. The person who must merely follow through on your ideas alone will be severely limited in creative capabilities.

Should your family be composed of three or more involved members have your lawyer set up a plan for arbitration of disputes concerning the business in the future. Such disagreements could destroy the business you have given your life to building.

Avoid passing the role of successor along on any basis other than knowledge and capability. The individual you “like” best may not necessarily be the preferable selection when you let go of the reins.

Phase out your personal identification with the business and transfer it to a “family” identification or your successor’s problems can be difficult ones indeed. This may seem unimportant but actual experience shows it to be otherwise.

Resist the temptation to set up rules that your successor will have to follow. Limit them solely to legal protection for yourself and your family and the results will be better than setting down every step to be taken.

Avoid “cutting the pie” into too many slices. That leaves so little for each individual that the business itself is sure to be dissipated.

**Definite Plan**

Set a definite date, time, or circumstance, for this succession and let the person or persons involved know what it is.

There are probably a lot of things you have been carrying around in your head that need to be communicated to your successor. Be sure none are overlooked.

Keep all possible “don’ts” out of your plan. Translate all of them into “do’s.” Picking up continuity becomes easier (and more acceptable) when the latter is done.

Encourage your successor to add to your ways of doing things; not just conform. You will have more assurance that the business will grow and prosper.

Keep the commitments you make to short periods of time. Long ones can tie up your successor and stifle capability to build the business in the future.

Once the succession plan has been set up and actually made then condition yourself to let go of it completely. Limit your role to supply of advice when requested only.