Preparing for Succession Transitions

Sarah Sawyer: Welcome to this week's OK at Work with myself, Sarah Sawyer, my colleague Russell Berger, both attorneys at Offit Kurman. And today we're talking about succession planning in your business. So often, obviously, you've got a good plan for where the business is headed. Hopefully, you've, got good people in place, good leaders, things are moving along you've got good folks in management.

You've got the owners of the company. All the players are in place. Hopefully everything's running well. And then life happens. So often as I think probably most people who are listening to this have experienced in their own lives even with best laid plans, things can happen that are unexpected.

Timing can be different than what's expected, and it's always good to be prepared for that. So what are some things that businesses should be thinking about in that regard, Russell, when the unexpected happens or the expected happens but on a different timeline than what you think?

Russell Berger: Yeah. [00:01:00] Well, I think the first point is obviously, succession planning covers a lot of different levels of transition. So, it starts, especially in owner-operated businesses, it starts with the owner or the ownership team. Do you have plans? Do you have a buy-sell agreement?

Do you know what's going to happen when an owner departs the company or wants to retire or whatever? So is there transition at that highest executive level of the organization? And I think a lot of organizations make the mistake of not being prepared for that.

But even if you are prepared for that, how far down have you gone with that? And, I think it just as a good adage everyone in any kind of like management responsibility should be asked the question, who is your replacement? If you're not here, who would step into your role tomorrow?

And so that there can be at least through the management rungs of an organization, there's some semblance of like, oh, like if something happens here, this person will step up. These two people can cover these responsibilities. Whatever it looks like. I think it's always good to ask managers like, [00:02:00] "Hey, if something happens, what is the contingency plan?"

Sarah Sawyer: Yeah, I think these can be uncomfortable conversations sometimes, which is why people don't get as granular maybe as they should, because these aren't always easy answers to these questions, and sometimes it takes a lot of thought and it can be a scary topic, I guess, right? 'Cause it's like especially if things are running smoothly, you're happy with the way that things are going everything's serendipitous, everything's going well, that's sometimes it's the best time to talk about these things and make sure you have a plan.

But it can be the most uncomfortable because it's just... 'Cause usually it means that, you're thinking about when someone's gonna exit, and there can be a lot of reasons for that expected and unexpected. And it can be an emotional, I think, conversation for some. But really, I think that if you follow a good process and you really just think, "All right, well, there's a lot of different ways that these things can happen. We have to have a plan regardless of what that looks like," you can take the emotions out of it and be a little bit more just practical about it and say, "Well, we all have the interest in wanting things to continue to be [00:03:00] successful, so let's make sure we have a plan for what that looks like."

Russell Berger: Yeah. It's Like the old ads, like you don't wait till the house is on fire to buy insurance.

Sarah Sawyer: Right?

Russell Berger: So you don't wanna wait till there's a problem and say, "Oh, what are we gonna do if there's a problem because we have one?" You wanna plan ahead, you wanna be thoughtful about it, and so that when something unexpected happens and it can be a calmness about how you approach it.

Hey, this is challenging. It's a problem. It's, could be personally problematic and devastating to somebody and someone you might care about in your organization. But as an organization, like there's a lot of people, a lot of employees, a lot of families that are dependent on the continuation of the organization.

So having that roadmap for, "Hey, if something happens, we're prepared," Just like buying the insurance, it's a way to hedge risk. It's a way to protect the organization. It's a way to protect the people working in the organization from the unexpected things that, if you're at it long enough, should be expected at some point.

Sarah Sawyer: And it'll allow you to focus on... 'Cause usually if something unexpected, if we're in the category of unexpected [00:04:00] succession planning or unexpected challenges, often that means that unexpected thing that has caused the issue or caused you to have to figure this out is its own thing to have to be dealt with, right?

Its own thing to have to put energy towards. It's its own thing to have to be navigating. And the clearer that you are on the plan the better you are to be able to handle both. 'Cause that often will come with its own challenges and things to navigate that you don't wanna be having to figure this out at the same time.

So well, thanks Russell. We'll see you next time.

Russell Berger: Thanks, Sarah.