SUCCESSION PLANNING

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If there's one thing that often gets pushed to the back burner in business, it's succession planning.

Succession planning can seem daunting, maybe even depressing for some. After all, planning for someone else to take over after you're gone isn't exactly the most exciting prospect. It's easy to look at succession planning as the first step towards your imminent departure, and really -- who wants to think about "being replaced?"

If you're planning on retiring at some point, or even hoping to step back from having an active role in the day-to-day business in your company, then having someone ready and waiting to take over is tremendously important. It's crucial for your company's continued success.

I was 21 when I made the decision to retire early -- perhaps a somewhat lofty ambition. After all, at that time, I wasn't in a position to retire. I had just founded my company, Renters Warehouse, and had less than a year of operating experience behind me. But it was a dream of mine, and so I set out to work to make it happen.

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One of the first things I realized was that a company should not be dependent on any one person for its survival. So I got to work building my company, and scaling it, all while ensuring that it was set up to run independently of me.

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My goal was to exit by the time I was 27. To do that, I needed a plan, $7 million after tax, and a successor to take over my role at the company.

In many ways, having an exit strategy in mind right from the start saved me from a significant amount of hassle. I was able to build my company brick by brick upon the idea of it being eventually run by someone else. My successor was able to easily fit into my shoes since the company wasn't ever designed to be totally reliant on me.

It took work, but the transition proved to be completely worth it. I'm proud to say since my retirement, Renters Warehouse continues to grow and thrive.

Succession planning often takes years to facilitate, so it's important to start early. Here are a few things that helped to prepare me for a successful exit.

1. Build a solid foundation.

The key to a successful transition is to start building a solid foundation right from the start. Don't make the mistake of designing your company to be dependent upon you -- take this approach and your company will be doomed from the moment you step out the door. Instead, try to work towards implementing clear systems that someone else will be able to seamlessly step into and follow. That way, when you exit, your company will be able to function just fine in your absence.

2. Set target dates.

Before you start looking at potential successors, it's important to have a commitment to a target date. This is only fair, after all -- it's hard to keep a potential candidate indefinitely without a timeline. Setting clear goals and milestones, and working backwards from there allows you to break things up into manageable steps, and enables you to have a more effective (and actionable) plan.

3. Identify key roles.

Identify crucial roles in the company that will need to be filled. It won't just be "your position." Depending on how you've scaled your company, you may need to think about the many different roles that you have in the company. If you're sourcing your successor internally like I did -- you'll need to fill their position as well.

4. Define the competencies required for these roles.

Decide what skills are required to fill the roles that you've identified. Once you've established this, you can start assessing people based upon this criteria. I'm a firm believer that the best talent is often internal, but of course, this depends on your company, and the talent pool that you have to draw from.

5. Plan for the future

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When sourcing talent, or looking for a successor, it's a good idea to look to the future. Don't just think about where your company is at now, but ask yourself where it's likely to be down the road. Which talent could help to take your company further? Your ideal successor may be someone who's different from you, with an entirely different skill set to bring to the table.

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6. Prepare your team.

I believe that it's important to have employees and management who are just as invested in your long-term vision as you are. Having a solid supporting team in place can help to make the transition process much easier for everyone involved. In order for your successor to succeed in the new position, your team has to be on board, and fully support them.

7. Train your successor.

While you may be lamenting the fact that you don't have a suitable candidate who's ready to jump into your place, the fact is that there's no such thing as a "ready-now" successor. Even the best candidate will require some degree of training to prepare them to take over your job. They'll get there in time.

8. Empower your successor.

Then, the true litmus test: Let your successor handle your work and give them some of your responsibilities. I sought to empower many of the key executives at my company. I gave them full access to the books and called upon them for important management decisions. From the start I saw to it that they were involved with everything from branding to hiring decisions.

9. Implement "measurables."

Finally, if you're planning on retaining some measure of involvement after stepping back, it's important to implement a system that will track how well your successor is managing the company. I use a scorecard system that uses major metrics to easily track the health of the company. These metrics include month-over-month growth, customer satisfaction ratings, average units under management per employee, new accounts and cancelled accounts.

Having numbers such as this holds people accountable, measures success and gives peace of mind when you review the numbers on a weekly or monthly basis. As a retired CEO, this allows me to stay out of the day-to-day operations of the company, but still gives me the chance to step in and advise should something indicate a problem.

Keep in mind that it's less about the plan itself, and more about the result. Every succession plan will be different, and should be designed around the needs of your company. The best plans should be able to flex and change along with your company's needs.

Being able to sit back and watch your company continue to grow and thrive, independent of you, while you get to relax and enjoy some of the rewards that you've worked hard for

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of you, while you get to relax and enjoy some of the rewards that you've worked hard for is a beautiful feeling.

Far from holding you back, your succession plan can open the door for you -- just don't let it hit you on the way out!

Do you have an exit plan? Have you set up your company to run independently of you? Share your thoughts in the comments section below.

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