



# The Bridge

Centre for Entrepreneurs and Family Business

## Newsletter

Vol 2, Issue 1

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## Selecting and Developing Successors

Selecting and assessing a successor can be a difficult process, particularly for families in business. Many times parents face conflicting emotions surrounding their role as a parent and a business owner. Some experts suggest setting objective, measurable criteria to assess potential successors and/or to have Advisory Committee, Board members or Selection Committee assist in the decision making process.

Successor identification and development can generally be summarized into ten steps:

### 1. Develop a leadership profile for your business

Consider the future direction of your business. What type of leader will be needed to deal with the challenges of the future?

### 2. Identify candidates

Are there potential candidates currently working in the business? Who has demonstrated leadership qualities? Who has expressed a desire to attain a leadership position?



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## Succession Planning Toolkit Coming Soon!

The Centre for Entrepreneurs and Family Business has recently partnered with the Canadian Institute of Chartered Accountants (CICA), the law firm of Fasken Martineau, and Scotiabank to provide families in business and their advisors with a Succession Planning Toolkit. The Toolkit will

provide an overview of the elements to consider when preparing your succession plan, as well as tools to help you think through some of your options. The Toolkit will be available for distribution Fall, 2006. If you would like to receive a copy of the Toolkit, please contact us.

# Darwin's Theory and the Evolution of... Business?

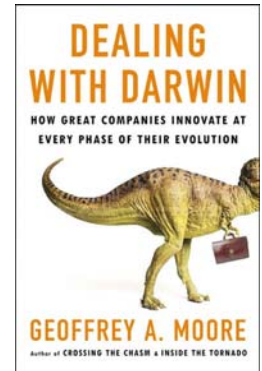
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During Charles Darwin's early studies, he observed how earthquakes and other geological processes could change the geology of the land. Darwin realized that because the land changed, animals would have to adapt to these changes and new habitats would have to be formed.

Darwin's research goes on to observe that, because of competition for limited resources, some individuals of the same species would die, while others would survive. From this reasoning Darwin concluded that individuals having advantageous variations are more likely to survive and reproduce than those without the advantageous variations. In essence, those that are able to adapt most readily to change are more likely to survive.

This is also true in the business world. A new book by Geoffrey A. Moore entitled *Dealing with Darwin: How Great Companies Innovate at Every Phase of their Evolution* discusses how Darwin's Theory can be applied to business through the process of innovation. Moore explains that companies must

continuously innovate. He writes: "Evolution requires us to continually refresh our competitive advantage, sometimes in dribs and drabs, sometimes in major cataclysms, but always with some part of our business portfolio at risk and in play. To innovate forever, in other words, is not an aspiration; it is a design specification. It is not a strategy; it is a requirement."



Whether or not you believe in Darwin's Theory of Evolution, its application to the business world has been proven many times over. Customer needs, technology and markets are constantly changing. If an organization cannot adapt to these changes in the industry, whether through innovation of new ideas or making minor improvements on existing services/products, it faces ultimate extinction.

## Selecting and Developing Successors

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### 3. Conduct a "gap" analysis

How do the qualifications and experience of the candidates match up against the leadership profile?

### 4. Prepare Management Development Plan

What skills do potential successors need to develop? How will the potential successor progress through the organization? Over what time frame?

### 5. Prepare Personal Development Plans

What goals will potential successors need to develop in the short-term?

### 6. Coaching and Mentoring

Who will coach and mentor successors?

### 7. Evaluation

How has the potential successor developed over the past year? What areas require further development?

### 8. Selection

Who has demonstrated the skills and capabilities to lead the organization? Has this person earned the respect of employees and business associates?

### 9. Communication

How will the news of the successor's selection be announced to the family? To employees? To key customers, suppliers and advisors?

### 10. Transition

Over what period of time will the transition take place? What will be each person's areas of Authority, Responsibility and Accountability over the transition period?

It is important to remember that succession is a *process*, not an event. These steps should be worked through over a period of several years.

# Business Insights – From Dreams to Reality

In late 2005, our Private Company Services group released results of a survey of 466 private businesses uncovering the issue of competitiveness and how companies are addressing the challenges of running a business and planning to stay ahead of competitors.

The mood is a positive one. Against a backdrop of a steadily expanding economy, businesses are confident of growth. But there are many paradoxes in the data we revealed through our study.

We are struck by growth ambitions that are based on increased sales and marketing of the same products. Looking at all the challenges ahead, there is a worrying trend within Canadian private companies that insufficient tactics are in-place to support this optimism. In our opinion, many of the available tools for growth are not being employed.

It would appear that there are a number of issues that need to be addressed among private companies. They need to identify and adopt tactics, and embrace and manage risks that will result in higher and more sustainable productivity, and communicate these tactics to their workforce.

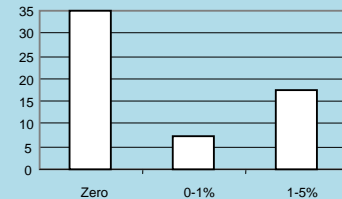
Canadian private companies face a great challenge. On top of the stresses of running a business, owners and managers must also dedicate time to think about growth and new ways to generate profit. There are several factors that drive a company's innovation and growth. In addition to investment in research and development, a company needs the right strategy and the right people at all levels—to be able to deliver on these goals.

Experience with thousands of private companies across the country has told us that business leaders already work 24/7 on the day-to-day running of their organizations. Finding the time to change business models, review or create policies to recruit or retain the best people, or take precious cash and invest it in 'being innovative' is a real challenge. To do this, companies need an action-oriented strategy that follows through into execution.

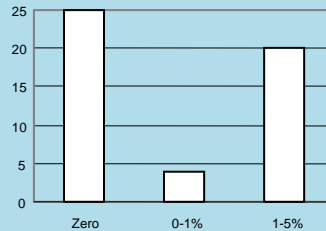
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## Key Findings

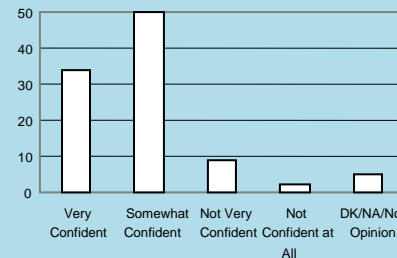
What is your revenue from new segments or markets?



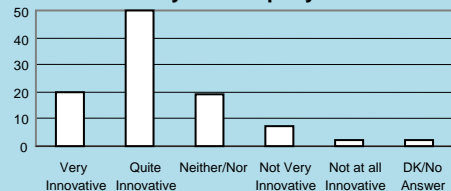
What is your revenue from new products or services?



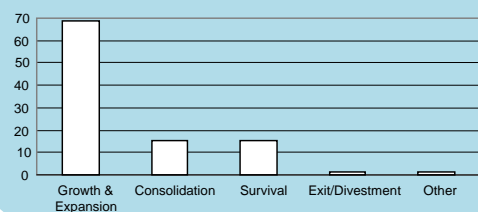
How confident are you in prospects for revenue for your company?



How innovative is your company?



What is your key goal for next year?



# Business Insights – From Dreams to Reality

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## *Take Action - Recognize that people are the drivers of business growth*

The Business Insights Survey revealed that many businesses are concerned with rising labour costs and retention or succession issues.

For many years, HR has been viewed as the poor cousin, with finance, technology, sales and marketing receiving more attention. But there is a demographic time bomb ticking in the Canadian economy. Labour supply is already a problem in some areas of Canada and is already affecting the ability of the economy to grow. On top of the increasing demand for labour, our aging population will further aggravate the problem.

When labour supply is fixed or decreasing, the only viable fix is to increase the productivity of existing staff.

This is where proactive people management can contribute to profitability and growth. HR must become the engine of productive engagement—improving productivity by investing in people. But when the economy is not growing fast enough to pay people more, what can be done?

The human resources function is both operational and strategic. The added value is from the strategic component, but the bulk of HR's traditional activity is

operational. It is essential to consider whether this is right for your business. Many high-performing private companies have reviewed their HR models and made an informed choice to either:

1. Outsource HR operations. This relieves a large administrative burden but is not always the cheapest route for smaller businesses.
2. Improve the efficiencies of existing HR admin. Many companies have found significant time and cost savings which frees resources to invest in proactive HR policies.
3. Align all the company's administrative functions in one department, such as finance.

Selecting one of the three routes will free-up time to develop HR policies that help improve productivity. HR activities which are known to do this include:

- Finding the balance between the employment contract, a healthy working environment and your goals
- Improved recruitment
- Leadership development
- Management performance

Above all, make sure that your HR policy is aligned with your company strategy and that strategy is linked to execution. Only then can you find a balance between attracting and retaining the right people for the right price—and have a true competitive advantage.

More results from the survey can be found in the Executive Summary Report on our Web site at [www.pwc.com/ca/businessinsights](http://www.pwc.com/ca/businessinsights) or speak with your PwC contact.

We have started the next wave of the survey which will examine productivity. For more information or to take part and receive a personalized comparative report on your business, email [business.insights@ca.pwc.com](mailto:business.insights@ca.pwc.com) or visit the Web site as above.