



As more suppliers become bigger players, succession planning becomes a hot topic

Little is known about how many small businesses actually have succession plans. But one thing is for sure, as more women and minority companies become successful succession planning is becoming a hot topic. The need to build a company that can survive long after the owner is gone is more important now than ever before and many women and minority-owned companies are reaching out to business coaches for advice.

Lionel Tobin, CEO of Stuart Manufacturing, a company that designs, fabricates and tests electronic equipment for large corporations and the military, says that his company is required to have a succession plan if it wants to do business with the government so that there are no disruptions in the supply chain. “Part of the reason that I have a plan is because I do work with the government to supply some major components and they need me to have something in place to ensure that continuity in the event that I am not there anymore says Tobin.”

In the past, MWBEs were less likely to think about succession planning mostly because they were so focused on growing the business. Also, superstition plays a part in the reluctance of many business owners to develop a succession plan. In order to create a succession plan that will be effective, things such as death, firing, family connections and status must be discussed. In some cultures, especially in some Asian cultures, it is taboo to discuss the imminence of death because there is that feeling that discussing death only brings on your demise much quicker. There is also a certain fear of the unknown– if you don’t think about it, maybe it won’t happen.

In an intensely competitive environment companies that get caught flat-footed usually don’t survive for long. “If company A goes under, we’ll just buy from company B. So it’s up to nobody else but you, the business owners, to keep your company in the A position,” says Joe Coe, Supplier Diversity Manager at Boyd Gaming. “We do not require our suppliers to have a succession plan but I can understand the anxiety of some companies whose suppliers have a big impact on their bottom line.”



Tobin does not feel that the corporate world should mandate that their suppliers have succession plans. “Too many (business owners) will feel an unnecessary burden by having to put a plan in place, especially if they have to choose people that they don’t think are ready,” explains Tobin. “We invested a lot in one of our long-term employees and the minute he got his certification he left for another company, “ says Tobin. “We were devastated but you can bet it won’t happen again.”

Tobin alluded to the fact that family dynamics also play a major role in succession planning. “Most business owners dream of passing along an established business to their children, but often the children don’t have any interest in the business so it opens up a whole new issue—now who will take over?” Passing down your business to someone other than family can be a tough decision for many business owners, one that requires much thought and preparation.

Another issue with succession planning is training. Coe explained that many companies have conflicting views over training because it can be a risky investment. “Training for any type of work is often expensive and time consuming. The company runs the risk that as soon as an employee gets the training that he or she wanted, they will leave the company in search of other opportunities,” says Coe.

So the question is, is it better to not train employees, and have them stay on with you and always remain at the same level, or is it better to invest in the advanced training of employees and hope that they will stay on and bring new things to the company? Coe says that it’s worth the risk to train the employees. He also mentioned a practice that he has seen since the early 1980’s – employee training contracts. Before training an employee, the employer makes the employee sign a contract saying that they will stay at the company for X amount of years after the training is completed. This is beneficial to the company because their investment pays off. Not only do they now have an employee with specific skills, but that employee can pass along skills to others in the company. Many new minority companies are still learning how to do this like corporations have been doing for decades.

Coe likens succession planning to the running of a household. “If Mom or Dad passes away, the household still has to function,” explains Coe. “So someone steps in and kind of takes over, but in business, it has to be a strategic approach, a very thought out approach, as to who is going to be the one.” He feels that it is a lack of knowledge of the importance of succession planning, rather than an outright refusal to devise a plan, that keeps many minority businesses from developing a plan. Coe feels that he is probably in the minority in that he thinks about his death and makes plans for his company in the event of his passing. Many people do not like to think like that. He says that it is important to ask yourself, “What



will my legacy be?” and to take steps to fulfill that while you can. Coe says from the time that he was the Chair of the Seattle Council he always felt that succession plans were necessary. “There should be enough momentum for the business to keep moving after I’m gone,” says Coe. He gives the example of Lee Iacocca and the fall of Chrysler. Iacocca has often said that if he had done a better job with succession planning, Chrysler would be in a better place today. Coe feels that corporate America has not really looked at sustainability with small and minority businesses because they know that if they can’t buy from one company, they will just buy from another. “It’s a matter of trust,” says Coe.

Succession planning can be a complicated, but beneficial, business strategy. Although nothing is guaranteed, having a plan in place that you crafted at least sets the wheels in motion. In looking at all the options, it seems that while the process may be difficult to navigate at first, the results will only serve to ensure that your business lives on long after you do.