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Five Levels of Succession

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In our last article we defined succession and exit planning as a process that facilitates two events: financial security during retirement and success in the absence of current leaders. In order to do this effectively succession planning must be addressed on five levels: management succession, ownership succession, relationship succession, cultural succession and last but not least, leadership succession.

The only way a company and current leaders can grow is through embracing a culture of succession. This must be initiated and modeled by senior leadership. Individuals must check their ego at the door and look to find the next generation of leaders. Some companies do this naturally while many others often operate with star players in a very fragile organizational structure.

Let's address each level of succession. Management succession is a process that allows for the growth and development of emerging talent in an organization. Managers must look at the situation like this: "In order for me to grow, I must find my successor." Weak individuals may shy away from this while strong team members will embrace it. The cream rises to the top.

Ownership succession is simple, yet complicated. Ownership succession and management succession can become entangled in our thinking. But, ownership succession simply addresses who will be the next generation of stockholders. This doesn't mean they will lead, manage or run the company. It merely means that they will own the stock and benefit from profits and dividends.

Relationship succession is a crucial and often overlooked piece of the puzzle. Organizations often ride on the backs of strong relationship managers. You need to avoid and plan for problems that could be crippling if one of those people should leave, get sick, die or quit. It's a process, not an event. A conscious effort must be made to bring new faces into key relationships to shore up the problems that could exist if not addressed.

What makes a company great is its culture. Culture is the vibe or beat that any organization marches to and is driven by strong leaders. In order for a company to stay great, it must stick to the recipe that got it there in the first place. Culture is driven, fostered and controlled by strong leadership and must be backed up by an undying commitment to mission and vision.

Last but not least, leadership succession. This is something that the largest companies struggle with. In small, family or closely held businesses we need to remember that the “gene pool” is not always the deepest talent pool to pull from when searching for the next generation leaders. Leadership is earned, not bestowed. Furthermore, if you have an organization that has been driven by a dominant personality throughout its history, you may have to look outside of the organization to find a leader that will garner the respect and admiration of the troops. Promoting from within can be successful, yet in many cases it can be detrimental.

About WealthPoint

WealthPoint is headquartered in Phoenix, Arizona with offices in Denver, San Diego, and Los Angeles. They specialize in providing a holistic approach to business and life insurance advisory services with a focus on succession, exit and wealth transfer planning. WealthPoint serves affluent family groups and entrepreneurs from closely held companies throughout the U.S. The company’s *Know your story*® Unique Process helps their clients to achieve better business and navigates the issues client’s face surrounding complexity, uncertainty and collaboration. Additional information can be found at www.wealthpoint.net.

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