

ISSUE 2

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THE IMPORTANCE OF SUCCESSION PLANNING IN YOUR BUSINESS

RATIONALE

The rationale for a succession plan is to create a blueprint for ownership transfer as you exit your business for the reason of death, incapacity or retirement. A good succession plan will ensure that you have the potential income you require. A well-conceived plan will protect the people around you, including your heirs, employees, and customers and clients by ensuring a smooth transition.

Early planning will ensure the company's success continues and that staff are placed in the right position and equipped with the right skills and it may also lessen tax burdens triggered by a sale. Through proper succession planning, skills will be retained that are vital to the business by appointing from your existing staff.

STEPS IN PREPARING A SUCCESSION PLAN

- Identify and appoint a team of experts including but not limited to lawyers, accountants and financial advisers who can assist with the business's legal structure and legally compliant documentation.
- Get an expert to appraise the value of the business. This will indicate sale prices or set prices for ownership shares.
- Consider the type of relationship you wish to remain with the company after your exit- for example:
 - Do you wish to maintain an interest in the company?
 - Do you wish to stay on the payroll as a consultant?
 - Do you wish to sell and permanently exit?

- Create manuals for management and employees that allow successors to easily take over responsibilities.
- Share your knowledge and business know-how with the potential successor(s)

HOW TO IDENTIFY A SUITABLE SUCCESSOR

A successor can be:

- Heirs
- Business partner
- Employees
- Third-party

APPLICATION

Succession planning applies to :

- Leadership positions
- Operational positions
- Critical skills and specific disciplines
- Skill shortages

HOW TO DEVELOP THE SUCCESSION PLAN

- Identify key positions in the business
- Identify employees with potential
- Identify the key competencies for each level
- Integrate employment equity skills development and B-BBEE targets
- Identify mentors on each level
- Identify methods of assessment
 - Psychometric assessments
 - Technical assessments
 - Assignments and projects
 - Impartial panels

- Identify training methods
- Decide on time frames [3-5 years is a good guideline]
- Continuously assess and review

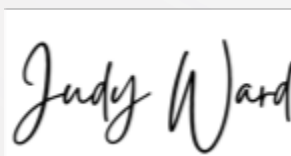
IMPLEMENTATION OF THE SUCCESSION PLAN

- Identify and nominate potential employees
- Invite employees to apply for succession planning
- Assess candidates potential
- Interview prospective candidates
- Apply fair selection criteria
- Develop individual development plans [draft a performance agreement]
- Assign mentors for the successful candidates for transfer of skills, commitment to the plan and measuring performance.
- Provide training and development opportunities
- Assess readiness and if ready, place them in the selected roles.
- Top management must support and drive the plan across all levels
- Review and update regularly.

All businesses can benefit from the focused process of succession planning to identifying critical job skills, knowledge, social relationships and organizational practices and transferring them to the next generation of employees thereby ensuring the future success of the company.

Planning is important!

Regards

A handwritten signature in black ink that reads "Judy Ward". The signature is written in a cursive, flowing style.

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