ROCK
LAMANNA℠

SUCCESSION PLAN
SIMPLIFIED

Eventually, all good things come to an end.

And while your turn at the helm will come to an end, it doesn't mean that the business you've built has to end.

It amazes me every time I encounter a business owner who has invested blood, sweat, and tears into building and growing a company and has reached some level of success, yet has no plan in place for the end of his tenure. Knowing that nothing goes on indefinitely, you would think that business owner would have taken the steps necessary to ensure that not only can the business endure but that loved ones – family, friends, employees (they may all be one in the same) – would be provided for in some capacity.

Yet many business owners don't consider it. In fact, according to Decima Research, 39% of small business owners plan to sell their business and 15% plan to have a family member take over, yet two-thirds (67%) say they have not yet broached the subject of who will take over the company.

Why? I believe it's simple: fear. Not fear of death, but fear of the unknown. Fear of the arcane, mystic realm operated by accounting and legal types and filled with a myriad of complexities that most people believe succession planning to be. It can be, that's true. But armed with knowledge and strategy, one can begin to overcome that fear. That's why I've written this guide.

This Simplified Succession Planning Template is designed to give you the broad strokes, and then show you when it's time to call in a hired hand (or two) to help with the finer points. In this report I'll describe:

1. **My Case Study: It's the Business That Feeds the Family**
2. **Succession Planning vs. Exit Planning**
3. **Succession Planning Models**
4. **The Best Time to Start Succession Planning**
5. **The Succession Planning Simplified Template**
6. **Conclusion: What I'm Leaving Behind**

When you're finished, you'll be ready to begin your succession planning, and begin the process of laying the groundwork for the future. You've come too far, invested too much to let it all fall apart at the end. Because, as we've all been told: **the best way to predict the future is to create it.**

1. My Case Study: It's the Business That Feeds the Family

"Focus on what the business needs to survive, not egos."

I'm spoiled. I have the good fortune of having lived through a successful succession plan. It was initiated and completed by my father, Carlo LaManna, who was a co-owner of Vomela printing from 1960s-1990.

Many people in the printing industry are familiar with Vomela Specialty Company, but few are familiar with its humble roots. My father joined Vomela in the 1940s, and worked his way up the ranks by creating innovations such as the kiss cutting process in 1962.

In 1980, Jack Vomela sold the company to my father. From that point on, after enduring a series of ups and downs that are typical of any business, my father grew Vomela, and decided to retire in 1990. **Wisely, he began working on a succession plan five years in advance.**

However, walking away from a successful business proved to be one of Carlo LaManna's greatest challenges. He faced a seemingly insurmountable obstacle: I am one of 11 children. From this wide range of talented and eager offspring, he had to choose one to be his successor.

My father is a bright man, with an exceptional vision of the future. He understood not only the family dynamics that would occur with a succession plan, but what would happen to the family if he were to make a decision that might favor one child over another.

In 1985, he wisely sought outside counsel, from a man named Tom Hubler. As a business coach, Tom was trained in assessing the psychological and operational make-up of family members as part of the succession planning process. But he didn't scrutinize us first. Instead, he worked with my father on a much different approach.

Tom worked closely with my father to develop the overall vision for Vomela. Together, they plotted a course for the future, and detailed the specific criteria for the company's new leader – criteria that one of the 11 children would need to fit in order to gain the job.

Finally, my father sold the business to a company that could provide us with solid financial resources for our long-term goals. The new ownership formed a partnership with me, and we enjoyed many solid years together.

I learned an important lesson from my father. To ensure there was a business for his family, he focused more on what the business would need to survive, and not the egos of his children. This is one of the most difficult lessons to learn for succession planning. **No matter how much you want to put the needs of your family first, the business is always the mouth that needs to be fed first. Once it's sustainable, it can then feed everyone at its table.**

2. Succession Planning vs. Exit Planning

You hear the terms “succession planning” and “exit planning strategies” bandied about all the time. But all too often, printing owners confuse the terms.

Succession Planning

Succession planning involves identifying internal people to fill key leadership roles in your company. This is generally the route taken by family businesses, which have a member of the clan who is ready to assume the leadership mantle.

Succession planning requires a deep talent pool, which is not always a given with a family business. Much larger organizations – the Apples and 3Ms of the world – excel at succession planning because they have big leadership teams that are effectively engaged in the process.

6 Essential Exit Planning Questions

1. How can I provide for an equitble distribution of my estate among my children?
2. Who should control and evenutally own the family business?
3. How can I use my business to fuel the growth of my estate outside of my business interests?
4. How do I provide for my family's income needs, especially those of my spouse and dependent children, after my death?
5. How can I help preserve my assets from the claims of creditors during my lifetime and at my death?
6. How can I minimize taxes?

Exit Planning

Exit planning is when an owner or partner plans to leave the business due to poor health, new passions, retirement, disagreements with partners, or simply the sale of a profitable business.

It's wise to create an exit plan for unexpected events, such as illness, death or divorce, or some sort of unforeseen event that affects the principals of a company. The idea behind exit planning is to provide an owner with the resources and stability he or she needs after exiting the business.

Whether you're engaged in succession planning or exit planning, both need to be part of your overall vision and strategic plan. It's easy to start a business, but the truly wise owner keeps an eye on how the end will work as well.

3. Succession Planning Models

As I mentioned, my father initiated a merger and acquisition with our company when he retired. It was a brilliant move that benefitted the family, company, employees, customers, suppliers, and community.

This happened when I was in my mid-thirties, and in the years since, I've seen far too many printing owners doing the complete opposite of my father. They've embarked on succession planning models that failed miserably.

These are the four most prevalent succession planning models. In each case, you must choose a successor that has the 3 Cs essential to business: **Character, Competence, and Commitment.**

1. Family Succession
In this model, all responsibilities and decision-making is transferred to specific members of the family. The pros include keeping the business in the family, and providing a livelihood for future generations. The cons include a very good chance for sibling in-fighting and a dysfunctional relationship. It can lead to some very ugly power struggles, and you can't just go and hire a new family. This is for keeps.

2. Spousal Succession
There are cases in which an owner will die and leave the printing business to his or her spouse. This can work out extremely well if the spouse is interested in the business and has good natural talents, experience and a team of trusted advisors. But without the talent or experience (and the recognition that outside help needs to be brought in), the pro of keeping the ownership structure and philosophy consistent can quickly turn into a con.

3. Executive Management Succession
This involves selling your business to members of the executive management team. This was one option we considered when my father was selling his business: I actually had discussions with members of the top management team. The pros include ensuring a consistent transition and loyalty to the organization. The cons occur if someone on the management team turns out to reveal different colors once they get a taste of power. Also, the executive management team might not be able to bring in outside resources, such as capital, quite as easily.

4. Merger & Acquistion Succession
This is the method my father chose. He sold his business to me and an angel investor, creating a company with deep resources and a commitment to success. He also stipulated that his family and employees could choose to continue their employment as part of the arrangement. It's why I often rank the M&A succession plan at the top. Through an M&A, you can get the best of all worlds: Quick access to resources. A replacement "patriarch" to mediate any potential family in-fighting. A structure that allows family to keep working, as long as they're productive. And a win-win situation for both parties.

4. The Best Time to Start Succession Planning

Timing is everything in business, and it's a particularly important question when you're talking about the future of your business. Here are three things to remember about when to start succession planning.

Start succession planning when the business is young.

Remember that thing we business strategists like to refer to as “vision?” When you're creating your printing business, this doesn't only refer to having a vision of emerging markets and new customers. It also refers to how you envision your company when it's big and booming.

As you're solidifying your model, there's no reason why your succession planning needs to wait until you're a mature company. If you're building a business with the intent to sell it or leave it for your family you need to think carefully about the succession plan you want in place when the time is right. That includes having the right talent structure to make the transition work.

Continue succession planning when the business is mature.

After you've created your vision and your short- and long-term goals for how the business is structured, you can then begin to fill in the blanks and build your company. At some point, you'll start to see all the pieces falling into place. The vision for your company from your early days will begin to become reality.

When your infrastructure is in place, it's a good time to really make that succession plan a reality. **A word to the wise:** Many people forego succession planning at this time, figuring they'll get to it when it's needed. Why doesn't this work? Because that's the worst time to start succession planning.

The worst time to start succession planning is when everything is crumbling.

Too often, owners focus on succession planning when the business is on the downslide. Case in point: Many printing owners today have held on to their businesses too long, and now they're scrambling to cut loose because things are gloomy. The time to make smart, proactive plans is not when the chips are down. You'll only make hasty decisions that will undermine your succession planning. Remember, they call it planning, not reacting, for a reason.

So when should you start your succession planning?

It's simple: When looking to the future, there's no time like the present to start planning.

5.Succession Planning Simplified Template

There is a multitude of succession planning templates out there. Many are exhaustive, capturing every conceivable aspect of financial planning you can imagine. Others are somewhat self-serving, designed to steer you toward a particular service.

The Succession Planning Simplified Template I've developed is designed to provide you with a bird's eye strategic planning for printing executives. While there are a few industry specific references, this approach can be used by virtually any business.

The template is broken into a number of sections. Within each section, I'll provide you with a brief description of what you need to do, and include recommended outside advisors.

Understand that this is not a do-it-yourself approach. I'm sorry, but the business world is simply too complicated for someone to try and pull this off on his or her own.

You can, however, use the template to keep an eye on the overall approach, so that you can understand the process and why things are happening. Naturally, not everything detailed here is hard and fast: Like anything in business, you'll probably need to show some flexibility and adapt in several areas.

Succession Planning Simplified Template

STEP 1: Qualify Your Situation

The first step is to think about your situation. Before you get to the sometimes harsh realities of the marketplace and your financials, think about where you are in life, and where you'd like to be.

Answer these questions:

- Do you want the business to stay in the family?
- Do you want to retire completely?
- Are you willing to stop working completely?
- What do you want to do when you're no longer with the business?
- What are you passionate about?
- How will you shape the future?
- What do you want for your people?

STEP 2: Get a Valuation

Step 1 is designed to give voice to your hopes and dreams. Step 2 is where we start to roll up our sleeves and really get to work. The true starting point for all of your strategies is to have a valuation performed by an independent, third-party appraiser. Make sure your appraiser is industry-specific and ASA certified.

This valuation will give you a no-holds-barred look at how your business is valued in the marketplace.

Some things to keep in mind:

- It takes time. Be sure to allow for enough budget and lead time for your appraiser to perform all the requisite procedures. This can take 1-2 months.
- A valuation can be used for many different reasons. Not only can the valuation help you understand what your business needs for succession purposes, it can also be the foundation for future strategic planning. It should be used as a tool for your entire organization.
- Do your own due diligence. Your bank & your CPA may recommend two or three appraisers, but try and find your own resource. You want someone who is completely independent and impartial.

You've now established your dreams (Step 1) and determined the value of your business (Step 2).

Now you need to assemble a team to help you understand what aspects of your dreams your financials will allow.

— Succession Planning Simplified Template Continued

STEP 3: Assemble a Team of Advisors

A team of advisors will be impartial, providing you with straightforward advice. I can't emphasize enough how important putting together a solid team is for the success of the overall plan. Many people balk at fees and charges, but in the big picture, you'll more than recoup your costs.

Keep in mind that fees and charges will vary depending on the size of your organization.

Your Advisory Team should include:

- Professional Services
- Succession Strategist
- Family-Owned Business Advisories
- Insurance Consultant
- Professional Accredited Business Appraiser
- Accounting Specialists
- Financial Advisories
- Legal Advisors and Estate Planner
- M&A Advisory Industry Specific
- Private Placements
- Global Reach/Special Situationist

At this point, you can clearly determine the succession plan. It's important to get this part in writing. Most entrepreneurs feel like they have this in their head, but you really need it in writing to be able to implement, execute and measure.

— Succession Planning Simplified Template Continued

STEP 4: Establish the Succession Plan

Part of the succession plan will include establishing the succession criteria. It is particularly important to construct this based on your long-term goals for the business. It will help avoid a lot of problems down the road, when it comes time to choose a qualified family member. This tactic worked for my father, who had to choose from a family of 11 children.

Your Succession Plan, with timelines, should include your:

- Vision for the business
- Core values and guiding principles
- Short- and long-term goals for the business
- Personal goals, including your retirement plans
- Key stakeholders
- Criteria for a successor
- Your intended legacy

If you're in the printing industry, I would recommend you target a successor who has the 3 Cs:

Character: Is he or she a person of integrity who inspires trust and can be relied upon to do what's right for the business?

Commitment: Is he or she dedicated to the organization for the long-haul?

Competence: Does he or she have the necessary leadership and technical skills for the job?

I would also add that you should select someone with a nose for the business. I've been in the printing business my entire life. I learned the trade under my father's wing, and I grew up with it in my blood. I also have seen new technologies come and go, and learned what type of individual it takes to make it in the printing business.

When people create a succession plan, they automatically think about a son, a daughter, or a relative.

But you're not doing anyone any favors if you hand over the business just because of blood lines. If the person you're selecting doesn't understand the printing business, you put the entire organization at risk.

STEP 5: Develop Successor Training

No matter what you plan, it won't work unless you've got a successor training program in place. You'll want to establish a solid coaching relationship plan to acclimate your new CEO to the program.

The same consultants who helped you with your search should be able to help you develop this part of the program. You'll want to allow 1-2 years for the appropriate training to take place.

— Succession Planning Simplified Template Continued

STEP 6: Develop a Contingency Plan

A contingency plan is critical at this juncture, as we all know what happens to the best laid plans. Make sure you've got a Plan B in mind before you proceed any further.

Why is this important? Let me give you an example. I had worked with a company that planned to hire a new leader from within. They thought it might be wise to choose from a group of five internal candidates.

Unfortunately, the leadership couldn't figure out which one of the five to pick. They brought in an outside consultant, who helped them narrow their choice. Eventually, they didn't like the remaining two, and went with an outside source.

They should have had a contingency plan from the outset (What to do if we don't like our internal candidates?) and put it into motion the moment it became apparent their top five wasn't so fab.

STEP 7: Communicate the Plan to Your Company

Now that you have all your ducks in a row, it's important to communicate your succession plan clearly to the entire company. Make a business case for all of your decisions, and show the company how you're focus is on long-term success. Any transition will be difficult, but if you have positive support, you can make the plan work for everyone.

Look at Steve Jobs for a prime example of how to do this right.

Steve Jobs realized his death was imminent. This information is not something we are all privy to, and most of us wouldn't want to know. But Jobs took advantage of this knowledge.

He brought in a qualified successor. He worked on his personal life, rebuilding relationships that might have been strained. And, he communicated the succession plan brilliantly to his entire company, so they were aware of the long-term goals and their new leader.

STEP 8: Implement, Execute, and Measure

Measuring the success of your efforts is critical. Implement the plan, but make sure that you have some clear-cut goals and objectives established. This will give everyone something to work toward, and create tangible measurements for success.

Some analytics to consider:

- Goals
- Performance
- Accountabilities

That's it!

You've now got a template for your succession planning. It's up to you to fill in the blanks as you move forward.

6. Conclusion: What I'm Leaving Behind

When you hit your mid-life, you tend to look at life a little differently. I know I do. Money is important, sure.

Everyone wants to be prosperous and do well. Like any print owner, I think about what will happen when I'm not working anymore, or the day when I pass from this realm to the next.

- **What have I left behind?**
- **How will people remember me?**

Really, it all comes down to your legacy. Here are two examples of legacies I've left behind, and why they're so special to me. I hope they serve as an inspiration.

The first legacy occurred when my family sold its business. Through smart succession planning, my father walked away from a successful business with his financial future secured. More impressive is was what we left behind: A growing company with a bright future for its people along with a vision of a sustainable future. We explained to our people where the business was heading. There was no fear factor, no hidden agenda. That's why the company [Vomela] went from a $4 million company to a $200 million company today.

A Legacy for My Community

The second legacy occurred after the business was sold. I wanted to give back for all the good fortune that had been bestowed upon me. It was a lesson taught to me by my parents. I established a scholarship fund in my mother's name. The Virginia LaManna Fine Arts Scholarship is awarded to a graduate of South St. Paul High School who pursues a degree in fine arts. It's based upon my mother's interest in art. I know this annual scholarship is changing someone's life in an economically-strapped section of St. Paul, Minnesota. I've worked hard to create opportunities for the underprivileged, and to be very active in the Catholic Church. All this was due to smart succession planning. Your legacy will transcend R.O.I. It's where the business of business ends, and the business of life begins.

Learn more

Find more insights for business owners, sellers, buyers, and boards of directors at RockLaManna.com, where you can also get Rock's business memoir, "They Named You Right," about balancing business, family, and life.

Meet Rock

After nearly five decades in the printing/graphics/packaging industry as an owner/founder, entrepreneur, consultant, and mergers and acquisitions (M&A) deal maker, Rock LaManna is an advisor to business owners, investors, and directors. Rock now focuses on corporate and non-profit boards of directors.

He advises boards on CEO selection/retention and accountability, M&A strategies, succession planning and strategic growth -- and on emerging, urgent issues such as sustainability, social responsibility, and governance.

Rock belongs to the National Association of Corporate Directors, the most trusted national organization for board directors. He is an alumnus of Metropolitan State University, St. Paul, MN and Harvard Business School's Owner/President Management program, Boston, MA.

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