

# BARRIERS TO SUCCESSION PLANNING FOR SMES WITHIN NZ

Margie Murray and Malcolm Macpherson

## PROFESSIONAL CONTEXT

Margie Murray opened her course one review of learning by noting that for her, asking what have I learned? and how did or how do I learn? could be summed up by the statement that "reflection doesn't come easily for me". Her practical, get on with it world-view was task-focussed and forward-looking. Embarking on a MPP, grounded in deep reflection, offered a lifetime first opportunity to review and test implicit assumptions and values.

Four themes informed her analysis: leadership, respect, team work and mentoring. A BSc graduate in psychology, with a BA in anthropology, Murray's early career in business administration, and her emergent competencies as a leader of people, provided the key insights and skills brought to her current role as practice manager in her family-owned veterinary practice.

In course one, with her proposed enquiry in mind, Murray methodically interrogated her professional journey, picking examples to illustrate her four themes, and applying them to a framework of practice that encompassed intellectual curiosity, observation, innate knowledge and negotiating skills. Looking forward, she modelled an enquiry that would begin to answer the central questions about succession planning, while providing her with opportunities as an advisor in that specialist subject area.

## METHODOLOGY

Small to medium enterprises (SMEs) comprise 97% of New Zealand businesses, and while 80% of owners will leave their businesses over the next 10 years, less than half have succession plans or exit strategies in place. The central questions for this enquiry were: why are business owners so unprepared; and what are the barriers to effective succession planning?

Thirteen participants from six different industry sectors were interviewed, grouped into two age groups (35 to 50 years, and 50 years and older). A form of qualitative thematic analysis was used to sort responses into nine barriers to succession planning, characterised as: finances/business knowledge; gender/age; family; how to exit; letting go/moving on; communication; time; mentoring; and staff. The relative importance of the nine factors varied across the industries sampled, but regardless of the industry sector or generation, three key factors stood out as common barriers: staff; letting go/moving on; and business knowledge.

## PROJECT OUTPUTS

As a brief synopsis of her project outputs, the three key barriers to succession planning are outlined below. In her report for assessment, Murray reported in full on all nine factors, and then discussed each, calling on relevant instances from the literature to inform her analysis.

(1) Staff factors. All participants referred to the difficulty of attracting, obtaining and retaining the right people within their business, and considered 'having the right staff' as critical to developing a succession plan (Figure 1).

identified having the right staff as a barrier, while staff relationships, attracting staff, self motivation, work hard and staff training were only identified by one participant

Seven identified feeling responsible for staff, characterising the issues of meeting payroll, and continuity of work load, and six referred to team/work environment, the concept of belonging to an entity and staff being recognised for their input, as an important factor when considering succession planning. Business owners believe that not having the right staff inhibits business growth and development, resulting in the opinion that the lack of the right staff impedes the development of succession plans.

(2) Letting go/moving on. Being able to 'let go' of the business is seen by 11 participants as a significant barrier (Figure 2). Nine participants stated that losing control of their business poses an issue. Opportunities to develop or establish other opportunities, and loss of mana, were viewed as barriers by 7 participants.

The younger generation see their current business as an opportunity to something else in the future, comparatively the 50 plus generation are often trapped by a belief that 'they are the business and the business is them'. To enable business owners to move on or let go control of their business they need to develop other interest's outside their business. Five participants also referred to a work-life balance concept but were unable to provide clarity over the meaning of this concept for themselves.

3) Finance/business knowledge. Four related themes were grouped under this barrier: business knowledge, equity, financial expectations and risk (Figure 3)

Eleven of the 13 participants described business knowledge as a significant barrier. Ten participants gave equity and financial expectations equal value. Following closely by risk. Six out of 13 participants identified fair vs equal share of equity as a barrier. Five participants consider the business value and work hard concepts are additional barriers.

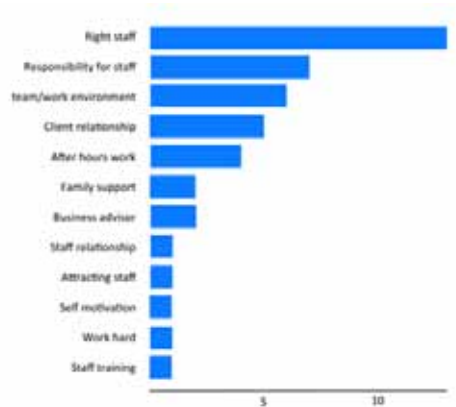


Figure 1. Staff-related barriers to succession planning, all participants. Thirteen participants (horizontal axis)

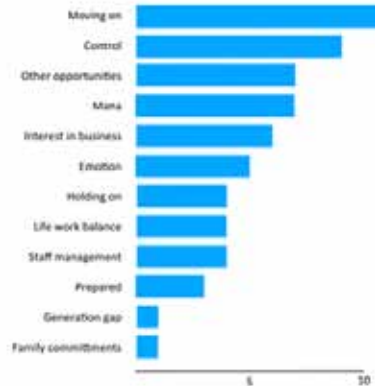


Figure 2. Letting go/moving on-related barriers to succession planning, all participants

## SUCCESS FACTORS

Drawing together her key insights, Murray prescribed the following success factors:

### Start with life planning

Succession planning isn't planning an end; it is about planning new beginnings. Before embarking on a succession plan, owners might like to consider developing a life plan – a vision for their future: what they want, where they want to go, what is important to them, and their goals and aspirations; and how they are going to get there, with timelines and goal setting; making each goal SMART, through achievable and incremental steps.

### Involve everyone

From the life plan a business succession plan can be developed, with the key people in the business fully involved, as it will inevitably affect them.

### Take advice

Engage with industry-specialist business advisors, accountants and lawyers, skilled in succession topics.

### It's a journey, not a destination

Implementing the plan is often the most difficult step. Participants should keep in mind that it is a process that has to be worked through, a journey to new beginnings and not an end, and like any life-changing process it will be difficult, emotional and rewarding at times.

## LEARNING OUTCOMES

The MPP is as much about the candidate as a professional as it is about their work-based enquiry. Assessors look for transformation – of professional identity, of frameworks of practice, of capability and competency – that benefit the graduate and their work life and work place. In her report for assessment, Murray evidenced an "intrepid journey ... fraught with uncertainty, self-doubt and at times confusion" that she looks back on as "simply amazing and worthwhile."

Critiquing her enquiry outputs, Murray made two points: first, that while her data do clearly reveal the dominant factors that mitigate against successful succession planning, there is no 'one size fits all' solution – that workable succession plans are situational, multifactorial, and ideally involve all of the key participants; and second, that lifestyle decisions provide essential decision-making context.

Reviewing her emergent professional practice, Murray identified aspects of intellectual curiosity, intuitive learning, structured data-based decision-making, negotiating skills, the relevance of respect (mana), and appetite for risk (and debt), that have changed during and as a result of her learning experience.



Figure 3. Finance-related barriers to succession planning, all participants.

**Margie Murray** graduated with a Master of Professional Practice from Otago Polytechnic. Margie is Practice Manager at Murray's Veterinary Clinic, Mosgiel.

**Malcolm McPherson** is a facilitator, academic mentor and assessor for CAPABLE NZ, specialising in business excellence. His PhD from the University of Canterbury was on the Environmental Geology of the Avon-Heathcote Estuary. Malcolm is a past Mayor of Central Otago District (three terms), a past member of the Southern District Health Board (four terms), and the Otago Polytechnic Council (2005-2013). He is an elected member (and past chair) of the Central Lakes Trust, a \$300m community funder in Central Otago and Queenstown-Lakes, and chairs several other community organisations, including the Alexandra Men's Shed and the board of Central Stories Museum and Art Gallery. He is chairman of Central Otago Premium Fruit Ltd – an export brand owner intermediating in direct-to-consumer social media marketing in China – and a director of Centennial Health (2013) Ltd. He is a US-qualified Baldrige examiner, and has coached and consulted internationally and written widely on organisational excellence.