

Succession Planning

Presented by:
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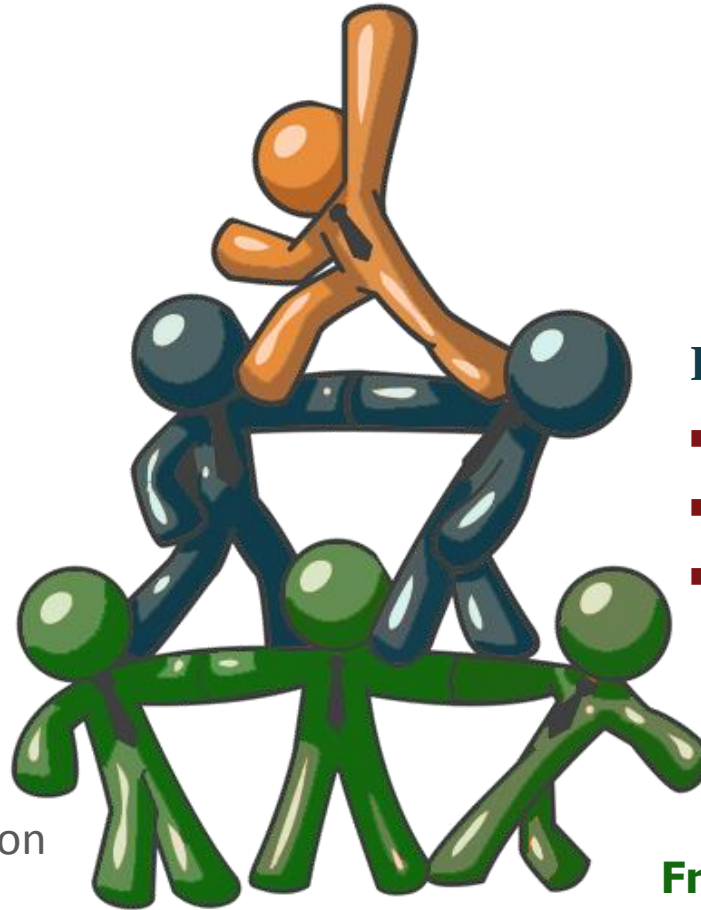


Franchisor/Franchisee Interdependency

Franchisor depends on **Franchisee:**

Franchisee:

- Distribution
- Customer Retention
- Revenue



Franchisor:

- Brand Value
- Market Visibility
- Customer Perception

Franchisee depends upon **Franchisor**

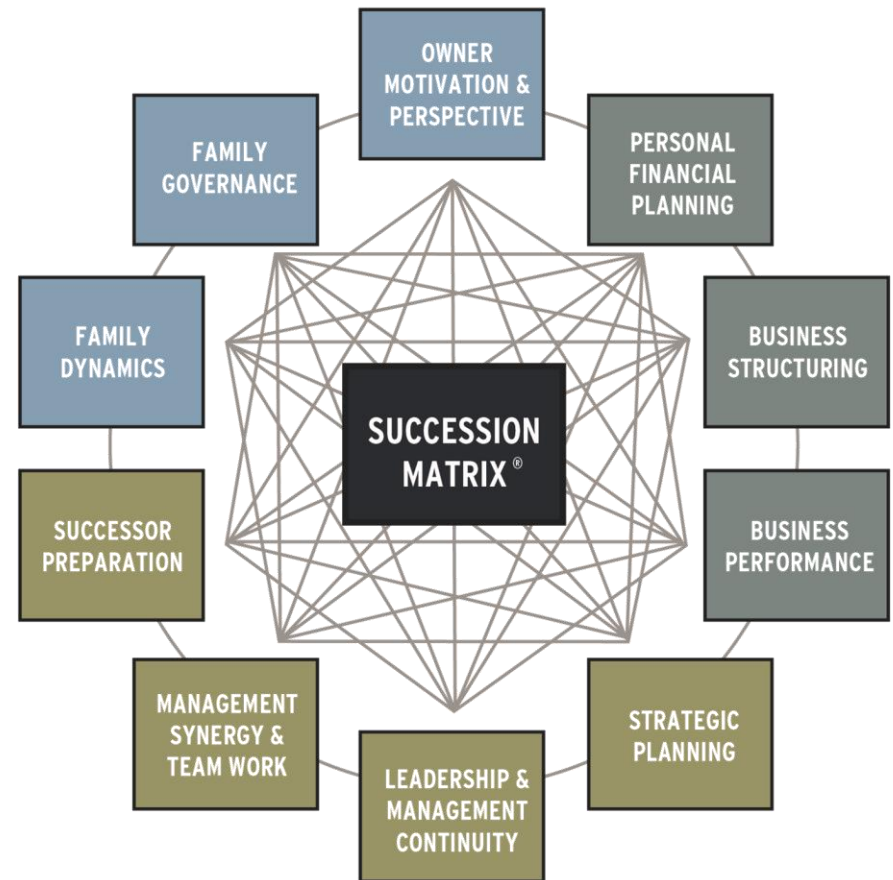
Common Goal: Achieve Success Through...

GROWTH



What is Business Succession Planning?

Preparation for continued success **through** the next generation of **owners, leaders and managers.**





Key Issues Franchisees Overlook Impacting Franchisee Success

Common Succession Scenarios

Too Young or Too Excited About The Business

“Retirement or an exit strategy are nowhere on my horizon.
Succession planning isn’t a priority right now”

Impact of Perspective on Business Value

- No contingency plan addressing potential issues that may arise (death/disability)
- Business may be auctioned off at lowest price
- No energy put towards developing a successor, value of business is dependent upon the business owner

Plan to Sell – No Family or Successor Interest

“I have no family interested in the business, and if I did, I would tell them to go find another job. I’m gonna sell this baby once I know I can get top dollar!”

Impact of Perspective on Business Value

- Potentially an inadequate approach to developing strong leadership/management bench
- Not addressing inactive family influence creates landmines for estate planning or when family shows strong interest in the business

Growth Without a Strategic Vision

“I Am in Growth Mode, Not Thinking About the End...”

Impact of Perspective on Business Value

- Growth without strategic vision and plan can potentially create stress on business operations and profits
- Focus on growth without developing a strong leadership team/business infrastructure can create strife amongst management effecting performance
- Avoiding strategic planning and developing a strong vision for the future which creates purpose, drives revenue and removes the success of the business away from the business owner

Franchisee Success Impacts Franchisor Success



Succession Planning and Franchisor Success

■ Common Issues

- Most franchisors don't really require a succession plan
- Franchisors want to ensure continued operational and financial performance of locations
- Franchisors have inconsistent or unclear successor addendums

■ What Should Franchisors Do?

- Integrate successor training programs into general franchise training
- Educate – provide workshops/resources to communicate benefits of succession planning and to address common succession issues
- Require succession plans from franchisees that address all 10 areas of the Succession Matrix to help focus on the importance of succession planning

Impact on Franchisor Success

■ Growth:

- Strengthen Franchisee Recruitment – focus on partnering with franchisees shows you have a true interest/investment in their future
- Strategic planning and execution throughout the Succession Matrix builds value and ensures profitable, sustainable growth

■ Sustainability

- Organizational culture focused on sustainable success builds a resilient brand over multiple generations
- Sustainability of success is interdependent between Franchisor and Franchisee

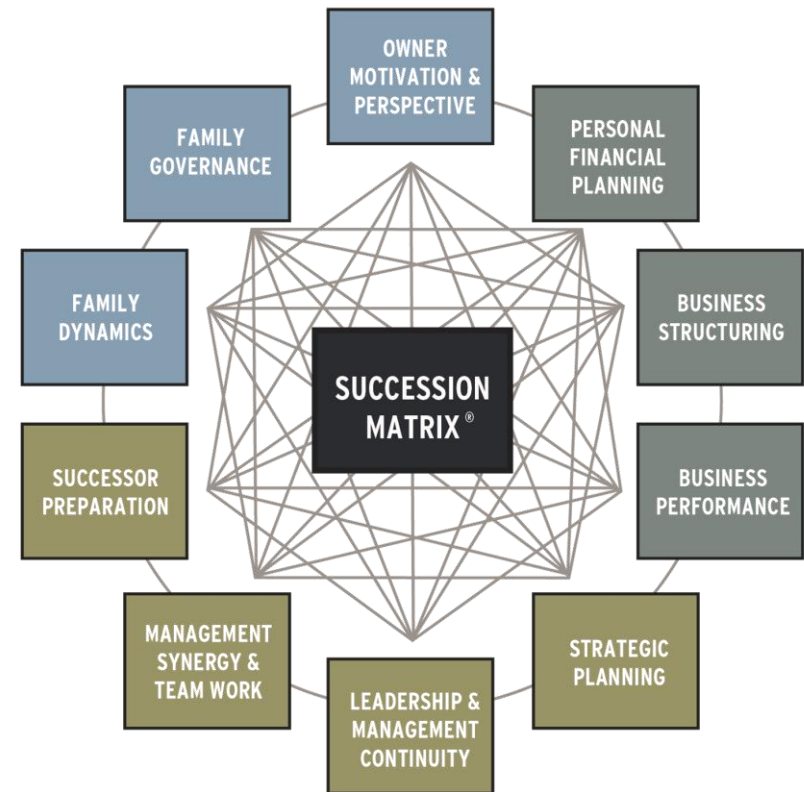
Succession Planning Builds Value

The **value** of the brand is directly dependent upon the probability that **the franchisor and the franchisee's success** can continue **through** the next generation of owners and managers



Succession Planning Builds Value

- **Fueling Growth**
- **Building Value**
- **Ensuring Success**

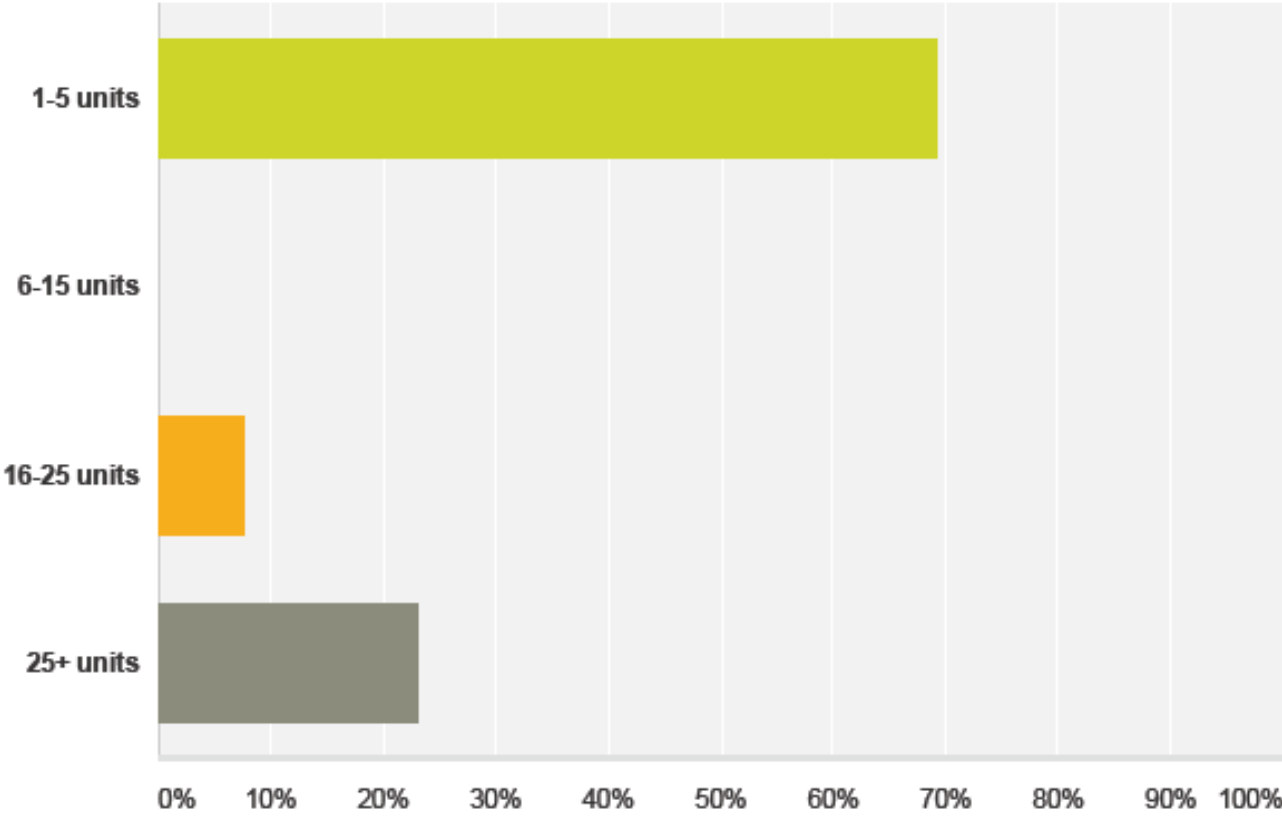


Survey Results Regarding Franchisee Succession Planning

13 Responses

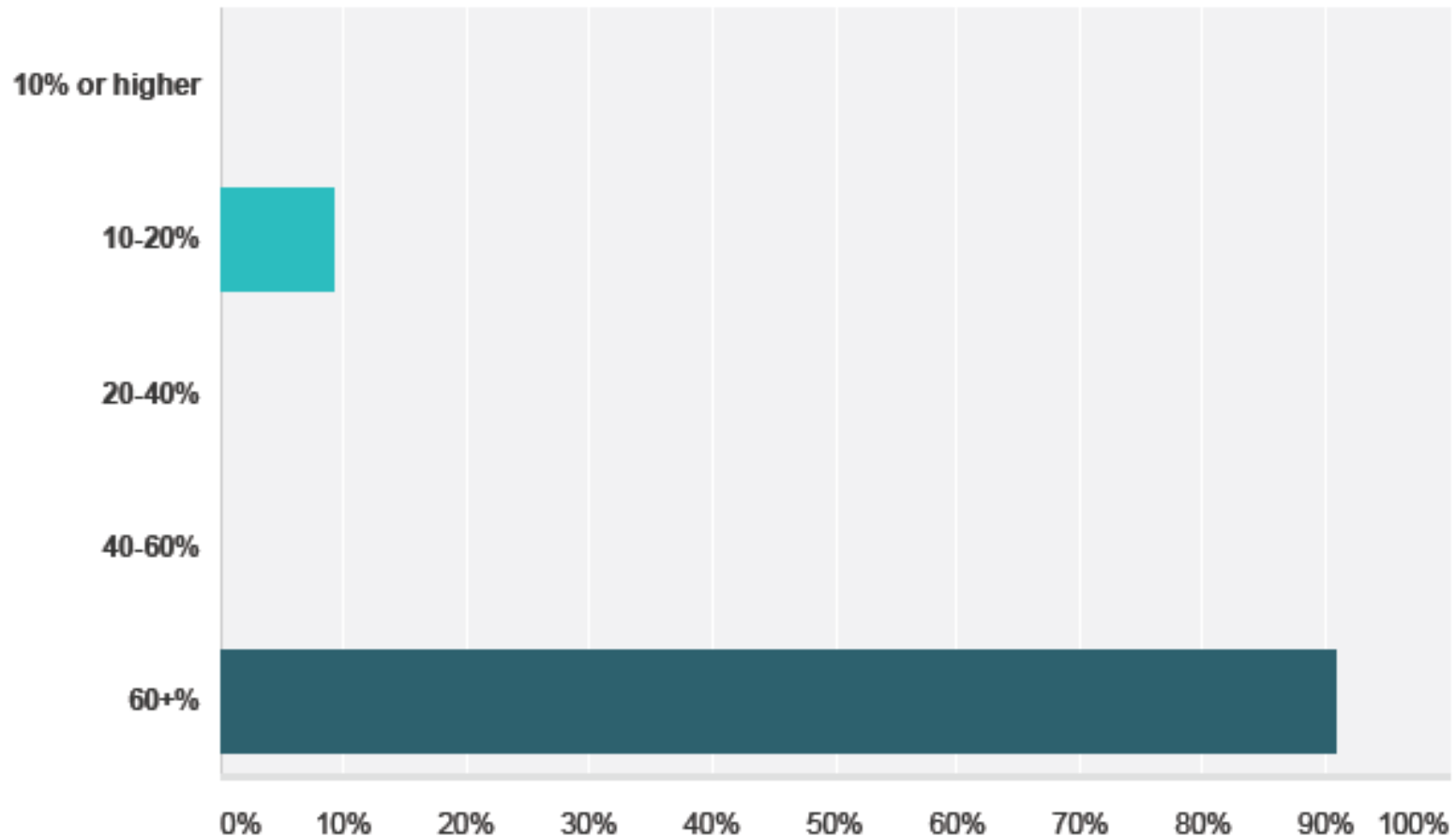


The majority of your franchisees own how many units?

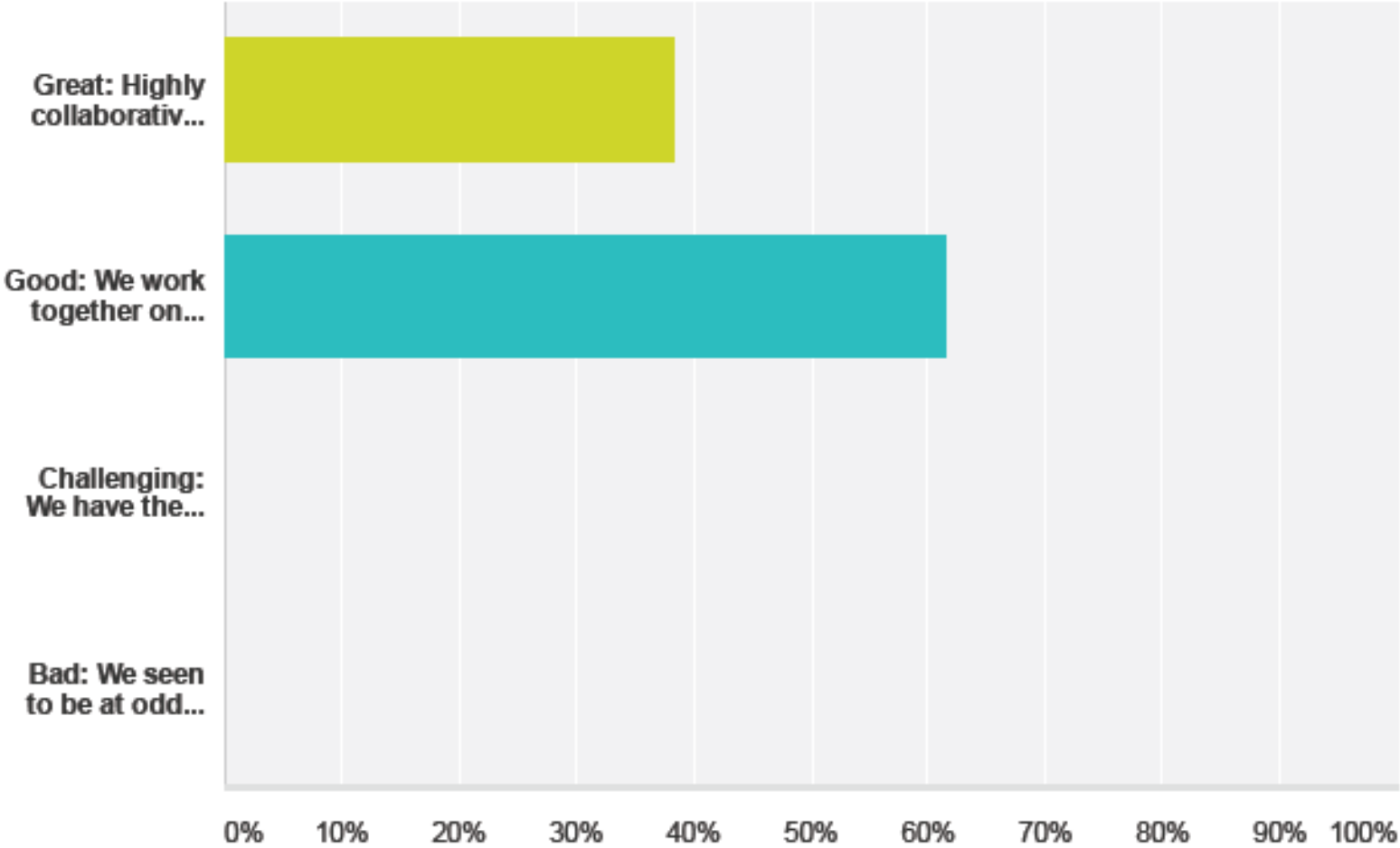


What percentage of your franchisees are privately held?

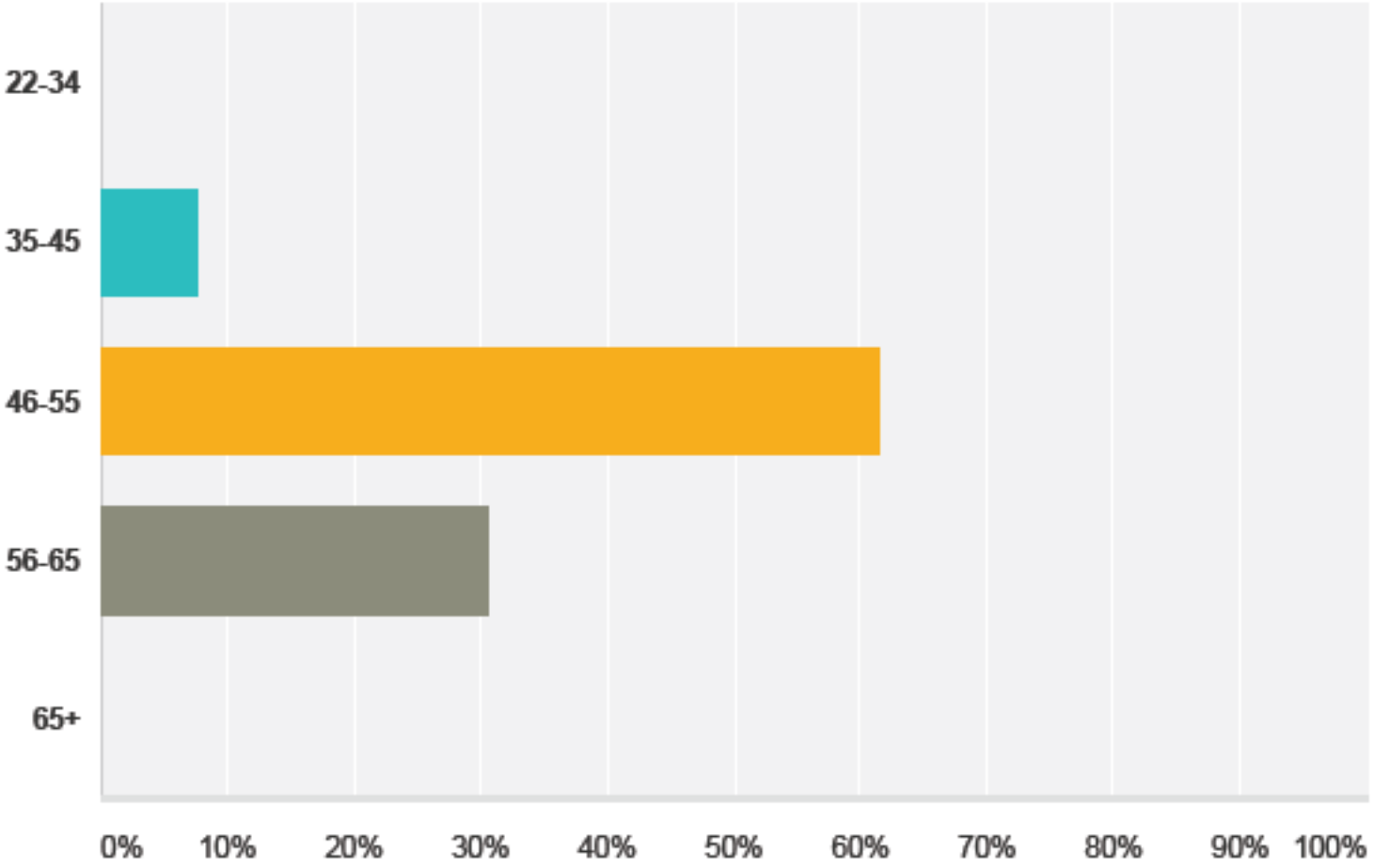
Either family owned or partnership – ie: not corporate or private equity



How would you describe your franchisee(or) relationship?



What is the average age of your franchisees?



What is the process and requirement for approving a successor?

Answer Choices	Responses	
Owner just has to put a name on the line and we are good with it	0.00%	0
Owner lists some options and franchisor evaluates them after the death/retirement of the owner	15.38%	2
Identified successor must be evaluated and approved before they can be deemed a designated successor and any stock be transferred	53.85%	7
All areas of the business are evaluated to ensure KPI's are at a Franchise approved level - franchise appointment can be reconsidered at the death/retirement of owner if business is not performing at a franchisor approved level	30.77%	4
Total		13

What do you feel are franchisees most common concerns?

Concerns related to profitability, success and long-term growth

Answer Choices	Responses	
Development of business process, procedures and general practices to support growth	75.00%	9
Recruitment, motivation, and retention of mid and "C" level management	0.00%	0
Developing a strategic vision/plan for the future	8.33%	1
Family issues - whether they are actively working the business or not	0.00%	0
Other	16.67%	2
Total		12

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What do you see is your biggest challenge(s) your brand/company faces?

Related to continued success/growth into the future

Answer Choices	Responses	
Aging franchisee owner population and their lack of planning	9.09%	1
Misaligned expectations, culture and communication issues between franchisor and franchisee	54.55%	6
Unidentified and/or under developed successors	0.00%	0
Other	36.36%	4
Total Respondents: 11		

What are you currently doing to educate your franchisees about succession planning?

Answer Choices	Responses
Nothing	41.67% 5
Designating a successor is mentioned in our franchise agreement, and we sometimes ask our multi-unit owners if they have done planning	25.00% 3
Educational resources are made available - workshops at annual conferences, books, etc	25.00% 3
It is such an important topic to building value and the sustainability of both our businesses - it's apart of our culture - we are always talking about it and KPI's are created to encourage and support our franchisees in their efforts	8.33% 1
Total	12

What is your understanding of succession planning?

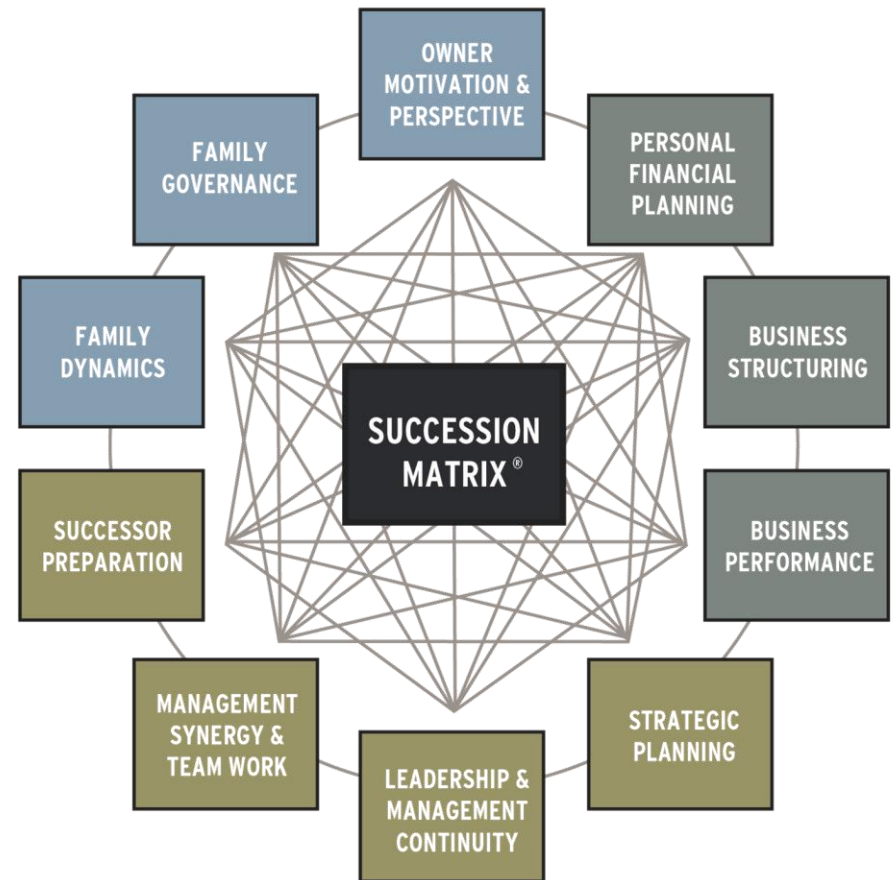
Answer Choices	Responses
Estate planning, defining an exit strategy and identifying a successor	58.33% 7
Human resources - developing bench strength for every key position in the organization	0.00% 0
An ongoing process that addresses key value builders which provides a foundation for sustainable growth and success	41.67% 5
Total	12



Defining Succession

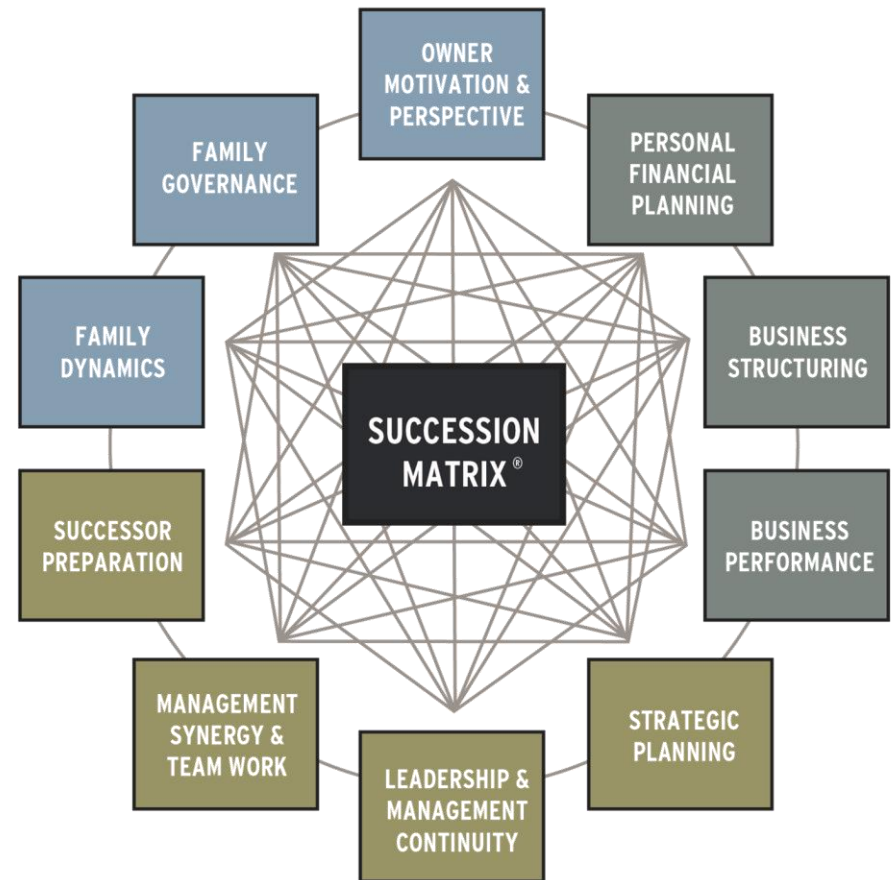
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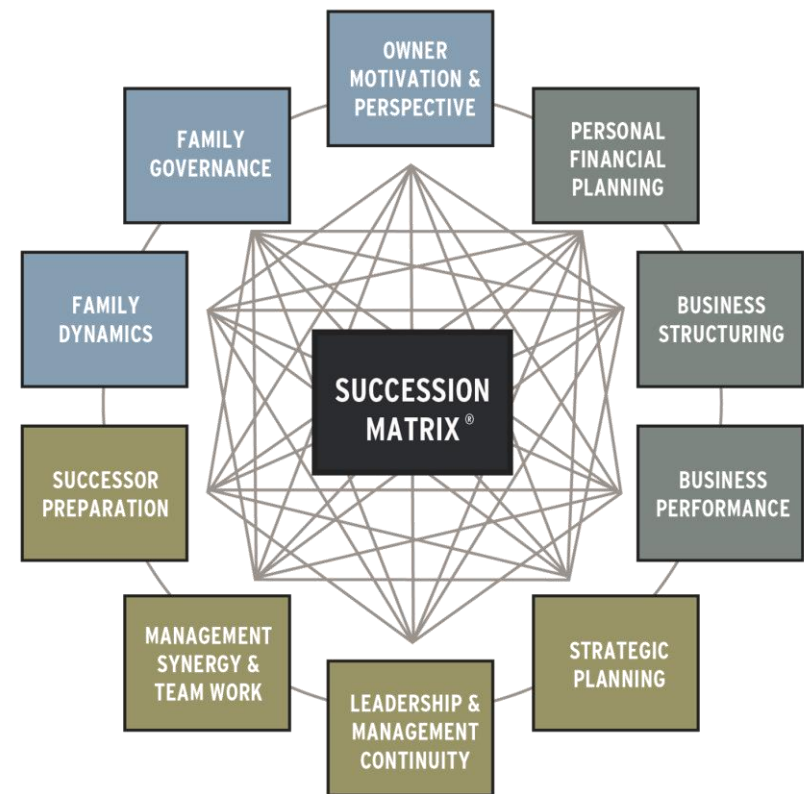
The Succession Matrix®

- The matrix is dynamic; movement and change is the norm.
- The interdependence of the factors magnifies the complexity of succession planning
- Factor strengths enhance weaknesses
- Factor weakness undermines strengths



Succession Planning Builds Value

- **Fuels Growth**
- **Builds Value**
- **Ensures Success**



Business Succession Planners



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