

Planning for the loss of a leader

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The medical leave of Apple's Steve Jobs is a reminder that replacement preparation is crucial for survival

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Steve Jobs may be the charismatic and crucial leader of Apple Inc., but as he departs to deal with his latest medical issue, he leaves a seasoned replacement to take up his day-to-day duties and keep the company's momentum in gear.

For many small businesses, however, the sudden departure or demise of a founder who is the heart and soul of the enterprise can leave the company on the lip of a black hole.

It doesn't have to, as long as entrepreneurs have planned ahead, ensured crucial data is accessible, and made sure colleagues have the knowledge to take up the slack.

"The smaller the business, the more [often] there is a brain trust in one particular person," said Richard Kinchlea, director of operations for the Canadian Centre for Emergency Preparedness.

"One of the most problematic [issues] in a small company is what happens if you lose that person. It is incredibly difficult to rebound."

Part of the problem is that small businesses don't look beyond planning for succession - an event that will happen at a specific point down the road, he said. But a health crisis could spring up at any time.

If the boss is off with the flu for three days, "a very apt administrative assistant can probably cover and hold the fort," Mr. Kinchlea said, but beyond that, a vital skill set will need to be replaced.

At a minimum, a small-business CEO should prepare a list of contacts, a description of projects currently under way, and the location of paperwork and data.

More broadly, Mr. Kinchlea said, a company needs somebody in the wings who can step in to fill the leader's role. To do that, small companies need to cultivate a culture of mentoring, grooming employees to take on more responsibilities, including those of the founder.

A rule of thumb: If the boss can take a real vacation for several weeks, and leave the company in the hands of others, then the firm should be able to function if a health crisis strikes him or her.

Mr. Kinchlea also notes that it isn't always the founder or CEO who is the most crucial employee in a company.

Sometimes others, even at much lower levels, have knowledge whose loss could turn the company to toast.

The key, he said, is to ask "what knowledge is in their head that we need to get on paper or in the computer or cross-train to somebody else, so we're not crippled."

John MacInnes, CEO of Print Audit, a Calgary company that makes tracking and auditing software that helps companies control printing costs, acknowledges that he has not taken the steps necessary to keep his company going if something should happen to him.

"I don't personally have a lot written down, and I haven't really talked very much about what the next steps are," he admitted, "but I've been thinking about it quite a bit over the last little while."

Mr. MacInnes knows the process won't necessarily have to be complex, but he just has to sit down with his colleagues and write out what would need to be done if he were incapacitated, and create a handful of documents.

"It's akin to doing a will. A lot of people know that it's important, but it gets put off. I've put it off but it is one of my goals this year and hopefully I don't get wiped out before it happens."

Mr. MacInnes has taken one crucial action - he just promoted one of his colleagues to be second-in-command, and will prepare him to step into the CEO shoes if necessary.

A key issue for many entrepreneur-driven companies is that - like Apple - their brand is closely linked to the image of the founder.

It is only possible to change that over a period of time, said Michael Legary, founder of Winnipeg information security firm Securis Inc. Mr. Legary has pulled back from day-to-day management and is now chief strategy officer for the company, but "I'm on the website a couple of dozen times still, and I'm personally linked to the company brand a fair amount, especially within our key clients' eyes."

To deal with that, there has to be a "delicate" shift, so that the company's brand image is paramount, rather than the founder's, he said. "You can be a part of the story, you can be the value-add, but you shouldn't be the entire proposition."

That means there needs to be a number of different voices speaking for the company, but with a consistent message, he said.

What an entrepreneur has to believe, Mr. Legary said, is that their company "can grow up and have a prosperous life of its own, with or without me."

A SUCCESSION CHECKLIST

Peterborough, Ont., lawyer Peter Lillico has a horror story about one of his clients, an entrepreneur who headed to Mexico for a vacation, had a stroke, and eventually died.

The man had no succession plan, he kept all the key details about his business in his head, and he hadn't even given cheque-writing authority to his bookkeeper.

As a result, employees weren't paid, customers couldn't collect what they were owed, and the bank froze the company's accounts. The mess took ages to clear up.

The moral of the story, says Mr. Lillico, who specializes in estate succession planning, is that small-firm owners must make plans to deal with the possibility they will be incapacitated at some point.

Mr. Lillico's checklist to ensure small-business survival includes:

Buy disability insurance, and "key man" insurance for the company, so there will still be money coming in if the top dog is out of commission. The money can also be used to hire a temporary manager.

Have some kind of succession plan. It should specify who will handle sales, administration and other functions. This doesn't have to be elaborate, and could be used even if the boss is stuck somewhere because of flooding or volcanic ash.

Have a will, a power of attorney, and a separate specialized power of attorney for your business.

Have a partnership or shareholder agreement - if you have partners - that specifies what happens if someone is incapacitated or dies.

"Every day of every week, bad things happen to some business person and it precipitates a crisis," Mr. Lillico said.

"If somebody has prepared, it is survivable. If they haven't, it can be damaging, crippling or even fatal to the business."