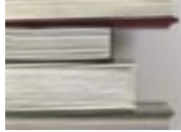




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Succession Planning for Book Publishers: The Human Aspects of Succession



Canada



Contents

Introduction	01
Steps in Transfer of Leadership	02
Step 1: You Decide to Transfer Ownership	03
Coaching: People and Support Structures	06
Steps 2 and 3: Choosing and Preparing Potential Successors	07
Basic Criteria	08
Family Succession	09
Non-Family Insider Succession	11
Outsider Succession	13
Step 4: Stepping Down	14
Step 5: Cushion the Impact of the Transition Period	16
Coaching or Mentoring: Two Distinct Concepts	19
List of Resources	20

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Introduction

As an owner of a Canadian publishing company that you hope will continue under new ownership after your retirement, you have two important tasks: you must select the next generation of leaders and you must ensure that the management and ownership transfer takes place efficiently and to the satisfaction of all stakeholders, including yourself.

While the financial transaction that will close the sale of the business is important to your succession plan, don't forget that the management of human relations is a critical aspect of this process. You will be handing over the future of your business to a new generation of leaders as well as to the employees who will continue to work with your chosen successor. You will also be transferring to the new owner the relationships you have painstakingly built over the years -- with suppliers who will continue to provide services to the company after the sale, with customers who are accustomed to your way of doing business, and with your banker and business partners, all of whom will expect that the quality of the publishing house that you founded will be maintained or improved under the new ownership.

Selling your business will transform interpersonal relationships within the firm and it would be a serious mistake to ignore the management of human resources. If the personal-relations aspect of the succession process is neglected or underestimated, the resulting tensions may jeopardize the transaction, and could have a negative impact on the performance of your company after the sale or even threaten its survival.

This guide is addressed to owners of publishing companies who want to ensure that the sale of their companies occurs as harmoniously as possible. First of all, the guide will outline the steps involved in the process and the tasks to be performed. Then it will address the training of staff and the importance of communication, including receiving regular and frequent feedback from others. Finally, the guide will discuss the necessity of having good support and not working in isolation.

This period, especially if some advance planning has been carried out, may give you the chance to spend more time with people and to bring the skills of your employees more into line with the development of your publishing company. Since you are the one who has made your firm a success, you should do all you can to ensure its future by choosing the best successors.

Steps in Transfer of Leadership

In order to highlight the human aspects of leadership succession, it is useful to break the process down into a number of steps so that the overall tasks to be accomplished may be determined and managed on a step-by-step basis. In this way, the parties involved in each step can also be identified.

These five steps are closely related but not necessarily sequential. For example, while engaged in the third or fourth steps you might reconsider certain choices that you made during the first step.

- > The first step consists of deciding whether or not you wish your company to continue under new ownership.
- > The second and third steps are linked to selecting and grooming your successor(s) to ensure that

they are prepared and possess the requisite skills to assume the leadership role. These two steps will have an impact that goes beyond the role of new leader in the company since they affect the values and the culture of the company.

- > The fourth step involves stepping down as leader of the publishing house.
- > The fifth step involves bringing together the elements you have developed to cushion the impact of the publishing house's ownership transition on individuals who, for various reasons, are concerned about its future.

In the rest of this guide, each step is discussed by paying special attention to various aspects pertaining to individuals.

Step 1: You Decide to Transfer Ownership

As the current owner and leader, it's up to you to initiate a succession plan that will enable your publishing company to continue operating after your departure, and it's you who must initiate the process and communicate your decision to employees and family with clarity and transparency.

You are the one who is undoubtedly taking the greatest risk, especially if the business represents a large part of your estate and your pension plan. But you may also be the person holding back from putting the process in motion. Maybe you don't see the business operating without you. Perhaps the initiation of this process reminds you, uncomfortably, of your own death. But you should be aware that in recent years, more and more business leaders and stakeholders are focussing on the continuity and longevity of their firms.

Preparing a future for your company is more exciting than preparing for your succession. This change in perspective has allowed other leaders to explore more interesting options for themselves, for their businesses and for their partners.

Planning for succession marks the beginning of an emotionally turbulent period of your life. You will be making decisions and you will need, at times, a certain degree of detachment. You should be aware that there are moments of great vulnerability for anybody approaching retirement or experiencing a considerable change, voluntary or involuntary, in his or her life. You should also be aware of possible health issues during this time.

Ask yourself the following questions:

- > How much longer do I want to run this publishing company?
Answering this question could be made easier by considering the following additional questions:
- > When I'm ready to leave (even if you're not sure when that might be) will I prefer a clean break from the company, or would I prefer to remain connected in some way after the successor is installed?
- > If I prefer to stay connected, do I want to be involved in an operational capacity or would I prefer an advisory or consulting role?
- > Do I want that role to last for months or for one, five or ten years?

The second important question to ask:

- > Have I planned any activities to keep myself busy after the transfer of ownership?
Such as reading everything I never had time to read... or travelling to a country that I've always wanted to visit.

Cutting yourself off from the company abruptly will probably be difficult and it would be better, if possible, to opt for a solution that will allow you to remain involved, at least partially, for a period of time. If you choose the progressive retirement model, you have a number of options.

Here are a few questions that will help you to determine your future "life plan":

- > Do I have a personal plan that could be developed outside the firm at the same time I step down from running the company?

You might want to get more actively involved with your association of publishers, work on a committee or organize internships.

You might like to continue to find young talent without having to worry about managing a publishing company.

Perhaps you could become a mentor and share your knowledge and experience with the next generation of publishers.

- > Could I play a role inside the company, yet outside the day-to-day operations of the firm, on the board of directors for example?

Would I be able to assume such a role? Some leaders are incapable of playing a low-profile role; they should admit such a role doesn't suit them. Other owners find real fulfilment when they assume a low-profile role.

- > Finally, am I able to set a specific date for my departure?

Above all, be realistic. Besides considering your own preferences, you will have to find answers to the following additional questions:

- > Is this exit compatible with the type of transfer of ownership and management available to me?
- > Do I have the financial resources to realize this exit plan?
- > How can I procure the financial resources if they are not apparent?

Some of these questions are very sensitive, even private in nature. Others are related to your family and the development of the publishing industry. This is why it would be wise to seek advice and coaching from others in order to talk about your concerns or find alternative solutions.

COACHING: PEOPLE AND SUPPORT STRUCTURES

During this challenging period, you should seek the support and assistance of your family, friends and acquaintances. Among your friends and professional colleagues, you will likely find someone who has been through a transfer of ownership or who knows people who have been.

You can find these people within your immediate circle of friends and acquaintances – and the publishing world is indeed a small one – or in associations of business leaders. A professional with whom you do business may have contact with leaders or successors who have been through succession transitions and, if confidentiality obligations permit, you might be able to learn the details of their experience. Ideally, you could make contact with these individuals and propose a lunch or brief meeting in which you might ask if they're comfortable sharing their story.

Your family can be a source of comfort and support at this time. If you agree to be open about this subject, you will at least find out about any potential interest and successors from your family, clarifying everyone's expectations. Openness among family

members and harmonious family relations are key to making business successions succeed, regardless of whether they occur inside or outside the family. An open family discussion or, better still, holding an actual family council may rapidly clarify situations and draw family members closer together.

A board of directors composed of wise and competent individuals can provide invaluable assistance. If you have already put support structures in place a few years before succession planning becomes pressing, you will find that making decisions will be easier and the range of possible options will be broader. The development strategy of your publishing company will probably have been outlined, adopted and its needs highlighted. Moreover, certain potential successors will probably have been informed about the business and its needs, which could encourage them to make a commitment or to seek, together with you, other succession candidates.

Give yourself time, work as if your publishing company is going to continue operating, and keep talking about it. These are the three main ingredients of a successful business succession.

Steps 2 and 3: Choosing and Preparing Potential Successors

Once you have decided that you want your business to continue, you have to identify potential successor(s). It will be useful to examine all possible scenarios and to remain open to all options. The perfect successor, the one who could guarantee the 100% success of a transfer of ownership, is not likely to be found. You should try to choose the best candidate that is presently available and, subsequently, make any necessary adjustments.

The development of the successors' skills will be tailored to each candidate and can often occur on the job. You will be able to observe progress made by combining training in educational institutions, on-the-job training, work experience outside the present firm, coaching by an executive or employee, mentoring, specific mandates, internships abroad, etc. All of this can be done as part of the ongoing staffing and succession planning of your publishing company.

Choosing these activities at random or on the spur of the moment would be costly both in time and money and you are undoubtedly aware that most publishing companies don't have much in the way of additional resources. It is essential that you sit down, assess the skills you have in-house, clarify with your successor what direction the publishing company is to take and to make choices that are commensurate with the personal and professional development of your partners. Think and plan in terms of a career path for your unique publishing house.

BASIC CRITERIA

Your first criterion for choosing your successor or successors should be the competence of the chosen candidates in the context of the particular needs of your publishing company.

Perhaps you will find yourself searching for a successor who resembles you, who has the skills, attitudes and vision similar to your own? Approaching the selection process in this way, however, might make it very difficult to find a candidate who meets your standards because of the strong views you hold on what works for your company. Take the attitude that your publishing company has undergone frequent changes since its inception and that it will continue to evolve. One or more potential successors whose strong points are

different from yours may be an asset to enhancing the longevity and development of your company.

Here is a series of questions that can help orient your thoughts on this point:

- > What are the needs of your company at the time you begin the process? Are they related to growth? To maintaining the status quo? To a new strategic direction or an important restructuring?
- > In the context of development of your publishing company, which skills does your company need? Are these skills related to the special characteristics of the publishing industry? To financing the business? To the need for stricter management? Do you need someone who is creative and able to innovate? A person who is able to inspire people to work together as a team on a joint project?

And if the values and culture of your publishing company are dear to you, you should ensure that you choose successors who share these qualities. Some leaders are prepared to make a number of concessions, even of a monetary nature, so that their values will remain a part of the business.

FAMILY SUCCESSION

Potential successors from your family are likely to have the advantage of being thoroughly familiar with the values you have sought to establish within your publishing company. They often share these values with you. Perhaps they had contact very early on with the business when they had a summer job with the firm or maybe they are key members of your staff already.

However, additional experience outside the family business would help them to develop their talents and hopefully strengthen confidence in their abilities, which is in the publishing company's interest. Merely belonging to the family is seldom sufficient.

Skills must be tested, either through adequate professional training, experience with the firm or experience outside the firm, and, better still, by a combination of these three aspects. Experience acquired outside your publishing company will permit your family successor to earn credibility with all parties involved in this process, be they employees, customers, suppliers, or financial backers.

Successors from the family can benefit from internships at other domestic publishing companies and even ones outside the country as well. They will appreciate being given specific goals by you. Perhaps this could involve developing a set of books, creating a Web site or computerizing the inventory of your publishing company, or even making an exploratory trip abroad to forge alliances and develop new business opportunities. There are all kinds of opportunities you can explore, and associations of publishers also provide occasions for development every year as part of their program of activities.

Assigning the training of your successor to a coach or mentor inside or outside the publishing company could yield good results. The presence of such a person inside a fairly broad business network might be an important element of your succession plan. This individual can help your successor to join an association or local chamber of commerce committee or allow him or her to take part in business activities of a different kind, in the multimedia world for example. It should be remembered that learning does not only occur in the classroom.

Don't hesitate to call on outside resources to deal with the tricky process of transferring knowledge and know-how to the next generation. Although you know your business better than anyone, you are not necessarily an expert in everything, and it is not always easy to do this work when members of your own family are involved. Objectivity is required, and although you may know your children well as they develop within the framework of the family, you don't always know them very well in a working context.

On the other hand, it may not be easy for your son or daughter to confront you, negotiate with you and succeed you. Being able to speak about these problems with a person who can understand and provide useful critical feedback without being directly involved in the relationship could be fruitful. Developing their own expertise will give them confidence, once they see that they can bring new ideas and a fresh perspective to the company.

NON-FAMILY INSIDER SUCCESSION

Potential insider successors, namely executives and employees, have the expertise that has made your publishing company a success. These individuals have demonstrated their skills and commitment. Perhaps they only need to be asked to take the plunge to become one of your partners and an employer in their own right.

Executives and employees will generally be happy to see that you recognize their skills and commitment, the value of their attachment to the organizational culture, and that you support their wish to continue working for the company.

However, latent conflicts residing within the company can come to a head during the transition period. There may be divergence of opinion in your key staff, or the feeling that one's value has not been recognized, or that seniority has not been respected.

These are a few of the irritants that you may need to address effectively before the new team is in place. Interventions, perhaps person to person, are feasible and often fruitful. A more structured approach to career management can yield good results. Even conducting a diagnostic for the dynamic of the team and the contribution of each member can facilitate thinking or discussion.

The transition from being an employee to an owner and leader requires learning new things in several fields: management, organizational development, as well as developing the ability to take risks and to make group decisions. The nature of the risks assumed by the employee upon becoming an owner is also of fundamental importance and must be clearly explained to your successor. How employees interrelate with each other at this time must be given special attention in order to avoid counterproductive situations. It's important to give your successor the opportunity to test his or her management skills, evaluate his or her own performance, and have access to training and development resources.

Successors can learn by participating in a management committee that will set specific objectives for them and will provide the means to assess the performance not only of the employees but also that of the organizational culture of your publishing company. The cooperative approach may be very productive, giving them the opportunity to integrate what they've learned into their daily work.

To these two methods of planning succession, one involving family successors and the other involving insider successors, can be added a third method which is gaining popularity: a mixture of family and non-family successors. In this third situation, you bear a large part of the responsibility for training future leaders and establishing a true career path

for the next generation of leaders. Competencies must be maintained rigorously, or conflicts can arise between the different groups of successors.

In this case, the management committee can position the issues in such a way that staff understands the global plan for the development of the company. In this context, certain departures or retirements can be negotiated equitably and transparently. In the same way, career possibilities can be clarified in the case of employees that your successors might want to retain in the company,

Associations of publishers provide their members with a number of services: a mentoring program, support for continuous, individualized training, more specialized training on co-edition or joint publishing with Europe and on the legal aspects of publishing contracts. Most post-secondary educational institutions offer management courses and seminars, sometimes even online training programs. Successfully evaluating employees and executives on the basis of the knowledge they have about the publishing company and market is essential.

OUTSIDER SUCCESSION

Your successor may be a third party who comes from outside the firm. In this group, you may find individual successors—entrepreneurs who may wish to step into your shoes and continue moving the company along the course you initially set—and business enterprises or corporate investors—other companies, typically larger than yours, who may ultimately decide to merge your publishing operation and the corporate identity of your company with its own.

In both cases, coaching the incoming leaders and managers during the transition period can be an effective strategy for ensuring a smooth integration. The contact between you and your successor will facilitate the transfer of knowledge and will help you to leave your publishing company feeling assured that the enterprise you founded is left in capable hands.

With respect to the sales transaction, don't forget that in the negotiations leading up to the sale of the business, you may be able to persuade the new owner to protect the jobs of your partners or family members. But in the case of a sale to third parties, whether to an individual or another publishing company, you should recognize that your company's future will now be controlled by the new owner. If the new owner is another publishing company, your firm will probably be integrated into the development strategy of the latter.

Step 4: Stepping Down

The fourth step marks the beginning of your disengagement from the company. You have achieved the moment of your well-deserved retirement, and you can turn now towards other activities. Mutual respect between you and your successor should characterize this stage. You have in common the desire to realize the continuity of the company. You can, if you wish, support the transition well, as you, the predecessor, understand the daily functioning and management of the company. You have established contacts, exercised your talents, and are the principal artist of its success.

Your stepping down is a crucial factor in a successful transfer of ownership. Although your continued presence at the publishing company, after the transfer of control, may be regarded as a benefit,

particularly in the case of a family or insider succession, you should not assume that the incoming owner will want you to remain involved. It's up to you to determine, in consultation and through negotiation with the new owner, the appropriateness and details of your continued involvement.

Will you be comfortable and effective in a consulting role without decision-making authority? Adopting a low-profile role, perhaps removed from day-to-day activities, does not suit everyone. Or perhaps your retirement plans call for you to withdraw totally. Obviously this is more common in instances of sales to third parties but can also be seen in family succession situations.

If you agree to stay with the firm for a certain period of time, it will be essential in all cases to define clearly the role you will play with your successor(s): chair of the board or management committee, manager subsidiary rights and exports, etc. The period during which the two generations of owners work together may be very beneficial to the firm but it may also give rise to conflict. Healthy and very open communication as well as clearly defined expectations by both parties will be very helpful.

How long this role lasts will depend on the expectations and nature of the successor, but in any case, your date of departure should be known. Don't forget that your successors must assume their role as soon as possible and, in order to do this effectively, they will need your support as well as your understanding that they are now in charge. Of course, they are liable to make mistakes, but the publishing company will belong to them from now on.

Step 5: Cushion the Impact of the Transition Period on the Publishing Company's Atmosphere

All the preceding steps lead to this fifth step, set in motion the moment you made the decision that your publishing company would continue after your retirement. Cushioning the impact of the transition period on your company must evolve in parallel to the other four steps. The initiatives taken in the past, well before you talked of retirement, can continue to come to fruition. Regardless of who becomes your successor or the approach taken to transition of ownership, gradual change is more easily accepted. Your successor earns credibility by how you handle the dynamics of change.

Transferring ownership of your firm may seem to be a strictly personal matter to you. Nothing could be further from the truth. Whether you have spoken openly about selling your publishing company or have chosen to remain silent on the issue, you should realize that employees, executives, suppliers and bankers are often suspicious and will likely sense that changes are imminent. All of them will have an idea about what is happening and each of these groups of people will have to be prepared for the transfer of ownership. Some may become hostile or distrustful because change worries them. But if your successor is already active within the enterprise, and has already been chosen as the successor, it is a good idea to publicize this fact, to introduce him or her to everyone, to state that you have given him or her specific mandates, and that it is crucial that he or she can count on everyone's co-operation.

Developing a communications strategy is indispensable. Being informed directly and officially of important changes in the company and receiving the assurance that the management cares about the future of loyal collaborators and employees will help safeguard the company's important assets. Regular circulation of information is essential to employee security. Inviting discussion, more or less formal, or creating opportunities for staff to collaborate and express their interest in their continued investment of skills and energies in the company will help the transition take place in a positive way for all.

Even if your family members are not directly involved in the publishing company, they also need to know that the transfer of ownership is in their best interest and that family concerns have at least been taken into consideration. Questions of fairness to family members will be raised sooner or later as the company or proceeds of sale of the company form part of the your estate.

If there are several potential successors who are members of your family, you will have to, alone or preferably at a family meeting, assign duties and leadership roles, depending on ability. The equitable sharing of property should also be part of the discussions. Will the children have equal shares? Even those who are not involved in the business? What will be the terms for redeeming shares if children not involved in running the publishing company wish to dispose of them? All of these issues can become divisive and difficult to resolve if you do not reach a consensus at an early point in the process.

Any strategy must be creative, and this is particularly true when transmitting a company to another generation of leaders and owners. Traditionally, one sees children following in the steps of their parents. But, increasingly, senior managers or executives are taking over companies and assuming leadership. The models are diverse: children with one or several executives of the business, children with key employees, an outsider or employees and certain managers together.

Each of these forms of succession has advantages and disadvantages. This is why the approach you take to assure the continuity of the company, like any other enterprise, cannot provide a guarantee. You can only claim to do the best possible with the resources available, working closely with those who want to share the risk with you, as well as sharing the passion for the field you have made your life's work.

COACHING OR MENTORING?

Two distinct concepts

WHAT THESE CONCEPTS HAVE IN COMMON

The same goal: Transferring knowledge from an experienced person to another person who is starting his or her career or who is preparing to assume new responsibilities.

COACHING:

Goal: the transfer of particular abilities and skills, in a given field.

Duration: a relatively short period of time, sufficient to allow an ability or skill to be acquired (from six months to a year, for example).

Activities: limited depending on ability and skill.

MENTORING:

Goal: the personal and professional development of a person.

Duration: from roughly three to five years to plan, develop and complete the activities.

Conditions for success:

- ✓ Involvement on a voluntary basis;
- ✓ Agreement between the two parties: each person must contribute to defining the whys and hows, the boundaries of and views about this relationship;
- ✓ Both persons must have good rapport;
- ✓ Activities may include technical abilities or leadership skills.

The mentor seen from the perspective of the person to be trained:

- ✓ He or she is someone whose experience and know-how is valued;
- ✓ He or she is someone you choose;
- ✓ He or she is someone you trust;
- ✓ He or she is someone you can discuss your dreams with.

List of Resources

You may find the following links and references useful:

The Business Development Bank of Canada
<http://www.bdc.ca/>

“Making It Work for Your Family,” Business Development Canada (BDC) website.
http://www.bdc.ca/en/my_project/Projects/articles/succession_family.htm

“Creating Effective Internal Communications,” Business Development Canada (BDC) website.
http://www.bdc.ca/en/my_project/Projects/articles/hr_internal_communications.htm

The ESOP Association of Canada
<http://www.esop-canada.com/>

Canadian Association of Family Enterprise (CAFÉ)
<http://www.cafemembers.org/cafenational/>

“Succession in Family Firms: The Problem of Resistance”, Wendy. C. Handler, Kathy E. Kram, *Family Business Review*, December 1988, Vol. Issue 4, Page 361.

“In the Founder’s Shadow: Conflict in the Family Firm”, Peter S. Davis, Paula D. Harveston, *Family Business Review*, Dec. 1999, Vol. 12, p. 311.

To find out how the leaders of Quebec’s small and medium-sized enterprises have managed the transition to the next generation of leaders and owners:

Préparez la relève – Neuf études de cas sur l’entreprise au Québec by Louise St-Cyr and Francine Richer, Les Presses de l’Université de Montréal, 2003, 219 pages.

« Trois modèles classiques d’échec de la succession intergénérationnelle dans l’entreprise familiale », an article written by Miller, Steier and Breton Miller, in *Gestion*, 2004, vol.29, number 3, p.109 -119.

« Le mentorat structuré : un système efficace de développement des ressources humaines », by L. Benadou, in *Effectif*, Summer 2000 and, from the same author, « Mentors et protégés dans l’entreprise : vers une gestion de la relation » in *Gestion*, 1995, vol. 20, number 4, pages 18 to 24.

Le mentorat et le monde du travail : un modèle de référence, by C. Cuerrier, published by the Fondation de l’entrepreneurship, in 2001, 77 pages.

« Développer la carrière des cadres par le mentorat, by M.-M. Guay, published in 1996, *Sources ENAP*, vol. 12, number 6.

Certain Internet sites include interesting bibliographies for the mentor, for example:

The Leaders Legacy: <http://www.leaderslegacy.com/books/>

The Peers Resources: <http://www.peer.ca/peer.html>
and
<http://www/islandnet.com/~rcarr/topmenbks.html>

Government of Canada: Connexion coaching
http://coaching.gc.ca/documents/coach_mentor_leader_manager_e.asp

