

# THE WALL STREET JOURNAL.

MONDAY, OCTOBER 22, 2007

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## TOPIC OF THE MONTH: Succession Planning

*Ensuring your company will thrive when top managers move on*

# Three Ways to Plan for Executive Transitions

*Hire a Business Coach, Give Heirs Internships and Track Potential Leaders With Assessments*

By SIMONA COVEL

**M**ANY SMALL-BUSINESS OWNERS have scarcely enough time to run day-to-day operations, much less plan for who will take the reins in the future.

But small firms are more vulnerable than their larger counterparts if a succession isn't well planned—especially when they have few executives and small human-resources and legal teams to lean on.

Here's a look at three companies that took the time to plan for executive transitions.

### Coaching Heirs

**Company:** Kramer Enterprises Inc., a 95-employee uniform and dry-cleaning business in Findlay, Ohio.

**Problem:** When Paul Kramer took over the business from his father in the mid-1980s, tension caused by poor transition planning led several family members to seek counseling. After months of arguments, Mr. Kramer and his wife bought all of the firm's stock from his father. A sister worked for him but lasted only seven months. "There were some hard feelings that were left on the table that prevailed for a while," says Mr. Kramer, 54.

So when he started thinking about potentially passing the baton to his 31-year-old daughter and 24-year-old son, "it was like going back 20 years ago, remembering all of those emotions." Mr. Kramer says he wanted to learn to let go—unlike his father, whose reluctance to deal with succession issues head-on had made the transition harder.

**Solution:** Last year, the company hired business coach Eric Kurjan, who had been a Kramer dry-cleaning customer. Mr. Kurjan, who works for Six Disciplines LLC, a coaching firm in Findlay,



From left: Richard Kramer, Andrea Fetterman and Paul Kramer

focuses on measuring employee performance and tracking it with software.

Mr. Kurjan started by surveying employees and customers on the company's leadership. Then, a 10-person team from Kramer mapped out the firm's 10-year goals, as well as quarterly personal goals for Mr. Kramer's children and other employees in leadership positions. As a result, Mr. Kramer says, he has been able to better assess his children's strengths and weaknesses. His son, who has been with the company for about a year, works in sales, while his more experienced daughter runs the company's new promotional apparel offshoot.

The coach also helped when situations got sticky. When his son seemed unprepared for a meeting, "Eric was able to challenge" him, Mr. Kramer says. "If I

had done it, my wife would have been in the room and accused me of attacking her son." Mr. Kramer believes the more regimented approach will allow his children to grow into the areas where they show aptitude—without the hard feelings that dominated the last generation's handover.

**Cost:** In its first year, the company spent between \$30,000 and \$35,000 on consulting, materials and software.

**Challenges:** Rather than scaling back, Mr. Kramer says he's "working harder than ever," helping with people's individual plans.

### Crash Course

**Company:** Badger Mining Corp., a Berlin, Wis., industrial sand and mining company with 175 employees.

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**Problem:** About a dozen members of the founding family currently work at the company, most from the third generation. The fourth generation has about 28 members plus a handful of their spouses who are in their teens and 20s. But the company won't have jobs for all of them.

**Solution:** Badger devised a way to attract the best family members—and weed out those ill-suited to the company. Starting next summer, as many as a half-dozen family members age 16 or older are expected take part in a 12-week program where they will rotate through different parts of the business—from customer service to time in sand plants.

Badger won't guarantee jobs to those who complete the program, says Beth Nighbor, vice president of human resources, who helped design the program. But she expects that after seeing what the business is about, some may not be interested.

**Cost:** Consulting fees to help develop the program in the “tens of thousands” and lots of time, including twice-monthly meetings, says Ms. Nighbor. Participants will earn \$10 an hour.

**Challenges:** Finding time to work with the participants during the summer program. In addition, Ms. Nighbor antici-

pates that some family members may attend under parental pressure—which could lead to interns who don't really want to be there.

### Finding the Right Fit

**Company:** Cerami & Associates Inc., a 40-employee acoustical and audio-visual engineering firm in New York.

**Problem:** When Victoria Cerami's father died in 1987, leaving her the company, there was no succession plan in place. He had dictated the company's growth and was its face to clients, making it difficult for Ms. Cerami to chart a course without him. The firm's plans were mostly housed in his head, she says.

Then about 10 years ago, when Ms. Cerami, now 47, and her two senior partners started entering middle age, they began to think about what the company might look like if they retired. She wanted to make sure she knew who had the personalities and skills to run and grow the business.

**Solution:** The company had been using a personality survey to assess employees' strengths and weaknesses. All prospective employees must complete the survey, called the Predictive Index, which was created by PI Worldwide, a consulting firm in Wellesley, Mass. So Ms. Cerami

decided to use the survey as a potential succession aid as well to enable her to assign potential leaders tasks to match their strengths.

She says the surveys reveal people's communication and work styles, and she has been able to adjust how she interacts with them. “It was about: ‘How do we step back and allow them to blossom?’” she says.

This week, six top employees and a board member will spend two days at a retreat with a consultant licensed by PI Worldwide, using the survey results to plan how to grow the company.

**Cost:** Ms. Cerami declines to say how much she pays for consultant and survey fees. But she equates the costs to a high-end car lease, which runs at \$400 to \$700 per month on average. The planning also is time consuming. Writing the retreat agenda, she says, took over a week of back-and-forth between the senior partners.

**Challenges:** Thinking about a vision for the future “is not an engineering-type task,” Ms. Cerami says. “Engineers think tactically. This is strategic.” Letting go of her personal ideas is also difficult, she says. The junior partners likely to take over “may have a very different vision.”

