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LEADERSHIP & BUSINESS PODCAST

EPISODE 137: BRAD FRANC – THE SUCCESSION SOLUTION

Ken White

From William & Mary in Williamsburg, Virginia, this is Leadership & Business. The podcast that brings you the latest and best thinking from today's business leaders from across the world. We share the strategies, tactics, and information that help make you a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. Seventy percent of all businesses fail to survive past the first generation of business owners. One reason for the failures is the lack of a succession plan. Our guest today says not only should family and closely-held businesses have succession plans, but creating one greatly increases the odds of a successful leadership handoff and a bright future for the business. Brad Franc is the author of *The Succession Solution: The Strategic Guide to Business Transition*. He's an attorney, entrepreneur, and business strategist who's helped countless businesses make positive leadership transitions. He joins us on the podcast today to talk about succession planning and the system he created that guides businesses through this important step. Here's our conversation with Brad Franc.

Ken White

Well, Brad, it's nice to see you again. Thanks for joining us and for sharing your time and your expertise with us today.

Brad Franc

Oh, thank you. And I appreciate the opportunity.

Ken White

Let's just jump right into it. Succession. What is that? How do you define it?

Brad Franc

Yeah, that's a great question, because it goes all over the place. The way I view succession it is the preparation, execution, and review of the transfer of either ownership of the company or management of the company. Although I will say this. There are also three types of succession. There is a succession of knowledge. There's a succession of management and ownership. So whether you are trying to teach the next generation how to do things, that's knowledge. Right. But the formal succession planning process is you

develop a plan. You execute on that plan. You see how it's going. And then you iterate just like any business does.

Ken White

What is succession not? How do you people sometimes get confused?

Brad Franc

Succession is not your estate plan. Succession is not tax planning. Succession is how do I void my creditors, slash in-laws from getting any of these assets? Those are specific tactics that might come into play with succession. But if someone thinks that their succession plan is found in their will or their power of attorney, the likelihood of a successful transfer is not very high.

Ken White

How did you get into this? What what what what attracted you to succession planning?

Brad Franc

Well, for about 25 years, I've worked with closely held business owners, and I've seen them struggle with the transfer. And I also found there were two camps, Ken. There were the psychiatrist, psychologist that talked about the emotional issues. And then there were the tax lawyers swinging the nine hundred pound tax hammer. And there didn't seem to be any strategic process, thought process. And I brought those two together because they do a lot of strategic planning and some of the business I've run, and I put strategic planning into that process. And remarkably, I found a lot of success with it.

Ken White

Why do so many people struggle? That's the exact work you used waste struggle? What? Where's that come from?

Brad Franc

Yeah, there are lots of reasons. But when I was writing the book, it was very interesting as to why people the reason people fail. It really came as a surprise to me. Less than 15 percent of the time, it had to do with taxes or some type of technical planning issue, creating a trust. That wasn't it. Twenty-five percent of the time, it was an ill-prepared successor. The next person is not ready. Right. But 60 percent of the time. 60 percent of the time, there's a failure. It's due to lack of communication and trust. So I am engaged right now, and a telecommunication company that is primarily family control and they can't get on the same page. So it's not that they're bad people, they just can't communicate very well. And so the main reason is communication. There are lots of other reasons, Ken. For instance, the founder doesn't want to give up control. A great line I once heard the

CEO of a company told me I'm going to go from he's the man to who's he. A lot of psychology behind it as well.

Ken White

Interesting. Yeah. Way deeper than I think most people think. There's a lot to this, isn't there?

Brad Franc

That's right. That's right. That's why it's it's hard because there are a lot of disciplines that you need to bring to bear in order for this to work, both from a legal tax, accounting, business, talking to the employees. And that's why I believe the process that I've developed at least brings in the lion's share, if not all of those issues, to help formulate a plan.

Ken White

Why did you write the book?

Brad Franc

In law school, one of my law school professors once told me writing is the highest form of thinking. And I thought I had this process down. But I wanted to prove it to myself. I am one of those slow thinkers. And so I wrote the book one to prove it to myself and to help people because I saw so many business owners struggle with this thing. They don't have to engage me. I believe they can take this book and use it to help them with their succession plan.

Ken White

We've got an intelligent audience. The listeners to our podcast get it. They understand business and leadership. And I bet a high percentage of them could write books with about their own area of expertise. But it's tough writing a book. How did you do it? You're busy. I mean, wow. Yeah, a lot of balls in the air. How did you pull it off?

Brad Franc

It is I will not kid you. It is very hard. And another great, great quote I once heard. There are no unrealistic goals, only unrealistic timeframes. And so I thought I could do this in six months to a year. It ended up being a four-year project. And what I did, I disciplined myself to every Saturday, a fair amount of Sunday's sitting down. I created an outline. I thought this is what it looked like. And I took one chapter at a time. And I think it was Stephen King who said, I write 250 words a day or whatever the case may be. So was one of those situations. I got it in a very rough form. I took it to a retired law school professor as an editor. She ripped it apart from an editorial standpoint, and I probably edited it and

reviewed it about 30 times. And then, interestingly, Amazon has a self-publishing process that I think is real handy. Where you can pick and choose how you want to use this promote it market it. And so I went through the Amazon route, and I'm happy to report. I know it sounds a little self-serving, but it was the number one seller on Amazon in four business categories.

Ken White

If you wouldn't have said it, I would. Yeah. It's worth it. All that discipline, it paid off. So congratulations. The book is done well, and it's been a little over a year now.

Ken White

We'll continue our discussion with Brad Franc in just a minute. Our podcast is brought to you by the William & Mary School of Business. If you're thinking about pursuing an MBA, consider William & Mary. Whatever your stage of life, whether you're completing your bachelor's degree or you have 30 years of work experience, the William & Mary MBA will transform you. Four different formats, including the full time, the flex, the online, and the executive. The William & Mary MBA will change and improve the way you think, the way you lead, and the way you live. Just ask any of our alumni. Now back to our conversation with the author of *The Succession Solution*, Brad Franc.

Ken White

In the book, *The Succession Solution*, you talk about six stages of succession. Let's walk through those. The first one you called purpose. Can you explain that?

Brad Franc

Yeah. Yeah. The purpose stage is getting to the foundational aspect of an organization. What are the principles, the values that make up the company? It becomes the culture. You know, how do you define the culture of the company? Because Ken, there will be disagreements along the way. And if you go back to what are our core fundamental principles? If you can establish that, you can pretty much test any succession plan against that. Then I say, OK, if that's your core principles, where do we want to go? That ultimate vision. Right. Which you'll never get to. But it's way out there. So there's a point of reference. And then if you've got the principles and you know where you want to go. Another question is why. Simon Sinek, you know, getting to why.

Ken White

Hmm-mmm

Brad Franc

If you can answer the why, that gives you the strength to keep going. You know, I once had a business owner, didn't have any family member, but his employees were key. He wanted to make sure the employees were protected. Every time we stumbled, I said, Jim, what's this about? He says, thank you, right. And then I say, what does failure look like? Nothing motivates people like fear. So if we get it wrong. So that's the first stage is the purpose stage.

Ken White

And then you move on to discovery.

Brad Franc

Right. And the example I give is, you know, you got to know where you are to know where you're going to get to. My belief is that if you know where you are, and you know where you want to get to, then you've got the road map. The joke that I give is there's a local mall in our community. And I hate going to the mall, and I don't know where anything is. And so what's the first thing I do when I walk in the mall? I look for that big kiosk for the red dot. Where am I? And that's how we start. And I find that lots of business owners don't know where they are. There will maybe directing their ownership to a place they don't want to go to. So we kind of do a discovery in that situation. That's the next stage.

Ken White

Interesting. Then after purpose and discovery, you move on to challenge, which sounds like a SWOT analysis to some extent.

Brad Franc

Very good. It's very similar to a SWOT analysis. We have our strengths. There are opportunities. But most importantly, what I believe is another critical part of succession planning is identifying the obstacles. Another great book, *The Obstacle is the Way* by Ryan Holiday. And again, I believe if you know where you are, and you know where you want to get to. The only thing that's stopping you is the obstacles. Otherwise, you'd be there. Right? So we have to find those obstacles because that's going to be the jet fuel that we'll use to move us forward.

Ken White

So now that you've identified those obstacles, you move on to the fourth stage, which is mission.

Brad Franc

Right. Again, I keep using quotes, but Bill Gates once said most people overestimate what they can do in a year. They underestimate what they can do in five. So I say to a business owner, hey, look, let's not worry about tomorrow. If we're sitting here three years from today, what would you like to see have happen with respect to your succession plan? Oh, that's easy. Three years it's so far. It gives them a little more. It removes some of the anxiety. So we list those things we want to do in three years. The obstacles we're gonna run into and the action steps we're going to take to overcome those obstacles.

Ken White

I could see that relieving the heat and the stress because three years does seem like quite a ways away, doesn't it?

Brad Franc

That's right, that's right.

Ken White

Yeah. Then it's on to the annual review.

Brad Franc

So the natural progression is, if this is what we want to do in three years, what do we want to do over the next 12 months? And once again, what are the action steps? Where do we need to watch that two by four that's going to come and hit us in the head? Right. Whether that's a family member, whether it's a key employee, whatever the case may be, we have to tackle this because these obstacles, they don't go away. Right. And so, you know, as I like to also say, you know when you start with truth and honesty, that's when you can make progress. So that's what we do. And we look at over the next 12 months.

Ken White

And then, the final step is the quarterly review.

Brad Franc

That's right. And so, you know, what we're trying to do is limited to three or four action steps. We want to do in the next 90 days. What's the saying? If you want to improve something, measure it. If you want to improve something exponentially, measure it, and report out. So what we do is we assign three or four tasks to a particular person. They don't have to do the work. They are accountable for showing up and reporting on the status. I like to say a plan without action is nothing but a dream, and action without a plan is nothing but a nightmare. So when I work with owners and I tell people this, don't do this

unless you're willing to execute on the plan. Too many times, plans don't get executed. If you have a 90-day report in, then the likelihood of success increases.

Ken White

How long, and this may be an unfair question. How long does it generally take when you're working with someone?

Brad Franc

Ken, I normally ask people, don't hire me unless they're willing to work throughout the year meeting every 90 days? Because I believe it's usually around the third meeting. People like, oh, I see how it going first meeting your trying to figure things out. The second meeting, we're putting a little more to it. But normally it takes about a year. Can you do it quicker? You can. But the likelihood of failure increases. So that's normally what the process consists of.

Ken White

But in the mission stage, you've got the three-year goal. Can it also go that long as well?

Brad Franc

That's right. I mean, and what I find is people will ask me to come back, but I can, as I like to say, I can take the training wheels off, and they can work themselves. So I'll normally check-up every six months to a year if we have a continuing relationship.

Ken White

You and I talked earlier, long before we recorded, and you said, yes, my book, great. But find some template if you don't adopt yours. Right. That template, that game plan is important here, isn't it?

Brad Franc

You know, there in my research for my book, Ken, there was another book that looked at thirty-five hundred family businesses worldwide. And that was the one thing that they said where success was found, that they found the family business, where the business owners, family business found a process. And so it doesn't have to be my process, although I think it works. It can be anybody's process and stick to it.

Ken White

Now, you bring a business background. You bring a legal background. If someone is seeking help, what should they look for in someone who's going to guide them?

Brad Franc

Yes. I mean, I do think, unfortunately, it's multifaceted, and not everybody can do it. And that's why I think when you have the proverbial nine hundred pound tax hammer, you don't have that perspective. So I would look for a business owner that's been through the process or a consultant that's been through the process. I mean, I'm not suggesting you need to have all the background that I have, but maybe someone who has done it several times, that have seen various permutations, I tell people I'm much smarter than you. I just have seen this a hundred times, and I can bring that experience to bear.

Ken White

Is it an emotional process? A rewarding process? What's it like by the time it's all said and done?

Brad Franc

Yeah, know, that's a great question. It's a scary process because sometimes you go in the room and there are some angry people. It is extremely rewarding one at this end of the day you've actually helped people. And it is it's that's what drives me, is to help the business owner. You know, we all have our skill sets are unique abilities. And I just like working with business owners and helping.

Ken White

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