

Succession Planning for Independents

By Cam Anderson

The Major Factors Necessary for a Successful Succession

The transfer of power from one generation to the next is an increasingly important issue for all businesses — large and small — as the population of business owners ages. As we all know, it is particularly significant for the insurance industry, whether for Distribution Leaders (Carrier Home Offices), Broker Dealers, Marketing Organizations or independent life and annuity producers.

It is the final group, however, that is on the front lines of the succession battlefield. Relationships for the independent producer are everything so it should be no surprise that the interaction between them and their successor(s) is a key success factor.

There are three predictable scenarios for how any particular succession will conclude. I have outlined three examples of actual, independent agency successions below — one for each scenario.

Scenario One

The business fails because the succession process is grossly flawed

- ❖ Exploitative-Authoritative Successor vs. a Participative Successor
- ❖ Divergent visions of the future practice
- ❖ Lack of mutual respect
- ❖ Successor lacked sales skills
- ❖ Successor began his succession process too late and didn't follow a plan

Scenario Two

The business survives the succession but one or more of the stakeholders to the succession process is unfulfilled either emotionally, psychologically or socially

- ❖ Son and step-son joined the business
- ❖ One has sales and Relationship Management skills, other does not
- ❖ Ex-Wife a negative factor (*mother of the son*)
- ❖ A third son denied participation due to his past behavior (*business and personal*)
- ❖ Strained but productive relationship between step-son and Successor
- ❖ Son has exited the business with a generous severance package after one year in business (*far more generous package than a non-family member would have received*)
- ❖ Step-son is growing the business and the Successor is gradually reducing his daily duties, focusing on long term clients

Scenario Three

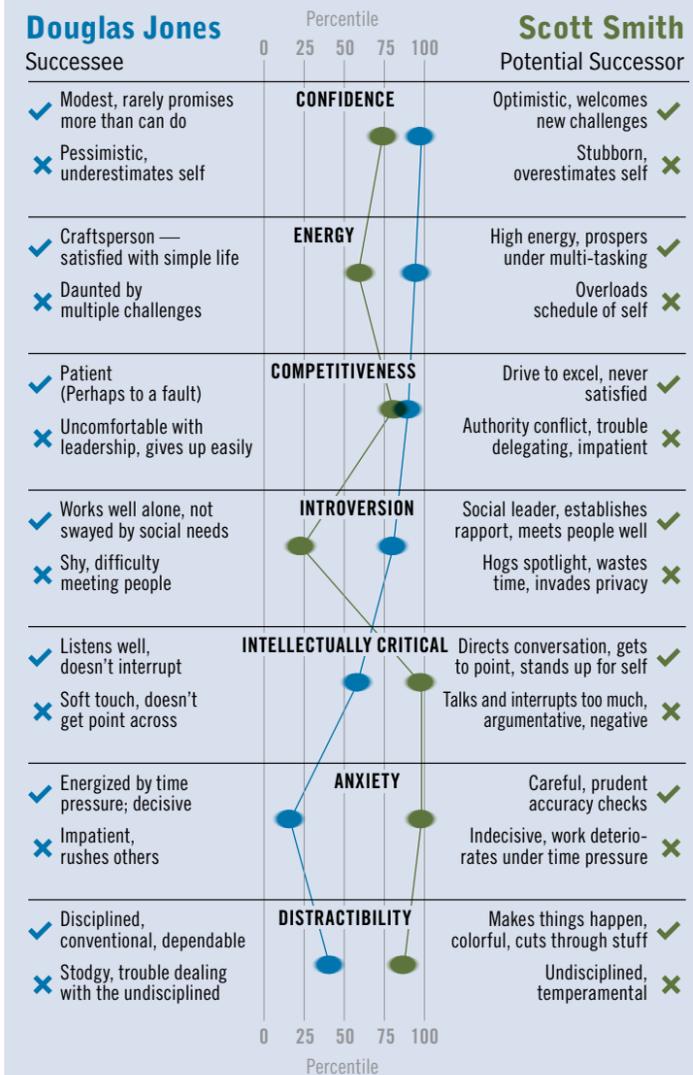
The business survives the succession process and the stakeholders are reasonably fulfilled either emotionally, psychologically or socially

- ❖ Both Successor and Successor share a Consultative management style and a mutual respect
- ❖ Successor as good, or better, at Sales and Relationship Management as Successor
- ❖ Strong mutual understanding of each other's needs in the transition (*including the Successor's need to stay active and be "dragged out by his boots"*)
- ❖ Regular and robust debates regarding authority and delegation along with organizational design in this small, three person firm
- ❖ Sales growth is strong and existing clients have been introduced slowly to the Successor and are becoming increasingly comfortable

Research has identified the **SIX MAJOR SUCCESS PREDICTORS** for the transfer of an insurance practice from one generation to the next, regardless of whether the successor is a family member or not. These factors are measured using a new valid and reliable tool called the Anderson Succession Index™ with TAIS inventory.

1. Complementary Management Behavior, based on Likert and Likert's research into the four styles of management:
 - a. Exploitative/Authoritative
 - b. Benevolent/Authoritative
 - c. Consultative
 - d. Participative
2. Mutual respect
3. Self Insight
4. Understanding the needs of the other(s)
5. Understanding organizational structure, authority and delegation
6. Sales, retention and growth competencies of the successor

Succession Interaction Report



How to read this chart: for each factor there is a positive and a negative aspect whether a person is higher or lower on the scale. For example, if you are high on Confidence, you are optimistic and welcome new challenges but you may be stubborn and overestimate yourself. If you are lower on Confidence, you tend to be more modest and rarely over-promise while at the same time you may be more pessimistic. The blue line represents the successor for each of the seven factors and the green line the potential successor. This is one of several relevant outputs from the Anderson Succession Index.™

Any succession planning process should identify the issues that are likely to negatively impact an efficient and effective journey *at its beginning*. Once these issues are recognized, the stakeholders can address them one by one to ensure a positive and productive dialogue *before* any of them become deal breakers.

An example of issue identification can be found to the left in an interaction report between a successor, Jones, and a potential successor, Smith. Once they were able to discuss and plan around the differences in how they approach the business world, the succession process became much more productive and successful.

In Conclusion

While business valuation and financing are important considerations in every succession we have seen, the interpersonal and behavioral aspects are far more important to success.

While many successions are very successful, it is clear from our research that many successions cannot be labeled as successful or unsuccessful, but can be, at best, seen as reasonably satisfactory to the majority of the stakeholders. It is truly not a perfect process — it takes effort and control over behavior and a willingness to endure difficulty in order to change behaviors for the accommodation of the other stakeholder(s) and the succession process itself.

Our experience is that most stakeholders to the succession process are willing to try to make the necessary accommodations to the other party(s) to ensure an ongoing satisfactory relationship. However, often they lack the tools and knowledge of how to do it. Hopefully this brief overview has been helpful in your journey toward a successful succession for your business. [INN](#)



Cameron O. Anderson, MBA, CTC, CMC has been working in the succession field for over a decade. He recently developed a diagnostic tool called the Anderson Succession Index™ which predicts the success or failure of a succession process. He lives in Kitchener-Waterloo, Ontario with his wife and son. Cam can be contacted at (519) 748-6556 or www.anderson-sabourin.com



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