

# Succession planning: an unpleasant topic, but a necessity

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Donna Abbott Vlahos | The Business Review  
Samantha Jones, president of Hudson Valley Paper Co., with her father, Sydney Tucker Jones III, chairman and treasurer. The transition process from Tucker to Samantha was five years in the making.

Sydney Tucker Jones III had worked at his family's paper distribution business for one year when his father, 55, died of a heart attack in 1971.

At 27, Jones was thrust into being president of [Hudson Valley Paper Co.](#)—a dramatic and jarring adjustment he wanted the company to avoid in the future.

One year ago, in the middle of the recession, Jones stepped down as president and turned the Albany-based company over to his daughter Samantha. It was a smooth transition five years in the making, offering a range of lessons for businesses, whether they're family-run or not.

"When it works, it's beautiful. We really clicked on everything," Tucker Jones said. "It's definitely something businesses don't think about enough."

The primary reason that's the case is because succession planning is an unpleasant and uncomfortable topic, said Paul Miesing, a management professor at the [University at Albany](#).

The scenario doesn't always have to involve someone dying; succession could occur if someone retires or takes another job, or the company is acquired.

But businesses must also plan for what happens for what Miesing calls "the truck scenario"—or what happens if a company leader is hit by a truck and suddenly dies.

Think of succession planning like insurance: You're investing in something as protection in case a certain event occurs.

"You're coming to grips with the inevitable. And the concession that you are expendable might be a real shock to the system," Miesing said. "But don't let circumstances sneak up on you; everyone has to face these nightmare scenarios."

Even Tucker Jones, knowing his father's history, did not begin his succession planning right away.

"I'm immortal, as most people believe they are," Tucker Jones said with a laugh. "I just didn't worry about it, other than to make sure I stayed in good health."

Once Tucker Jones turned 55, though, the future gradually became more of his focus.

"As the fourth generation in the business, I started to think about my own mortality. The business would go on without me, but what about the family ownership and involvement?" he asked.

As it happens, Tucker Jones and his family had Miesing's "truck scenario" talk about five years ago. It led to the conclusion that Samantha, who had an MBA and experience as a corporate marketing executive with [IBM Corp.](#), would be best suited to replace Tucker Jones.

At that time, Tucker Jones changed Hudson Valley Paper's board, adding two acquaintances who ran family businesses in western Massachusetts.

“The biggest danger to any closely held business is that we start breathing our own exhaust, thinking everything we do is the right way to do it,” Tucker Jones said.

The new board members were to be advisers to Samantha.

“They’ve been real mentors,” Samantha Jones said. “Just because you’re talking about succession plans doesn’t mean it’ll happen tomorrow, but that’s often what people will fear.”

There are also legal precautions to take during succession planning.

Companies should draft what are called shareholder or buy-sell agreements, spelling out what happens upon the death, disability or retirement of one of the owners, said [Vincent Valenza](#), an attorney with [McNamee Lochner Titus & Williams](#) in Albany.

Often, a business is included in family trusts, wills or estates, making the planning more complicated.

The starting point in that process is having an accountant calculate the value of the company—a baseline essential to understanding the company’s net worth and how shares in the company will be impacted or redistributed by succession, Valenza said.

Valenza said he can write succession plans in two weeks, but often plans take a minimum of six months to complete. Some clients take a couple of years or more to finish, after Valenza stays on them to continue the process.

It’s important to remember there is no cookie-cutter succession plan, Valenza added. He said he has seen an increasing interest in the topic during the recession.

“It’s on the minds of business owners, but it often falls to the back burner. They know they have to do it, but they’re busy running the operation, putting out fires,” Valenza said. “It can be hard to get that focus.”

Valenza said he’s working with a family business where the father died, but hadn’t revealed much of his succession plans to the rest of his family. Now, the family is trying to sort out what to do with the business, and what their father’s wishes would have been.

“No matter what plan you set up, you have to talk about it with the next generation,” Valenza said.

The succession at Hudson Valley Paper, which formally took place in April 2009, has been a success, Tucker Jones said. It provided a sense of calm and stability to the company as it navigated the recession.

Tucker Jones is now chairman and treasurer—but he said there’s no question Samantha, company president, is calling the shots. She has hired new managers and implemented new technology to keep the 70-person company competitive.

“The biggest change is her passion. At 65, my passion is not the same as hers at 35,” Tucker Jones said. “And that has just re-energized everyone.”

Just because Samantha has settled into her role as president does not mean the succession planning is finished—a lesson all businesses can learn.

“You need a lot of soul-searching from each family member to understand how things will impact them. And you need to have very direct, honest conversations,” Samantha Jones said. “It’s definitely a living, breathing, organic concept.”