Is it time to start your succession plan?

December 10, 2019

Like many things in business, succession planning isn't something you want to leave to the last minute. Whether you're a family-owned operation or a larger private company, a seamless ownership transition will inevitably take years of preparation and planning.

There are actually countless reasons for this. To effect a successful succession, you will need to address a wide range of factors — from tax planning, corporate structuring and governance to putting all the proper legal agreements into place.

Foresight 20/20

For instance, without a tax plan, an inordinate percentage of your hard-earned money could end up in the hands of the tax authorities. That is why you will need to take time in advance to devise a tax-efficient exit — one that positions you to reach your objectives and minimize taxes for both you and your successors.

Similarly, as you plan your disengagement, you will want to make sure your succession vision aligns with that of your shareholders — either institutional shareholders or other business partners. This will require many conversations over many months and potentially years — addressing everything from who will run the company to how it will be run and even who owns what (i.e., share capital) after your departure.

Additionally, you'll want to make sure your governance structure is rock-solid. Meaning, you will want to implement such things as board level reviews and strong shareholder agreements long before your exit day.

In truth, there are countless decisions you will need to make in transitioning your business. But the one that is potentially most often overlooked is also the one that tends to generate the most friction: who is going to ultimately take your place once you leave the business?

The importance of the right fit

By the time your exit day arrives, your plan should be fully implemented — meaning your customers, suppliers, employees and management team are fully comfortable with your successor. Too often, however, this is easier said than done.

In most small businesses, goodwill is tied tightly to the founder, so if the founder abruptly announces his or her departure, the business can suffer extensively as a result. Think lost supplier contracts, loyal customers — or even star employees.

To prevent this outcome, you need to start by identifying your ideal successor — a process that, on its own, can take years. In family businesses, for instance, founders frequently expect their children to succeed them. More often than you would imagine, however, they do not validate this expectation with their children — and discover at the eleventh hour that their kids have other plans.

Even if your children do want to be involved in the business, transitioning to the next generation is not as simple as handing over the reins. If your children have not been properly groomed into specific management functions and defined roles, they likely will not be equipped to operate effectively once you disengage from the company. Simply parachuting them into key roles without proper training also carries the risk of alienating non-family staff members and disrupting long-standing relationships with customers and suppliers who are suddenly being asked to work with people they do not really know.

The same challenges hold true for private company owners that plan to transition to non-family management. Unless key roles have been filled in advance and relationships built, employees, customers and suppliers may experience jarring discontinuity that could disrupt business operations.

Plan ahead

Given the number of issues that need to be resolved in advance of a business succession, a planning horizon of 3-5 years just makes sense. In addition to giving you much-needed time to choose and train your successors, it also allows you to look beyond the here-and-now to determine what type of future you would like to see play out, for both you and the business you have worked so hard to grow.

Succession planning is a very complex and emotional process — and one you really want to get right. By getting your professional team (think legal, accounting and advisory) involved early, you gain the leeway you need to get your vision down on paper, understand what will and will not work and devise a plan to bring that vision to fruition. It also gives you a runway to have some tough-but-necessary conversations and get your financial house in order.

By

Graham King, Yaniv Saragosti

Expertise

Private Company, Private Client Planning, Tax, Corporate Commercial

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.