

# How Diversity-Focused Succession Planning Can Make Industries More Equitable

By Sakshi Udavant

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During the 1980s industrial crisis, the City of Chicago hired Dan Swinney, a then-union leader of the manufacturing industry and the founder of the Manufacturing Renaissance, to save Chicago's businesses.

His team found several companies that were so beyond economic repair, they had to shut down. But they also found large publicly traded companies that employed thousands of people and could be operated successfully with a few changes. The only problem? There was no one left to run them. "In 1989, a woman in Chicago visited her regular printing store and found the owner had cancer," Swinney tells Next City. "The store owner, Carl Wilson, had no one in his family to take over the business, so we asked them: Have you considered selling it to your employees?" The thought had never crossed his mind.

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**This is an instance of a broader problem. When Frank Williamson, a Tennessee-based mergers and acquisitions consultant, approaches a new company, the biggest challenge he encounters isn't about finding a new successor, but meeting company owners who don't even realize they need a successor. "Many small-to-mid-sized business owners have an aspiration for their kids to take over their business, but when this doesn't happen, they start looking for a new successor too late," he tells Next City.**

When owners are in a hurry to find someone at the last minute, they tend to look for people within their immediate network. Considering most large companies in the United States are white-owned, and these CEOs and owners tend to have predominantly white networks, there's a high probability the company would be passed down to a white person, three diversity and acquisition organizations told Next City separately.

That's where succession planning with diversity in mind can help. So instead of waiting till the last moment and going back to the "same watering holes" — as Elliott Holland, who handles the buyer's side of acquisition at Guardian Due Diligence, puts it — companies can expand their network to include a wide selection of talent.

Some companies (like in the case of Dan Swinney's client Mr. Wilson) choose to train Black, Latinx, Indigenous, and LGBTQ+ employees for succession.

Such leadership decisions create a win-win situation, industry experts say. The owner gets a trained successor and the buyer gets to step up the career ladder and access opportunities that weren't available before.

"If you [as a business owner] go where others aren't going and start opening your doors to historically marginalized people, you significantly improve your talent pool," Holland says. "Now that companies around the world are ramping up on their diversity efforts, offering growth opportunities to people of color can immediately put you in a better position."

Plus, if you hire an employee with the intention of making them a successor, you can start training them from day one, says Williamson, the mergers and acquisitions consultant.

### **From no plan to a huge plan**

While diversity-succession planning seems like a brilliant idea for aging owners, it may not be feasible for everyone. Recent studies show between 40% to 80% of businesses have no succession plan in place. These business owners have little to no awareness, plans, and resources for such initiatives. "Training and upskilling for succession planning requires funding, which many small businesses don't have," says Micaela Skoknic, industrial program manager at Southwest Brooklyn Industrial Development Corporation.

Fortunately, many organizations have stepped in to help bridge the gap. Skoknic worked on a New York City-funded Equitable Industrial Development Initiative, that helps local companies sell their business to their employees.

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Similarly, Swinney's Manufacturing Renaissance launched RE/CAST, an advisory program to diversify ownership in the manufacturing sector. The program identifies businesses facing a succession challenge through their Early Warning Network and matches them with "prospective purchasers of the company from its employees; Black, Latinx, Indigenous, and people of color entrepreneurs; and High Road entrepreneurs committed to keeping the company in the local area and developing it over the long-term," their website reads.

### **The student to business owner pathway**

Another obstacle to hiring people of color as successors is the lack of training and resources in the early stages.

"Getting employees of color into predominantly white companies excelling in technical fields is challenging in areas where there's limited access to education and career opportunities," says Laura Bray, vice president of college advancement and external communications at the Milwaukee Area Technical College (MATC). "To tackle this disparity, we provided students from historically marginalized communities the opportunities for advancement through our JobUp program."

The program is run by MATC in a partnership with Havenwoods Neighborhood Partnerships and Menomonee Valley Partners. It pairs technical studies students with businesses that offer full-time or part-time employment for on-the-job learning. This helps students of color from "desert" regions (where there's limited internet and education opportunities) get access to opportunities for gaining work experience, building their resumes, making industry connections, and securing a solid head start in in-demand fields. "We're building a trajectory for students to advance their careers and eventually become successful successors," Bray says.

### **What's next?**

Diversity-focused succession planning can offer an effective way to make industries more equitable, but it will take time for tangible industry-wide changes to occur. Most variations of succession planning initiatives that prioritize people of color are still in their early stages, so it's hard to quantify the difference they make. However, several non-profit organizations, companies, and state-funded programs (like the ones covered in this story) are starting to collaborate to find solutions. "There's a program like ours in Spain that has done 600 acquisitions last year alone," Swinney, RE/CAST's founder says. "We have a unique program, but we don't want it to be unique."