



CHARDON
AREA CHAMBER OF COMMERCE

BUSINESS SUCCESSION PLANNING: AN INTRODUCTION

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UNIVERSITY

IMPORTANCE OF PLANNING

- ▶ It improves the chances of business survival
- ▶ Its prudent
- ▶ Its in the interests of all stakeholders



ELEMENTS OF A PLAN

- ▶ Economic
- ▶ Personal/Emotional
- ▶ Transactional



WHY?

THE BASICS

**“WHY DO I NEED TO
PLAN?”**

BECAUSE...

- ▶ **You will exit the business - one way or another...**
- ▶ Customers may want to know
- ▶ Sources of financing may want to know
- ▶ Key employees may want to know
- ▶ Family may want to know





KEY ISSUES IN SUCCESSION PLANNING

- ▶ Loss, or change, of purpose
- ▶ Loss of control
- ▶ Continuity of the business
- ▶ Value of the business
- ▶ **Complexity of the process**

A first-person perspective shot of a person standing on a light blue carpet. Their hands are flat on the carpet on either side of their feet. They are wearing a white long-sleeved shirt and dark brown leather shoes. In the background, a bright yellow wall has the word "START" written on it in large, dark, block letters.

START

**“SO WHERE
DO I START?”**

THE FIRST STEP . . .

- ▶ **Your Goals and Objectives**
 - ▶ What do I want **for** the business?
 - ▶ What do I want (or need) **from** the business?
 - ▶ Who should **own** the business?
 - ▶ Who should **run** the business?





**“HOW MUCH IS MY
BUSINESS WORTH?”**

YOU NEED A BUSINESS VALUATION

- ▶ You need to know what you have before you can decide what to do with it...
- ▶ For most business owners (~80%), the business is their single largest asset
- ▶ So, what you receive for the business is very important
- ▶ **Is it enough?**



BASICS OF BUSINESS VALUATION

- ▶ There are different types, or levels, of business valuations
- ▶ Which one you use depends on what your plans are, but a basic one will suffice at the beginning.
- ▶ Expect a range rather than a single number.



“WHERE TO NEXT?”





Option B

Option A

Option F

Option C

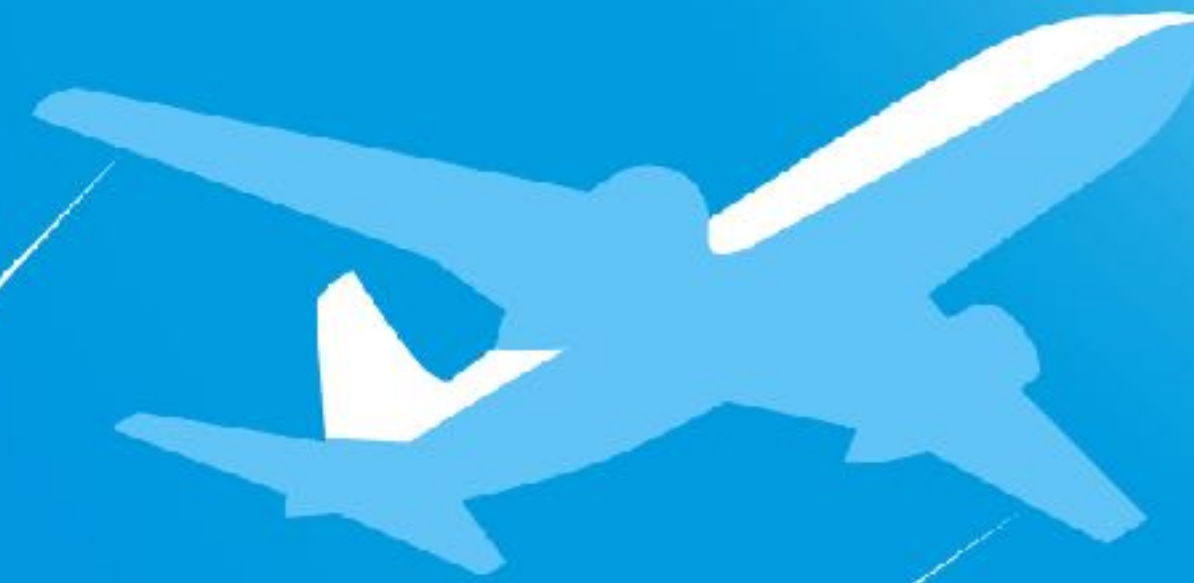
Option D

Option E

OPTIONS

OPTIONS

Almost
limitless...



OPTIONS



But there are
really only
two.





INSIDE OR OUTSIDE

INSIDE

- ▶ Partner(s)
- ▶ Children
- ▶ Some Employees
- ▶ All Employees



INSIDE

- ▶ **Partner(s)**

- ▶ Children

- ▶ Some Employees

- ▶ All Employees

- ▶ Business Continuity

- ▶ Probably understand the business

- ▶ Likely want the business

- ▶ What's their timeline?

- ▶ **May cause conflict about price**

INSIDE

▶ Partner(s)

▶ **Children**

▶ Some Employees

▶ All Employees

- ▶ Probable business continuity
- ▶ Ensures legacy
- ▶ Keeps it in the family
- ▶ Probably have some ambition
- ▶ **Do they have the skills?**
- ▶ Do they have the desire?

INSIDE

- ▶ Partner(s)
 - ▶ Children
 - ▶ **Some Employees**
 - ▶ All Employees
- ▶ Business continuity
 - ▶ Probably understand the business
 - ▶ Probably have some ambition
 - ▶ **Access to capital likely a challenge**
 - ▶ May not want to put "skin in the game"

INSIDE

- ▶ Partner(s)
 - ▶ Children
 - ▶ Some Employees
 - ▶ **All Employees**
- ▶ **Business continuity & legacy**
 - ▶ Allows seller to “create” the buyer
 - ▶ Some options provide tax breaks
 - ▶ Rewards those who helped build the business
 - ▶ Probably requires some seller financing
 - ▶ Can extend time in business



OUTSIDE

- ▶ Third party Strategic
- ▶ Third party Financial

- ▶ Likely provide the highest price for business
- ▶ May allow for the quickest exit
- ▶ **Generally less likely than one may think**
- ▶ May significantly alter the business

OUTSIDE

- ▶ **Third party Strategic**
- ▶ Third party Financial

- ▶ **Likely provide more business continuity**
- ▶ May provide a higher price for the business
- ▶ May require additional time (or years) in the business
- ▶ Can be hard to find...

OUTSIDE

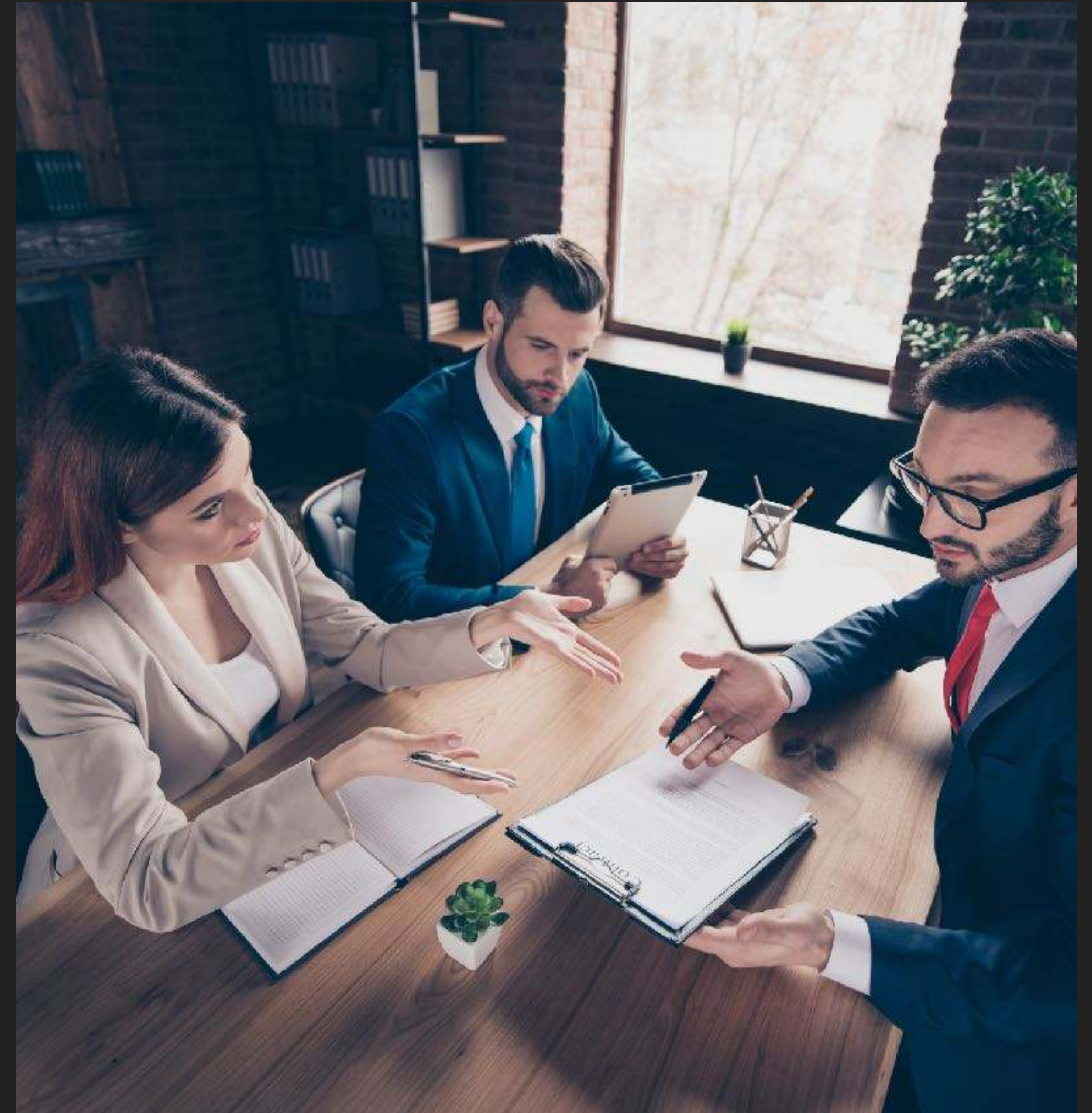
- ▶ Third party Strategic
- ▶ **Third party Financial**

“WHO CAN HELP?”




ADVISORS

- ▶ Attorney
- ▶ CPA/Accountant
- ▶ Banker/Investment Banker
- ▶ Appraiser
- ▶ Financial Planner
- ▶ Other Specialists





A FEW
MORE
THINGS . . .

A hand is holding a white rectangular sign with a black border. The sign has the words "STAY" and "FOCUSED" written in a simple, black, sans-serif font, one above the other. The background is a soft-focus outdoor scene with green foliage and a hint of a path or water.

STAY
FOCUSED

**STAY FOCUSED ON YOUR GOALS
AND OBJECTIVES**



**STAY
IN CHARGE
OF WHAT IS
HAPPENING**

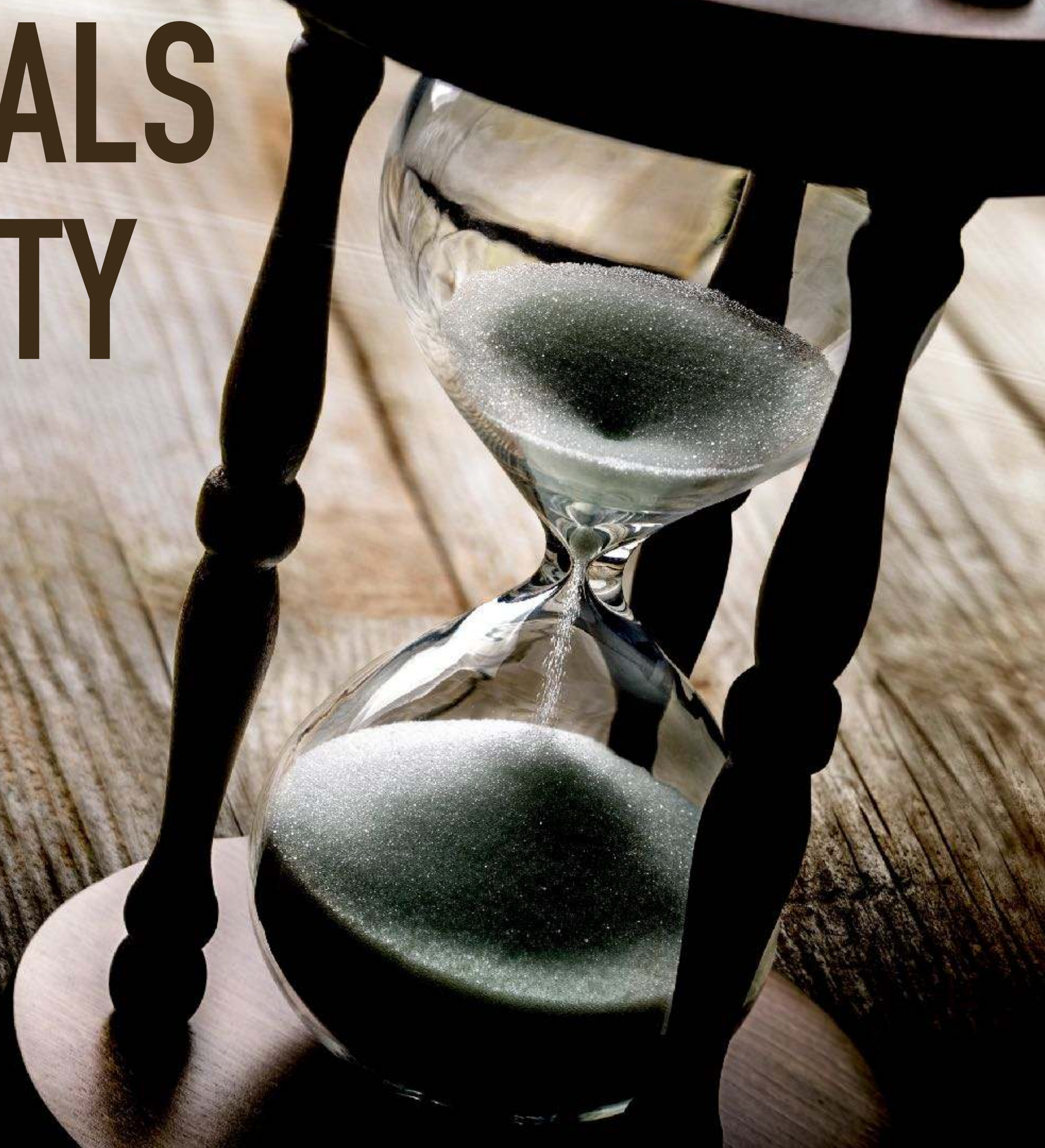
THE PATH MAY NOT

ALWAYS

BE STRAIGHT

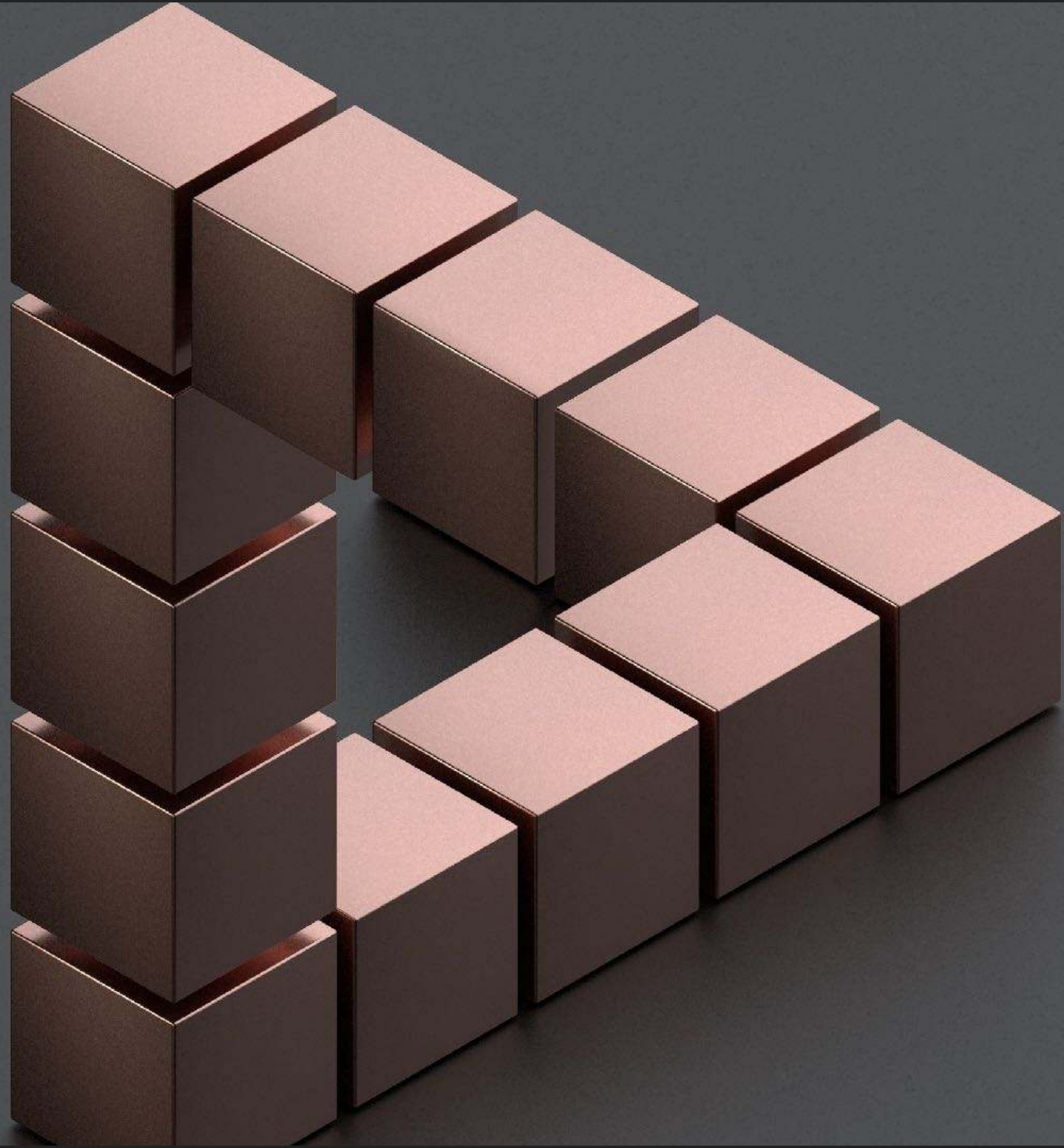


**MORE TIME EQUALS
MORE FLEXIBILITY**



THE SMALL BUSINESS PARADOX:

THE LESS IMPORTANT
YOU ARE TO THE
BUSINESS, THE MORE
THE BUSINESS IS
LIKELY WORTH



Questions?

Free Book ->

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