

Succession Planning

By Roger Bostdorff

Succession Planning, how is this going to work for the company that I/we own? When I/we retire from the company I/we now own and operate, how do we make that transition? What is the right answer? What is fair? Is fair and equal the same thing?

Recently I have been involved with multiple firms from a succession planning standpoint. I have sat in meetings where all of these questions and more have been discussed. There have been two primary scenarios.

The first scenario, believe it or not, is the easy one. You have a business owned by parents or family members that have heirs involved in the business. The plan is for the heir/s to take over the business when the parents want to retire. The current ownership wants to insure that they have a good lifestyle going forward for themselves. However, they may also want to insure that their heir/s do not go into significant debt when taking over the business. How do you do that? What do you do if you have some children involved in the business and other children not involved in the business? Mom always made sure that at Christmas everyone got the same value of gifts. Should inheritance work the same way? Maybe ???

The other succession planning scenario, which is much more challenging, would be that there are no heirs involved in the business, therefore, the current ownership is looking to maximize the dollars they receive from the sale of their business. They are going to sell to outsiders or maybe to current employees. How much time do they have before they want to move on? The owners have ascertained that they need a certain \$\$ amount to take care of their financial needs going forward. The easy situation is when the business is worth what they need and they can find a buyer that will pay that amount. What do you do if you don't know the value of the company? What do you do if the amount needed is higher than the current value of the company? Is the company's value increasing or decreasing? What is the market like relative to selling the company currently? What do you do if you don't know what you will need to sell the company for going forward?

Wow, there are a lot of questions! This sounds very confusing. Let's just put this aside for now and get back to it later.

Please don't!!! The critical element here is defining the plan. Without a plan you will not likely hit your financial or time target. These are very interesting conversations that need to happen. Many times you find out that the ownership team of husband and wife are not on the same page. A plan allows for the ownership team to talk thru the plan and work it out.

When you have a valuation done for your company you may find out that it is worth less than you thought. By identifying that issue as early as possible there are higher odds that something can be done to fix this challenge.

You have built this successful company and can see that you want to reap the rewards of ownership by transferring appropriately what you have built to your heir/s or sell the company to others. Defining this plan makes a lot of sense. Not creating a plan because it sounds complicated or it might hurt someone's feelings is a bad idea. By not defining the plan now you increase the odds that someone's feelings will be hurt in the future. By not defining the plan now you increase your odds that the lifestyle you are looking for will not become a reality. Please take some time to define what you want to do and then get some help to lay it out.

Good luck!

Roger Bostdorff is the President of B2B Sales Boost. He spent over 30 years with IBM in sales and sales management. B2B Sales Boost is a consulting company helping organizations improve their sales and overall business processes. B2B Sales Boost, LLC also helps firms create Succession Plans. You can find more about B2B Sales Boost on the web at www.b2bsalesboost.com or calling 419-351-4347. If you would like to receive the B2B Sales Boost Newsletter please send an email to sales@b2bsalesboost.com