

BABY BOOM ENTREPRENEURS: You Need Succession Plans

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Baby boomers have started retiring.

Many owners of small and medium sized businesses plan to leave their businesses within the next five years. Even more plan to sell their ownership interest or transfer control within ten years.

Retirement is the main reason for leaving. Many entrepreneurs expect to finance their retirement through the proceeds of selling their businesses or from dividends they will receive after they leave. As a result a significant number of business owners are relying on the ongoing success of their business for their future lifestyle.

What these business owners need

They need plans. They might need a plan designed to increase the value of the business before it's time to sell. Another type of plan would prepare the owner's successor to ensure the business continues to thrive.

Unfortunately most would-be retirees have not planned for the day they leave the business. Some have plans that focus on technical issues such as the tax consequences or the legal transfer of ownership. But most owners have not planned for a transition to realize the long-term vision and profitability of the business. The process of selecting and training a successor is a component that is often neglected.

Why they don't have a succession plan

Most owners assume that five years before they plan to retire is too soon to start a succession plan. Many feel they don't have the time for it. Others don't know how or where to start. Some are overwhelmed by the prospect because of the types of factors that will need to be considered. Not wanting to think about leaving is another reason. And some owners are worried about the possibility of conflict with family members, partners and/or employees.

It's not too soon

Succession planning takes more time than most types of business planning. It may take years for your business to reach the stage of operating without you if you are grooming

a successor. The sooner you start the more likely you will be able to maximize the value of your business.

Of course unplanned departures are also a possibility. If you have a plan in place the people around you will be less worried and you will have more say in how the business continues should you not be able to operate it yourself. By being proactive you can protect your business and your family.

Save time

Succession planning is time-consuming but if you engage the help of an experienced professional you can reduce the amount of time required. Plus you will have someone to help you make it a priority and keep the planning on track.

Communication

Communication is a big part of succession planning. Too often business owners have plans in mind but they haven't reviewed them in detail, if at all, with all of the interested parties. A formalized planning process will bring everyone to the table to share in the plans and provide feedback. It's better to recognize and deal with any disagreement or concerns before you try to implement your plan, especially if you can use an experienced facilitator to guide the feedback sessions.

Relationships and family dynamics are significant factors that must be considered in successfully transitioning many small and medium businesses. Different personalities, goals and values are to be expected in every family. With an experienced moderator you can handle the inevitable conflict and move on to implementing a succession plan that everyone understands and may even appreciate.

Motivate the next generation

The next generation of business owners, whether they are family or not, will feel more secure and confident about the company if a succession plan is in place. This motivation factor will be increased if you involve them in the planning process by asking for their feedback.

Reduce your risk *and* maximize your return

Business owners can reduce the risk of their businesses floundering when something incapacitates them by having a succession plan in place beforehand. Of course, there will still be issues to be dealt with but not nearly on the same scale as when there is no plan to follow.

Where to start

With a plan ready to implement there is a much higher probability that the business will continue to thrive when an owner leaves a company, whether the departure is planned or not. Having a successor already named and, at least partly groomed to assume control, will reduce the confusion, conflict and uncertainty that the departure of a business leader can generate.

SuccessCare® is a program developed specifically to support entrepreneurs and their families throughout the succession planning process. SuccessCare® advisors are trained in the use of a comprehensive package of concepts and tools designed to guide business owners, partners and families through the transition to successors or new owners. The SuccessCare® website, www.SuccessCare.com, provides contact information for their advisors across Canada.

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