

Succession Planning: 3 Emotional and Logical Roadblocks to Overcome

Succession planning is a process that every business owner thinks about, however, identifying and developing new leaders is easier said than done. According to Business Enterprise Institute's 2016 Business Owner Survey Report,

- 79 percent of business owners plan to exit their business in the next ten years,
- 38 percent have not taken any steps toward their exits,
- 80 percent of business owners associate a successful exit to good planning, yet
- 68 percent of these same owners have placed exit planning as a low priority, compared to other current business needs.

Succession planning is undeniably important, so why do so many business owners fail to follow through? The numbers reveal inconsistencies and for a good reason; before an important life decision can be made, technical aspects and emotional components must align. Below we have listed some of the emotional and logical roadblocks keeping business owners from making progress in their succession planning.

Roadblock 1: Identity Crisis

Having prepared, invested, sacrificed and reaped rewards – likely over many years – it comes as no surprise that a business owners' identity is their job. Once upon a time, you envisioned a plan for owning your own business. Now, you are living the dream, and while you know you can't lead the helm forever, you're successfully leading the helm today. This short-range vision is the bane of long-term goals. **Seventy-nine percent of owners are talking about exiting their business in the next ten years but only 17 percent have a written plan.** Don't let the fear of transition sabotage your goals for the future.

- Allow emotion and logic to intersect - press into the tension, don't avoid it.
- Shift your identity from owner to steward.
- Allow yourself to dream about the next chapter, early and often.
- Talk about succession with your advisors, family, and successors – and then let them hold you accountable.

Roadblock 2: Business Today

Many business owners can't make progress against their exit strategy goals because they don't have the time. Or do they? Yes, there are pressing matters that can't be put off or ignored. Don't be lulled into the false assurance that you have all the time in the world – 100 percent of business owners will exit their business. Having a plan in place will safeguard your hard-won business and your hard-earned dreams. Making your exit plan a top priority will ensure it gets the attention it

needs. Set aside time to work on your exit strategy every week, even if you're 15 years away from transition. The sooner you get started, the better.

Roadblock 3: Exaggerated Valuation

Accepting a value on your business is the ultimate trust exercise. It is an obstacle that takes root years before a business valuation even takes place. We all tend to place a subjective value on the things we own. We also tend to mistrust those who do not have a vested interest. If you haven't made exit planning a priority, valuation may feel like a last-ditch effort.

John Brown, former business-planning attorney and Founder of BEI, notes, "The most common complaint that we receive from private equity representatives is that owners vastly overvalue their businesses and then demand unobtainable sale prices based on the overvaluation."

Overvaluing your business can paralyze succession planning. The sooner you speak with your trusted advisor about income replacement, the better prepared you will be for your next chapter. You'll also build trust in the process, confident that the firm that has helped you prepare for an accurate and advantageous valuation.

Exit planning starts with a vision for the future. For some owners, this is a concrete plan – some want to travel, some retire, and some just want to give back to the communities that helped them grow. For others, the idea of not owning something is too foreign, so the goal becomes running a passion business, consulting, or working for another company in a non-leadership role. The time will come to transition out of your current business and into a new endeavor. As you get serious about changing roles, having a clear goal in mind will help you identify all the steps necessary for a successful transition.

Thinking ahead about the next phase of your career and/or life will allow you to make changes and decisions on your own terms and in your own time. It's never too late, or too early, to plan your future. If you need assistance with your succession plan, please reach out to us today.