

What business owners should be considering:

Succession planning should be a deliberate process and not a one-time event. Business owners should realize that the best time to plan is when you can afford the time to properly evaluate alternatives and seek input from professional advisors. You ideally never want to be forced to accelerate your family business succession because of illness, divorce or death, so be prudent and plan ahead with care and candor.

Business succession planning is an investment in the future of your company for the owners, employees and customers. Planning is the key to future success for everyone whose efforts have helped the business to grow. The existence of a succession plan emphasizes your commitment to your company's long-term growth, and creates confidence among shareholders, lenders, employees and suppliers.

So have you been putting off succession planning for your business? There is no time like the present to explore your options. This process will involve asking some tough questions and exploring scenarios that may not please all family members, shareholders, or senior managers, but it is necessary and prudent.

You have various alternatives of course, and some tough questions to answer. Do you want to sell the entire company in due course? Do you want to sell some now and achieve the rest of your liquidity later? Is it important to you that ownership remain with family members or management? Do you want them to have control or just minority equity participation alongside a new owner? Is the incumbent group of family members or managers even capable of taking over and managing the business? How will the buyer(s) finance the purchase, and can they gain the confidence of lenders, investors, customers and employees?

Most family business owners don't build their businesses with selling them as a top priority, but more should. This involves drafting and regularly updating a written strategic plan for the future priorities and direction of your business, candidly outlining both strengths and risks, and creating an organization chart that allows for the evaluation of those senior managers best qualified to meet the company's challenges (whether family members or not). Also, strive to make yourself replaceable, so the business can grow and prosper without you. The first step should be to have a professional business valuation firm prepare an assessment of the value of your company, and it should reflect normalization adjustments to account for unusual and non-recurring items, such as excessive remuneration and family perks. It is important for the business owner to be realistic with respect to valuation, or a lot of time will be wasted. Lawyers and accountants should be involved in estate planning matters, and any re-organization or tax structuring .

The valuation conclusion and business review process often indicates that some management depth, capital structure and profitability issues should be addressed before proceeding, not only to support valuation expectations, but to have a more saleable business. Starting succession planning early will ensure an effective process, with due consideration to the many issues that family business owners face.

What we do:

The Succession Fund buys shares from selling shareholders in owner-operated businesses, and helps resolve family business ownership transition issues. When business owners want to buy out one or more of their legacy shareholders, or want to sell some of their own shares for succession planning purposes, The Succession Fund facilitates these liquidity objectives through its “Chips off the Table”™ solution. We buy shares in a direct secondary share purchase, and we do not complete transactions using debt. The Succession Fund becomes the new partner for the continuing owners/management team, often holding a significant minority share position, and becomes involved at the Board of Directors level. The Succession Fund adds value by improving the depth of management teams, providing financial and strategic input to support corporate growth plans, and works with owner-operators to implement strategic planning priorities.