

THE EXTRA POINT

BY JERRY ROBERTS



1258 Ideas to Help Business Owners Succeed at Succession

Every small business owner thinks about it. Who will take over the leadership role when it's time to pass the torch? Trust me, a lot of sleep gets lost dealing with this topic. I'm Jerry Roberts, and let's toss some ideas out that can help. That's next on The Extra Point.

Most small business owners will eventually think about selling their company and funding their retirement or next venture. Sadly, the majority of them won't see that happen.

Before I get into the details, you can pick up the transcript for the first part of this topic at guamtraining.com. Go to the site and click "XP" on the top menu, then download #1257.

For now, I want to focus on the small business owner who is, say, five years out from wanting to exit the company.

According to Christopher Snider, CEO of the Exit Planning Institute, Snider, many owners have little to no exit plan in place, even though they may have 80 to 90 percent of their financial assets based tied up in the business.

Using 2017 numbers, Snider said some 4.5 million small companies, representing more than \$10 trillion in business value, will transition over the next decade or so. *Transition*, as used here, means the current owner will be gone, but it doesn't necessarily mean the company was sold to someone else. Snider believes only about 20 to 30 percent of businesses that go to market end up selling.

How about the other 70 to 80 percent? Well, they just close. They end, and the owner's dream of getting full value for his/her years of fighting the good fight...also ends.

Let's talk about Guam companies. For the most part, our businesses are very small. The basic model is a dedicated owner, perhaps with one or maybe even two highly motivated workers who take a leadership position, and hourly employees round out the roster.

In a fair number of local businesses, the owner has a son or daughter, perhaps multiple kids who have interest in getting involved with the business. If so, at least the successors are identified.

It also has to be said that many children don't want to inherit the family business. They have other plans for their life and career. If this is the case or there are no heirs, the owner will have to search for a replacement. There has to be a plan, and here are some thoughts.

1. Start years in advance of the transition. If you have no candidates in mind, five years is not too much. Maybe three years out if you do have a likely replacement now on your payroll.

2. What skills will the new leader need? If your role is purely administrative, identify someone with those talents and begin to work with them. If you are also the lead technician for your company, a new owner will also need to be a technician or will have to hire one. In any case, map out your complete role.

3. Take an honest look around. Are there any current employees who have a good share of the talents needed, plus have a hunger to get ahead and an interest in being a business owner instead of an hourly or salaried worker?

If you do have people like that working with you, it wouldn't hurt to ask them what their plans are, and if they are interested in growing with the company. You don't have to offer them ownership at this point, just find out what they are thinking.

4. Get with your accountant and tax advisor. Figure out the current value of the business, and how much income you'll need if you're headed for retirement. This will become very important if you self-finance the sale of your company by taking a monthly payout after the new leader has taken over.

(Con't.)

You can also figure what it will take to increase the company's value. Financial professionals can help prospective buyers to understand how to prepare for ownership.

Snider also said owners need to stop viewing the business transition plan as important but not urgent. Instead, they should get educated about the process and make time for planning.

It's easy for time to get away from a business owner. You start to think about this planning and put it off, then wake up and it's six months later with nothing accomplished.

We've only scratched the surface today. That being said, if it gives you something to think about and gets you a step closer to putting a plan together, then it was time well spent.

You can improve your chances to sell your company by making the right plan, and taking the steps to carry it out.

That's the Extra Point. Be responsible and make something good happen today. For 93.3 and the Ray Gibson Show, I'm Jerry Roberts.

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