

Experts say business owners should have exit plan prepared

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Cupertino, Calif.-based **Apple Inc.** made headlines earlier this year for not disclosing its CEO succession plan, but at least it had one — which is more than can be said for many other businesses.

According to a global survey of 1,300 companies of all sizes by the Korn/Ferry Institute, 98 percent of business leaders believe a CEO succession plan is important, yet only 35 percent have one in place. Nearly half of the survey respondents indicated they haven't had a plan in place for the past three years.

Those statistics aren't surprising to Valley succession planning experts, who say many small-business owners are working longer these days out of necessity, longevity and desire — a trend that has put a damper on exit strategies, both from a planning and an execution standpoint.

For one thing, said attorney [Otto Shill](#), exit strategizing is rarely at the top of a business owner's priority list, especially one who is consumed by the daily rigors of running a company.



Otto Shill

“Part of what's hard for them and what holds them back from planning is that they didn't get into (the business) to get out,” said Shill, an attorney specializing in succession planning at Phoenix law firm Jackson & White PC. “They don't think about the endgame because they don't want to think about the end. But the reality is, all of us will leave our respective businesses someday, and we have to think about ‘what then?’ It's your business; you should have a say about what happens.”



The planning process itself, which can be fraught with tough questions and unresolved answers, also causes many small-business owners to procrastinate.

Succession planning, especially for small- and family-owned businesses, involves examining touchy issues, including who will take over the business, what to do if nobody in the family is interested or capable of carrying the torch, and how to handle the transition if the owner unexpectedly dies or becomes ill or disabled. Tax consequences, financing and control issues also figure into the mix.

“It’s not just legal issues,” said [Beth Cohn](#), an attorney at the Phoenix law office of Jaburg & Wilk. “People are talking about death, their own mortality and family issues. I almost feel like an armchair psychologist sometimes, helping people through this process.”

And then there’s the economy.

According to a recent survey by **CareerBuilder** of 500 U.S. workers ages 60-plus, 65 percent said they are putting off retirement because they cannot afford to stop working.

“The economy has had a dramatic impact on exit strategies,” said [Terry Thompson](#), an attorney with **Gallagher & Kennedy PA** in Phoenix. “Three years ago, the first baby boomers who would reach age 65 this year were thinking about retirement.”

But the lack of available financing and shortage of cash on hand threw a wet blanket onto many small-business owners’ ability to sell their businesses.

“Even if a company had an exit strategy in place, there were no buyers,” Thompson said. “A lot of those baby boomers who thought they were reaching retirement age and cashing out in their 60s now are thinking they’re going to have to just ride it out.”

Thompson and other experts encourage their clients to start succession planning early by sitting down with family members, employees, attorneys and financial consultants for a frank discussion. Properly grooming a business successor can take years — sometimes as much as a decade — so it's never too soon to start.

If there are no suitable family members or employees to groom, business owners may need to consider other exit strategies, including negotiating a buyout for top dollar, closing the business and liquidating the assets, or finding a customer or other friendly buyer who would be willing and financially able to take the reins.

“There are a lot of risks involved,” said Cohn, referring to the careful planning that's necessary to ensure all the details are covered, especially when employees' livelihoods are at stake. “My biggest tip would be to see an attorney and work through all the options.”