



**BRIMMER, BUREK
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Business Succession Planning

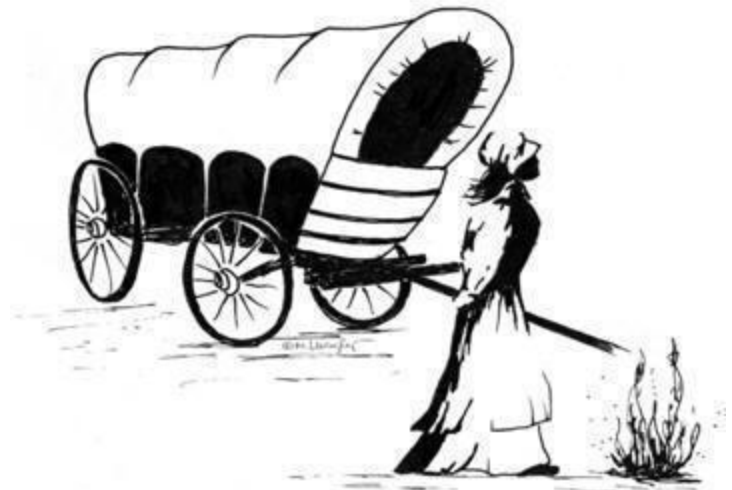


Brian Burek, CPA

Santa Fe Trail



- A story worth telling
- The Founder's Journey
- Capture & Release
- Making the Right Choice
- The Fruits of Success



Business Succession or Business Cessation



- **Privately Held Business**

- Significant percentages (80-90%) are family owned
- Successful transition drops with each generation (G1: 30%; G2: 15%; G3: 4%)

Privately Held Business



- **Causes for the failure to transition**
 - Lack of a focused, structured plan
 - Economic value of business is insufficient (\$3-5 MM minimum; \$10 MM target)
 - Lack of succession management
 - Family dynamics
 - Sale is the preferred option
 - Lack of marketability
 - Business failure

Business Succession or Business Cessation



- **Publicly Held Business**
 - Longer time lines (20-30 years)
 - Succession issues are similar
 - Management lacks a plan
 - Economic value makes it a target
 - Business failure

Business Succession or Business Cessation



- **Conclusions from the Research & Observation**
 - The business plan is critical if succession is the goal.
 - An exit strategy is a valid business plan and should be carefully timed.
 - The compelling reason for this is the capital market structure of our economy.

The Business Succession Plan



- **Basic Concepts that Need to be Addressed**
 - Should the strategy be succession or sale?
 - In a family succession, who is truly qualified and possesses the interest in the business?
 - In a family succession, should all family members be owners or participants in the business?

The Business Succession Plan



- **Basic Concepts that Need to be Addressed (cont)**
 - What are the additional skills that are needed to operate the business – family members or outsiders?
 - How must the business structure and governance change to allow for succession?
 - Must the family dynamics change to allow for the required business changes?

The Business Succession Plan



- **Basics for Developing a Succession Plan**
 - Commitment from all family members to engage in the succession planning progress
 - Learn constructive methods to deal with conflict and decision making; remove competition and criticism in family discussion
 - Create a mission statement; values statement; and business plan that is coherent with mission and values.

The Business Succession Plan



- **Basics for Developing a Succession Plan (cont)**
 - Create a personal development plan for members who will be involved in the business
 - Develop a family governance structure
 - Document these activities with contracts and structure

The Business Succession Plan



- **Basic Points**

- **Entrepreneurial Model**

- Typical self made entrepreneurs who has some or all of these traits; ambitions, high energy, egotistical, compulsive, impulsive, stubborn and arrogant.
 - This individual is a decision maker and therefore a poor teacher or trainer, details are less important to insist and institute.

- **Technician Model**

- An analytical problem-solver who will be more receptive to a succession planning process, but will often focus on a sale as the exit plan.

The Business Succession Plan



- **Basic Points (cont)**
 - Controlling Capital Model
 - One who possesses capital (self-made or inherited) and deploys the capital in ventures that he manages and controls. The risk vs return analysis is a basis for most decisions in the business context. There will be an entry and exit point in the business context for this families investments. The time lines for multiple activities tend to be longer.

The Business Succession Plan



- **Family Structures**
 - Controlling Owner
 - Sibling Partnership (leader or team)
 - Family Corporation
- **Family Transition**
 - Recycling
 - Evolutionary
 - Devolutionary

Best Practices in Succession Planning



- **Vision**
 - Mission, vision, or family values statement
- **Entrepreneurial strengths**
- **Business plans**
- **Opportunities/risk tolerance**





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**Thank You,
Plan Ahead.**

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