



# The 12-Part Business Succession Guide

The questions every owner needs to ask about the future of the business.



Advice for Life™

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OPTIONS 04



Name:

Company's Name:

Date:

Signature:

## The absolute best thing for the future of your business is an open discussion.

In our experience working with all kinds of business owners, the succession of the business is simultaneously one of the most important goals owners have, and one of the least talked about aspects of running a business.

It often happens that the goals, intentions and expectations vary greatly from one stakeholder to the next, from parent to child, from owner to successor – and it's because the questions we've compiled in this guide are rarely asked. The exercises that follow are designed to bridge the conversation and help you create a roadmap that serves the best interests of everyone involved.

### Our Partnership with Business Owners

Our objective in working with business owners is to provide a comprehensive level of financial guidance that goes well beyond your investment portfolio. When it comes to the succession of your business, we work to provide you the advice, resources and specialized solutions not only to grow your wealth, but also to help preserve it through the transition.

In our experience with businesses of all types, we've seen that starting the succession conversation early and maintaining clear objectives can have a significant impact on the future of the business and the legacy you want to create.

## 5-Year Vision

Let's begin with a few basic questions. These will help orient us with respect to the current and future ownership of the business.

**Answer the following questions with respect to your business *today*.**

Who is the majority shareholder? \_\_\_\_\_

Who are the other shareholders? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Who is the primary person managing operations? \_\_\_\_\_

**Look five years down the road and describe your business.**

Who is the majority shareholder? \_\_\_\_\_

Who are the other shareholders? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Who is the primary person managing operations? \_\_\_\_\_

If primary ownership has changed hands, has it been sold or gifted? \_\_\_\_\_

Overall, has the business changed in a significant way? \_\_\_\_\_

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Discussion / Comments:

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PART 2

## Changing Roles

Keeping in mind your answers in Part 1, consider your place in the business today and in the future. Think about how you would like to see that change in the coming years. Indicate a place on the scale below that reflects what you intend to work toward, with respect to your own contribution in the business.

**In terms of your own role in the business, where do your interests lie?**



Discussion / Comments:

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## Business Outlook

Take a moment to consider the business itself. Answer the following questions with short, simple statements.

**What do you believe to be the three biggest dangers faced by your business today, both internal and external?**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**What are the three biggest opportunities?**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**What do you see as the core value of the business?**

List the central strengths that have been and will continue to be essential to the success of the business.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Which changes do you believe are needed?**

List three actions that could help ensure that the core value of the business is leveraged such that threats are minimized and opportunities are captured.

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Discussion / Comments:

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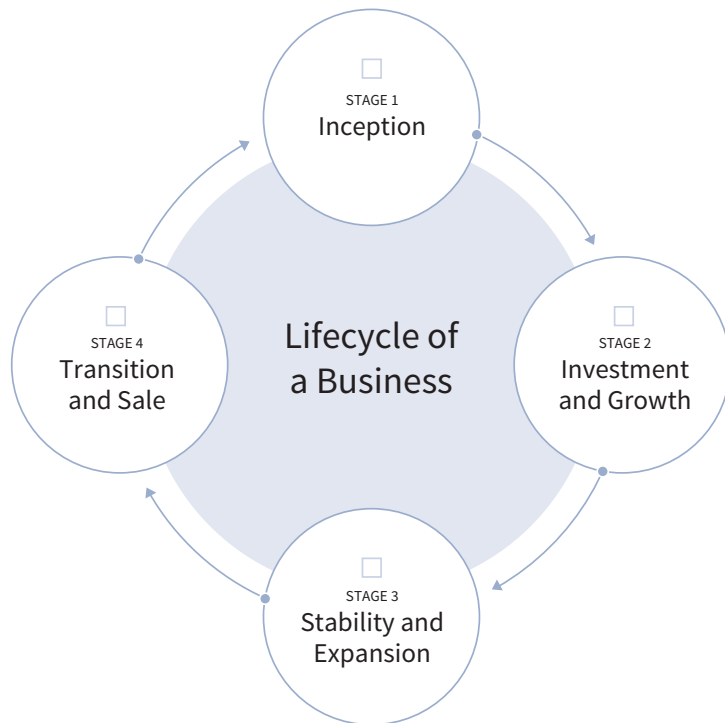
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## Growth vs. Sale

Think about your answers from Part 3, and consider what this may mean in terms of your interests as an owner and/or shareholder.

Where are you in the lifecycle of the business?



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At this point in time, what are you working towards as a central goal?

- A. Continue to grow the business through our own time and investment
- B. Maximize the valuation of the business and take active steps toward a sale
- C. Maintain business through time and investment

Discussion / Comments:

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# New Parties

Regardless of which point you've reached in the lifecycle of your business, it's a good idea to evaluate the option of inviting new parties into the equation, and to ensure all parties are aligned on the topic. Discuss the likelihood and suitability of the following options.

**In order to pursue either the sale or the expansion of the company, we should involve:**

- A. A private equity firm or other outside investor
- B. A competitor
- C. A current employee, or multiple employees
- D. Family members other than those already involved in the business

Discussion / Comments:

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## Valuation and Insurance

There are important items related to tax, insurance coverage, beneficiaries and legal stipulations that, in the right set of circumstances, can be detrimental to the health of the business or the financial stability of its stakeholders. At this point in the succession guide, we want to review the relationships and structures that are in place, so that we can identify any potential liabilities.

### Business Valuation

Complete     Incomplete

Professional or firm responsible:

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### Shareholder's Agreement

Complete     Incomplete

Professional or firm responsible:

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### Key Person Insurance

Complete     Incomplete

Professional or firm responsible:

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### Estate Taxes

Do you have a will?    Yes    No

Do you have an estate plan?    Yes    No

Does your will and/or estate plan include up-to-date information regarding transfer of business ownership?    Yes    No

Will your insurance policy cover all estate taxes in the event of the death of the primary shareholder?    Yes    No

Professional or firm responsible for will:

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for estate plan:

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for insurance policies:

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Discussion / Comments:

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## Outside Purchase

An open-market bid process is key in determining the value of a business. In fact, remaining closed off to the possibility of any offers of purchase from third parties can diminish that value. This situation can create complicated scenarios with respect to intended successors and other stakeholders in the business, and for this reason we pose the following questions.

**Can everyone agree that in order to maximize the valuation of the business, it has to be open to bids from outside companies or investors?**

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**Is there enough financial incentive for the child or intended successor to support maximum valuation?**

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**Can everyone agree that these offers have to be considered and that there is a possibility that they will be accepted by the majority shareholder?**

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**Are there stipulations or steps in place for reviewing these offers?**

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Discussion / Comments:

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## Compensation of Partners

The owner of any business must reserve the right to sell, in case of unforeseen circumstances such as a threat to the business or dissolved relationship. The previously discussed shareholder agreement will stipulate how this will affect the other stakeholders.

**Do you intend the business to be gifted or sold to the successor / family member?**

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**In the event of a third party sale, is there a compensation plan in place for all shareholders?**

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**In the event of a sale, do you plan to sell all at once or over a period of time, collecting a set amount each year?**

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Discussion / Comments:

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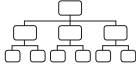
## Agreed-Upon Org Chart

Let's take another step back and look at the organization of the business and the roles of each major shareholder or family member.

Clarity around this issue, especially in the case of a family business where multiple family members are involved, is crucial to the continued success of the operation, maintaining a high valuation and making a smooth transition through the succession of your business.

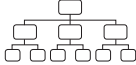
**Sketch out an organizational chart for the main shareholders in the business:**

Now:



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graph TD; A[ ] --- B[ ]; A --- C[ ]; A --- D[ ]; B --- E[ ]; B --- F[ ]; C --- G[ ]; C --- H[ ]; D --- I[ ]; D --- J[ ]
```

After the sale:



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graph TD; A[ ] --- B[ ]; A --- C[ ]; A --- D[ ]; B --- E[ ]; B --- F[ ]; C --- G[ ]; C --- H[ ]; D --- I[ ]; D --- J[ ]
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**Are the job descriptions and expectations for each shareholder up-to-date? If not, can you set a reasonable goal for updating them?**

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## Partner Performance

The questions that follow often have particular importance after succession, or once the majority owner transitions into a Chairman role.

**How will the main shareholders or successors be evaluated to ensure the goals for the business are being served?**

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**Will compensation and/or bonuses be contingent upon or reflective of the results of periodic performance reviews?**

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**Can you commit to a plan for performance goals and evaluations?**

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Discussion / Comments:

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## Summary

The goals that have been discussed in this exercise, the roles of key members of the business, the plans for succession – these could all have an impact on the future of the business, so it's important to be clear about the decisions made today.

**List the decisions you've come to with respect to the following aspects of your business' succession:**

Are you working towards a larger or lesser role in the business?

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Is the central goal the sale or the expansion of the business?

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Are you likely to introduce any new parties into the ownership discussion?

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Have you decided on any necessary actions to improve the health of the business?

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Are any actions needed to ensure the business is properly insured and its value is regularly assessed?

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Summary *con't*

Are any actions needed with respect to your shareholder and compensation agreements, especially in the event of a sale?

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Will the organization chart of the business require change in the immediate future?

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Will you be enacting a process to evaluate the performance of key shareholders?

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Discussion / Comments:

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## Next Steps Commitment

Looking to the future, and keeping in mind today’s discussions, identify the frequency with which you intend to conduct the following:

### Business valuations

Every 2 years     Every 5 years     Other: \_\_\_\_\_

### Insurance evaluations

Annually     Every 2 years     Every 5 years     Other: \_\_\_\_\_

### Estate and will reviews

Every 2 years     Every 5 years     Other: \_\_\_\_\_

### Partner performance reviews

Annually     Every 2 years     Other: \_\_\_\_\_

### Review of shareholder and compensation agreements

Annually     Every 2 years     Other: \_\_\_\_\_

### Completion of this succession guide booklet

Every 2 years     Every 5 years     Other: \_\_\_\_\_

Below, sketch out an action plan to help ensure the high-priority and actionable items are implemented.



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