

Small Business Perspectives on Succession Planning

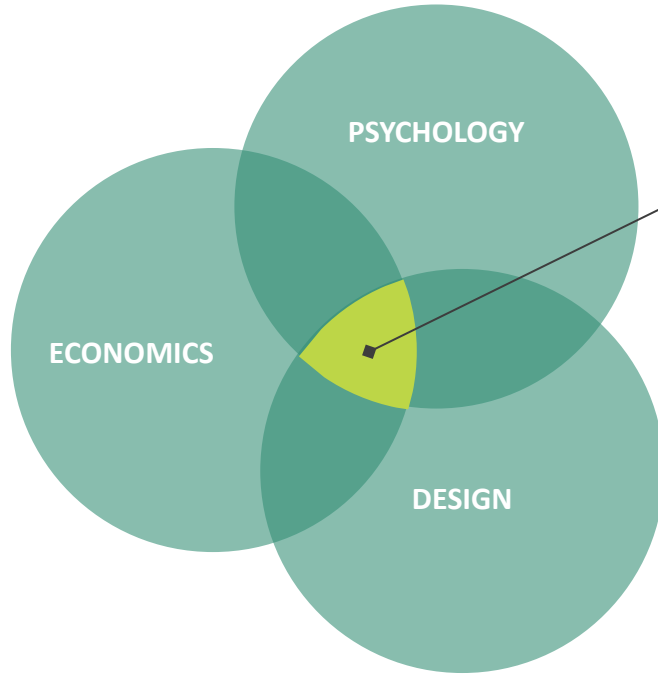
Insights from survey and interviews

March 2025

ideas **42**



What is ideas42?



ideas⁴²

We apply insights from **behavioral science** - why people do what they do - to help **improve lives, build better systems,** and **drive social change.**

More widespread succession planning would benefit business owners and communities

60% of small businesses lack a documented succession plan.¹

73% of business owners plan to transition within the next 10 years.²

Without a plan, businesses are vulnerable to unplanned disruptions.³ Workers earning low-to-moderate incomes may be especially impacted by instability or job loss.⁴

Effective succession planning helps ensure business continuity, preserve local jobs, and maintain economic stability during ownership transitions.

1. Nationwide, 2017; 2. Exit Planning Institute, 2024; 3. JPMorgan, 2024; 4. Financial Health Network, 2022

How we understand factors influencing business owners' succession planning decisions

1

Generate hypotheses about factors potentially impacting planning decisions



2

Conduct research to illuminate current practices and validate hypotheses about factors impacting the planning process



3

Synthesize and share insights

Who we talked to...

Revenue: \$1m-16m

Industries: Retail, Wholesale, and Healthcare



Survey

300 Business Owners

Gender

- Men: 73%
- Women: 27%

Age

- 25-44: 15%
- 45-54: 28%
- 55-64: 32%
- 65+: 25%

Race/Ethnicity

- American Indian / Alaska Native: 1%
- Asian: 12%
- Black / African American: 17%
- Hispanic or Latino: 15%
- White: 55%



Interviews

18 Business Owners

Gender

- Men: 14
- Women: 4

Age

- 45-54: 10
- 55-64: 4
- 65+: 4

Race/Ethnicity

- Black / African American: 3
- Hispanic or Latino: 2
- White: 12
- Mixed race/ethnicity: 1

Five sets of findings emerged from the data

1. Planning Status
2. Influencers and Stakeholders
3. Priorities and Motivations
4. Limiting Factors
5. Exit Options

1. Planning Status

Finding: Most owners report having a plan in mind, but many have not figured out the specifics

From our survey:

- **50%** have a specific and detailed plan in place
- **23%** have a plan in mind but have not figured out the details
- **27%** have not considered and/or decided on a plan

What does it mean to not have figured out the details?

I **haven't yet sought outside counseling** or advice from someone neutral—someone with no vested interest on either side—to help guide this transition.

We've spoken to other ... companies to explore whether they'd be interested in taking over. **We've been developing both a Plan A and a Plan B.**

We could create a plan right now, but as far as implementing it, **I feel there's no rush.**

When I'm ready, I'll just call a broker and sell the business.

I'm glad I put it in place in advance. But in terms of truly stepping away, **I will know in three years.**

Finding: Business owners do not use consistent vocabulary or have a common understanding of succession planning

[I prefer] exit planning, because when I hear it, I think of leaving my business. It makes the most sense to me—getting out, tying up loose ends.

Retiring, selling—I **don't really call it a transition**; it feels a bit silly.

We've talked about succession planning, but I've never heard of exit planning in our context because family members never really leave... **for us, it's primarily an estate planning issue.**

Transition feels more specific—it's about passing the business from one person to another. **Exit plan is broader.**

When the word "**transition**" comes up, it makes me think about **getting old or even getting ready to die**. But I'm not in that place yet.

I think about **emergency planning** as, if something were to happen, and I think of **long-term planning** as... I have two sons and as I become older, I am starting to think about [transferring the business to] them.

Recommendations

Clarify terms and tailor language to owner preferences

- Different terms may have distinct implications for business owners, so define them and have business owners identify which match their perceptions and preferences.

Focus on goals rather than terminology

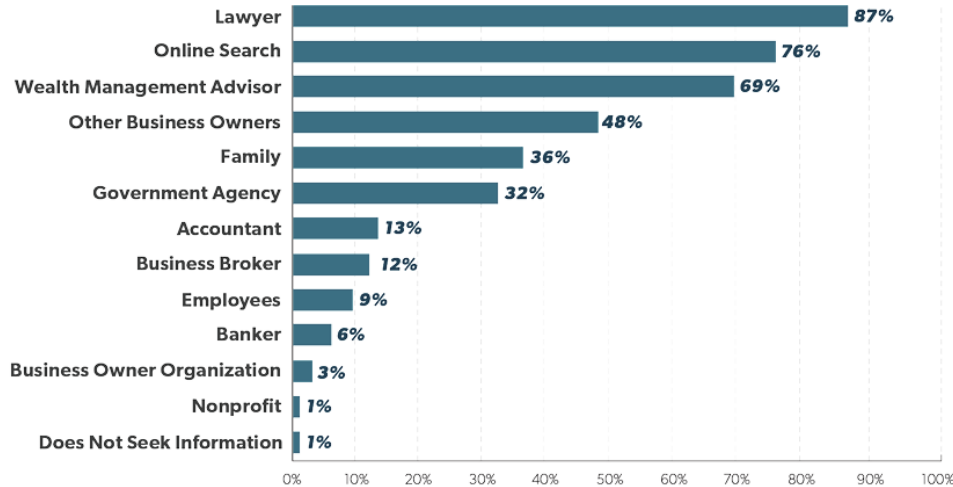
- Using a term that does not resonate with a business owner may lead them to disengage. Rather than relying on terminology, focus on understanding their goals and helping them understand how planning can help them achieve those goals.

Prompt owners to make an emergency plan and a succession plan

2. Influencers and Stakeholders

Finding: Lawyers and wealth management advisors are the most relied upon stakeholders, and others play a role

Please indicate anywhere you have already looked or you would look in the future for information or advice about succession planning. Select all that apply.



Q21, Analysis Report: pg. 22

I have an **attorney**. She's been looking at some things for me.

My **accountant** and **financial advisor** are my two primary sources for guidance.

I handle everything **on my own**. I do read articles to stay informed and learn about different aspects of running the business.

I went to the **bank**. I said, Look, can you guys help me?

I have **other people that own businesses** who I can bounce things off of.

Recommendation: Trusted advisors can encourage and support succession planning

- Key influencers should be aware that owners look to them for cues and guidance

I'll be more interested [in planning] when my **accountant** says you need to really think about this.

I wish there was **more guidance** ... something that puts in your head, "You know what? Some day you will need an exit plan."

- Even influencers that aren't at the top of the list can play an important role, since different business owners have different preferences and relationships

Please share your findings with the **Small Business Development Centers**. It's helpful to have them focusing on succession planning.

3. Priorities and Motivations

Finding: Owners are most focused on protecting their business' legacy and ensuring it does not close

Survey respondents' highest-priority goals when thinking about succession planning:

- **58%** prioritize ensuring their **business's longevity**—preserving its legacy and avoiding closure
- **37%** prioritize **providing** for their family or for **funding** their retirement

My **legacy is what's important** to me.... It's not about the money.

Selling to **someone who respects the brand and can uphold its reputation** is critical.

When you build a business and put your heart and soul into it, the thought of seeing it just fold is heartbreaking. I want to **ensure its legacy continues**.

I can't control it, but it's important to me that the business **flourishes and keeps going**.

If you asked me 5-10 years ago, maybe it would be different. But now it's so important. That **legacy means a lot to me**.

Recommendation: Emphasize that planning can help business owners achieve their goals

- Prompt business owners to articulate what they want their legacy to be, and emphasize how planning helps protect this legacy

The goal for this is for this place to run forever. **We built something**, have a great history and reputation. I don't want to see it die, **I want to see it grow.**

The purpose of succession planning is to ensure **alignment between the successor and the company's values.**

- For business owners concerned about financial factors, highlight that advance planning is required to maximize financial return

Finding: Owners without a plan worry about what will happen to their business when they step away

From our survey:

- Most business owners are **worried about what will happen to their business** when they step away; owners without a plan worry the most
- Most business owners agree that planning will have a positive impact on their business, but **owners with less of a plan are less likely to agree**

The **fear of the unknown and anxiety** and worry because you don't know what the person will do until it happens.

One of the biggest reasons that I stay in the business is because there's a lot of people that... **I wouldn't trust.**

I think **I can make the best decisions for my company** that no one else can.

I'd never delegate management to someone else **unless I was confident** they could do it as well as I do... I haven't come across anyone yet.

How do I know that it's not going to hurt the business?
... **I don't want to put the business in a bind.**

Q31A, Analysis Report: pg. 40; Q40A, pg. 53

Recommendation: Emphasize that planning can bring peace of mind

- Share testimonials from other business owners who have completed planning

Succession planning is a process that **minimizes risk and disruption** and **ensures business continuity** in the event of an unexpected departure.

Early succession planning **helps prevent conflicts** within the family **and address any concerns** regarding business ownership.

I'm **not as stressed or worried as I was**. We have a good plan in place.

I think that succession planning **helps clarify the future vision and makes it easier to navigate**.

Succession planning ... **fosters trust** among stakeholders, investors, and customers by **demonstrating that the organization is ready for the future**.

Finding: Owners view exiting as a loss and an opportunity

From our survey:

- **90%** agree that owning a business as an **important part of their identity**
- **83%** agree that they would have **meaningful ways to spend their time if they left** their business

It's my life, it's my identity. And it's not just walking away from something because I'm overworked, you know, **it's who I am.**

Transitioning away would be a **little bit sad and scary.**

I want to take some time, invest in other ventures, do something different, **something that's going to refresh my mind.**

Retirement could be an **opportunity for me to grow personally** instead of focusing solely on growing the business.

Q33, Analysis Report: pg. 36; Q34, pg. 36

Recommendation: Focus on the future - both for the business owner, and the business

- Connect long term, strategic business planning with owners' personal long-term goals
- Make benefits more vivid: Rather than talking about "exit" or "retirement" in the abstract, prompt business owners to think specifically about how they'd like to spend their time
- Emphasize that business owners have put in the blood, sweat, and tears, and they are earning the right to step away when they're ready

This **gives me the freedom** to think independently and work on new ideas and future projects, and **reduces the stress** associated with handling every aspect of the business.

4. *Limiting Factors*

Finding: Owners intend to plan but delay getting started because they don't view it as urgent

Of survey respondents without a plan:

- **63%** say **it's too early**
- **80%** think "**when I feel ready to exit**" is the right time to create a plan
- **57%** think their business needs to reach a **sufficient level of success or stability**

I **don't think the process** of selling or closing the business **would be very complicated...**
Before moving forward, I'd do my homework.

Most people **think they'll live forever.** By the time they start thinking about succession, it's really too late.

My exit strategy is **I don't want to exit until I'm not able to do this.** That's it.

The reason I haven't [started planning] is that... **I'm still not in a position** to retire.

Q36, Analysis Report: pg. 43; Q22, pg. 44

Recommendation: Prompt business owners to consider their exit plan early and revisit their plan periodically

- Messaging should highlight that “it’s never too early to start planning”
- Provide templates for what planning could look like at different stages of the business’s lifecycle (e.g., for a recently established business, for owners who don’t anticipate exiting soon, for owners who are considering exiting soon)
- Bundle planning with other things owners do in advance, such as business planning or establishing a will

Businesses should have not only a business plan, but a **succession plan in the beginning**.

I wish I would have been exposed **a little earlier**.

I would tell [other business owners] to **start thinking about this** in the back of the mind **when you start your business**.

Finding: Business owners are not intimidated by the process, but don't have the bandwidth to get started

From our survey:

- **98%** of respondents believe planning **requires time and effort**
- **45%** of owners without a plan say they are **too busy** running their business
- **Most** report that they **understand the process** required to create a plan
- **Most** report that they **know where to go for information or support**

This process takes a little longer than sitting down with somebody to work out a deal. **That is stressful - there's a lot of decisions to think through.**

Every time I've tried to go through a bank, **it's always been a long process.**

I was busy and **didn't have the time to think about it.**

I didn't know what a succession plan was... I would take the time to just do the research... **I was just grasping at straws, trying to learn it all.**

Q38, Analysis Report: pg. 45; Q36, pg. 43; Q41, Q42, pg. 47

Recommendation: Make planning more manageable and help owners integrate it into their busy lives

Make planning more manageable

- Provide easy-to-follow templates and guides for business owners
- Break planning into steps that business owners can take incrementally

I wish there was something, like a roadmap or a guide, [from] the SBA or bank.

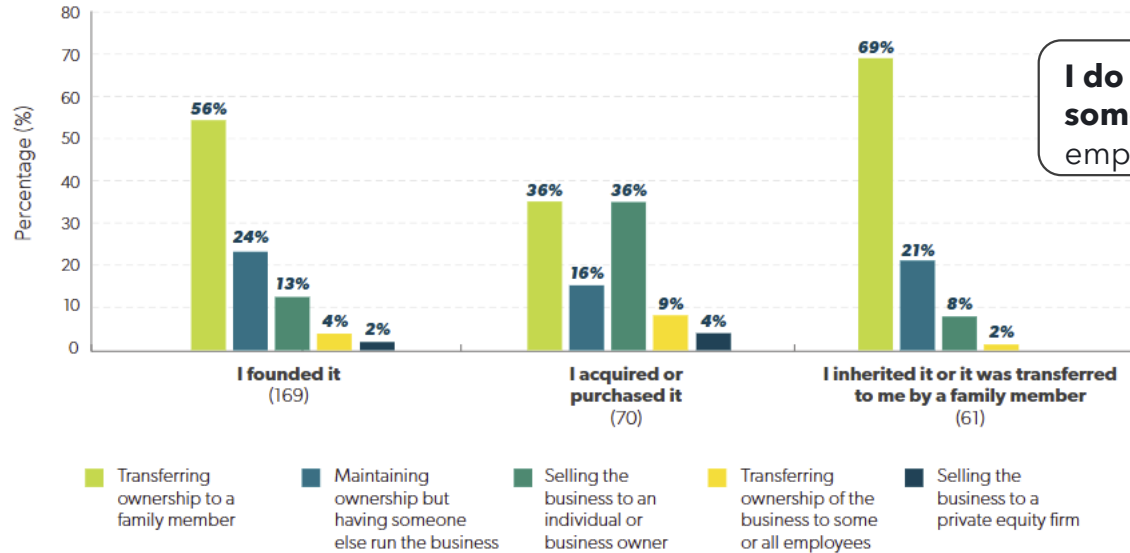
Integrate planning into owners' lives

- Build planning discussions into existing relationships and touchpoints, such as routine conversations with professional advisors
- Ask questions gradually over the course of time, rather than suggesting everything needs to be figured out all at once

5. *Exit Options*

Finding: Business owners say they are satisfied with their options but are likely not considering the full range available to them

Out of the exit options you are open to considering, which option are you most likely to pursue?



I do not want to give away ownership to someone else, and all those points only emphasize the loss of ownership.

I don't believe there will be many opportunities to transfer ownership in a way that benefits the business and my retirement plans, which is why I haven't considered other options.

Recommendation: Encourage owners to consider a wider range of exit options

- Prompt owners to reflect on what they're hoping to achieve through a transition and what they're looking for in a successor
- Introduce owners to the full range of options available, including less well-known options like employee ownership and entrepreneurship through acquisition, and walk through the benefits and risks of each
- Provide case studies of "business owners like you" who pursued a wide variety of exit options
- Create a stronger bridge between sellers and buyers
 - Position buyers (whether individuals or employees) as business leaders

Finding: Owners may be overly optimistic about how the process will go

From our survey:

- Most respondents selected **transferring the business to a family member** as the exit option they'd most likely pursue. Only 30% of family businesses survive to the second generation¹
- Many owners expressed interest in **maintaining ownership** and having someone else take over business management. Few of these owners had an alternate plan
- **Owners hoped to find a buyer through personal or industry relationships.** Only **19%** planned to involve a business broker, whereas **67%** of owners who had identified a buyer did so through a broker

¹[FBA, 2022](#)

Finding: Owners may be overly optimistic about how the process will go

It is important to me that my business continues from generation to generation, so **I want my family to take it forward.**

If keeping the business in the family were possible, **I'd love to see that happen.**

I didn't like the broker part. All they did was market, they didn't know much of the business.

In a perfect world, my 2 sons would take over, but **that's probably not going to happen...** They're in their twenties, so they want to do their own thing, but **I'm hoping they'll come around.**

I'd like a broker who specializes in my industry so they can be more helpful.

Recommendation: Prompt owners to develop a backup plan

- Share data on the success rates of exit options
- Buyers should identify a clear timeline for when to start pursuing alternate plans
- Support owners who desire a gradual transition, while urging them to plan for what would happen if they needed to fully exit their business

Recap: Recommendations

- Tailor approach to owners' context and business stage
- Every stakeholder can play a role
- Prompt owners to articulate their goals
- Keep benefits of planning salient
- Prompt conversation early and often
- Make planning more manageable
- Expand business owners' choice set
- Encourage backup and emergency plans

Succession planning is **crucial for every business owner.**

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FINANCIAL HEALTH

Succession Planning Among Small Business Owners

Survey Insights

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March 2025

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deeper
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