

SMALL BUSINESS SUCCESSION PLANNING

Survey results

Survey sample: 300 owners of U.S.-based businesses that have \$1-16 million in revenue and employ at least 1 person, across three target industries: Retail, Wholesale, and Health Care.



SUCCESSION PLANNING PRACTICES

MOST BUSINESS OWNERS REPORT HAVING A PLAN IN MIND, BUT MANY HAVE NOT FIGURED OUT THE DETAILS (Q18):

- ▶ **50%** have a specific and detailed plan in place
- ▶ **23%** have a plan in mind but have not figured out the specifics
- ▶ **27%** have not decided on a plan

INFLUENCERS: *Lawyers, online search, and wealth management advisors* are the most common sources of information or advice about succession planning (Q20). Advisor encouragement is a top reason that business owners begin succession planning (Q23).

BUSINESS OWNER MOTIVATIONS

PROTECTING THEIR LEGACY IS BUSINESS OWNERS' HIGHEST PRIORITY WHEN THINKING ABOUT SUCCESSION PLANNING, followed by ensuring their business does not close. Business owners prioritized these factors above financial concerns (Q29).

68% agreed that they are *worried about what will happen to their business* when they step away. By far, the respondents most worried are those with no plan (Q31; Q31A).

BARRIERS STOPPING OWNERS FROM CREATING A DETAILED PLAN

MANY OWNERS INTEND TO PLAN, BUT DELAY GETTING STARTED:

- ▶ **63%** of those without a specific or detailed plan thought it was too early (Q36).
- ▶ **80%** thought that owners should wait to plan until they feel ready to exit (Q22).
- ▶ **43%** said they were too busy running their business (Q36).

While respondents overwhelmingly agree that succession planning requires time and effort, **10%** or fewer cited lack of knowledge and difficulty as barriers (Q38; Q36). Most stated they *understand the process* and they know where to go for information (Q41-42).

The vast majority said they were *aware of succession planning*, and only **3%** thought planning was unnecessary for their business (Q43; Q36).

EXIT OPTIONS

BUSINESS OWNERS SAY THEY UNDERSTAND AND FEEL SATISFIED WITH AVAILABLE EXIT OPTIONS (Q47-48), BUT FEW SAID THEY WERE CONSIDERING LESS TRADITIONAL OPTIONS (Q49).

They appear to *prioritize options they have personal experience with*, i.e., family transfer for those who inherited or founded their business, and sale for those who acquired their business (Q50B).

Most business owners planned to transfer the business to a family member (Q50). Given only **30%** of family businesses are *successfully passed on* to a second generation, respondents may be overly optimistic about this option.

Many owners express interest in *maintaining ownership* and having someone else take over business management. Few of these business owners have an alternate plan (Q49-51).

Most owners who have already *identified a buyer* did so through a business broker (Q53). Among owners who had *not* already identified a buyer, most planned to find a buyer through their existing networks, with a much smaller number planning to use a broker (Q54). This suggests finding a buyer *may be more challenging* than owners anticipate.