

# CFMA Presentation Business Succession

Certified Public Accountants & Business Consultants



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STRENGTH IN NUMBERS

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## Eight Steps to Succession

1. Foundation of a Successful Transition
2. Forming the Team
3. Goals, Expectations & Contingency Planning
4. Strategic Planning & Management
5. Valuation and Financing Options
6. Optimizing Legal & Tax Structures
7. Communicating the Plan to all constituents
8. Finalizing the plan of Action



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Source: Goering Center NGI

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## Role of Family Dynamics

- Family Members in the Business
- Family Members not in the Business
- In-laws in the Business
- In-laws not in the Business
- An Estate Plan that is “Equal” vs. a Plan that is “Fair”
- What do you do when 100% (or close to it) of the Generation’s Wealth is in the Business.

### Diversification



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## Business Transfer Issues

- Do you own a job or a business?
- What are the value drivers in your business and your industry?
- Which is most important to you – maximize value or choose your next generation of ownership?
- How much of the value of the business do you need to “capture”? Put another way how much of the value of the business can you give away?



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## Business Transfer Issues (continued)

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If you need to capture a large portion of the value of the business then:

- Investigate an outright sale at Fair Market Value

## Business Transfer Issues (continued)

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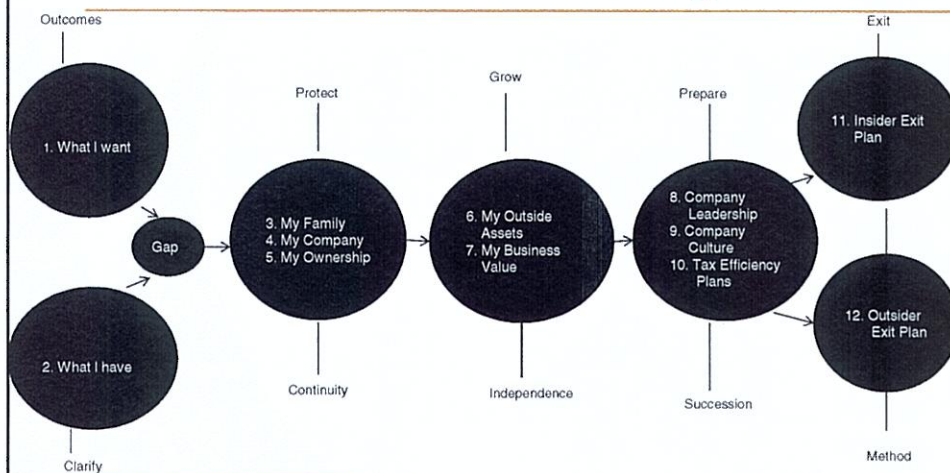
If you can give some of the business away then here are some alternatives:

- Sale of priority interests at a discounted value
- Outright gift of ownership interest at discounted value

## Big Picture Issues

- Dynamic business strategy
- Performance management system
- Leadership development
- Contingency planning
- Owners' retirement plans

## Exit and Succession Building Blocks





## Dynamic Business Strategy

- Develop, regularly update and continuously measure results against plan
- Plan for financial success over time (how do we grow sales/profits?)

## Performance Management System

- Develop accurate, up to date job descriptions
- Develop & execute performance management system

## Leadership Development

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- Implement development plans for key positions and possible successors

## Contingency Planning

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- Are there appropriate plans in place in the event of the disability or death of owners or key employees?

## Owners' Retirement Plans

- Create a retirement plan that addresses the lifetime financial security of the owners

## Actions to Strengthen Your Business

Every business owner should complete these items today, and repeat them annually.

1. Create a budgeted income statement, balance sheet and cash flow statement for 2015. Craft them to be month-by-month or quarter-to-quarter for better results than annual versions.

## Actions to Strengthen Your Business

2. Evaluate your business balance sheet. Do you have sufficient working capital? Have you appropriately matched short and long term assets with short and long term debt?
3. Assess your current business lines objectively. Decide what should stay and what should go.
4. Identify three people in your business to mentor and develop this year, and then do it.

## Actions to Strengthen Your Business

5. Prepare yourself with a list of the “next five in” and the “next five out.” If your business grows beyond your expectations this year, what are the five skills, positions, or people you would add to continue the momentum? Likewise, if your business falters, what skills, positions, or people can you eliminate to keep the business in good standing?



## Actions to Strengthen Your Business

6. Revisit your succession plan and disaster recovery plan. Be sure the right people and systems are in place in the event the unexpected happens.
7. Scrutinize how well you have protected your own future, and that of the company. Are your investments, insurance coverage levels, estate planning documents and the like up-to-date and in good order?

## Actions to Strengthen Your Business

8. Examine your personal financial position. Look at your level of debt compared to your income and asset base. Is it appropriate? Do you have a personal budget and are you willing to live within it?
9. Consider one thing you would change about yourself, and write out your plan to accomplish that change. You are the greatest influence on your business, and when you improve so does the company.

## Actions to Strengthen Your Business

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10. Draft a strategic plan, either very basic or quite detailed. Simply answer, “what is going to be different about my business at the end of 2015?” Set your goals, identify your path, and boldly take the journey.



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