

Building a Succession Plan is Essential for Entrepreneurs.

By Ann N. Gatty, Ph.D. and R Shawn McBride, J.D.



It's never too early to think about your business succession plan. Many entrepreneurs set out to build a business that provides financial security for their family, not only for the present members, but for future generations as well. As you scale your business and begin to develop a workforce to execute your plans, think about your family members and the role they may wish to take in the future. What types of jobs might they want? Do they even want to join the business?

You, as the business owner, are making two types of investment. You are investing in building a business for long-term sustainability (whether you sell it or not) and you are investing in your own personal growth (leadership skills). You know that as you began your entrepreneurial journey you were spending long hours working to develop the business. You might have started as a one-person or few-person operation, spending night and day getting the services and products available and finding customers. In building your endeavor, you also worked tirelessly developing marketing plans and establishing billing procedures to keep money flowing in.

In the early stages, you may have missed your children's sporting events, music recitals, and other school events. The temporary inconvenience to the family is understandable and acceptable if it leads to permanent improvement. However, finding some balance between your personal and professional life is necessary for the wellbeing of the family. As you build your business take into account the needs of the family is critical.

Even as you begin your business, the long-term vision should be first and foremost in your planning. And it is never too early to think about an exit or succession plan. The succession plan should be developed which thoroughly addresses what happens when you, the entrepreneur, steps away from the business. We like to call this type of planning reverse engineering. You establish where you will end your time with the business and then plan backwards to determine the steps necessary to get you to that end point.

Here are issues to consider when designing a business succession plan:

- What will be the future relationship between the business and the family?
- Who will run the business after you—or how will you choose a successor?
- Do you expect to pass on the business to family members or, will non-family members be enabled to inherit?

When developing a business succession plan, you should talk to your family about how (and if) they see themselves being involved in the future of the business. If they don't have any interest in working for the business, that's okay. It may not be of interest or they family members may have their own career goals. Maybe they have learned from your experiences how to start their own business.

The last thing you want to do is transfer your business to a family member who does not possess the knowledge and competencies to run the business. Or who does not share your vision. Taking the time now, while you are still experiencing the growth of your business, to review where you are going is critical. We've already talked about understanding when it is time to pivot in a business. Yet, there is a real benefit at validating where your business needs to expand to be sustainable and knowing who will take over when you leave.

Even though it may be hard to imagine that you'll ever want to leave the company you worked so hard to build, there will come a time when you want to exit from your business. Once you know that your business is viable, building it to be more valuable over time will allow you to rest easy knowing that you could sell it if you needed the cash to retire, start a new venture, or use for personal financial purposes.

Remember that your exit or business succession plan is a comprehensive road map that addresses all the business, personal, financial, legal, and tax issues involved in selling a privately-owned business. A good exit plan includes contingencies for illness, burnout, divorce, and even your death. Its purpose is to ensure the survival of the business; to provide continuity to your employees, customers, vendors; and to preserve wealth for your family.

About the Authors

Dr. Ann Gatty is a business development strategist. She helps her clients clarify the vision for their businesses, boost their leadership capabilities and add quality talent to help the clients reach their goals. Dr. Gatty is a frequent writer and contributor www.AllBusiness.com, and www.WomenOnBusiness.com. She is the author of [Leadership Unleashed, A Great Dane's Wisdom for the Business World](#). Her interactive speaking engagements assist participants in discovering new-found talents and skills that they can immediately apply in the workplace. Join her [Facebook Group, Strategic Thinking Summit Elites](#) for strategies you can implement to grow your business success and enjoy camaraderie with others entrepreneur members.

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This article is a small portion of the content of the book Entrepreneur to CEO being co-authored by The Our Shawn McBride and Ann Gatty. If you want updates on the book including the possibility of joining our release team or getting one of the first copies please [join our mailing list here](#).