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Focus on Succession (Exit) Planning

By Richard Hohmann

When the topic of succession planning is discussed, it usually focuses on the large corporation where succession planning means positional replacement. It usually means something else when it comes to the smaller business. Many times in a family business, the presumption is that there is always a surviving partner or natural successor in the picture. In reality, however, many excellent small businesses have no multiple owners, partners, or even a natural successor. These owners need an exit strategy as opposed to a succession plan.

Surveys have shown that 90 percent of all sole proprietorships and sole practitioners do not have a succession plan or exit plan in place. Exit planning should be defined as a process, not an event, that is both deliberate and adaptable, yet customizable for the specific business owner. The end result of the process should be that the business owner is able to leave the business on his or her own term and time frame.

The time frame that is needed to be considered in both the sudden and unexpected as well as the planned. The process should address retirement, disability, or even death. Whether it is the large corporation or the small business, it is imperative that the senior management team or owner look for the internal successor for their position or business.



The majority of business articles reflect the fact that the primary role of any great manager should be the development of their people and of course their successor. Everyone should plan for the “hit by the bus” event. If no internal successor can be found, we either have to find one from the outside or plan to sell the business to an appropriate successor.

Many professionals feel it takes approximately ten years to prepare an effective succession plan so for many of the “boomers”, time is running out. It is not an easy thing to do, and most owners are hesitate to start this type of process. It will most likely require a team effort between your financial advisor, accountant, lawyer, and business consultant.

Isn't it time you started focusing on your Exit Planning Process?

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