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Show Love and Commitment: Succession Planning for Small Business Owners



It is Valentine's day! We hope you love your job, your organization, and the people you work with, so make sure you take care of them.

Succession planning is a necessary part of overall business planning and keeps organizations running smoothly, even during times of leadership and other changes.

There are more than [28 million small businesses in the United States](#), and over half of them have owners who are over 50 years old. Furthermore, a 2015 survey tells us that 78 percent of owners intend to sell their business when it is time to retire. However, a [CNBC exit strategy survey](#) notes that less than 30 percent of them have a documented plan for succession, or have even given it much thought. Failure to plan for succession does not put leaders in an optimal position, either for retirement or for selling their business.

These five steps can prepare businesses, owners, execs, and other employees to move forward when planning for the future of their organization:

1. Planning Early – It is vital that business owners and leaders begin succession plans as early as possible. This means putting a strategy in place for when and how the succession will be handled. What is planned today affects the company tomorrow. Perhaps you are a small business owner who intends to sell. To achieve that, the business must be thriving and growing, and the revenue must warrant the price.

2. Choosing the Right People – In a small business, succession planning can mean identifying a family member who is qualified to take over the leadership of the business, or

finding another person who works with or in the business. It can also mean being honest if there is no one available who fits the bill, and beginning the search for an external leader.

3. Working in Different Areas – The successor in a small business often needs to know more about daily operations than if they were taking over a larger corporation. One technique is for the new leader to spend time working in each functional area to gain adequate knowledge and understand the requirements of the teams in place. In many smaller businesses, the person at the top fills in when there is a gap, so this experience is crucial.

4. Planning the Exit – As a [business owner prepares to leave](#), is it important that they also plan what they are going to do in their retirement. Simply waking up with nothing to do and no job to go to can be devastating. Planning for the next step makes leaving the business easier, and allows them to truly let go. In an article [Early Retirement May Be the Kiss of Death](#), an OSU study found that people who retire after age 66 have an 11% lower risk of death, even after accounting for a variety of other factors such as disease, location, and health issues. Even people who claimed they were relatively unhealthy live longer when they work longer. It reinforces the prevailing thought that people need a purpose and a reason to get up in the morning. You also don't want to be that executive who continues to show up after you have passed the baton.

5. Timing is Everything – Determining when control of the company should be relinquished is a vital decision, and it depends on a wide range of variables. Most owners will need their accountants and lawyers to assist with this decision.

Early planning allows the new team to get trained and educated on the nuances as well as the big issues and opportunities. To give the new leadership team every chance for success, they need the time to learn from prevailing corporate wisdom. Early planning means a smoother transition.

There are many important details to handle when planning to sell a business or turn it over to a successor. It can be overwhelming for some business owners, especially with the daily workload they already have. One further recommendation would be [to partner with a great business coach](#) on some or all of the fine points.

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