



Business Owner Succession Survey



BRADY WARE

Eubel Brady & Suttman
INVESTMENT + WEALTH MANAGEMENT



Securing Your Legacy: Insights and Resources for Successful Succession Planning

One of the most challenging aspects to a business owner's legacy is their succession strategy and its execution. Sharing a passion for this topic and its challenges, Brady Ware and EBS, along with Wright State University, asked business owners for their views and attitudes about succession strategies and planning. Having compiled and analyzed responses from more than 60 business owners, our report is intended to help business owners understand the hindrances and better plan for a future that results in a successful succession transition.

The survey reveals soft side issues like how to find time for succession and how to identify approaches for dealing with the issues that are most often procrastinated related to succession. Our hope is that this survey helps raise awareness and shares useful information with business owners in their succession strategies and planning efforts.

If you have questions about this survey, please feel free to contact us.

Sincerely,

Anita Anand, CPA
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JANUARY 2024

Executive Summary:

Business Owner Succession Survey

Owners have pointed to a lack of understanding with what should be considered a comprehensive succession plan, along with “soft side” issues such as finding time to focus on the plan, as negatively impacting the effectiveness of succession and creating unwanted obstacles. Not only have those obstacles impeded business owners for effective succession strategies, but they also found it impacted the success of their businesses well before the succession transition.

With succession planning being a key to the future of any organization, Eubel Brady & Suttman, an investment and wealth management firm, and Brady Ware, a CPA and advisory firm collected data from more than 60 primarily Midwest-based private business owners. The purpose of this survey was to gain insights into succession planning while also identifying what they believe are their obstacles. The hope is that the findings presented will enable private business owners to address succession planning in a meaningful and relevant way.

Dr. Rachel Sturm, of Wright State University's College of Business, helped with survey design and data analysis and the attached findings represent insights from those who completed the survey. This survey gathered information on the role, tenure in the business, gender, education level, age, ownership history from a generational perspective, employee and revenue size of business, work week hours devoted to the business, and questions about how business owners perceived the scope and progress of their succession journey. In addition, insights into how soon these owners ideally wanted to transition away from their current role in running the business, whether they expect to have a need to utilize proceeds to meet post-succession economic living goals, the estimated percentage of their net worth presently tied to their illiquid business interest and their perceptions of progress they are making on succession and what they view as the most challenging inhibitors to progress on an ideal state succession plan.

Summary of Participant Demographics

More than 80% of respondents were majority owners in a President and/or CEO role.

80%

Approximately two-thirds of those surveyed had worked 20 years or more in their business.

66%

Fourteen percent were a female or minority-owned business.

14%

Employees

20 or More

40%

20 to 99

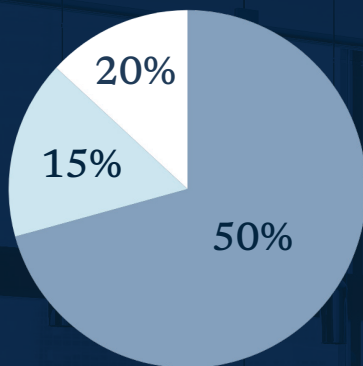
33%

More than 100

25%

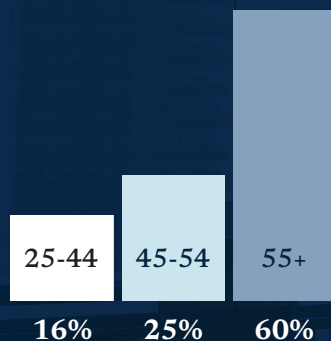
Just over 40% of those replying had 20 employees or less, about 33% had between 20 and 99 employees, with about 25% of those surveyed having more than 100 employees.

Summary of Participant Demographics



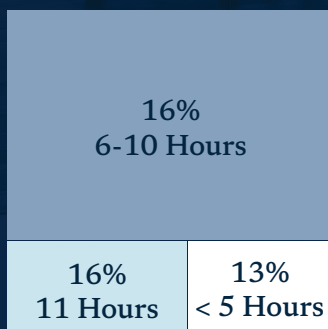
Generational Demographic

Fifty percent of responses were first generation founders of their business, with about 15% being second generation owners and nearly 20% being third generation.



Ages

About 16% of the responses were between 25 and 44 in age, 25% between age 45 and 54, with 60% fifty-five or older.

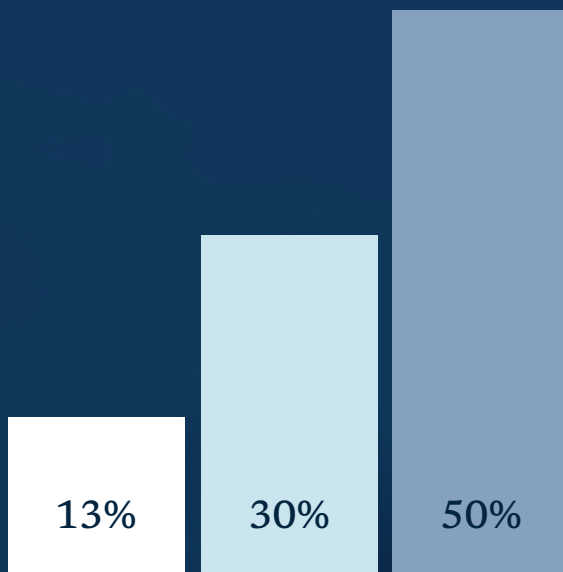


Hours Worked

About 13% worked less than 5 hours per day, 70% between 6 and 10 hours and 16% more than 11 hours per day.

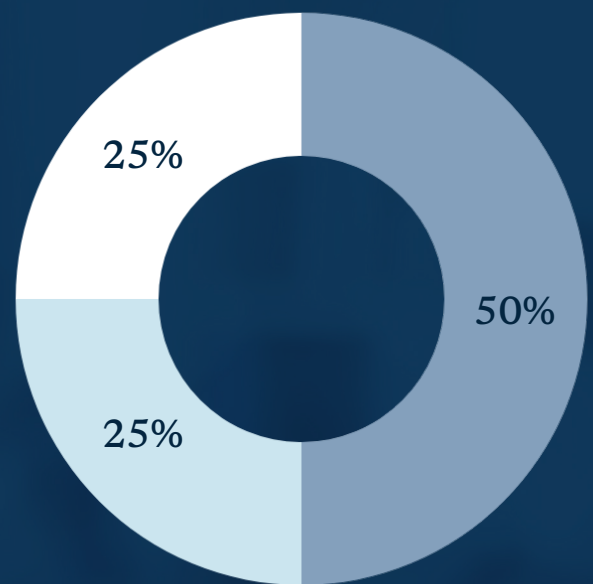
Summary of Participant Demographics

Sales



About 50% of the surveys were from businesses with less than \$10 million in sales, about 30% had between \$20 and \$50 million in sales, with about 13% greater than \$50 million in sales.

Education



Education levels were approximately 25% with less than a bachelor's degree, about 50% with a bachelor's degree and a little less than 25% with a graduate degree or higher.

Summary of Succession-Related Descriptive Information

**Almost
60%**

of respondents thought that succession planning **INCLUDED A DEFINITION OF AN IDEAL STATE** that considered personal goals of the successor, stakeholders' interest (customers, family, employees, community, suppliers) and economic goals and outcomes.

**Almost
70%**

of responding participants believed **LEGAL, ESTATE AND TAX STRATEGIES** should be included in an overall succession plan.

**Over
40%**

of those answering the survey wanted to **WIND DOWN THEIR INVOLVEMENT** in the business within 5 years.

Only 21% and 13%

respectively, **IDENTIFIED A PERSONAL TRANSITION PLAN** addressing how time going into the business would get reallocated and a **PLAN TO REDEPLOY THE FORMERLY ILLIQUID ASSET** into liquid assets and redeploy this liquidity to meet standard of living goals as an element of the succession plan.

Summary of Succession-Related Descriptive Information

Almost 33%

of business owners surveyed felt that the **SUCCESS OF THE BUSINESS** was dependent on their ongoing involvement.

Almost 40%

of those responding felt that **FINDING THE TIME** to take on various aspects of succession was a major inhibitor in making progress.

Nearly 30%

had concerns about being able to **REPLACE THE SATISFACTION** they get from working in the business if they were to exit the business.

Nearly 25%

cited a **LACK OF UNDERSTANDING** on how to approach succession as a major inhibitor.

More than 40%

did not believe they had a person in line to take the business into the future **THE WAY THEY WOULD WANT** the business to be taken forward.

About 33%

of the participants said more than **60% OF THEIR INDIVIDUAL NET WORTH** is tied to their business ownership.

Summary of Key Relationships in the Succession-Planning Process:



OLDER PARTICIPANTS SHOWED A GREATER SENSE OF URGENCY TO WIND DOWN INVOLVEMENT IN THE BUSINESS.

The hurdles to succession planning (i.e., the factors that created the most stress for participants when considering a sale or transition of their business to a buyer and/or the next generation of leadership) were compared for those who were interested in winding down their involvement in the business in less than five years to those who planned to stay involved longer (at least five years more to over a decade).

- A similar trend was found for those owners attempting to exit in the near or long-term in terms of how many hurdles were endorsed. For the group interested in being less involved sooner (in less than five years), **approximately 46% identified only one option** as being a hurdle to their succession **compared to only 37% of participants in the second group** (those planning to stay involved longer). Identifying two or three hurdles was similar across both groups, accounting for **38% of participants in the first group and 34% of participants in the second group**.
- In terms of the hurdles that were identified across both groups, **33% of participants in the first group** identified a lack of confidence in creating and executing a succession plan as a concern (in fact, this was the most endorsed concern for this group), compared to only **9% of the second group**. In terms of not trusting those already in place to take the business forward, **only 26% of the participants in the first group** identified this as a concern, compared to **46% of participants in the second group** (this was the most endorsed concern for this group); hence, those who do not plan to leave for awhile are more concerned about who would be the ones to take their place.

Summary of Key Relationships in the Succession-Planning Process:

- Both groups equally expressed at a low rate **(11% and 15% respectively)** that there were too many family members or other stakeholders (employees, customers, suppliers, community members, etc.) dependent on the success of the business for them to be comfortable giving up control, hence, this factor does not seem to be a primary hurdle to succession planning. Those in the first group were more likely to say they are concerned that future profits are not enough to provide a standard of living and fund improvements to keep the business competitive **(22%) compared to the second group (9%)**. Interestingly, more participants from **the second group (27% compared to 7%)** identified a hurdle being that their personal identity and value to those served is closely tied to the success of the business; thus, how much one identifies with their business may be important to address in succession planning, particularly for those who plan to stay involved longer in the business.
- That being said, for younger employees (under 55 years old), the primary hurdles identified were: the success of the business is dependent on them being actively involved **(41%)**, they do not trust that they have a person or people in place who would take the business forward the way they would want them to take it forward **(41%)**, and their sense that the business is not worth enough for them to sell it and maintain the standard of living they now realize from the business **(33%)**.
- For older employees (55 years old and older), the primary hurdles identified were: how to replace the level of satisfaction they get from operating their business if they were to do something different **(41%)** and they do not trust that they have a person or people in place who would take the business forward the way they would want them to take it forward **(32%)**.



Summary of Key Relationships in the Succession-Planning Process:



- Minority participants also identified more hurdles to succession planning compared to non-minority participants.
- In addition, minority participants have worked less years in their current role than non-minority participants.

Broadly speaking, age was not predictive of the identification of perceived hurdles to succession planning.

Minority business owners said they lacked confidence in succession planning **(50%)** and were too busy running the business to make success plans **(40%)** compared to only **16% and 18%, respectively**, of those who were non-minority business owners.

For participants working less than 20 years in their current organization and those working more than 20 years in their current organization, a major hurdle to succession planning was that they do not trust that they have a person or people in place who would take the business forward the way they would want them to take it forward **(35% and 37% respectively)**.

- Those working less than 20 years in their current organization also identified the following as being key hurdles for them: the success of the business is dependent on them being actively involved **(35%)** and their sense that the business is not worth enough for them to sell it and maintain the standard of living they now realize from business **(35%)**.
- Those working more than 20 years in their current organization also identified having concerns about how to replace the level of satisfaction they get from operating their business if they were to do something different as a key hurdle **(32%)**.

Those participants working more than 20 years in their current organization were more varied in their replies concerning what the major inhibitor was to their making progress in their succession planning.

Appendix: Detailed Survey Data

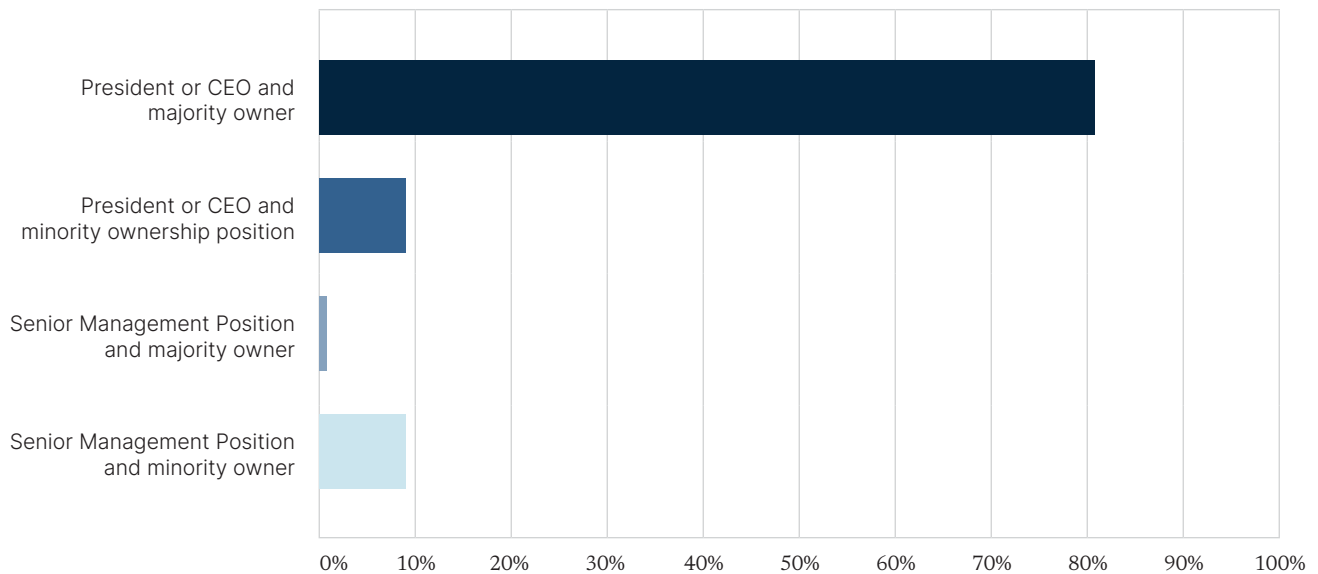
For a deeper dive into the data collected in this survey, we have compiled an appendix that includes raw data from our survey on succession planning among private business owners. It complements the key findings presented in the main report by offering detailed responses from participants.

No personal information was collected in this survey, allowing all participant answers to remain anonymous.



Appendix

Original Data

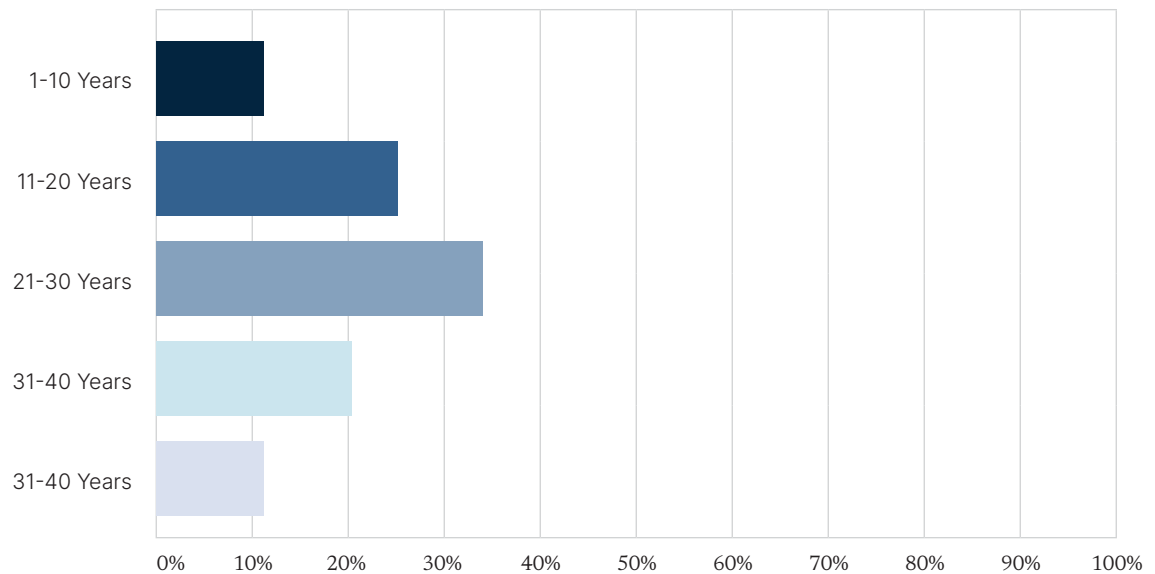


Q1 What best describes your role in the company?

ANSWER CHOICES	RESPONSES	
President or CEO and majority owner	81.25%	52
President or CEO and minority ownership position	9.38%	6
Senior Management Position and majority owner	1.56%	1
Senior Management position and minority owner	9.38%	6
TOTAL RESPONDENTS:		64

Appendix

Original Data

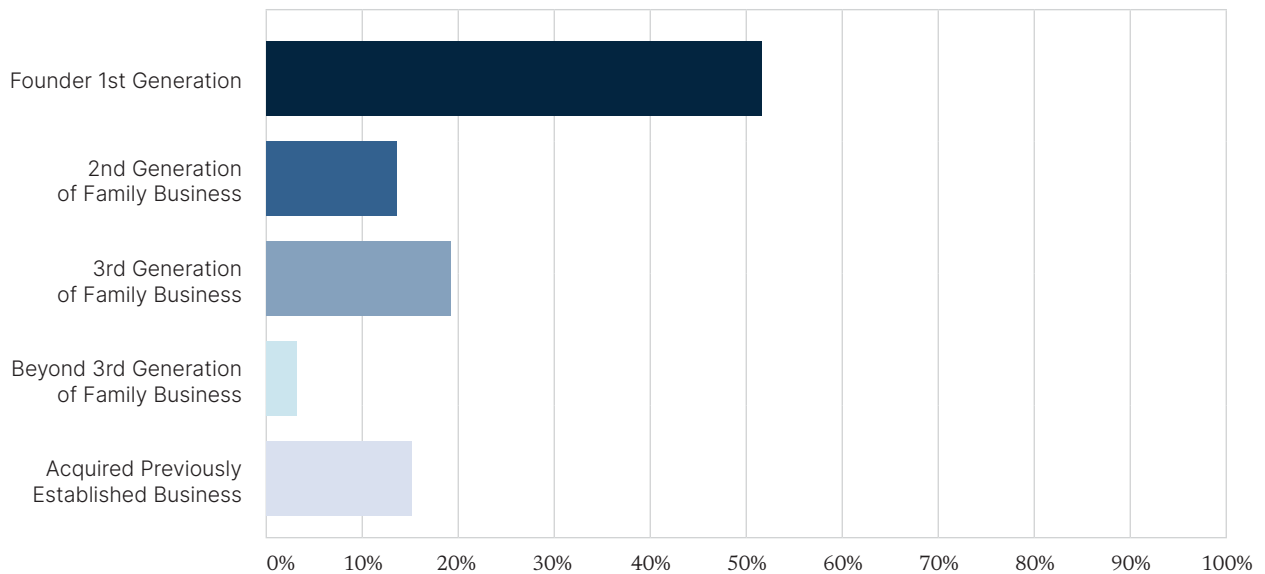


Q2 How many years have you worked in your current organization?

ANSWER CHOICES	RESPONSES	
1-10 Years	10.94%	7
11-20 Years	25.00%	16
21-30 Years	32.81%	21
31-40 Years	20.31%	13
41 or More Years	10.94%	7
TOTAL RESPONDENTS:		64

Appendix

Original Data

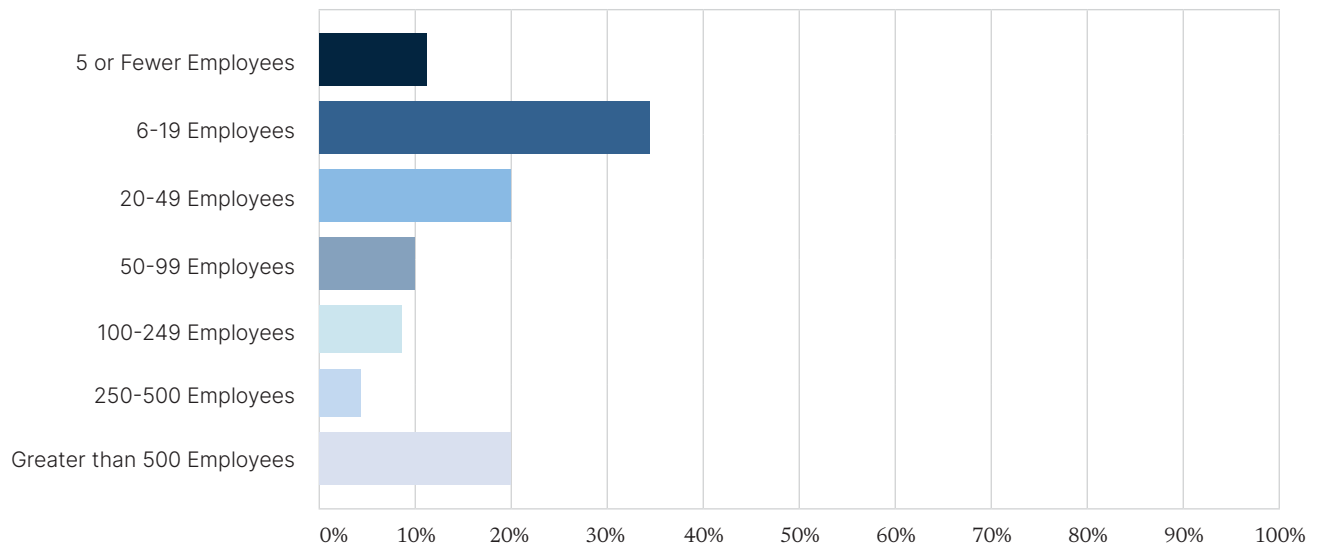


Q3 Which of the following best describes the ownership history of your company?

ANSWER CHOICES	RESPONSES	
Founder 1st Generation	51.56%	33
2nd Generation of Family Business	14.06%	9
3rd Generation of Family Business	18.75%	12
Beyond 3rd Generation of Family Business	3.13%	2
Acquired Previously Established Business	14.06%	9
TOTAL RESPONDENTS:		64

Appendix

Original Data

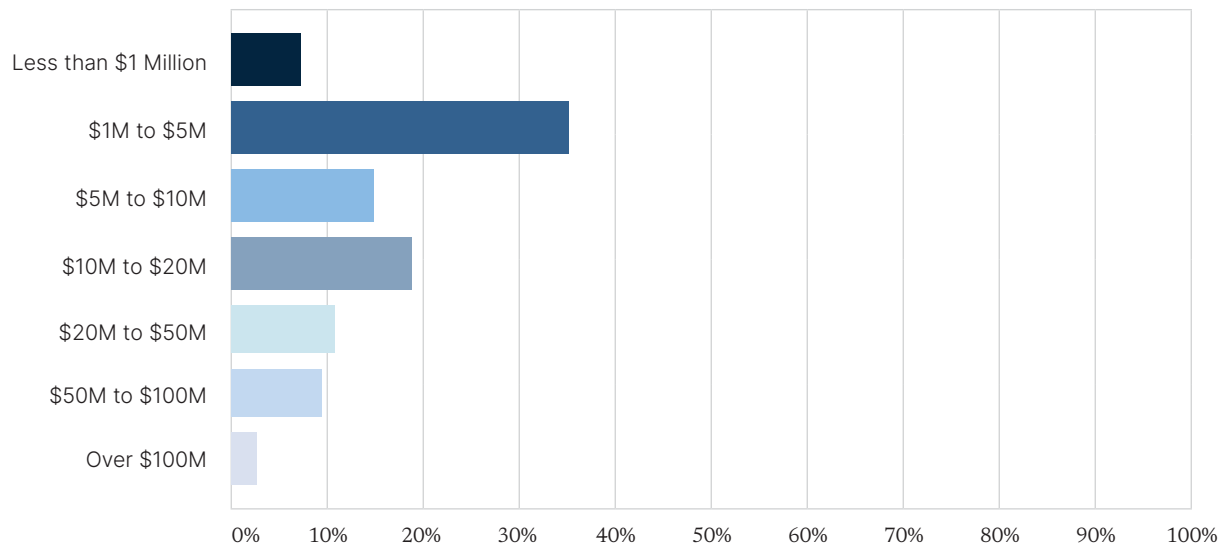


Q4 How many employees do you have in your company?

ANSWER CHOICES	RESPONSES	
5 or Fewer Employees	10.94%	7
6-19 Employees	34.38%	22
20-49 Employees	20.31%	13
50-99 Employees	10.94%	7
100-249 Employees	14.06%	9
250-500 Employees	7.81%	5
More than 500 Employees	1.56%	1
TOTAL RESPONDENTS:		64

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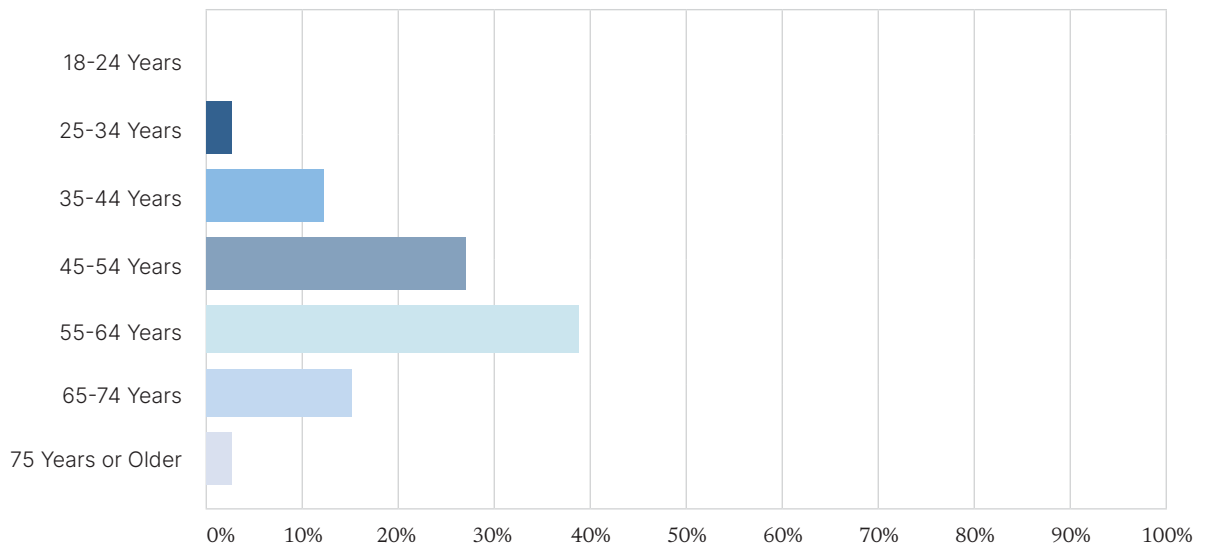


Q5 What is your organization's expected total revenue for the current fiscal year in USD?

ANSWER CHOICES	RESPONSES	
Less than \$1 Million	6.25%	4
\$1M to \$5M	35.94%	23
\$5M to \$10M	15.63%	10
\$10M to \$20M	18.75%	12
\$20M to \$50M	10.94%	7
\$50M to \$100M	9.38%	6
Over \$100M	3.13%	2
TOTAL RESPONDENTS:		64

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Original Data

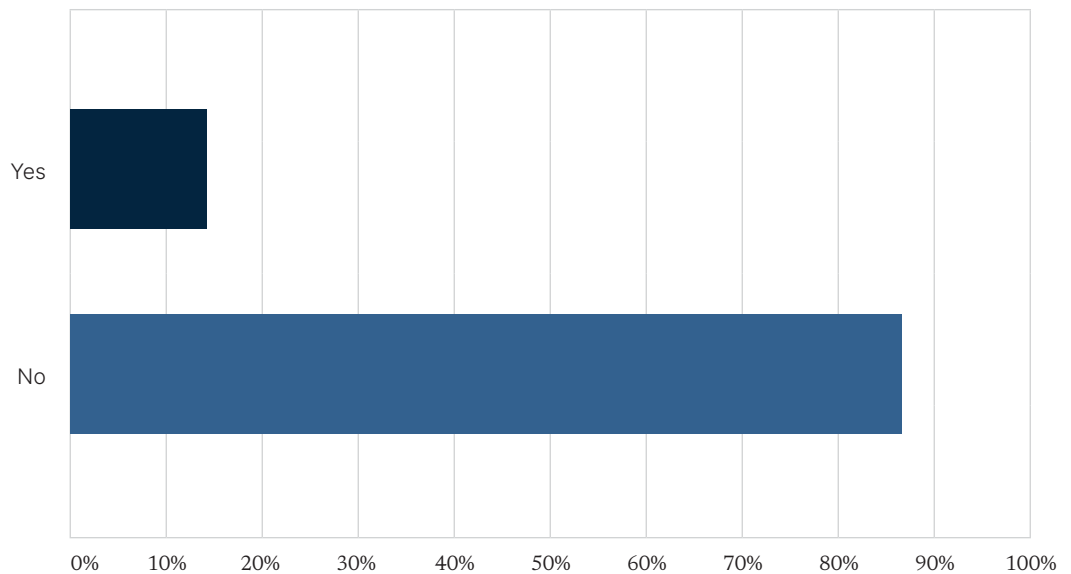


Q6 What is your age?

ANSWER CHOICES	RESPONSES	
18-24 Years	0.00%	0
25-34 Years	3.13%	2
35-44 Years	12.50%	8
45-54 Years	26.56%	17
55-64 Years	39.06%	25
65-74 Years	15.63%	10
75 Years or Older	3.13%	2
TOTAL RESPONDENTS:		64

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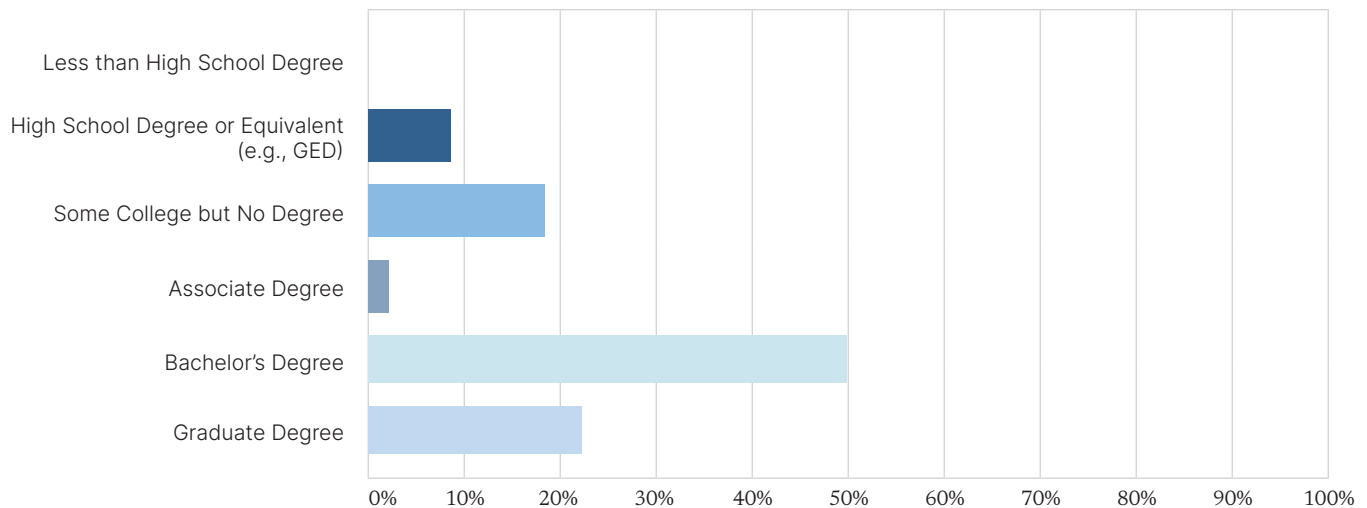


Q7 Are you a woman- or minority-owned business?

ANSWER CHOICES		RESPONSES	
Yes		14.06%	9
No		85.94%	55
TOTAL RESPONDENTS:			64

Appendix

Original Data

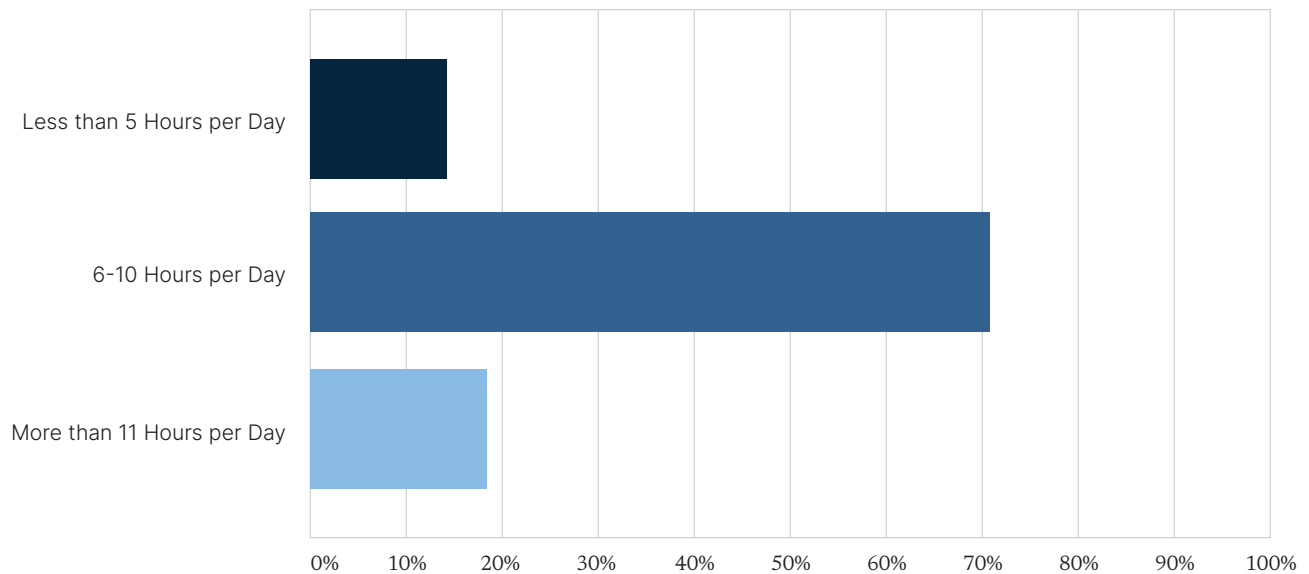


Q8 What is the highest level of school you have completed or the highest degree you have received?

ANSWER CHOICES	RESPONSES	
Less than High School Degree	0.00%	0
High School Degree or Equivalent (e.g., GED)	7.81%	5
Some College but No Degree	17.19%	11
Associate Degree	3.13%	2
Bachelor's Degree	50.00%	32
Graduate Degree	21.88%	14
TOTAL RESPONDENTS:		64

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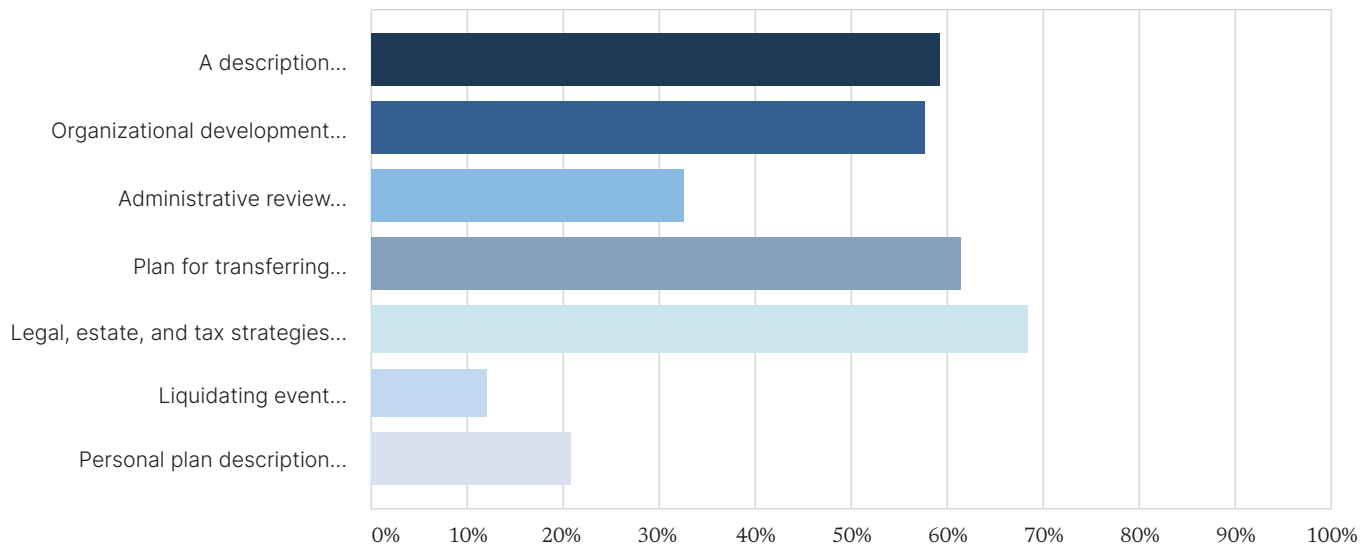


Q9 Average number of hours worked each day?

ANSWER CHOICES	RESPONSES	
Less than 5 Hours per Day	12.50%	8
6-10 Hours per Day	70.31%	45
More than 11 Hours per Day	17.19%	11
TOTAL RESPONDENTS:		64

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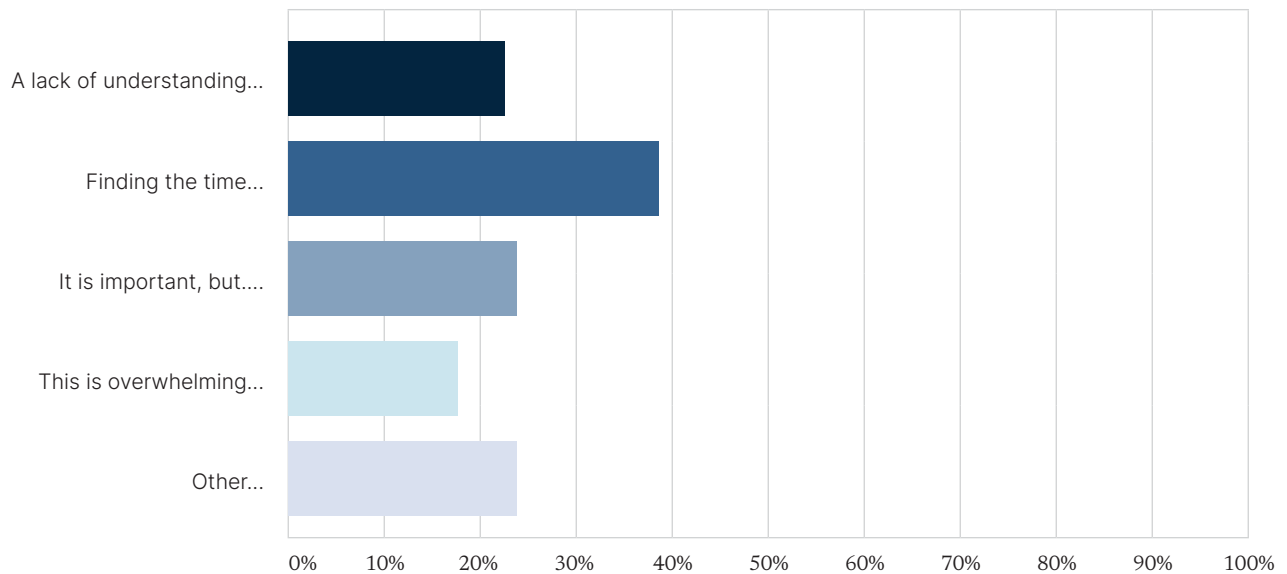
Q10 When considering succession planning for your firm, check which of the following areas you would view as an aspect of an overall succession plan?

(check all that apply)

ANSWER CHOICES	RESPONSES	
A description of an ideal state describing personal goals, stakeholders' interest (customers, family, employees, community, suppliers) and economic outcomes/goals.	60%	38
Organizational development: who, when and how successors will be identified and prepped for future roles in the management of the company.	56%	37
Administrative review and check-up (assess integrity and compliance of corporate records, internal controls, financial records, etc.).	32.81%	21
Plan for transferring or selling ownership or liquidation/wind down of business.	60%	39
Legal, estate, and tax strategies for transferring or selling ownership or winding down operations.	69%	44
Liquidating event transition plan to move from highly concentrated illiquid net worth re-invested to meet standard of living goals.	12.50%	8
Personal plan description of identifying how time will be occupied once business sells or winds down.	21%	14
TOTAL RESPONDENTS:		64

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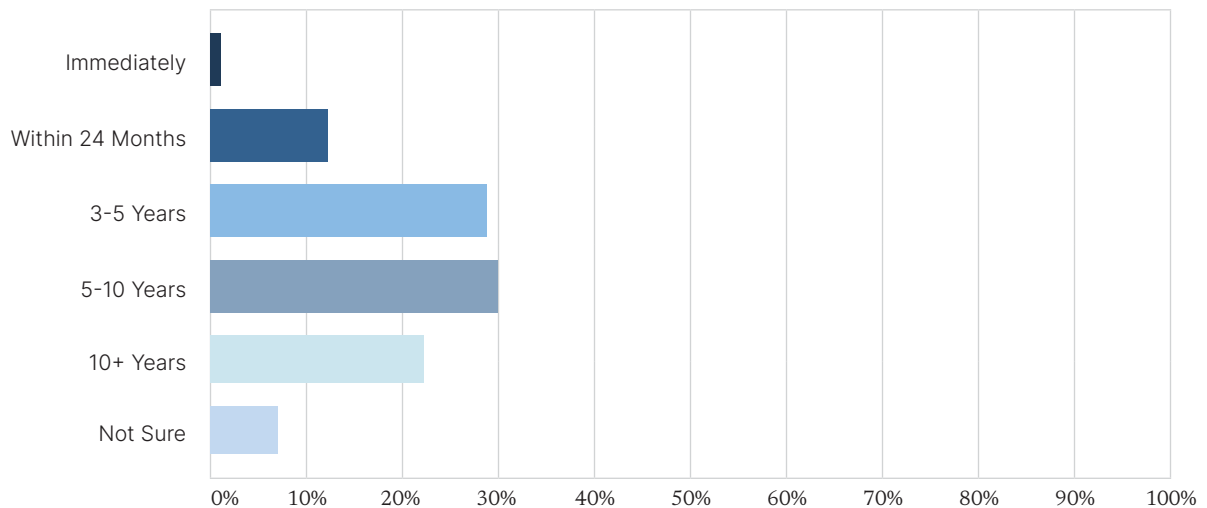


Q11 If you have not been successful in tackling one or more of these areas shown in the previous questions which of the following is the major inhibitor to you making progress?

ANSWER CHOICES	RESPONSES	
A lack of understanding of how to approach succession planning.	24.14%	14
Finding the time with my current involvement in the business to take on succession.	37.93%	22
It is important, but I am not willing or able to make succession related undertakings a priority at this stage of our business.	24.14%	14
This is overwhelming to me and therefore I procrastinate the issues that entail succession.	17.24%	10
Other, please describe.	24.14%	14
TOTAL RESPONDENTS:		58

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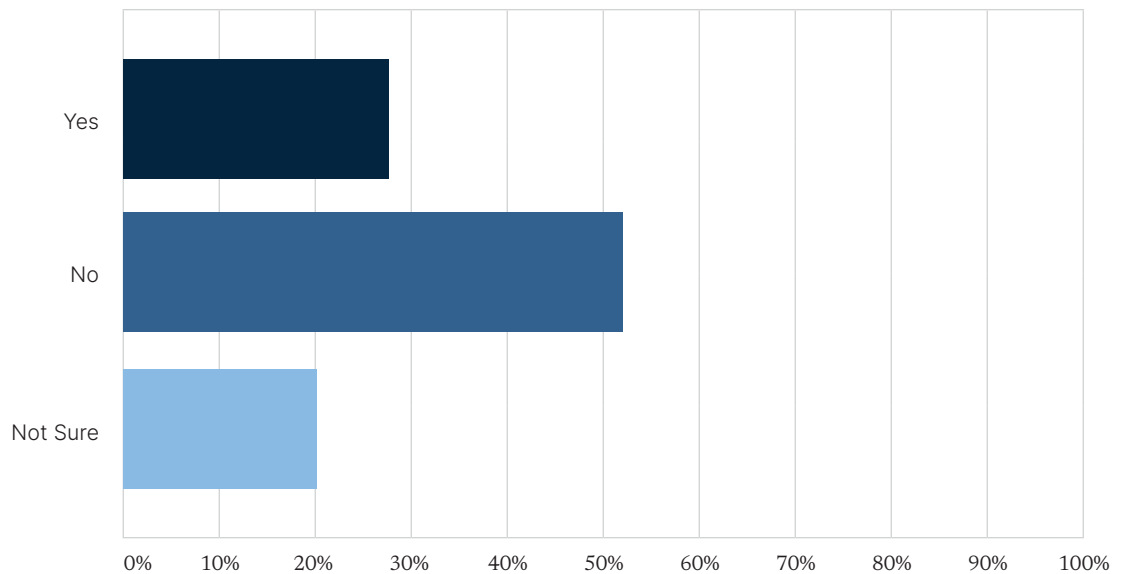


Q12 When would you ideally wind down your involvement in your business?

ANSWER CHOICES	RESPONSES	
Immediately, if I could	1.56%	1
Within the next 24 months	12.50%	8
Within the next 3-5 years	28.13%	18
Within the next 5-10 years	29.69%	19
More than a decade from now	21.88%	14
Not sure	6.25%	4
TOTAL RESPONDENTS:		64

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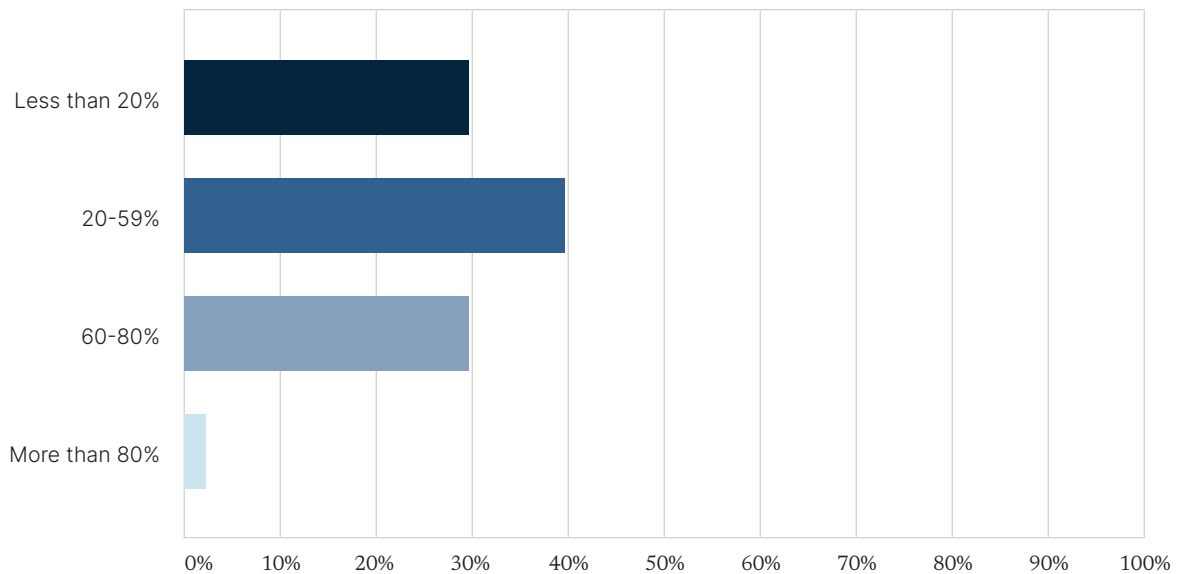


Q13 Do you need to liquidate economic value from your business to comfortably retire or transition to providing for you and your family?

ANSWER CHOICES	RESPONSES	
Yes	28.13%	18
No	51.56%	33
Not Sure	20.31%	13
TOTAL RESPONDENTS:		64

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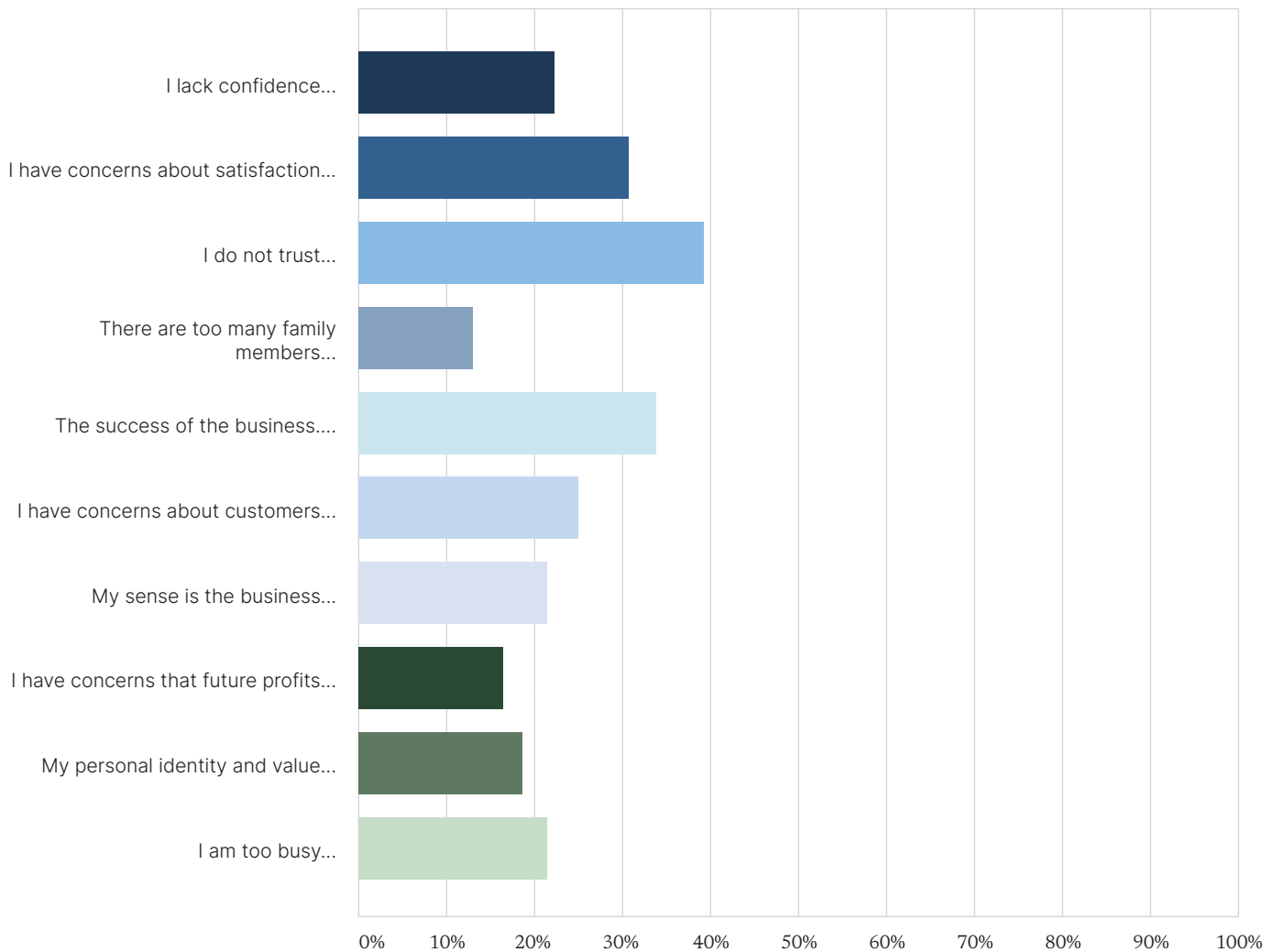


Q14 If yes, what % of your net worth do you believe is tied up in your business?

ANSWER CHOICES	RESPONSES	
Less than 20%	29.69%	19
20-59%	39.06%	25
60-80%	29.69%	19
More than 80%	3.13%	2
TOTAL RESPONDENTS:		64

Appendix

Original Data



Q15 Which of the following statements create stress for you as you consider a sale or transition of your business to a buyer and/or the next generation of leadership? (check all that apply)

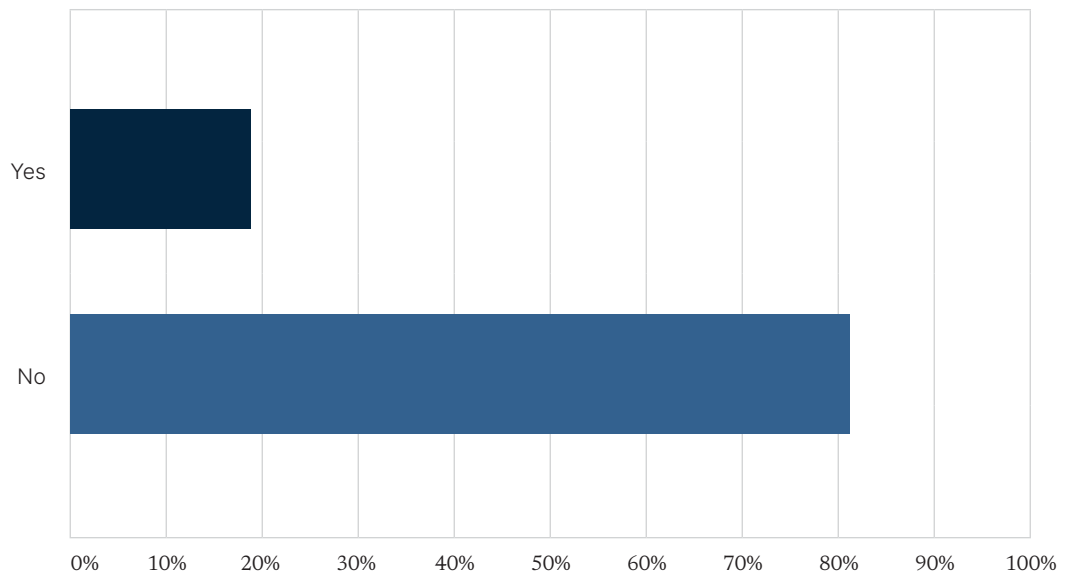
Appendix

Original Data

ANSWER CHOICES	RESPONSES	
I lack confidence in how to go about creating and executing a succession plan.	22.41%	13
I have concerns about how to replace the level of satisfaction I get from operating my business if I were to do something different.	31.03%	18
I do not trust that I have a person or people in place who would take the business forward the way I would want them to take it forward.	39.66%	23
There are too many family members or other stakeholders (employees, customers, suppliers, community members, etc.) dependent on the success of the business for me to be comfortable giving up control.	13.79%	8
The success of the business is dependent on me being actively involved.	34.48%	20
I have concerns and lack comfort with how the customers, employees and/or suppliers of my company will be treated if control is passed to someone else.	25.86%	15
My sense is the business is not worth enough for me to sell it and maintain the standard of living I now realize from the business.	22.41%	13
I have concerns that future profits are not enough to provide a standard of living and fund improvements to keep the business competitive.	15.52%	9
My personal identity and value to those we serve is closely tied to the success of the business and I am not comfortable completely separating from the business.	18.97%	11
I am too busy running the business to make an effort to prepare the business to be sold or organize an orderly transition to a successor.	22.41%	13
TOTAL RESPONDENTS:		58

Appendix

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Q16 Would you like someone from Eubel Brady & Suttman to contact you as a follow-up to this survey?

ANSWER CHOICES		RESPONSES	
Yes		18.75%	12
No		81.25%	52
TOTAL RESPONDENTS:			64