

Business succession plan helps ensure smooth transition

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By Janet Kidd Stewart



Like employees with inadequate 401(k) plans, some business owners don't feel financially secure enough to retire. (Fuse, Getty Images)

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Entrepreneurs aren't much different from their salaried brethren when it comes to being reluctant to let go of the reins, a new survey finds.

Nearly three-quarters of business owners don't have written succession plans, and more than half admit they will stay on the job longer than is necessary for a smooth transition, according to the study by PricewaterhouseCoopers.

"The baby boomers aren't necessarily letting go. There's a hesitancy, for a variety of reasons," said Alfred Peguero, a PricewaterhouseCoopers partner and leader of its US Family Offices Services business.

Like employees with inadequate 401(k) plans, some business owners don't feel financially secure enough to retire, he said. For others the reasons have more to do with wanting to cement a legacy or a reluctance to give up control, Peguero said.

Another reason, Peguero and others said, is simply the lack of a better plan.

Sound familiar?

"The biggest understated resistance point is, 'What's the alternative?'" said William Militello, a consultant who coaches financial advisers on how to attract entrepreneurs as clients. His firm also offers private investment deals to wealthy investors. "What they want is to keep their hand in the game, and managing a stock and bond portfolio doesn't do it."

In 2004, longtime travel industry executive John Ueberroth (brother of the former Olympic organizer and baseball commissioner) and his wife, Gail, purchased a struggling hotel marketing network, envisioning a way to transform it into a family business that involved their children, Lindsay and Casey.

It then took a decade for John Ueberroth, now 71, to hand over the CEO title at Preferred Hotel Group, naming the eldest, Lindsay, 39, to the post last year. He remains chairman, Gail is a vice chair and Casey is chief marketing officer. After a period when her father stepped back from operations significantly, Lindsay asked him recently to step back in and be more involved with certain financial oversight and in closing deals with partner hotels.

"I was very lucky," Lindsay said. "My dad really did step back and let me lead." That gave her the comfort level to make sure the company was using his talents, she said.

Her father acknowledges the fine line between letting go and doing too much, for his own sake, his daughter's and that of the company.

"I love to travel and this is a fun business," he said. "You can only play so much golf. I try not to say too much in meetings with several other people around. If I have something significant to add, I'll suggest something (to Lindsay) later on. Otherwise, you have people sitting at meetings changing their minds," which could undermine her authority, he said.

A stable, phased transition with lots of open communication along the way isn't always attainable, Peguero acknowledged, and often fails — if failure means the business doesn't survive the retirement of the founder.

Sadly, too, it can often mean a successful retirement doesn't survive the business.

"There are usually private equity options for selling the business, but separating the identity of the business and the identity of the founder and family is the most difficult part. It's really difficult for an entrepreneur to survive that," he said, referring to longtime entrepreneurs who lose their passion for living once the career is done.

"If I could say one thing to people, it's that no one knows when the light bulb is going to go off. You need a transition plan."

Share your journey to or through retirement or pose a question at journey@janetkiddstewart.com.

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