

Preparing to transition your small business

FLAGSTAFF REGION SUCCESSION SERIES



After years of growing a successful business, the decision to transition out isn't easy. That's especially true if you're uncertain about the best way to proceed. Should you sell? Simply close the doors for good? Do you have enough money put aside for retirement?

To answer these questions, and more, you need to approach your exit strategically - and that means exploring your succession options while you're still in control.

A succession plan encourages you to decide what you want for the future of your business - and your personal future as well.

It allows you to identify potential successors you may not have thought about, minimize the tax impact of a change in control and smoothly transition into the next phase of your life, whatever that may be.

Bottom line? A well-thought-out succession plan makes the departure from your business easier (and possibly more profitable) for you - and everyone involved.

If you've been thinking about your inevitable business exit and feeling a little overwhelmed, it's not as complex as you may believe. Here are three steps to get you started.

Step 1: Decide what you want. When planning your exit, your first step should be to determine what future you'd like to see. This typically starts by answering some key questions:

- When do you want to exit?
- How much money will you need to support yourself (and possibly your spouse or dependants)?
- Are you willing to continue working in the business under new ownership?
- Can the business sup-

port you and your successor(s)?

Having a firm grasp of your Plan A will make it much easier to understand your various options and map a path forward.

Step 2: Scope out potential successors. Once you have an idea for where you'd like your business to go, it's time to determine who is equipped to take it there. This could be an external buyer, but it might also be a family member, group of employees, your management team or even a venture capitalist.

Once you have a handful of options, you'll be well-placed to determine which potential successors can help you meet your personal objectives regarding your ideal timeline for exiting the business and your ongoing involvement in the company.

For example, if your chosen successor is one of your children, and that

child still has to attend post-secondary education and maybe attain relevant work experience with another company, they may not align with an imminent timeline.

Similarly, if an external buyer agrees to take over the business only if you stay on, and you'd like to start your retirement, that may not be the ideal option either.

Ultimately, the aim is to identify a successor who can provide you with your optimal outcome for transition, whether that's to maximize business value, leave a legacy, retain your key talent or something else entirely.

Step 3: Share your vision. A lot of business owners are used to making unilateral decisions. Succession planning shouldn't be one of them. That's because your decision to exit your business will have a direct impact on your family, your staff and maybe even your customers.

That's why it's important to communicate your plans with the people most affected by them. While this can be emotional, a structured approach can help you minimize interpersonal conflicts, address any concerns and lay a strong foundation for the future. It can also help clarify an optimal timeline for your exit - one that gives both you and your successors the runway to ensure a smooth transition.

While succession planning can be complex, it doesn't have to be difficult. Grant Thornton is proud to be working with the Flagstaff Region on their Succession Program alongside other industry professionals to

help businesses identify options and offer resources that will provide the best practical solutions to meet their objectives. For more information on how the Flagstaff Succession Program can help support your business, please contact Jordyn Prior - Economic Development Coordinator at 780-384-4151 or email jprior@flagstaff.ab.ca.



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