

FINAL REPORT

FOR

FORTUNE M & A

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## **DISCLAIMER**

“Any opinions, findings, and conclusions or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views of the University of Louisville.”

# **EXECUTIVE SUMMARY**

## ***Introduction and Background***

Fortune M & A was founded by CEO Brian Mazar who originally began his business as part of Sunbelt Business Advisors. Fortune's focus is on clients within industries that are not subject to economic fluctuations such as healthcare, adult beverages, and education. Fortune currently has two employees at the Louisville location. There are other employees working in New York and in Florida and Mr. Mazar is looking into the possibility of employing additional co-ops in the near future. The succession planning market includes numerous players, most of which – unlike Fortune - strive to make a profit even at the cost of the business owners they represent. The key competitors in the Louisville, Kentucky business transition market include Hilliard Lyons, Business Brokers and Consultants, and Venture Resource Business Brokers. Due to the nature of the business we looked beyond the local market and considered nation-wide competition in our analysis. Fortune has plans to go national within the next year; this expansion was scheduled to take place a few years back but was put aside due in large part to the economic downturn. The issues under investigation during the capstone project were focused on learning about the mindset of small business owners and gaining better insight regarding what motivates them to exit and plan ahead.

## ***Areas of Analysis and Methodologies Used***

The primary objective of the project was to gain better insight into the minds of business owners and learn about the psychological dynamics that take place in the succession planning process. Among the critical questions that needed to be answered were “How and why people make decisions to exit” and “Who business owners rely on most as their circle of influence.” In an effort to start the information gathering process we conducted phone interviews with industry experts, including a business psychologist and succession planner. The interviews not only provided us excellent resources to consider during the research process but also gave them sufficient insight into the construction of a survey. After careful consideration and analysis a questionnaire was created and over 2,200 business owners were surveyed to gain better insight into their thinking on the subject matter. We paid special attention to the emotional effects the wording of the questions may create and consulted industry experts to ensure unbiased questionnaire responses. Based on the survey results, quantitative and qualitative analysis was conducted to interpret the data and generate suggestions for Fortune.

## ***Discussion***

From both what Mr. Mazar has told us and the interviews we conducted, we understood that convincing successful business owners to start thinking about exit planning was a challenging task. The analysis we later completed with the help of Mr. Klein suggested that many business owners don't enjoy choosing a successor because they feel that, in doing so, they are setting themselves up for the end of their usefulness in the business in which they worked so

hard to build (See Appendix A, Exhibit 1). Therefore, it is critical to assess the psychological readiness of the owner to sell. An effective way of evaluating a person's emotional intelligence and readiness can be done with the use of psychological assessment tools. Once it has been determined that an owner is ready, it is also imperative to plan and implement the departure. The idea of simply retiring to a life of playing golf is not realistic for most business owners because an easy, relaxed life is not something for which their personalities are usually attuned. Furthermore, many employees may not be open to the idea of new leadership, especially in the case of family-owned businesses. Succession planners are faced with additional challenges in cases of complicated family relations. Often, several years of advanced planning is needed in order to restructure the company and consolidate the ownership.

During our interview with Mr. Sawyer we learned that long term relationships and mutual trust with clients are keys in the M & A market (See Appendix A, Exhibit 2). By offering business owners continuous support and counseling throughout the various stages of the business development process, business advisors have the ability to bring up the subject of exit planning in a non-threatening way. The ongoing counseling naturally leads to the topic of succession planning and business owners are likely to be open to the idea when they feel that the conversation is generated by goodwill and trust.

From our research, we found that the vast majority of entrepreneurs made the decision to own a business because they saw it as an income generator and preferred to reap the entire gains of their efforts rather than sharing the reward. Business owners deeply enjoy the freedom that comes from being one's own boss. These individuals prefer to lead the pack themselves rather than taking orders from someone else. Conversely, the least enjoyable part of being an entrepreneur is variability of income. A prevalent unknown that business owners would like to resolve is having a successor to their business. Once a business owner decides to develop a succession plan, they are most likely to seek the help of an accountant or lawyer (See Appendix B, Exhibit 1).

The biggest uncertainty regarding the future of business that entrepreneurs are anxious to resolve involves changes in government regulations. Most business owners are concerned about the current state of the economy and have pessimistic views of the future. The vast majority of business owners cite medical or other family issues as reasons they would begin considering a succession plan if they have not already done so (See Appendix B, Exhibit 2). When the time does come to start succession planning, a very large majority of owners believe the process should start three to five years prior to the actual transition. Once the decision has been made to develop a succession plan or actually sell the business, most entrepreneurs show confidence in selling to other experienced business owners, investor and venture capitalists or even a competitor.

## ***Recommendations I***

Our recommendation to Mr. Mazar is to keep expanding on his current business model in the short term. This seems to be an effective approach because entrepreneurs have the need for someone who can guide them through the emotional journey. Fortune's current business model supports the emotional challenges business owners face during the succession planning process,

which we believe is a strong advantage that Mr. Mazar should continue using and improving upon. An excellent approach is to guide entrepreneurs towards something they are passionate about in an effort to show them what life after exit is like.

Furthermore, Mr. Mazar will benefit from simplifying and streamlining the succession planning process. He will also benefit from stressing on the importance of an early start to the succession planning process. Our recommendation to Mr. Mazar is to keep sending out a newsletter and add to the richness of the content. As entrepreneurs are provided with evidence that succession planning can be beneficial and that other entrepreneurs have adopted exit strategies, they might have more confidence to take the step forward.

## ***Recommendations II***

In order to advance the future growth of the company, we feel Fortune should consider changing its business model to focus more on buying and selling younger firms. Today's trend suggests that many young entrepreneurs start their businesses with high levels of ROI in mind. They tend to stay emotionally independent and focused on the exit planning process.

Since Fortune is preparing to go national, it should hire more experienced employees to help enter the national market in a much stronger fashion. Fortune may have to develop multiple marketing strategies; one for older, more established business owners and a second for young entrepreneurs. Fortune should emphasize the personal experience these owners will receive.

Furthermore, Fortune may want to consider developing a venture capital fund in the future to provide a steady younger stream of clients. Fortune needs to stay up to date with technology so they can leverage it towards young business owners. The technological advances can also be used to build relationships with key business advisors such as lawyers, investment bankers, and CPAs. These well-established connections will provide a source of referral and a new client base as well.

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## **INTRODUCTION AND BACKGROUND**

The succession planning market includes numerous professionals such as attorneys, financial advisors, business advisors and business brokerages. Most business brokers specialize in business exchanges; these companies strive to make a profit even at the expense of the business owners. The key competitors in the Louisville, Kentucky business transition market include Hilliard Lyons, Business Brokers and Consultants, and Venture Resource Business Brokers. However, due to the service-oriented nature of the business in our analysis, we also considered additional players beyond our local area. Other big M & A firms such as Business Intermediary Group, LLC were also considered when estimating Fortune's competition. The largest M & A firms in the US are the International Business Brokers Association and the National Business Capital Services, LLC. Both of these companies offer clients third-party accredited business valuations, confidential business reviews (pro formas), deal structure analysis, tax planning, and a host of other resources to help throughout sale and transition.

Business brokerages in general have an unfavorable reputation. They do not consider the business owner's interest a priority; instead they strive to close sales even if those are not in the best interest of the parties involved. Business brokers tend to encourage owners to sell their businesses immediately rather than help them increase the business value to its maximum first. Furthermore, they not only serve the business owners but potential buyers as well; which in turn creates a conflict of interest and divided loyalties.

There is currently little barrier to entry into the M & A industry. Several academic organizations in the US offer exit counseling and succession planning certificate programs,

which pose a threat to the existing players in the market. In an effort to increase barriers to entry and protect the industry from additional competition, a potential solution is the Series 79 license. However, at this point the license is not required by law.

Brian Mazar, founder and CEO of Fortune M & A started his business as part of Sunbelt Business Advisors. When he saw the need for a mergers and acquisitions company without the business brokerage characteristics he founded Fortune M & A in Louisville, Kentucky. Mr. Mazar realized the sensitive nature of succession planning and established his firm to serve the needs of the business owners. Fortune M & A sells businesses similarly to brokers, but it approaches the big picture in an advisory manner. Fortune's "approach yields much better transaction outcomes such as a higher selling price, reduced taxes, estate considerations and meets personal and business goals." It helps business owners review their need to sell their business by conducting a diagnostic review. Using this approach, it can better serve both the short and long term interests of the business owner. Fortune provides comprehensive solutions for taking a business to market or putting a plan in place for a successful exit from a business at an anticipated date in the future. Simply put, Fortune optimizes the market value of the business; it works to help the business owner plan and execute his or her exit strategy, and transfer the success of the business to a new owner.

The M & A business requires consultants with extensive industry knowledge. Unlike many traditional business brokerages, Fortune M & A only takes on clients whose businesses fall under the company's fields of expertise. Fortune understands the importance of extensive knowledge in the fields it works in to ensure that its clients receive the most for their money. Its focus is on industries that are not subject to economic fluctuations – some examples are healthcare, adult

beverages, and education. Fortune currently has two employees at the Louisville location (one full time and one college intern). It also has employees in New York and in Florida and Mr. Mazar is looking into the possibility of employing additional co-ops in the near future. Fortune's sales fluctuate throughout the year. Its most active quarters are during the spring (Jan through June) and the fall (August through November).

Fortune's marketing strategies include direct mail (postcards), newsletters (twice a month to 2300 recipients), social media (although the need for a better, more interactive website has been identified) and relationships building. Some of the marketing methods it has tried and disliked are advertising (hard to measure ROI and expensive), direct mail (personalized letters which were expensive), and seminars (also expensive). Fortune M & A relies heavily on relationships and personal referrals. It builds relationships with attorneys, business owners, accountants, and business consultants who in turn refer new clients.

Fortune's target market includes two groups of customers –owners below the age of forty (genX) who tend to exit their businesses around year 5; and owners who are above age fifty-five (baby boomers) who have strong emotional ties to their businesses and represent a larger opportunity for Fortune M & A. Fortune's ideal target is businesses with revenues \$1-25 million, but it will take on businesses with revenues up to \$100 million. Fortune primarily looks for mature businesses but will sell early stage companies with intellectual property rights to VCs and equity companies as well. Mr. Mazar is striving to get business owners engaged in the exit planning process at a minimum of one year prior to their desired exit date.

Fortune was planning to take its business national a few years ago, however, the economic downturn and personal problems intervened with the expansion plans.

## **PROJECT OBJECTIVES**

The primary objective of the project was to learn about the mindset of small business owners and to gain better insight regarding what motivates them to exit and plan ahead. Specifically, we set out to learn:

- How and why people make decisions to exit.
- The psychological effects the idea of exiting has on business owners.
- Who business owners rely on most as their circle of influence.

Due to the sensitive nature of exiting, we also wanted to find ways to engage business owners by focusing on the journey rather than the end results of exiting. Our objective was to capitalize on the psychological and emotional effects the process had on business owners and show them what life after business meant. Specifically, our goal was to find out:

- How to make the exit process enjoyable for clients.
- How to show them life after being a business owner.
- How to get clients to start exit planning ahead of time.
- How to not only engage business owners in the “growth to legacy” process but also engage their spouses and families as well.

To achieve these objectives, the team agreed to deliver on the following:

- Investigation and definition of a target market based on our client’s description.
- Assimilation of business owner contacts into list of survey participants who met identified profile characteristics.

- Conduction of market research focused on the defined target market in the form of article reviews, market surveys and interviews.
- Development of a questionnaire to be used in surveying and interviewing business owners and other professionals identified as part of the circle of influence.
- Quantitative and Qualitative analysis and interpretation of the research results.
- Preparation of final report which included findings and recommendations for the client.

# **PROFILING M&A PROSPECTS**

## **Expert Interviews**

### ***Analysis***

In order to better understand the mindset of the successful entrepreneur, we conducted research to find experts in exit planning. We discovered an article written by Dr. Michael Klein and contacted him to set up an interview after learning about Dr. Klein's extensive experience in the psychology of exit planning (succession planning). He told us that exit planning specialists and consultants have found out that the most common reasons that business owners do not plan carefully or proactively for the exit, transition or succession of their business is because they believe they are too busy, they want to wait until later, think it is too expensive to hire an M&A firm to help plan the sale, or that buyers will simply seek them out. (See Appendix A, Exhibit 1).

Dr. Klein has developed a method for exit planning that highlights three important areas of this process: succession, readiness, and departure (See Appendix A, Exhibit 1). Many business owners don't enjoy choosing a successor because they feel that, in doing so, they are setting themselves up for the end of their usefulness in the business which they have worked so hard to build. With many business owners being very proud of their accomplishments, and perhaps even a bit narcissistic, avoidance of choosing a successor is quite common. Dr. Klein finds that, by employing common psychological assessments that many HR departments use, the business owner can find out what his own traits are, and then begin the search for a successor who has similar traits. This allows the business owner to at least know what kind of person would be a good match (See Appendix A, Exhibit 1).

The second task is to assess the psychological readiness of the owner to sell. If an owner has not even begun to think about selling the business, then it may be even more difficult to persuade that person to start thinking and planning an exit strategy. Dr. Klein recommends an online assessment tool that will gauge where the business owner is along this continuum. From there, the exit planner will better know how to work with the business owner to facilitate a successful exit plan (See Appendix A, Exhibit 1).

The third important task in exit planning is to plan and implement the departure. The idea of simply retiring to a life of playing golf is not realistic for most business owners because an easy, relaxed life is not something for which their personalities are usually attuned. Furthermore, since their personal life is so entwined with their business, it can be difficult to separate the two. In addition, many employees may have spent the majority of their careers at the company and may feel betrayed if the owner leaves the businesses. This can create confusion and distrust and they may not like or understand the need for new leadership (See Appendix A, Exhibit 1).

We also spoke with a succession planner, Mr. Hugh Sawyer, who further emphasized the need for specialized attention to the emotional side of exit planning, which is often overlooked. He said that many business owners get cold feet and keep their business even when they are made good offers (See Appendix A, Exhibit 2). Business owners tend to be very emotional about their companies. Mr. Sawyer doesn't deal with young entrepreneurs who want to make money by selling their businesses in a few short years, his focus is mostly on people who want to retire. He often uses his own previous experience in business to find out what the business owners want and what their stage of readiness is. He has well-established relationships with his

clients, and as a financial advisor and a CPA, he has annual reviews with his prospective clients during which he asks them how things are going and what their plans are for both the following year and in the long run. This is a good way to not only show that he cares about his clients, but also to bring up the possibility of succession planning in a non-threatening way. Mr. Sawyer does not bring up the subject of exit planning to people who are not already considering it. His clients come to him when they are ready to retire (See Appendix A, Exhibit 2).

## ***Discussion***

Spouse involvement varies from person to person. On average, spouses are involved in about 25% of the exit planning process. The most important people in a business owner's circle of influence are the CPA and the attorney. Due to the sensitive nature of exit planning they will only discuss succession planning with people they trust. Mr. Sawyer said that workshops can be a good idea to find new clients however, many small business owners will not attend them because they don't want people to know that they are interested in selling their businesses (See Appendix A, Exhibit 2). Privacy and confidentiality are very important when it comes to exit planning.

In addition, in family-owned businesses where multiple family members have a controlling stake, succession planning is critical in restructuring the ownership of the business so that the new, incoming owner can have full control of the enterprise without having to deal with a stubborn aunt or absentee cousin. Often, several years of advanced planning is needed in order to restructure the company and consolidate the ownership. Then, once the company is ready for sale, approximately one year will still be needed to develop a successful track record under the new management structure so that the business can be assured to be running smoothly.

According to Mr. Sawyer, business owners almost always have a type-A personality and they know exactly what they want to do after exiting their business and are not interested in any suggestions (See Appendix A, Exhibit 2). What they do want to hear is how to maximize profit from their business and how to make sure that their finances are in order.

## ***Recommendations***

### **Recommendation I**

Given the results of the market research, our recommendation to Mr. Mazar is to keep expanding on his current business model in the short term. The results of the expert interviews show that emotional attachment is predominant in entrepreneurs. Entrepreneurs decide to own businesses because they prefer to do something they are passionate about. They feel they are filling a gap in the market and genuinely help consumers fulfill their needs. Therefore, business owners develop a deep emotional relationship with their business which makes it difficult for them to let go of the reins and hand it over to other entrepreneurs. Mr. Mazar's current business model focuses on assisting entrepreneurs through this emotional journey of letting go of something they have put considerable time and effort in and have closure after the process is finished. This seems to be the effective approach because entrepreneurs have the need for someone who can guide them through the emotional journey.

Our recommendation to Mr. Mazar is to keep sending out the newsletter and add to the richness of the content. As Dr. Klein mentioned during the interview, newsletters are a great way to initiate contact with the entrepreneur in a non-threatening way (See Appendix A, Exhibit 1). Moreover, since succession planning is a slow process and it takes the entrepreneur a considerable amount of time to get used to the idea, a newsletter can provide a gentle nudge in a

certain direction. By continuing the process of sending newsletters to actual and potential clients, Mr. Mazar can take advantage of a larger consumer base and will be able to facilitate cross-sell. The newsletter also needs to be expanded on by including success stories and stressing on the ease and simplicity of the process. As entrepreneurs are provided with evidence that succession planning can be beneficial and that other entrepreneurs have adopted exit strategies, they might have more confidence to take the step forward.

### **Recommendation II**

In order to help the future growth of the company we feel Fortune should consider changing its business model to focus more on buying/selling younger firms. Many young entrepreneurs are already thinking of how they want to exit their business when they initially start it. This will become more prominent in the future which will help expand the mergers and acquisitions market into the less developed and younger businesses. Although the market value of the firms may be less, Fortune's turnover could increase substantially. Also, since these younger firms will likely be looking to sell quickly and move on to their next idea, the focus should be on exit planning not "succession" planning. Although they are the same thing they have very different connotations when brought up to business owners. Since Fortune is preparing to go national they should hire more experienced employees so they can enter the national market in a much stronger fashion.

Fortune may have to develop two marketing strategies; one for older, more established businesses and another for the young entrepreneur. The strategy for the older, more established firms should concentrate on the emotions of succession planning and the life they will be able to have upon exit. Trust is a huge factor for the older business owners. They want confidence that the business will continue in the same direction once they are gone. Fortune should emphasize

the personal experience these owners will receive. Fortune is there to help ensure the business will be successful for many years to come and are not only looking out for its own profits. While the strategy for the younger entrepreneurs should focus on value and how much return they will receive on their initial investment. Fortune should focus on how efficiently they can buy or sell their business.

## **Survey Research**

### ***Analysis***

We began the project by meeting with the client to find out what research and analysis he would like us to investigate. He told us that one of the main issues he faces is how to convince successful business owners, especially baby boomers, to begin succession planning. Succession planning involves getting a business ready to be sold to a new owner, to identify that new owner, and to successfully complete the transition. The client told us that he focuses on matching good, experienced buyers with the right sellers and holding their hand through the transition process; unlike some other companies in the M&A business that are only out to make money.

The client explained that in order to solve the dilemma of convincing more business owners to begin succession planning, he would need to better understand the thought processes that go on in the minds of the business owners. Therefore, he asked us to design a survey regarding this perplexing question from which some helpful insights could be gleaned.

Regarding the business owner survey we conducted, our list of survey candidates was generated from a contact list provided by the client. We built the survey using a survey tool

called Kwiksurveys.com, which provides free online surveys and results assessments. To assist with successful delivery of the survey link to the respondents, we used multiple approaches in reaching out to business owners. One method used was the incorporation of a service called Constantcontact.com to help prevent the email messages from being flagged as spam. A second approach was also used by team members who used their .edu addresses operating under the assumption that messages from .edu addresses would be less likely to be marked as spam.

When the respondents answered the survey, Kwiksurveys.com compiled the results and made them available for export via Excel and PDF. We received 120 survey responses in total, but not all 120 responses were complete. Some respondents did not answer all the questions. We also contacted the University of Louisville's Family Business Center (FBC) to send the survey link to its list of contacts however, due to time constraints the FBC was unable to send out the survey link to its distribution list.

## ***Discussion***

Of the participants who responded to our survey, 85% decided to own a business because they see it as an income generator and would prefer to reap the entire gains of their efforts rather than sharing the reward (See Appendix B, Exhibit 1, Q. 1). This is consistent with the way most entrepreneurs view their business, which is either a job or a personal mission. Responses to Question 2 on the survey depict that 27% of the total entrepreneurs chose Personal Mission and 28% of the 84 entrepreneurs who responded ranked Job the explanation of how they view their business (See Appendix B, Exhibit 1, Q. 2). A proportion of 12% of total responses were entrepreneurs that defined "Other" as one of their top 5 choices for how they view their business and a recurring theme in these qualitative responses seemed to be passion (See Appendix

B, Exhibit 1, Q. 2). In contrast, only 32% respondents to Question 2 saw their business as something they liked to spend their spare time on and as something they have spent a large amount of time and effort growing (See Appendix B, Exhibit 1, Q. 2).

These responses show that generally entrepreneurs have an emotional attachment to their business not because they see it as the result of their efforts, but because they believe they are working for a higher cause. Their business is their way of indulging into what they are passionate about doing. The survey responses to Questions 1, 2, and 3 elicit an unfettered belief in the business owner that they can make their business a success, while also filling a gap in the market. The driving force for these entrepreneurs seems to be their passion for their cause, their competitive spirit, and the potential for monetary compensation for their efforts.

The responses show an intermingling of the soft and hard aspects of owning a business. The prospect of making a lot of money and the desire to achieve satisfaction from the effort put in complement each other. This makes sense if considered in the light of having a job for the sake of making money. To these respondents entrepreneurship feels like having the perfect job, one which provides the gratification of achievement while providing a monetary reward as well (See Appendix B, Exhibit 2).

Business owners deeply enjoy the freedom that comes from being one's own boss. These individuals prefer to lead the pack themselves rather than taking orders from someone else. Approximately 95% of entrepreneurs that replied to Question 3 indicated that their favorite aspect of being a business owner is having the freedom to make decisions (70%) and being their own boss (23%) (See Appendix B, Exhibit 1, Q. 3). Only about 7% of entrepreneurs regard having time flexibility as the most enjoyable side of owning a business and no entrepreneur

ranked being in charge of other people as their favorite aspect (See Appendix B, Exhibit 1, Q. 3). The responses to Question 3 on the survey reinforce the soft side of business ownership. Even though entrepreneurs would prefer to lead rather than follow, this is not their primary reason for owning a business. They enjoy entrepreneurship because it allows them to spend their time doing what they are passionate about and reap financial rewards.

Approximately 32% of entrepreneurs specified that the least enjoyable part of being an entrepreneur is variability of income (See Appendix B, Exhibit 2, Q. 3). No doubt owning a business requires taking on a certain level of risk. However, the higher the amount of risk the higher the potential reward. Since 62% of entrepreneurs rate themselves as high risk-takers (Level 4 and 5 on a scale of 1 to 5 with 5 being the highest), we can conclude that they are attracted to business ownership for the potential of high reward (See Appendix B, Exhibit 2).

Although entrepreneurs dislike the unsteady flow of income, they are willing to take on the risk of losses inherent in owning a business. Another issue that deters business owners is the time commitment their companies require. Thirty percent of individuals that responded to the question regarded not having much free time as the biggest headache in business ownership (See Appendix B, Exhibit 1, Q. 3). Since most entrepreneurs view their business as a full time job, they see it as an endeavor that takes up the majority of their time. Furthermore, since very few entrepreneurs view their business as a hobby as mentioned above, they would typically enjoy having more spare time to indulge in leisure activities.

The biggest uncertainty regarding the future of business that entrepreneurs are anxious to resolve involves changes in government regulations. The qualitative responses to Question 5 on the survey allow for the generalization that a large majority of entrepreneurs see government

intervention in the market as a nuisance and would prefer either less regulation or fewer changes in regulation (See Appendix B, Exhibit 1, Q. 5).

Many business owners indicated that they are unhappy with the current government and see regulation as meant to hurt their business rather than facilitate it. Tax policies, Obamacare, and other sorts of regulations are substantial deterrents to business owners. They directly relate the actions of the government to the current state of the economy. The past few years have disrupted the trend of economic growth and this disruption has created uncertainty in the direction the economy will take.

The concern for the economy also borders on a microeconomic level. In their responses, entrepreneurs indicated that they worry about how twists and turns in the economy will affect the spending patterns and purchasing power of the consumers. Most take a very pessimistic stance on the future of the economy and believe that more accurate predictions of the economy in the next few years would help their business. This pessimism about the state of the economy is directly related to predictions of unsteady flow of income. This is a substantial discouragement because one of the main reasons why entrepreneurs decide to own businesses is the prospect of financial reward.

Another prevalent unknown that business owners would like to resolve, as extrapolated from qualitative responses to Question 5, is having a successor to their business (See Appendix B, Exhibit 1, Q. 5). Entrepreneurs are unsure about whether the right person, if any, will take over the reins to their business when they step down as leaders. This shows that entrepreneurs do have interest in succession planning and have spent time thinking about it, but are unsure about what steps to take. This could either be because they do not have a concrete idea of all the

variables that need to be considered in succession planning, or because they lack a sense of direction regarding where they see their business ending up. There are two major reasons why business owners worry about succession; they are worried about the health and sustainability of the business itself and they are worried about whether their customer base will be well served in their absence. Again, this points to the emotional attachment that doing something a person is passionate about elicits.

The respondents were evenly split, 47-yes – 46-no, on whether or not their business would be able to survive without them if an unforeseen issue caused them to retire immediately (See Appendix B, Exhibit 1, Q. 6). Upon reviewing the qualitative responses, a little less than half of the respondents have either considered succession planning or already have a plan in place and many are still not confident the business could move forward without them. A lot of the entrepreneurs felt they or their business were too young to begin considering the idea of succession planning. They believe selling or transitioning their business to another owner is too far in the future to develop a plan.

Some were interested in the idea of succession planning, but were experiencing troubles locating another entrepreneur to transition the business to. One respondent said, “I didn’t realize that it is time to do that” and another simply said, “don’t care” so some are still unaware of the importance of succession planning (See Appendix B, Exhibit 1, Q. 7). When asked why they might consider beginning the succession planning process 34% of respondents stated because they feel a responsibility to the business to do so. Another 22% felt financial reasons may cause a plan to be developed. Other reasons an entrepreneur would begin the succession planning process were family (18%) and lifestyle (17%). In contrast, only 9% of entrepreneurs believe

that a need for independence would cause them to start planning for the future (See Appendix B, Exhibit 1, Q. 8).

The respondents were asked to rate several selections on a scale of one to five to determine whom they would seek advice from for succession planning. The number of responses for each rating was then multiplied by the rating value and totaled to give a weighted value for each selection. Accountants and Lawyers were the top two responses, garnering 305 and 302 weighted ratings, respectively; 67 out of 79 and 67 out of 81 respondents rating them three to five stars respectively. Others would also consider a financial advisor (241), other business owners (253) or their spouse (238). Very few entrepreneurs believed they could seek guidance or advice from their competitors (128), friends (132) or adult children (158). The advice of a business consultant (226) or estate planner (218) might also be sought (See Appendix B, Exhibit 1, Q. 9).

When asked what comes to mind when they think of succession planning only 9% of respondents thought of relaxation and 10% thought of freedom from their daily work lives. The majority of respondents claimed providing for their families and children (26%) or uncertainty about the future (23%) are what come to mind when thinking of succession planning. Another 18% of respondents were concerned about the succession planning process in general when they were questioned. From earlier qualitative responses it seemed that respondents were unsure what the process contained or whether or not it would even benefit their company (See Appendix B, Exhibit 1, Q. 10).

Respondents were asked to rank certain reasons they would consider transitioning to a new owner. A total of 47 respondents cited medical issues as the number one reason to transition

their business. Another 24 cited other family issues as the reason they would begin considering a succession plan if they had not already done so. A slow economy does not really concern many entrepreneurs, as 7 individuals ranked this the number one reason to begin the transition process (See Appendix B, Exhibit 1, Q. 11).

Survey participants were asked why they do not want to consider transitioning their business. The question was open ended and allowed the respondents to be specific to their situation. The main theme to the responses was that they do not want to consider succession planning is the concern they have that the business will continue to run as it currently does. Many of them said the loss of control over the business would keep them from transitioning the business to a new owner. They were also worried the new owner would change the culture or change the way the business operates and that could affect the quality delivered to their clients. Since many of these businesses are family-owned they are uncertain if the history of the company will be maintained going forward (See Appendix B, Exhibit 1, Q. 12).

When the time finally does come to start succession planning, 68% of respondents agreed the process should start three to five years prior to the actual transition. An additional 15% thought at least one year is necessary to transition the business. While 9% believed succession planning should begin once the search for a new owner has started or been completed. Only 7% of the respondents did not believe their business requires succession planning or did not think it is something they should be concerned with at this moment in their business (See Appendix B, Exhibit 1, Q. 14).

We asked the survey participants who they would feel most comfortable selling their business to once the decision has been made to develop a succession plan or actually sell the

business. The respondents rated each choice on a scale of one to five and were weighted as before. Entrepreneurs show by far the most confidence in selling to other experienced business owners (332), followed by investors and venture capitalists (231) or even a competitor (241). Very few would feel comfortable selling their business to a friend (137), relative (147), supplier (170) or customer (179) (See Appendix B, Exhibit 1, Q. 13).

Much of this comes down to how much owners trust another person to continue growing a business that they have put so much time and effort into building. Experienced business owners and investors would have a history of successfully operating a business to the current owner's standards. A competitor would understand the market, which would eliminate some of the learning curve inherent in acquiring a new business but the current owner would likely first want to guarantee the culture would be maintained.

## ***Recommendations***

### **Recommendation I**

Mr. Mazar will benefit from simplifying and streamlining the succession planning process. The survey reveals that most business owners have considered it in the past but are unable to develop a framework that would allow them to plan for the future. Fortune BTA will greatly benefit from providing this framework through a simple and streamlined process. This will help entrepreneurs establish a good understanding of the kind of steps that need to be undertaken to ensure that the process goes smoothly. Emphasizing on the simplicity of the process will also encourage business owners who are afraid to delve into something complicated to start considering succession planning.

Mr. Mazar will also benefit from stressing on the importance of an early start to the succession planning process. A large number of entrepreneurs are under the impression that succession planning is a step they will take in the future because their businesses are currently too young. Succession planning goes a lot smoother and is a lot easier if started at an early stage. Having an exit plan not only provides an option if contingencies arise that the business cannot withstand, it also gives the entrepreneur peace of mind. Mr. Mazar needs to show the importance of this aspect more to gain more business.

In addition, as survey results show that most entrepreneurs are motivated by the financial reward aspect of business ownership, Fortune BTA will benefit from showing the financial gains that can be made from the sale of a business. Mr. Mazar will increase his customer base if he can successfully convince business owners that having an exit strategy can be very lucrative and can offer a very large financial reward without the stress and pain of risk-taking. To appeal to the emotional aspect of exiting a business, Mr. Mazar will also need to show that there are plenty of alternate ways to indulge in activities that the entrepreneur is passionate about after selling the business. The life after exit can be very enjoyable if the entrepreneur can find something s/he is passionate about while also reaping the margin on the sale of business.

## **Recommendation II**

Fortune may also want to consider developing a venture capital fund in the future. This would provide a steady stream of clients, primarily in the younger demographic. Succession and exit planning would be much easier if they are involved from the formation of the business. Fortune should also market heavily to lawyers, accountants and financial advisors so they understand the important of succession planning and will begin recommending their clients to plan for the future much sooner. Fortune should develop working relationships with these lawyers, accountants and

financial advisors so Fortune is the recommended company when a client needs help planning for the future or buying/selling their businesses.

Younger business owners rely more on technology than ever before. Fortune needs to stay up to date with technology so they can leverage it towards these owners. Advancements may someday make a consultant obsolete because they can find all the advice they need on their computer. There may even be software that does the planning for them. If Fortune stays on the cutting edge they will not be surprised by technological changes that could render their business obsolete.

## **ADDITIONAL CONSIDERATIONS AND RECOMMENDATIONS**

During our first meeting with the client, through conversation an additional recommendation came to the attention of the team. In discussion with the client, the subject of the company website came up in conversation and centered on the possibility of making updates to the current layout.

While this was certainly not one of the primary objectives of the project, the project team agreed with the client's assessment that it would be beneficial to update the layout and presentation of the website. As noted in our conversation, currently there are some issues with some of the drop down menus on the home page making the selections difficult to view.

The team is of the opinion that because the website is oftentimes the first impression a potential client may have of an organization, it is critical for the appearance and features to be well-formatted and user friendly to make the best possible introduction. This seems especially

important in the business of mergers and acquisitions where clients must be instilled with an extremely high level of trust and confidence in the firm they select to work with. Therefore, we are of the recommendation that it is highly advisable for the client to make website revisions and updates a priority in order to maximize opportunities for client acquisition.

## **APPENDICES**

## **Appendix A**

**Exhibit 1 – Interview Notes, Dr. Michael Klein**

**Exhibit 2 – Interview Notes, Mr. Hugh Sawyer**

## *Appendix A*

### **Exhibit 1 – Interview Notes, Dr. Michael Klein**

The most important people to consider: financial planners, CPAs, accountants, attorneys – they do exit planning. There are several institutes (BEI, Pinnacle Equity Solutions, etc.) that certify individuals to be exit planning professionals. The emphasis is on having a variety of specialists and building a good team. These people educate about the technical steps involved in exit planning and fail to focus on the emotional/psychological aspects.

Exit planning not only means the sale of the business – it can be merger or dismantlement as well.

Assessment:

- Personality assessment –
  - find out about the person’s “hardwiring”
  - what will the person be like to work with
  - flexibility, ambition, attention to detail
- Emotional intelligence –
  - Snapshot of the person’s soft skills
  - Understanding and managing the self and the relationships
  - Empathy, self awareness
  - Likelihood of moving forward based on skills only (clinical image, no background considered)

- Transition tests –
  - Measures the differences between owner and buyer
  - Goal is to avoid future roadblocks
  - Measures values, motivations
- Interest assessment –
  - “transition planning”
  - Focus is on what doors are opening
  - Opportunities, what comes after life as a business owner

Lifespan – age determines the resistance

Emotions associated with exit planning – mortality, separation, resistance

How to overcome resistance?

Use of workshops – bringing business owners with others into a group; this will spread the pressure. Have a speaker who has exited the business before – focus on emotional aspects rather than technical. “Open the pot” – once the topic is on the table people start talking about it more openly. This workshop can be a part of a series or a single occurrence but the topic should be non-threatening in order to avoid avoidance and denial. Possible topics: “How to maximize your business value” or “Transition planning”.

Include spouses, children as well.

Family businesses – increased complexity – more resources/emotions/pressure

A good resource is the family business center advisors!!

Another crucial source of leads is advisors. Have pamphlets, articles; try to communicate your message in a non-threatening way.

How to get people to start thinking about exit planning?

**BUILD RELATIONSHIPS!** Engage them with another topic (i.e. Do you know what your business is worth?) and tie in the components of exit planning. Have workshops with related topics, solve a problem or talk about something intriguing. Appeal to spouses, children as well.

Build relationships with advisors and show them how referring clients to you will benefit them as well.

An important goal is to show business owners how life goes on after owning the business. The use of interest assessment is a great way to “plant the seed” and find out what activities they should take on upon exiting. Assess interests, values, motivations – these will help you understand the effect of exit on the person. They will need to have new activities, responsibilities – otherwise they will feel isolated and depressed.

## **Exhibit 2 – Interview Notes, Mr. Hugh Sawyer**

Mr. Sawyer is the founder and CEO of Sawyer One, a business consulting/advising firm. He has a background in accounting (he is a CPA) and he worked for several large international companies in his past. He was born in Virginia and has worked on the East Coast. One of his specialties was the “turnaround” business – he took failing companies and made them successful.

He then decided to open up his own consulting firm, Sawyer One, in Louisville, KY. He works with midsize businesses, does succession planning, does personal development for CEOs, etc.

He is currently working with a client in North Carolina (it is a 13 week project). The gentleman wants to retire (he has been in business for 20 years) and is unsure what to do with his business. He should have sold it a year ago but was faced with the emotional barriers and ended up holding onto his company a little longer. Now he uncovered that his CFO has been trying to sabotage the business and Mr. Sawyer is trying to help fix the issue and restore the books to the point where the business is sellable. They also have to deal with the issue of succession planning – the gentleman is in his second marriage and has 6 daughters so he doesn’t know how to divide up the business (and his estate) or if he should just sell it to a 3<sup>rd</sup> party. From what he told me it sounds like succession planning is very closely tied in with estate planning.

According to Mr. Sawyer we are on the right track – the emotional side of exit planning is often overlooked. However, he believes that it is the most important – he often has clients who get cold feet and keep their business even when they are made good offers. Business owners tend to be very emotional about their companies.

Mr. Sawyer is in his 60s and said that he has mostly elderly clients (in the same age range). He doesn't deal with young entrepreneurs who want to make money by selling their businesses in years 2-3, his focus is mostly on people who want to retire. However, he has a young "protégé" who is planning on opening a consulting office on the West Coast – his focus will be on a younger target market.

Mr. Sawyer mentioned that he is a very intuitive, emotionally driven man. That is why he has been so successful in the business – finding out what the business owners want and what stage of readiness they are in comes natural to him. "In a perfect world" he would use personality surveys to determine the client's risk aversion and such; however, he does not seem to favor those tools. In order to better understand his clients he asks lots of questions, talks to the people around them. He has well-established relationships with his clients – as a financial advisor he has annual reviews during which he asks them how things are going and what their plans are for the following year/in the long run. This is a great way to not only show that he cares about his clients but also bring up the possibility of succession planning in a non-threatening way. (Mr. Sawyer does not bring up the subject of exit planning to people who are not already considering it. His clients come to him when they are ready to retire so he does not have to deal with hunting for new leads.)

I asked him if he suggests any activities to clients after they sold their business. According to him business owners are almost always type A personality – meaning that they know exactly what they want to do and are not interested in any suggestions. What they do want to hear is how to maximize the \$ out of their business and how to make sure that their finances are in order.

According to Mr. Sawyer spouse involvement varies from person to person. On average spouses are involved about 25% of the exit planning process.

The most important people in a business owner's circle of influence are the CPA and the attorney. Due to the sensitive nature of exit planning they will only discuss it with people they trust. He said that workshops are a great idea (many financial planners and CPAs do them in the Louisville area) however, many small business owners will not attend them because they don't want people to know about their interest in the topic. Privacy and confidentiality are very important when it comes to exiting.

Mr. Sawyer offered to send us some whitepapers from an organization called Vistage. Only members can access the information they have so he was kind enough to do it for us. (I will send everyone a copy when I receive it from him.)

## **Appendix B**

**Exhibit 1 – Survey Instrument**

**Exhibit 2 – Survey Results**

## *Appendix B*

## Exhibit 1 – Survey

### Instrument

# Succession Planning Survey

## Succession Planning Survey

Greetings. We are part of the inaugural Full-time MBA program at the University of Louisville and are less than a month away from graduation. We are asking for your help in completing this survey for our capstone project. We are investigating the emotions and thoughts that are inherent to small business succession planning. Your assistance will help us gain critical knowledge for our futures in business and allow us to successfully complete our MBA program. We would greatly appreciate your response within the next 72 hours. Thank you in advance for your time and cooperation, Zsuzsanna, George, Keith, Nate and Shaheer. Please click "Next" below to begin the survey.

**\* 1. Do you consider your business primarily as an income generator, versus working for someone else?**

- Yes
- No

**2. Which of the following would be a good analogy of how you view your business?  
(Drag and drop your preferences according to the order of their importance)**

Hobby	➔	
Child		
Job		
Personal Mission		
Other (please specify below)		

**\* 3. What is your favorite thing about being a business owner?**

- Being your own boss
- Being in charge of other people
- Setting your own schedule
- Having the freedom to make decisions

**\* 4. What is your biggest headache about being a business owner?**

- Not much free time
- Too much responsibility
- Too much risk
- Income is more variable than steady
- Difficult clients

**\* 5. What are some of the unknowns you would like to resolve about the future of your business?**

**\* 6. If you retired in September, would your business still be able to run smoothly in October?**

- Yes
- No

7. If you have not yet considered succession planning, what might be the reason?

\* 8. If your business were to start succession planning, what would the reason be related to primarily:

- Lifestyle
- Finances
- Independence
- Responsibility
- Family

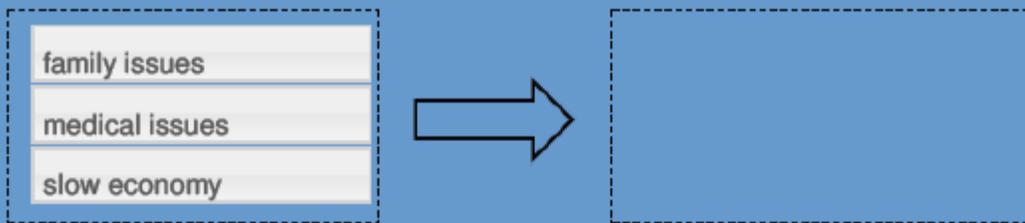
9. Whose advice would you be likely to take into consideration when making business decisions or succession planning? (Rate the selections that apply from 1 to 5 stars, with 5 stars indicating the most likely)

- |                       |                             |
|-----------------------|-----------------------------|
| Financial Advisor     | <input type="radio"/> ★★★★★ |
| Accountant            | <input type="radio"/> ★★★★★ |
| Friends               | <input type="radio"/> ★★★★★ |
| Spouse                | <input type="radio"/> ★★★★★ |
| Adult children        | <input type="radio"/> ★★★★★ |
| Estate Planner        | <input type="radio"/> ★★★★★ |
| Lawyer                | <input type="radio"/> ★★★★★ |
| Business Consultant   | <input type="radio"/> ★★★★★ |
| Other business owners | <input type="radio"/> ★★★★★ |
| Competitors           | <input type="radio"/> ★★★★★ |

**10. What comes to mind when you think of succession planning?**

Relaxation from daily work	<input type="checkbox"/>
Concern about the succession process	<input type="checkbox"/>
Breaking the focus of your current growth strategy	<input type="checkbox"/>
Uncertainty about the future	<input type="checkbox"/>
Freedom from a busy schedule	<input type="checkbox"/>
Providing for your family and children	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

**11. Under what circumstances would you consider transitioning your business to a new owner? Please rank your answers.**



**12. What is the biggest reason you would NOT like to transition your business to a new owner?**

**13. If you decided to sell your business, who would you feel comfortable selling to?**

**A relative**



**A friend**



**An experienced business owner**



**A group of business investors or venture capitalists**



**A competitor**



**A supplier or manufacturer**



**A customer**



**\* 14. How soon before succession would be a good time to start planning to transition your business to a new owner?**

- Three to five years prior to transition**
- At least a year before the transition**
- When I start looking for a new owner**
- Right before the new owner comes in**
- It's not something I want to think about**
- My business doesn't require succession planning**

## **Demographic Questions**

Please take a moment to complete the following information which will be used for statistical purposes.

**\* 15.**

**Please select your age range below:**

- Under 30**
- 30-40**
- 40-50**
- 50-60**
- 60+**

\* 16.

Please select your gender:

- Male
- Female

\* 17. In which state is the home office of your business located?

- |                                      |                                      |                                     |
|--------------------------------------|--------------------------------------|-------------------------------------|
| <input type="radio"/> Kentucky       | <input type="radio"/> Alabama        | <input type="radio"/> Alaska        |
| <input type="radio"/> Arizona        | <input type="radio"/> Arkansas       | <input type="radio"/> California    |
| <input type="radio"/> Colorado       | <input type="radio"/> Connecticut    | <input type="radio"/> DC            |
| <input type="radio"/> Delaware       | <input type="radio"/> Florida        | <input type="radio"/> Georgia       |
| <input type="radio"/> Hawaii         | <input type="radio"/> Idaho          | <input type="radio"/> Illinois      |
| <input type="radio"/> Indiana        | <input type="radio"/> Iowa           | <input type="radio"/> Kansas        |
| <input type="radio"/> Louisiana      | <input type="radio"/> Maine          | <input type="radio"/> Maryland      |
| <input type="radio"/> Massachusetts  | <input type="radio"/> Michigan       | <input type="radio"/> Minnesota     |
| <input type="radio"/> Mississippi    | <input type="radio"/> Missouri       | <input type="radio"/> Montana       |
| <input type="radio"/> Nebraska       | <input type="radio"/> Nevada         | <input type="radio"/> New Hampshire |
| <input type="radio"/> New Jersey     | <input type="radio"/> New Mexico     | <input type="radio"/> New York      |
| <input type="radio"/> North Carolina | <input type="radio"/> North Dakota   | <input type="radio"/> Ohio          |
| <input type="radio"/> Oklahoma       | <input type="radio"/> Oregon         | <input type="radio"/> Pennsylvania  |
| <input type="radio"/> Rhode Island   | <input type="radio"/> South Carolina | <input type="radio"/> South Dakota  |
| <input type="radio"/> Tennessee      | <input type="radio"/> Texas          | <input type="radio"/> Utah          |
| <input type="radio"/> Vermont        | <input type="radio"/> Virginia       | <input type="radio"/> Washington    |
| <input type="radio"/> West Virginia  | <input type="radio"/> Wisconsin      | <input type="radio"/> Wyoming       |
| <input type="radio"/> Other US       | <input type="radio"/> Canada         | <input type="radio"/> International |

\* 18. What is your company's annual revenue? (in millions)

- 1-5
- 5-10
- 10-20
- 20-40
- 40-80
- 80+

\* 19. How many employees does your company have?

- 1-25
- 25-50
- 50-100
- 100-300
- 300+

\* 20. Is your company a family-owned business?

- Yes
- No

\* 21.

How many years has the company been in operation?

- Under 5
- 5-10
- 10-20
- 20+

\* 22. On a scale of 1-5, how much of a risk taker would you consider yourself?

	1	2	3	4	5
	<input type="radio"/>				

## Thank you

Thank you for taking our survey!

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## Exhibit 2 – Survey Results

### Results for survey: Succession Planning Survey

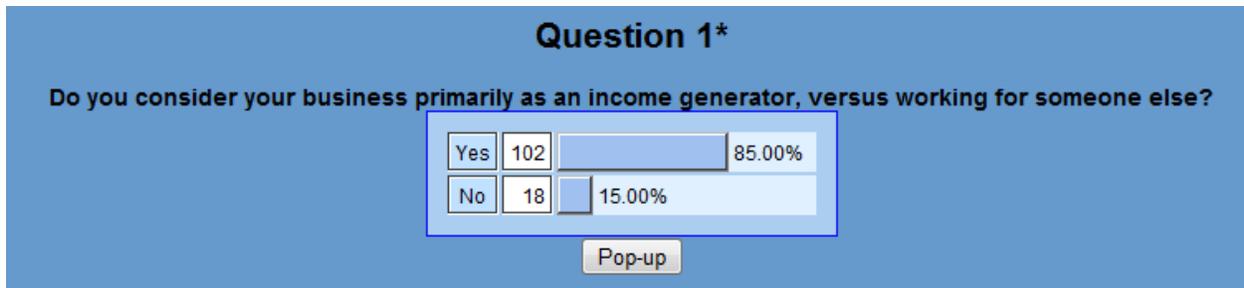
#### Survey Invitations

Invitations Sent: **0**  
Invitations Accepted: **0**  
Untracked Responses: **120**  
Total Completed Surveys Received: **63**  
Total Incomplete Surveys Received: **57**  
Total Responses Received: **120**

#### Succession Planning Survey

##### Question 1

Do you consider your business primarily as an income generator, versus working for someone else?



## Question 2

Which of the following would be a good analogy of how you view your business? (Drag and drop your preferences according to the order of their importance)

	1	2	3	4	5	Responses	Total
Hobby	6%	12%	26%	46%	10%	50	17%
Child	17%	13%	39%	20%	11%	46	15%
Job	40%	36%	17%	7%	0%	84	28%
Personal Mission	64%	28%	6%	1%	0%	81	27%
Other (please specify below)	38%	32%	5%	11%	14%	37	12%

### Other Responses:

7750070 - My office is my passion and career. It is not just a job.

7752252 - I have spent over 40 years in a business which itself has a heritage approaching 75 years. We are proud of our traditions and reputation as a superior provider of facilities and services over this period of time.

7782190 - Investment

7787217 - Earnings Provider

7787762 - Profession

7801281 - This is a dumb question. A business is a major commitment in time and funds. I don't relate to your 4 choices!

7807874 - To inspire and empower others

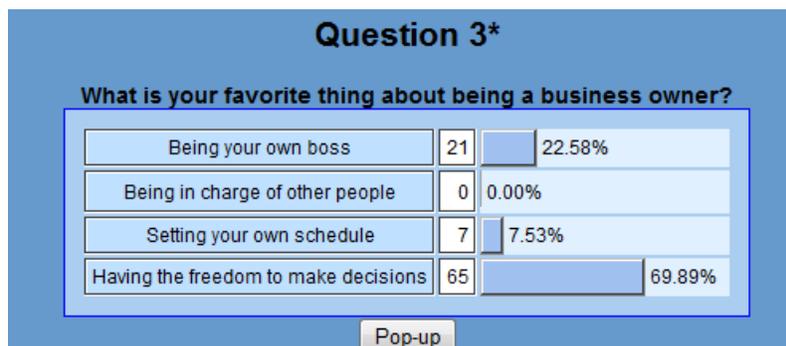
7815586 - My career identity. Life! Passion

7822451 - Passion

7854423 - Child, Job, Hobby, Personal Mission

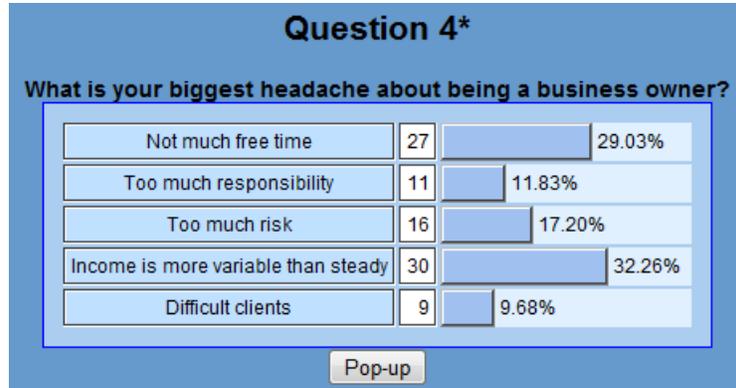
## Question 3

What is your favorite thing about being a business owner?



## Question 4

What is your biggest headache about being a business owner?



## Question 5

What are some of the unknowns you would like to resolve about the future of your business?

**Text Answers (14 Responses)**

7902707 - 1. Finding the appropriate personnel leadership positions 2. Succession planning or exit strategy. 3. Maintaining profitability.

7863043 - Future leaders of the business Next Generation - can they get along with each other [View](#)

7854423 - Increasing sales

7822451 - Understanding market trends and understanding customer better and where their tastes are headed.

7815586 - Government regs. Economy

7806018 - Finding and retaining the right talent for our very unique roles.

7801281 - Congress is not giving a clear picture on future taxes and other small business incentives for hiring.

7801247 - Unequal competition from foreign manufacturers. Will it continue to grow? How much are taxes to rise to pay for government expenditures? How can US manufacturers compete with foreign competition when they have nearly zero regulation and we have ever growing regulation?

7800887 - Continually creating improved efficiency

7800752 - Growth as business is shared with son hopefully to take over

7798231 - Management and ownership succession

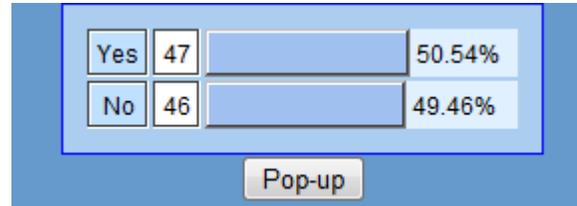
7791820 - Business Development Opportunities

7791039 - None

7788425 - Economic conditions Legislative Policies

## Question 6

If you retired in September, would your business still be able to run smoothly in October?



## Question 7

If you have not yet considered succession planning, what might be the reason?

### Text Answers (13 Responses)

7902707 - Currently constantly considering it.

7863043 - We are now making those plans and have been working on it for about 6 months already.

7854423 - What is succession planning? My guess, too young for it to be a concern.

7822451 - Don't want to see the business move on without me

7815586 - It is all done!

7806018 - It has been considered, but not communicated.

7801281 - I am currently in the middle of succession planning and will have the plan in place 1/1/12.

7801247 - I have begun succession planning.

7800887 - Young

7800752 - Just now doing so

7791820 - N/A

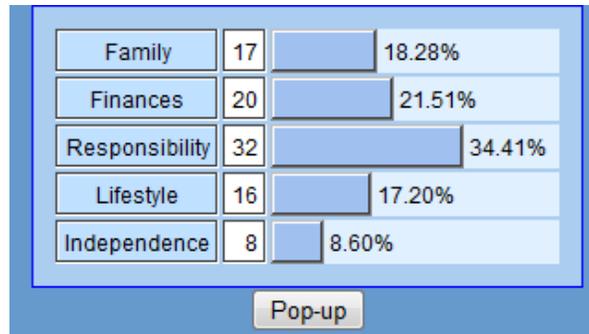
7791039 - I am the sole employee of my business.

7788425 - Done

7788152 - Too far off

### Question 8

If your business were to start succession planning, what would the reason be related to primarily?



### Question 9

Whose advice would you be likely to take into consideration when making business decisions or succession planning? (Rate the selections that apply from 1 to 5 stars, with 5 stars indicating the most likely)

	1	2	3	4	5	Responses	Total
Financial Advisor	16%	8%	33%	24%	19%	75	241
Accountant	6%	9%	16%	29%	39%	79	305
Friends	39%	28%	23%	6%	3%	64	132
Spouse	18%	10%	23%	17%	32%	71	238
Adult children	30%	25%	19%	14%	11%	63	158
Estate Planner	17%	11%	31%	23%	17%	70	218
Lawyer	5%	12%	16%	38%	28%	81	302
Business Consultant	13%	16%	30%	19%	23%	70	226
Other business owners	8%	10%	32%	22%	28%	72	253
Competitors	48%	16%	23%	5%	8%	61	128

### Question 10

What comes to mind when you think of succession planning?

	100%	Responses	Total
Relaxation from daily work	100%	14	9%
Concern about the succession process	100%	28	18%
Breaking the focus of your current growth strategy	100%	10	6%
Uncertainty about the future	100%	36	23%
Freedom from a busy schedule	100%	16	10%
Providing for your family and children	100%	40	26%
None of the above	100%	12	8%

## Question 11

Under what circumstances would you consider transitioning your business to a new owner?  
Please rank your answers.

	1	2	3	Responses	Total
family issues	36%	43%	21%	67	34%
medical issues	65%	28%	7%	72	37%
slow economy	13%	29%	59%	56	29%

Show values Pop-up

## Question 12

What is the biggest reason you would NOT like to transition your business to a new owner?

### Text Answers (15 Responses)

7863043 - Family members in the business.

7854423 - Giving up control.

7822451 - They would not continue the culture that I had established nor continue to build value in the brand.

7815586 - Associates, family

7806018 - Young enough and plan to work at least 20 more years.

7801281 - None of your choices in question #11 apply to me. The biggest reason for any business owner is the perceived valuation of the business from the perspective of the buyer and the seller.

7801247 - I wouldn't want the business to be closed if sold to a strategic buyer. I would like for my family to continue and grow the business.

7800887 - like what I do

7800752 - Planning to do so to my son

7800736 - I like cats.

7791820 - Identifying a qualified and interested party.

7791039 - Having too much fun.

7788425 - Potential loss of focus and quality

7788231 - Not ready now.

7788152 - Not in a position to do that yet.

### Question 13

If you decided to sell your business, who would you feel comfortable selling to?

	1	2	3	4	5	Responses	Total
A relative	37%	18%	19%	4%	23%	57	147
A friend	44%	14%	20%	10%	12%	59	137
An experienced business owner	3%	1%	10%	34%	52%	77	332
A group of business investors or venture capitalists	14%	12%	18%	15%	40%	65	231
A competitor	14%	12%	16%	26%	32%	69	241
A supplier or manufacturer	29%	14%	16%	17%	24%	58	170
A customer	30%	11%	18%	18%	23%	61	179

### Question 14

How soon before succession would be a good time to start planning to transition your business to a new owner?

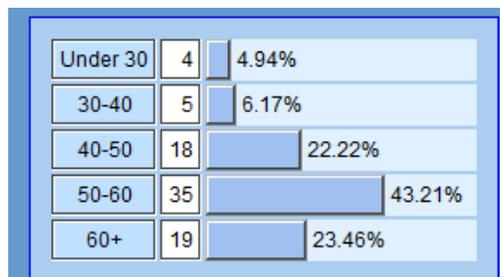


### Demographic Questions

Please take a moment to complete the following information which will be used for statistical purposes.

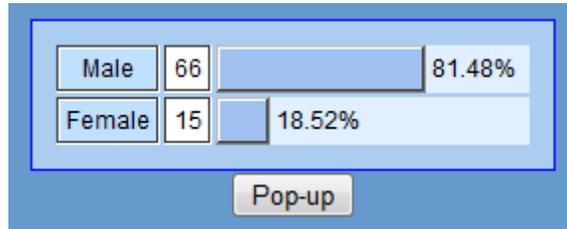
### Question 15

Please select your age range below:



## Question 16

Please select your gender:



## Question 17

In which state is the home office of your business located?

Kentucky	66	81.48%
Alabama	0	0.00%
Alaska	0	0.00%
Arizona	1	1.23%
Arkansas	0	0.00%
California	0	0.00%
Colorado	0	0.00%
Connecticut	0	0.00%
DC	0	0.00%
Delaware	0	0.00%
Florida	0	0.00%
Georgia	0	0.00%
Hawaii	0	0.00%
Idaho	0	0.00%
Illinois	0	0.00%
Indiana	10	12.35%
Iowa	0	0.00%
Kansas	0	0.00%
Louisiana	0	0.00%
Maine	0	0.00%
Maryland	0	0.00%
Massachusetts	0	0.00%
Michigan	0	0.00%
Minnesota	0	0.00%
Mississippi	0	0.00%

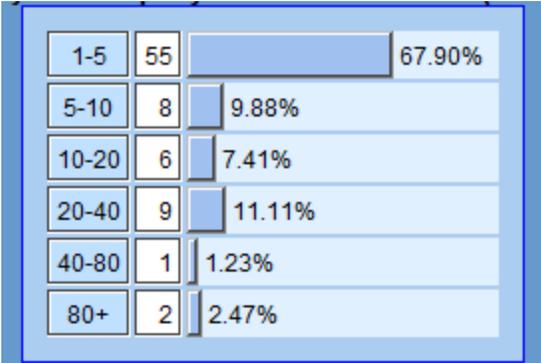
## Question 17 (Continued)

In which state is the home office of your business located?

Missouri	0	0.00%
Montana	0	0.00%
Nebraska	0	0.00%
Nevada	0	0.00%
New Hampshire	0	0.00%
New Jersey	0	0.00%
New Mexico	0	0.00%
New York	0	0.00%
North Carolina	0	0.00%
North Dakota	0	0.00%
Ohio	1	1.23%
Oklahoma	0	0.00%
Oregon	0	0.00%
Pennsylvania	0	0.00%
Rhode Island	0	0.00%
South Carolina	0	0.00%
South Dakota	0	0.00%
Tennessee	0	0.00%
Texas	1	1.23%
Utah	0	0.00%
Vermont	0	0.00%
Virginia	0	0.00%
Washington	0	0.00%
West Virginia	0	0.00%
Wisconsin	0	0.00%
Wyoming	0	0.00%
Other US	1	1.23%
Canada	1	1.23%

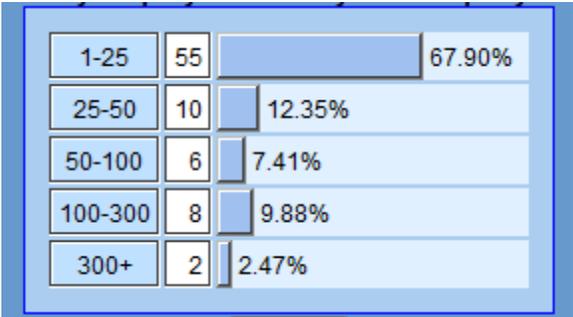
**Question 18**

What is your company's annual revenue? (In millions)



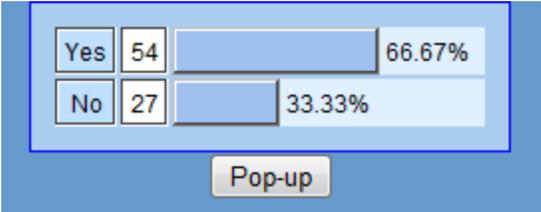
**Question 19**

How many employees does your company have?



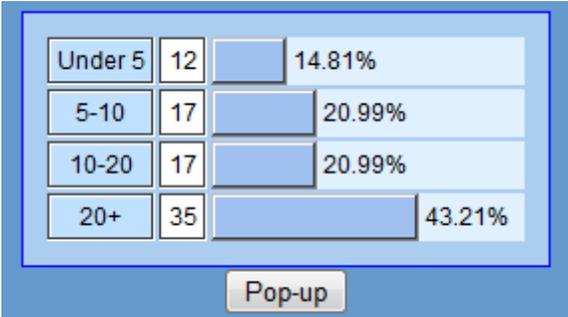
**Question 20**

Is your company a family-owned business?



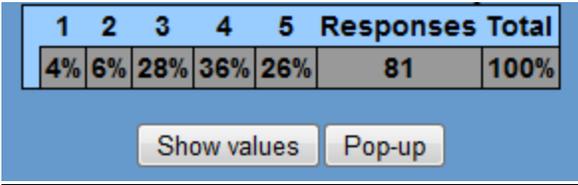
**Question 21**

How many years has the company been in operation?



**Question 22**

On a scale of 1-5, how much of a risk taker would you consider yourself?



## **Appendix C**

### **Exhibit 1 – Research Article from California M&A Firm**

## *Appendix C*

### **Exhibit 1 – Research Article from California M&A Firm**

<http://www.bowmanhanson.com/the-psychology-of-preparing-to-sell-a-business/>

#### **Questions to Answer before Selling a Business**

Your answers to these questions will help us, as your M&A Advisors (business brokers); to better understand which buyers will be the best fit, as well as establishing the optimum timeline for selling. More importantly, the answers to these questions will enable you to see your own readiness to sell.

First, answer these questions from your own personal perspective.

1. **Why do you want to sell?** It's the most obvious, yet often most difficult question to answer. There's no perfect answer, only the answer that's true for you.
2. **What will you do when you sell the business?** Having a plan for what you'll do after the sale will help the sales process and keep you motivated.
3. **What is the biggest reason you would NOT sell?** We'll ask you this question to ensure that we're not marketing to buyers who aren't a good fit.
4. **What concerns do you have about the future of the business?** For example, you might want to see it continue to grow, or you're concerned that it will evolve into obscurity.
5. **What do you like most about the business?** Sometimes, answering this question leads the business owner to conclude that he or she would rather keep the business.

6. **What do you like least about the business?** This gives us clues into other reasons you might want to sell your business.

Now, answer these questions after discussions with the other owners and your key management team:

1. **What do suppliers and/or customers have to gain or lose from the sale?** For example, you may have been giving certain suppliers preference or giving customers below market pricing, which might cause them to oppose the sale.
2. **What do current employees stand to gain or lose from the sale?** I have seen deals fail because one or more non-owners saw more personal gain in the failure than in the sale, and consequently sabotaged the deal for their benefit
3. **What do people close to you think about the sale?** This includes your spouse, family, and friends.
4. **Are there other groups, such as lawyers, bankers, accountants, and other professionals who might be affected by the sale?** Quite often, your stakeholder group extends well beyond the owners, and their input and influence can help or hinder a sale.

### **Are You Ready to Sell Your Business?**

Imagine yourself sometime in the future. You've reached the closing date of the sale of your business, and all that's left now is to sign the papers and execute the transfer of the assets or stock of your business to the new owner.

Tomorrow, the business you've worked so hard to build will no longer be your primary responsibility. While you may still be involved through the transition period with the new owner, it's essentially a done deal.

*How do you feel? What are you thinking?*

Selling your business can be one of the most stressful, yet rewarding actions you've ever taken, but it is by no means to be taken lightly. You may feel relieved, elated, excited. You may also experience a sense of loss for something into which you've poured so much of yourself.

Selling a business can bring you a new sense of freedom and can open new doors, whether you're retiring or venturing into a new business. It can also create an aura of uncertainty, bring to the surface unspoken desires of family members, and lead you to question your goals.

If you're considering selling your business, then first explore your "readiness" to sell on these three fronts:

**The readiness of the business...**

**Your personal readiness...**

I've worked with a number of business owners in their 70's who decided they'd rather stay than sell. We have put in Contingency Plans ([link to plan](#)) for them. I've also worked with people in their 70's to help them buy businesses. Age doesn't have to be a factor in selling your business.

Ask yourself these questions, and then talk with your family, partners, associates, and even your professional colleagues:

*What do I want to do next? (If it's in the same industry, be careful about non-compete clauses in the agreement)*

*Am I ready to give up control of the business?*

*Will I get enough money to justify all my hard work?*

*Will I really be improving my financial or personal situation?*

*Do I want to maintain a relationship with the business, perhaps as a part-time employee or consultant?*

*Can you see yourself retiring?* How about using the funds you receive from the sale of your business to buy or start a new business? Think about what you love about your business, and your day-to-day involvement in the business. Having mixed emotions is common. You may simultaneously feel a sense of relief and a sense of dread.

In our experience, business sales conclude more successfully, and with both parties happy about the deal, when the Seller is ready to transfer control of the business to a new owner.

### **The timing of the sale...**

*When's the best time to sell your business?*

Consider the two areas above – the readiness of your business and your personal readiness. If you need the time to build value into your business, then if at all possible, do it. And, if you're not ready to sell, then don't.

We know that sometimes life circumstances can dictate the need to sell your business. Divorce, health issues, or other unfortunate events can precipitate the need to sell. You might not be ready to sell, but circumstances dictate otherwise.

That said, it's still important for you to make your business as attractive as possible to buyers. Obviously, you don't want to sell your business when market demand is down. If you can wait until you're ready, your business is ready, and the market is good, then we encourage you to do so.

If you can't wait to sell, then at a minimum we encourage you to get a realistic assessment of the salability of your business, and then work with your CPA to clean up your accounting systems and financial records to make your business more attractive to buyers. The assessment shouldn't cost you more than a few thousand dollars, and offers a realistic view of the market value of your business.

This is a good time to define your goals and priorities. You want to establish the optimum time to sell, and to sit down with your CPA and attorney to understand the legal, financial, and tax implications of selling.

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