

The Owner's Journey

Experiences shared and lessons learned from entrepreneurs who successfully sold or transferred their businesses to family members

EXECUTIVE SUMMARY

“The Owner’s Journey” was prepared by The Eugene Lang Entrepreneurship Center at Columbia Business School, in collaboration with U.S. Trust, Bank of America Private Wealth Management, and was funded by a grant from Bank of America.

The purpose of the paper was to gain a deeper understanding of the entrepreneur’s journey through the personal insights and experiences of eight successful entrepreneurs — what they learned, what they wish they had known, and other tips and advice they have about selling or transferring a business.

Succession: The aftermath of the growth years

When entrepreneurs are building their business, they can often become so caught up in the challenge and excitement that they miss some important landmarks in their journey. That’s reinforced by journalists and even scholars who understand that the drama of building a business can make for exciting reading. Unfortunately, those missed or delayed decisions often resurface later and add to the challenges of succession.

And eventually, every business owner must face succession choices.

Large numbers of baby boomers have entered their 60s, a time when thoughts of retirement naturally arise. If they have not prepared properly, the transition can seem like a chasm. Even owners whose children have successfully transitioned into the business and are ready to take over, find that the path is not easy.

“And eventually, every business owner must face succession choices.”

The eight entrepreneurs in our paper, “The Owner’s Journey,” have arrived at their own answers to the question, “What comes next?” Some are classic tales of immigrant success in which a new arrival to the United States triumphs over the odds and builds a successful business. For some, a founder’s death or years of careful planning brought a talented and prepared child into the business. In others, a financial or strategic buyer provided the transition.

In many of these cases, there were psychological and family dynamics to negotiate. Some struggled. Others successfully brought children into the decision making and arrived at a solution that satisfied everyone.

In still others, the business proved so valuable that a large corporate buyer stepped in and provided a dramatic and lucrative finish. Yet even then, the question of what comes next can pose challenges — at least one founder was unprepared for the sudden identity change that selling a business can impose.

The paper explores several themes:

- The differences between estate planning and succession planning, and the importance of being proactive with each of them.
- The process of exiting a business is long, and few owners are prepared for how time-consuming it can be.
- Luck, both good and bad, plays a role. A founder’s unexpected death is a possibility, and the appearance of a well-capitalized and appropriate buyer is another. Founders need to prepare for anything.
- Money may not be the most significant factor in planning for a transition. Many founders need to acknowledge their underlying priorities and goals and choose their advisors accordingly.

Finally, the paper also provides tips on selecting an advisor, properly valuing a business, allowing for the long time frame of succession planning, assessing the next generation’s capabilities as part of an exit plan, and being ready if events move quickly.

To request a copy of the complete paper, or to discuss any of these subjects further, please contact your advisor.

Important Information

The information provided is based on the *Tips for a successful exit: How entrepreneurs sell a company or transfer ownership*, researched and written by Columbia University in collaboration with U.S. Trust. Key findings referenced do not represent the entire findings in the report. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

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