

Failing to plan for succession

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REPORT MARK FENTON-JONES

Small and medium-sized business owners are high on enthusiasm but find it difficult to put aside time for planning. That message emerged from several small business commentators this month as they attempted to gauge the impact of the global financial crisis on succession planning by those operating in the sector.

Succession planning is a favourite topic for those businesses providing services to small business because many operators among the baby-boomer generation are failing to prepare well ahead of their retirement for a profitable exit from their businesses.

Ross Cameron regularly canvasses the views of small businesses to provide a mixture of qualitative and quantitative data.

His last effort in June found that despite the impact of the crisis, when it comes to planning, small to medium-sized enterprises have yet to make it a critical part of their business routine.

"Sadly not much has changed at all. In fact in some instances, such as succession planning, a number of SME operators have seen the GFC as a reason to delay any planning, a wonderful justification for procrastinating."

Always a keen observer of SMEs, Cameron says that the lack of succession planning is scary.

"Only 11 per cent of SMEs have a documented succession plan. A further 43 per cent have thought about succession but don't have a plan, while 46 per cent have given no thought to succession. This is a travesty," he cries.

Without a proper succession plan, owners that hope to sell their businesses on retirement and live off the profits could be in for a shock. Succession planning needs to start years ahead and involves getting the business in shape to be attractive for potential buyers.

Also polishing its small business credentials is accounting firm RSM Bird Cameron. The firm's thinkBig study found for the second year in a row that 20 per cent of SME owners have delayed their exit date from their business because of economic uncertainty.

The Australian Financial Review

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