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Recession issues stall business owner plans to retire

Jim Kendall

The Baby Boomers were supposed to have sold their businesses by now, or in some fashion transitioned their companies to the kids, and retired to the sunshine, a condo downtown or wherever their children and grandchildren live.

Unfortunately, the Great Recession and its long recovery altered more than a few of those plans. That's as true for family businesses, where the issue is more likely transitioning to the next generation than actually selling, as it is for more traditional privately owned companies.

"I have not seen as much selling as we started to see pre-recession," says Barry Goodman. "The recession hurt a lot of people and delayed a lot of decisions."

Goodman is not a broker. He is managing director of Birkdale Transition Partners LLC, Chicago, which focuses on transition planning, and president of the Greater Chicago Chapter of the Exit Planning Institute.

The recession-recovery hangover, Goodman says, means many business owners "can't sell their businesses and then live the lifestyle they want." Buyers -- and there are private equity and strategic buyers -- are looking for "higher quality companies that have gone through a very strategic analysis and identified areas where they can improve," he continues.

Family businesses face the same recession-related issues, but they approach the solutions a little differently.

"You have to remember that family business transitions are about family," begins Anne Smart, membership director at the Loyola University Chicago Family Business Center, part of Loyola's Quinlan School of Business. Within that context, however, "I would say it's absolutely true that transitions are taking longer," Smart says.

Family businesses are far less likely to sell than to transition the business within the family. Family business owners "look long-term," Smart says. "They're thinking, 'Maybe I need to recalibrate, stay influential (in the business) to protect the business and the family.'

"They don't want to sell." Thanks to the same issues nonfamily business owners face, though, "The owner may feel better about staying on as chairman, deciding to maintain a role in the business but not to manage."

Regardless of the structure, those with a stake in small and mid-sized businesses face additional issues as they age and seek a lifestyle change. Goodman lists two issues that tend to be pushed to the back: De-risking the business and the next day. De-risking, Goodman says, involves getting the business in shape so it can operate without the current owner. The highest risks, Goodman says, are in the management capabilities that will remain, the makeup of the customer base, and such financial issues as the cost of capital and leveraging ability.

But the retiring owner, even one staying on as chair to help protect a family business, faces risks, too. Perhaps the biggest risk, Goodman is fond of saying, comes the next day: "What will you do with your life after the sale?" The need for planning never stops.

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