State of Owner Readiness Survey

About the survey
The Central Penn Business Journal polled 111 business leaders, nearly a third of whom were approaching retirement age, most of them running family-owned businesses, about transition plans.

The research was conducted using questions from the Exit Planning Institute’s State of Owner Readiness Survey.

The bigger picture rendered by the data is one of unpreparedness. Despite the fact that many respondents ranked getting the full value for their business as a top priority, nearly half of respondents did not know their company’s value.

With a few exceptions, respondents either said that a transition has not been documented (40.9 percent) or there is no plan at all (47.3 percent). The majority of respondents characterized their business as essentially unprepared to transition away from having them in a leadership role.

No contingency plan in case of emergencies is in place for more than half of respondents, and they are largely unfamiliar with their transition options.

Who Responded

Do you own your own company?
- Yes: 98.2%
- No: 1.8%

When are you planning to transition the ownership of your company?
- 17.4% 0-2 years
- 33% 6-10 years
- 28.4% 3-5 years
- 21.1% No plans yet

What is the ownership structure of your business?
- 82.4% 100% family-owned
- 15.7% Family and outside ownership (family controlled)
- 1.9% Family and outside ownership (outside ownership controlled)

If family owned, which generation of the family holds the majority of ownership?
- 74.8% 1st generation
- 17.8% 2nd generation
- 7.5% 3rd generation
What they said

How ready do you consider yourself to transition your business?

- Very ready: 11.7%
- Pretty much ready: 25.2%
- Unsure of readiness: 25.2%
- Somewhat unready: 17.1%
- Very unready: 20.7%

Do you know your company's value?

- Yes: 58.7%
- No: 41.3%

How was the value estimated?

- Industry benchmark: 21.7%
- Internally, based on recent financial performance: 54.2%
- Hired a third-party business valuation consultant: 20%

What best describes how you are planning on transitioning your ownership?

- Externally (third party strategic buyer, private equity, recapitalization, non-family individual): 40%
- Internally (sale to existing partners/management): 21.8%
- Internally (transfer ownership within family): 24.5%
- Internally (transfer of ownership to employees - employee stock ownership plan, ESOP): 10.9%
- Liquidation: 2.7%

What best describes your company’s transition plan?

- We have a plan, but it has not been documented: 40.9%
- We have a written plan, but it has not been communicated to management: 2.7%
- We have a written plan and it has been communicated to management, but not employees: 5.5%
- We have a written plan and it has been communicated to management and employees: 3.6%
- We have no plan: 47.3%

Have you established a transition advisory team?

- Yes: 83.5%
- No: 16.5%

Who is or should be on the advisory team?

- Attorney: 90.5%
- CPA: 87.6%
- M&A adviser: 30%
- Company CFO: 33.3%
- Spouse: 50.5%
- Non-spouse family member: 14.3%
- Financial planner: 44.8%
- Banker/lender: 21.9%
- Exit planning adviser: 40%
- Other(s): 2.8%

Who is your most trusted adviser in these matters?

- Attorney: 24.5%
- CPA: 34.9%
- M&A adviser: 2.8%
- Company CFO: 3.8%
- Spouse: 15.1%
- Non-spouse family member: 2.8%
- Financial planner: 8.5%
- Banker/lender: 0.9%
- Exit planning adviser: 1.9%
- Other(s): 4.7%