

BUSINESS

RADAR

*Understanding the businesses driving
Australia's economy*

Succession planning





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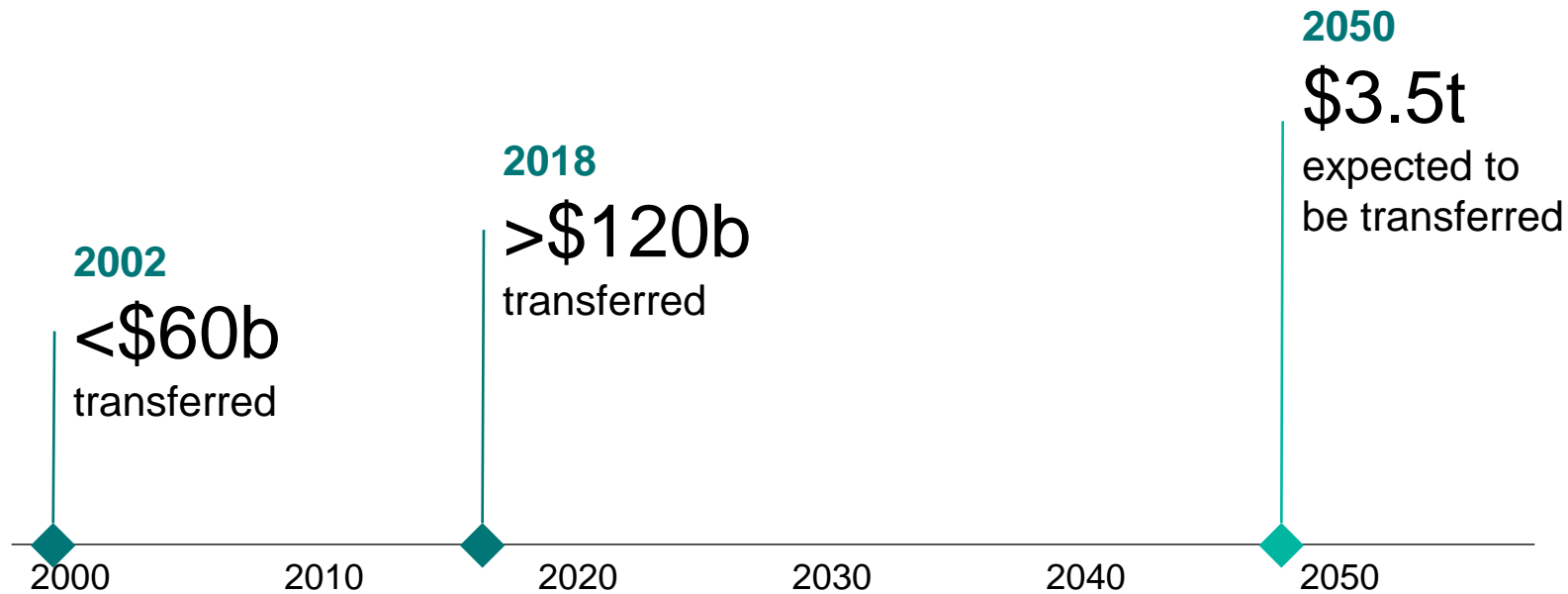
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The great wealth transfer



Wealth
transfers



Comprised of **residential property, unspent superannuation and other investments**



Previously...

58% of business surveyed have never engaged in succession planning



Of those that had

76% of businesses started planning during the growth and mature stage

Are significantly more confident about their business



Succession planning outcomes

40% developing business for staff / management to transition

36% extracting value / sale readiness

32% business legacy

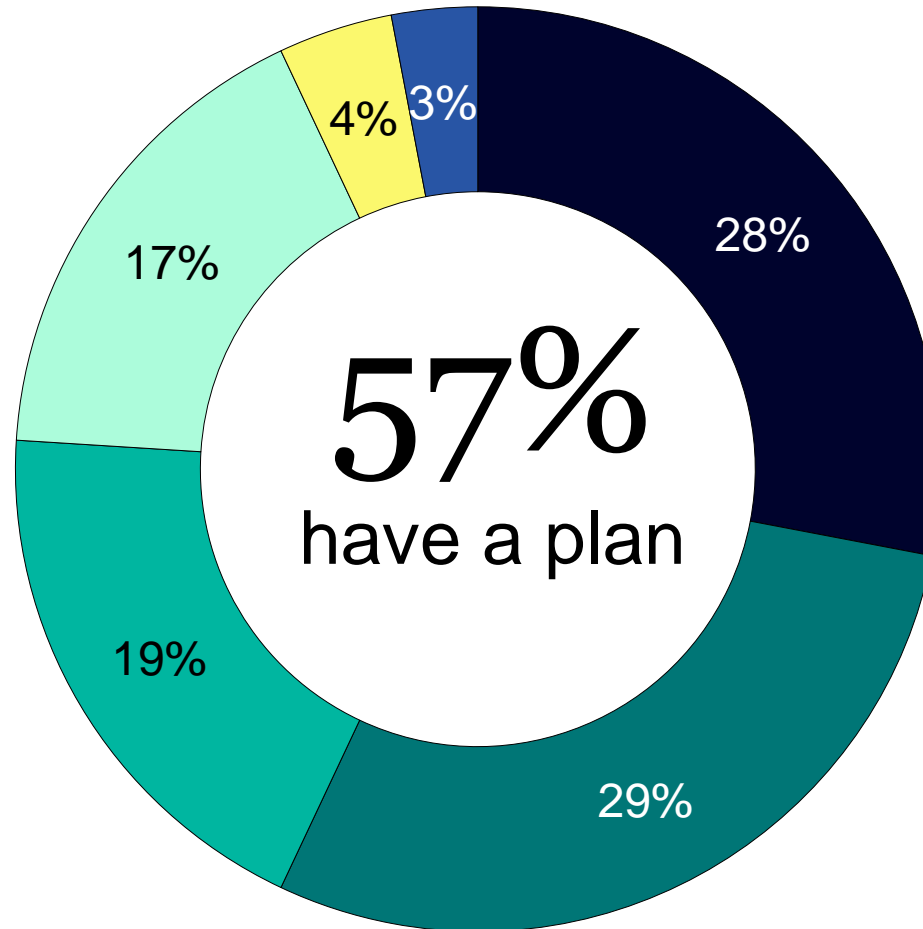


The 'silver tsunami' is coming

Is there a succession plan in place overall?

↗ **40%**
of SME's owned by the
'Baby Boomer' generation

↗ **1M**
business owners
looking for an exit in
next 10 years



- Yes, we have a fully developed and formalised succession plan
- Yes, we have a rough plan, but it is not fully developed or formalised
- We are in the process of developing a succession plan
- No, we have not started developing a succession plan
- No, we don't need one
- Don't know



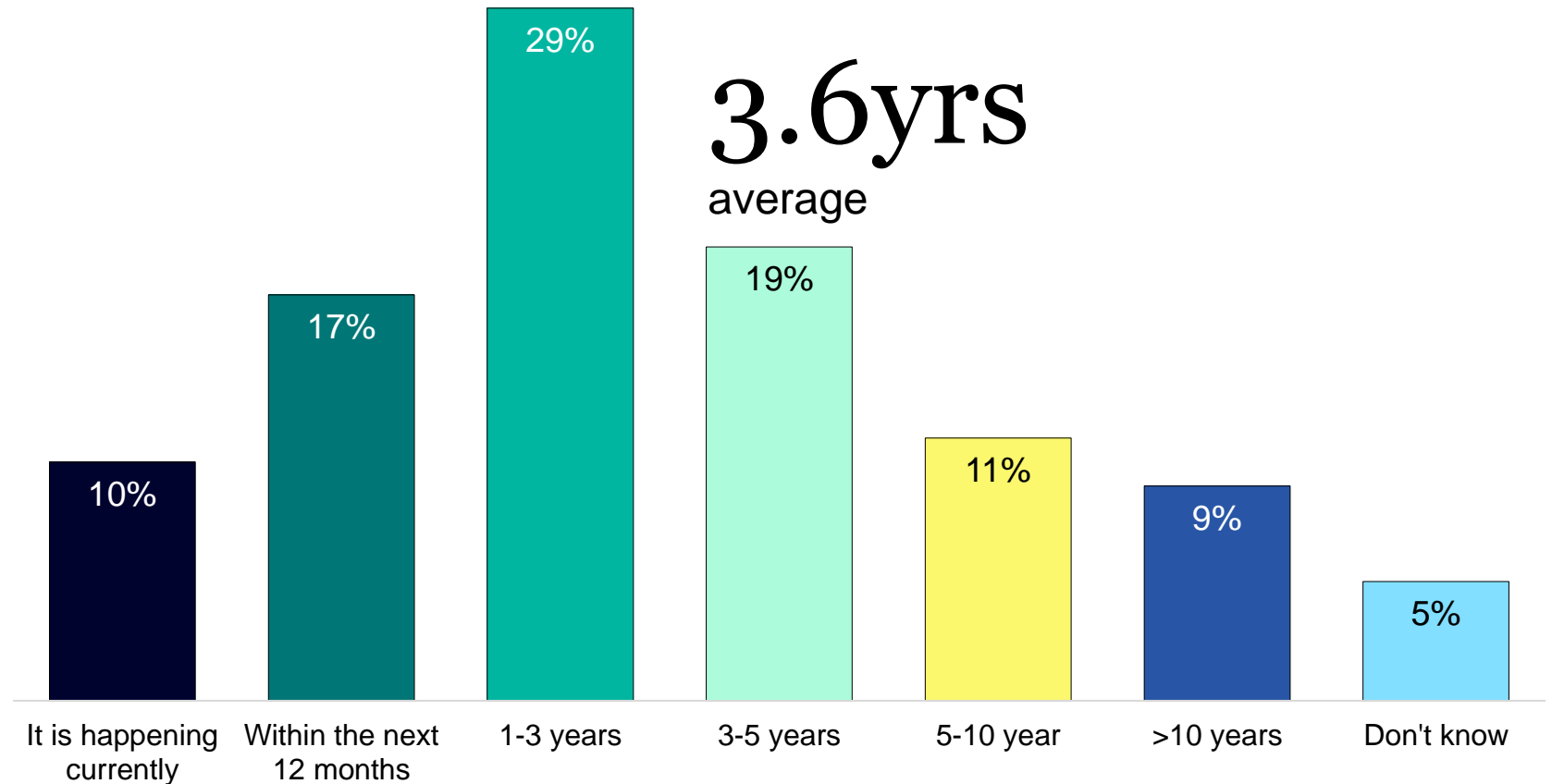
The silver tsunami is coming



27%

of businesses expect change in owner / senior leadership in next 12 months which is **at odds** with ideal strategic planning timeline (5-10 years)

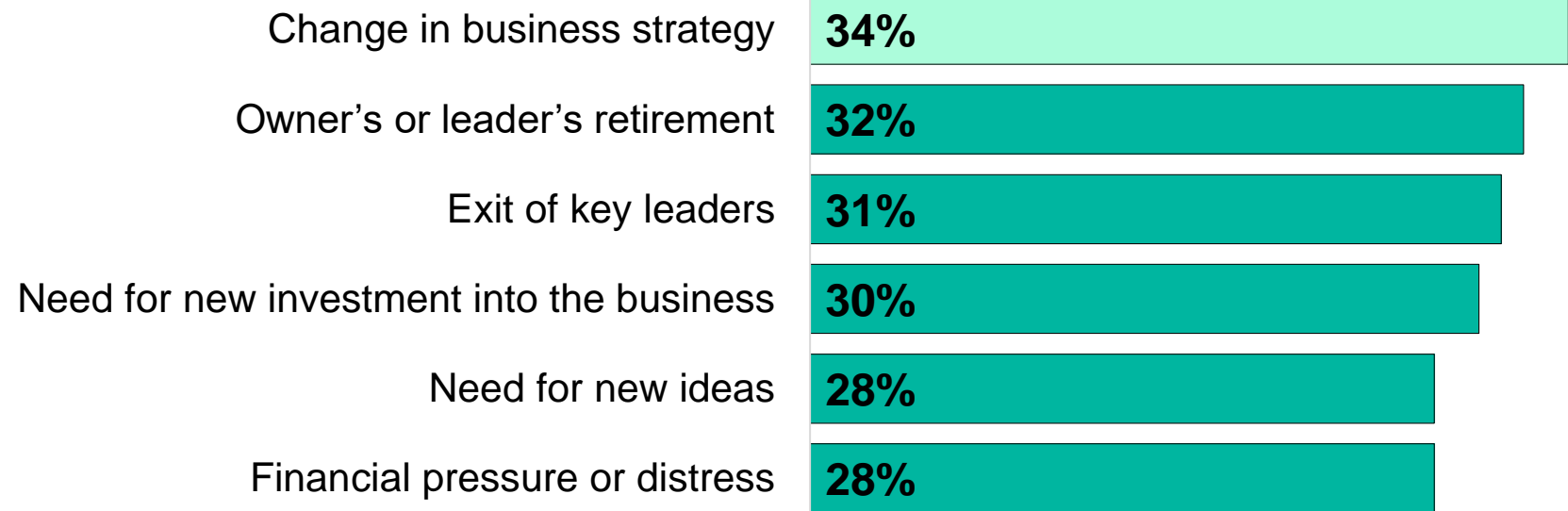
When is a change in leader or owner likely to take effect



When we start thinking of succession planning

Triggers and benefits

Triggers to succession planning



Benefits



Opportunity
for **growth**



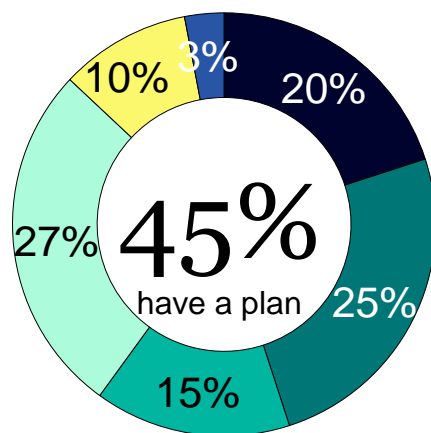
Adoption of **innovative**
processes and **technology**



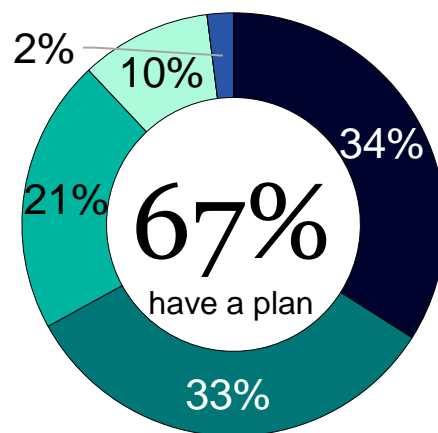
Succession plan

Is there a succession plan in place?

By size of **turnover**

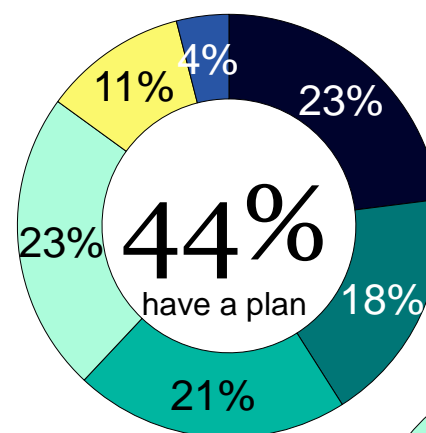


<\$10m turnover

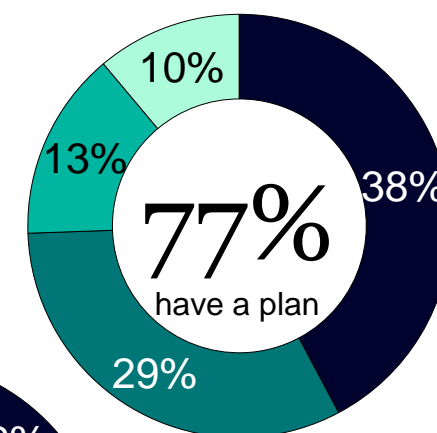


\$10m+ turnover

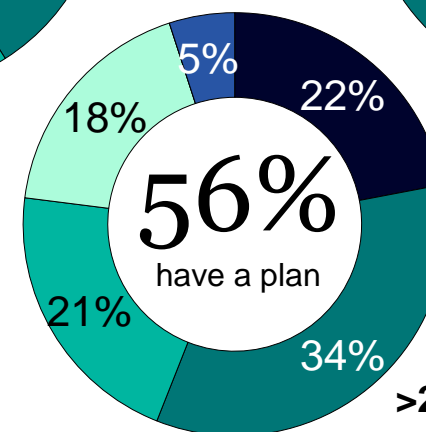
By size of **business**



<100 employees



100-200 employees



>200 employees



Yes, we have a fully developed and formalised succession plan



Yes, we have a rough plan, but it is not fully developed or formalised



We are in the process of developing a succession plan



No, we have not started developing a succession plan



No, we don't need one



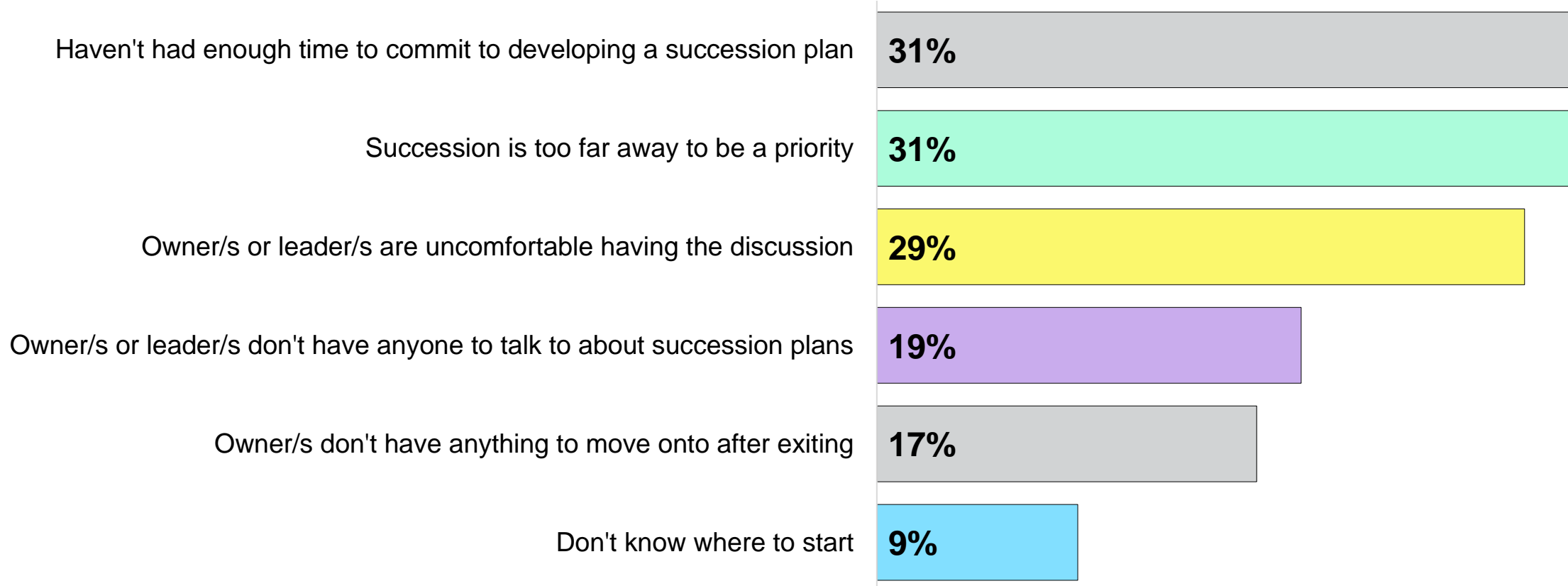
Don't know



Putting off the hard conversation

Why the lack of planning for succession

Barriers to succession planning



Being opportunity ready

Maximise probability of success of succession



Strong management team in place after exit of existing owner(s)



Appropriate corporate structure that minimises value leakage



Corporate records and information up to date



Financial forecasts can stand up to due diligence



Earnings maximised and a lean and efficient balance sheet



Where to from here?

Top 5 likely outcome of a change in ownership / leadership

↗ 20%

Owner/s transferring
their business to
family

↗ 19%

Internal candidate/s
will replace the
existing leader/s

↗ 15%

One owner to
be bought out by
other owners

↗ 12%

Owner/s selling the business
but staying on in a leadership
role for a period of time

↗ 10%

External candidate/s
will replace the
existing leader/s

22%

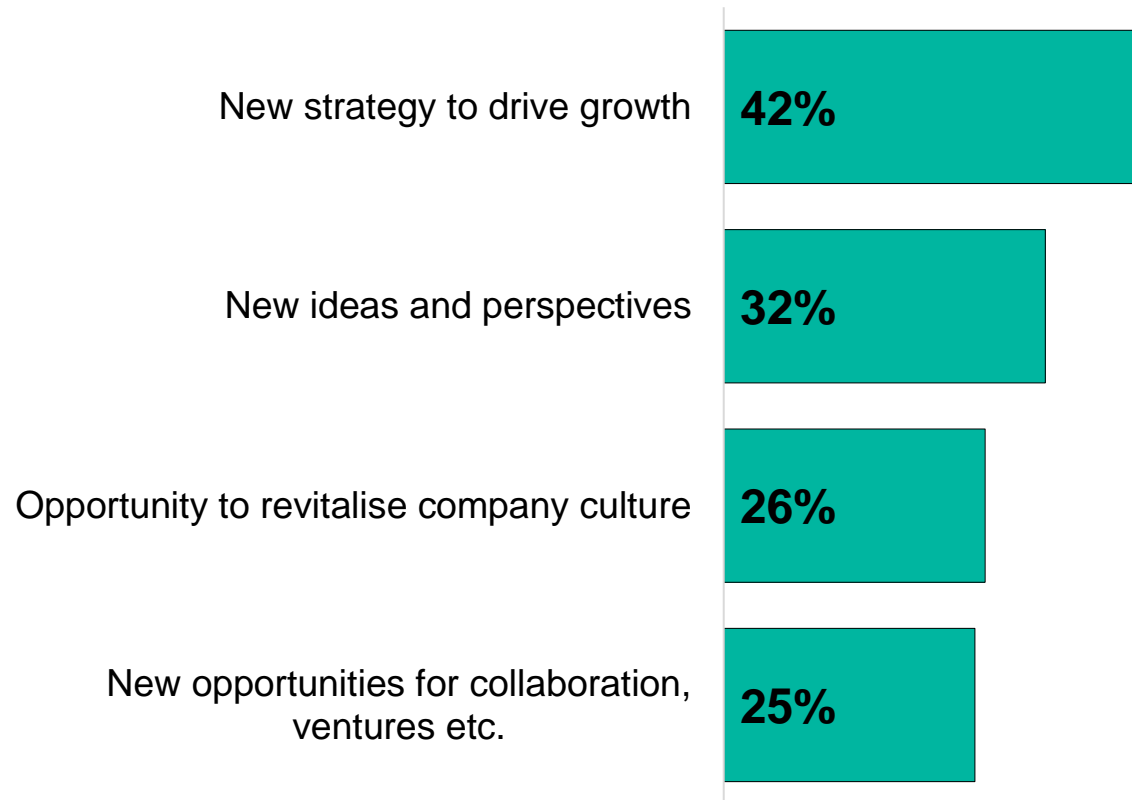
of businesses with over
200 employees are considerably
more likely to have an
external candidate replace
the existing leaders



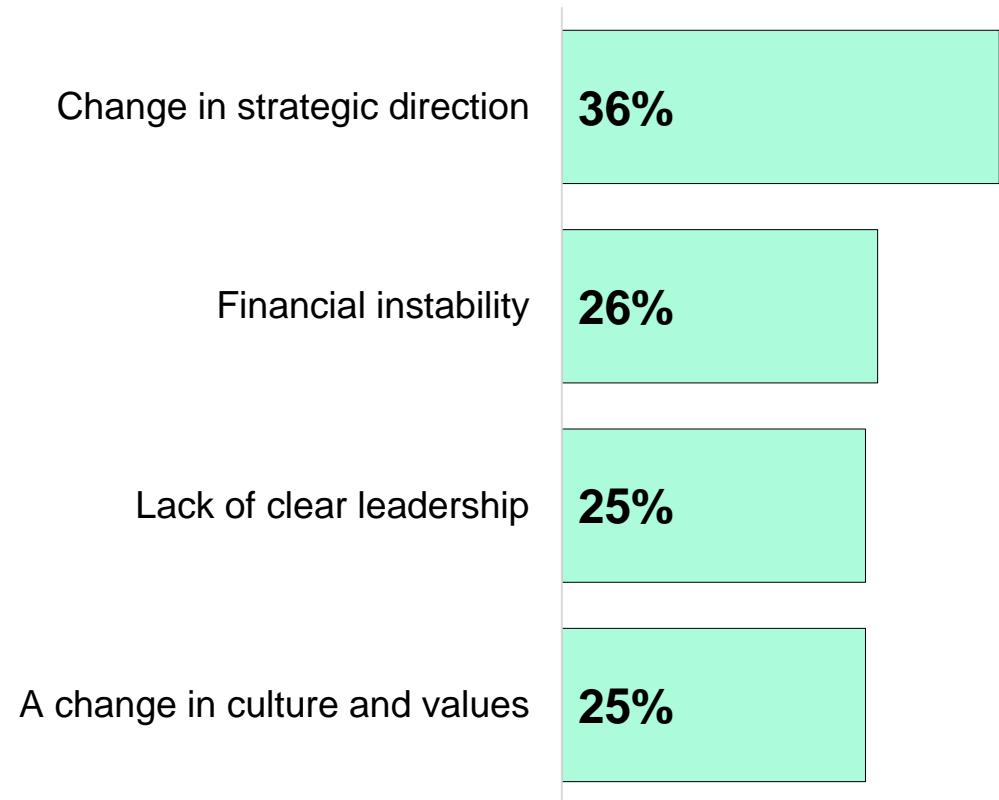
Benefits and risks with change

Fresh ideas and new energy

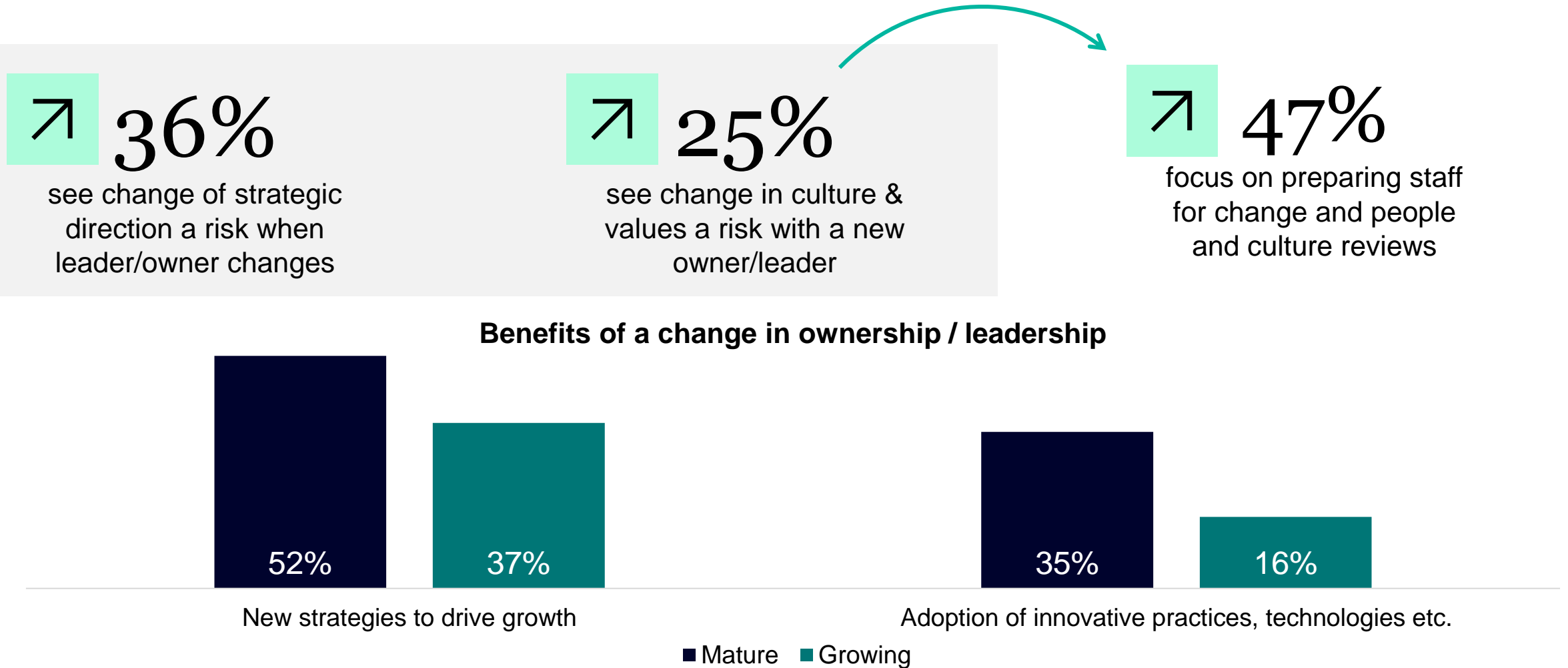
Benefits associated with change in ownership / leadership



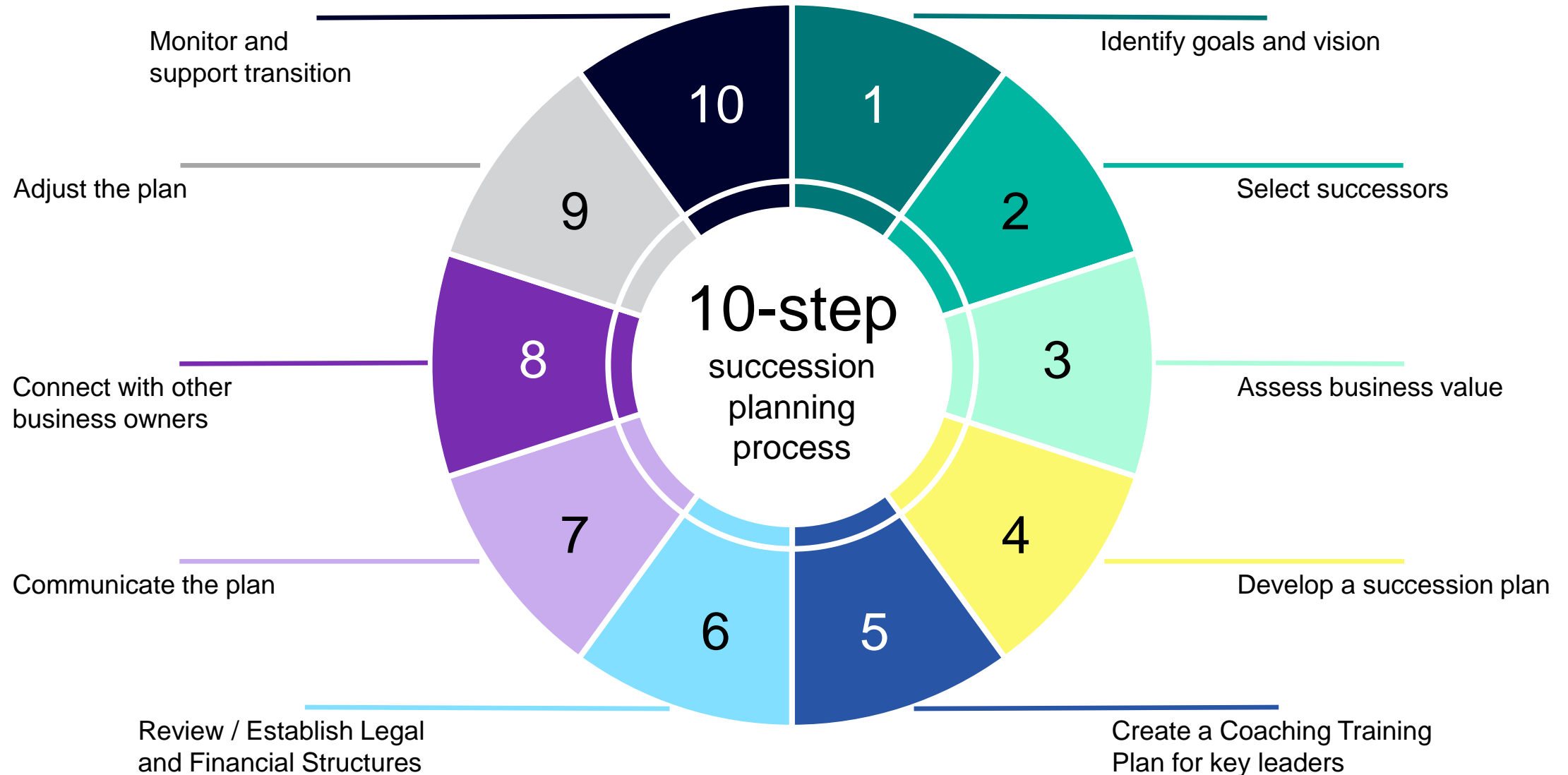
Risks associated with change in ownership / leadership



Priorities for businesses



Process of succession planning



Role of advisors



48%

turning to professional
advisors to discuss
succession



19%

of respondents saying
they don't have anyone
to talk to about their
succession plan



What's next?

Cultivating enduring wealth



Put success back into succession planning

Top 5 actions for businesses



Imagine
ideal future



Spot successors



Bring staff and
customers along



Connect with other
business owners



Regularly review
the plan





Effective succession can't be improvised

Succession can be complex –
planning is critical

Start the planning early

Seek support of
succession experts

Want to know more?

Contact us



Kylie Lamprecht
Partner

p +61 7 3222 8437

e klamprecht@pitcherpartners.com.au



Robert Prince
Partner

p +61 8 9322 2022

e princer@pitcher-wa.com.au



Website

Business Radar
2024 September



Making
business
personal