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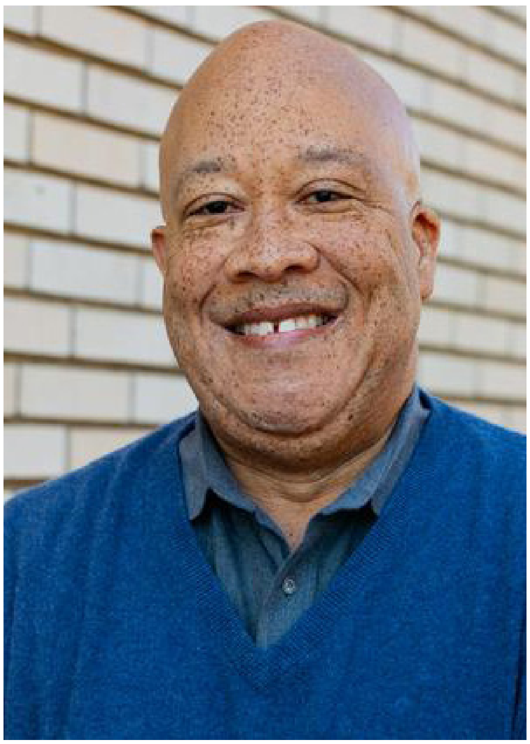

# Succession planning for minority and female business owners

By Monty Bruell, Oaklyn Consulting

Any entrepreneur approaching retirement has important choices to make about the future of their business — such as whether to sell, close the business down, or pass it on to a family member.

But for the founders of minority and women-owned business enterprises (MWBEs), this succession planning takes on a deeper significance. Owners might want their business to maintain minority or female ownership, or to continue serving a community that has always supported them. Parents might view their business as a family legacy that can generate wealth for generations to come.

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Accomplishing these goals means answering big questions, and for an entrepreneur who has never sold a business before, venturing into mergers and acquisitions can be an unnerving journey that requires an experienced guide. Unfortunately, today's established M&A structure often overlooks the specific needs of MWBE business owners.

Here in Memphis and across the Southeast, the big banks are generally not calling on minority businesses, despite the fact that those business owners might have long banking relationships with them. While such banks certainly realize how many millions of dollars have flowed through their clients' accounts, there is sometimes a lack of recognition of the value of those relationships. I don't believe that most minority business owners have the luxury of being able to choose from a broad selection of M&A advisory talent.

What I have found in my conversations with Memphis MWBE business owners is that their goals in the sale of their businesses often go beyond money. Some start their businesses for partly nonfinancial reasons. Although they want to create a great lifestyle for their families, owning a business is not just about amassing wealth.

A person who has been running a successful business for 30 years might have a high level of financial security — enough that when they sell their business, money will naturally be one consideration, but the price tag is not going to be the biggest driver. Some other things may matter more, such as finding a buyer who shares their values and who can nourish the culture they've created in their business.

The dream of many founders is to one day have their children take over their business, but the percentage of successful intergenerational business transfers is actually quite low. Many children of founders don't have the same interest in the family business as their parents.

It's always advisable for business owners nearing retirement to start a dialogue as early as possible with their children about a potential intergenerational transfer. If there is sincere interest, parents and children will need to map out the timeline of how a transfer might take place — a process that normally takes several years. This may involve the family talking through some occasionally touchy questions, such as agreeing on a leadership structure if multiple siblings want the CEO role.

Talking to founders whose children don't want to follow in their footsteps, there's often an element of sadness or disappointment. Moving past that notion can be difficult, but it's necessary to start addressing other important questions that result — the big one being: Who is going to run the business after their exit?

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Perhaps there's a senior employee who could be mentored to eventually step into the CEO role. But if there are no viable internal buyers, the owner may need assistance finding an outside buyer who would respect and preserve the company's working culture and presence in its community.

When contemplating an external sale, the first question company founders often ask is whether a sale would erase their name from their organization's legacy. Nobody who pours decades of their life into a company wants to be forgotten — to watch the locks being changed, to not be welcome in the lobby anymore.

Founders' second question often involves making sure their company's employees would be taken care of if a sale takes place. Many business owners feel that they've built a family and don't want to sell their business to an entity that won't do right by their employees and respect the culture that they've created.

An investment banker can be enormously helpful to business owners in working through all the steps of a business sale. That might start by doing a fair, objective valuation, telling the owner where their business is strong and where it can use some help. An advisor can point out the very best way to position one's business to maximize its appeal to potential buyers.

Selling a company that you've built over the course of decades is like parting with a child. It's important to find an investment banking partner who understands that connection and honors your desires for a sale without trying to impose their own.

One of the most important qualities an investment banker can have is empathy — the ability to put themselves in a client's shoes and understand how their cultural background, gender, and life experiences can shape their perspective and goals. It's this depth of understanding of and relationship with clients that will produce the best outcomes for owners, their families, and employees.

*Monty Bruell is a seasoned entrepreneur and leader who earned his bachelor's degree in economics from Harvard University. Helping women and minority business owners is his passion. Monty's also worked for several Fortune 500 corporations, including Morgan Stanley, Marriott, and Coca Cola. Read more about Monty on Oaklyn's website.*