

# Signs Along the Road to Business Succession

by Dave Specht, CFP®,  
Executive Wealth Management

Everywhere I look I see symbols that draw my mind to the challenges that face clients in their family and closely-held business transitions. This winter three signs in particular caught my attention. The STOP sign, the NO U-TURN sign and the CAUTION BRIDGE MAY BE ICY sign.

The significance of these signs will become apparent as we make the parallels between the highway and business succession.

## #1 The Stop Sign

Any busy person can attest to the fact that a stop sign can sometimes seem like a nuisance. To the business owner, the STOP sign represents the owner's need to take time away from the business to complete the meaningful but time consuming work of retirement, business succession and estate planning.

### Dave Specht



**Dave Specht**, CFP® is an author, speaker, and consultant to business owners on succession-related topics. A native of San Diego, Specht joined Lincoln, Nebraska-based, Executive Wealth Management in January 2006. Further information is available at [www.exec-wealth.com](http://www.exec-wealth.com). Specht can be contacted at [dave.specht@lpl.com](mailto:dave.specht@lpl.com). Dave is a registered representative with LPL Financial and securities are offered through LPL Financial Member FINRA/SIPC.



While you will have trouble finding a business owner that refutes the importance of these activities you will also struggle to find one that isn't annoyed at the prospect of having to go through the process. While we all know that STOP signs are posted to provide safety to the driver and his/her passengers, it is also necessary to realize that it is posted for the safety of all of the cars around us as well.

Just as a STOP sign provides a mechanism to travel busy streets safely, business planning is designed to do the same. While estate, business continuity and retirement planning are important to help protect the business owner, they are also paramount in helping to protect those that surround the business owner. Consider the family of the business owner and the impact that a lack of planning might have on their well being. Think about the employees and the community that may be largely supported by the ongoing success and health of the business. STOP signs are not just nuisances that slow us down on the road of life; they provide a safe alternative to otherwise almost certain collisions. Business planning should not be viewed as a waste of time or of secondary importance, and we must find a way to communicate that to business owners.

## #2 No U-Turn Sign

The NO U-TURN sign is one of the most frustrating signs a driver can confront upon realization that a mistake has been made. To the business owner an irreparable mistake in the planning represents the NO U-TURN sign. The thought of this causes hesitation, procrastination and ultimately could lead to not completing their planning at all. Business owners spend



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their talents, energies and capital to make sure the business is growing and heading in the right direction. The last thing that they want to do is make a mistake in the planning and then have someone say, "Sorry NO U-TURN."

As professionals we need to do a better job of communicating what planning truly represents. Much of the planning that we do is revocable and can be changed and modified. For some reason, business owners struggle to grasp that concept. Often times the perspective of the business owner is, "It is easier to make no decision at all than to decide and then to have to make changes down the road." It is imperative to educate and instruct business owners that estate, business continuity and retirement planning are not an event, but a journey. Much of what we do will need to be modified and can be updated for the benefit of all parties involved.

Just as we wouldn't stop driving because of the possibility of someday having to turn around, don't let business owners focus so much on the NO U-TURN signs of life that prevent them from planning.

### #3 Caution: Bridge May Be Icy

Being a California kid living in Nebraska, ice on a road has been a new experience. While driving this winter with my wife, I came across the CAUTION BRIDGE MAY BE ICY sign and began to wonder about what causes the danger of the icy bridge.

I began to list the dangers, and then the applications to family and closely-held business transitions came quite naturally.

- 1) The road conditions themselves are dangerous.
- 2) The change from having control of the car to not having control.
- 3) The possible inexperience of the driver.
- 4) The speed at which the driver is traveling.
- 5) Overconfidence in one's driving skills.

As we look at these dangers one by one we will quickly see that they have great application to what a business goes through while attempting to transition from one owner to the next or one generation to the next.

The first issue is that the road conditions themselves are dangerous. Being a business owner in a capitalist society has its challenges along with its opportunities. There are market pressures, emerging competitors, shortages of human capital, etc. Even the most experienced and talented business owner can sometimes catch themselves getting turned sideways or find themselves sliding off the road of success because of these natural conditions of owning a business.

The second danger that was evident was the change from having control of the car to not having control. This can be

likened to the founder who grew the business and created a company that was operating smoothly and creating great cash flow, only to find that when the next generation of owners took over, the founder had little control or say as to the direction the company was heading. The issue of control is a difficult one. One of the most dangerous things that a driver on an icy bridge can do is overreact when they realize they are beginning to slip. The time to have a steady hand is when things are starting to feel out of control. Too many drivers want to jerk the wheel and it is usually the overcorrection that ends up getting them into serious trouble. It is important for business owners to plan for the change, understand that there will be a loss of control, and then to stay calm and keep a steady hand.

The third danger that was apparent to me was the inexperience of the driver behind the wheel. This has a great impact on how dangerous the situation becomes. Experience in business teaches a person when they should adjust, when they need to change course and when they should consider seeking help. An inexperienced driver on an icy road will almost always overcompensate, overreact or lose their steady hand. While it is impossible to simulate experiences for a next generation owner, it is possible to delegate meaningful responsibility. Provide guidance for them and allow for personal struggle and growth before the next generation is left to drive the road alone.

The fourth danger to consider is the speed at which you are moving across the bridge. The longer the period of time to transition from good roads to slick roads, the better chance one has to adjust to the dangers and challenges ahead. One of the biggest mistakes that business owners make is not starting to transition early enough. It is natural for someone who feels that they are still in their prime working years to be reluctant to talk about a future transition. Fight those feelings and give the next generation plenty of time to learn the rules of the road. The more lead time and training that the next leader receives, the better chance they will have to navigate the sometimes treacherous road of being a business owner.

The fifth danger that came to mind was the overconfidence of one's skills in navigating the road conditions. Although experience is a great teacher, success sometimes leads to overconfidence and feelings of being invincible. This is a danger with business owners who become wildly successful over a relatively short period of time. Having one or two business ideas flourish can lull one into thinking that they have, "the Midas touch" which can be very dangerous. Confidence and competence are important aspects to leading a business to prosperity, but humility and awareness are equally important in maintaining a realistic outlook towards the future.

While the road signs of traffic safety are helpful for reminding us where the dangers lie, it is still our responsibility and duty to prepare to safely navigate the road. Being a defensive


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driver and watching for the warnings is paramount to having a successful journey. While the bridge may be icy, we need to remember that the ice is only a small part of the danger. We cannot control the ice on the bridge, but we can control how we approach and prepare to cross it.


Heed the warning signs. Prepare for the worst, watch your speeds and give all of the instruction and guidance that you can before you send your most precious asset out onto the road alone.

Encourage business owners to STOP and plan for their well being and for all the people that surround them. Don't let business owners become discouraged by the thought of the NO U-TURN signs of life that keep them from planning. Lastly, don't let CAUTION BRIDGE MAY BE ICY signs ruin your trip. Plan the journey and then move forward with courage on the road to business succession.

### Final Note for Transitioning Law Practices

While this article focuses largely on family and privately held businesses, the lessons learned can and should be applied to law practice successions as well. The road and the challenges may seem different, but really they are quite similar. What are the road signs that you have been ignoring in your own practice? What preparations are you making to safely navigate the road to succession in your firm? 

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