



# Agile Transition Planning in the Age of Uncertainty

Review – Reimagine – Resolve

**WIPFLI**

# Who is Wipfli

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- With over 2,500 associates, 51 offices in the United States and two offices in India, Wipfli ranks among the top 20 accounting and business consulting firms in the nation. Wipfli is also a member of Allinial Global, an accounting firm association of legally independent accounting and consulting firms with offices in North America and throughout the world.

# Your presenter

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As the Benjamin Franklin saying goes,  
*“By failing to prepare, you are preparing to fail.”*

# Private businesses at a glance

- There are almost **28 million** privately owned businesses in the United States.
- Approximately **80%** of business owners do not have a formal plan for transferring ownership of their companies.
- Business owners are passionate, **92%** of them say their business provides a sense of purpose for their lives.
- It is estimated that the business represents **up to 90%** of an entrepreneur's income and net worth.
- **30%** of private businesses are successful in their first generational transfer (**70% failure rate**) **14%** pass from second to third generation, and **only 4%** make it to the fourth generation.

**Every private businesses will eventually transition either voluntarily or involuntarily.**

# The business evolutionary cycle may have changed

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- After years of hard work, just as they are poised to hand over the reins to new leaders, will they have a business left to transition? And will their successors still want it?
- With the full impact of COVID-19 still unknown, we are currently experiencing a time of significant uncertainty. Not surprisingly there is a level of fear and unrest as we struggle to understand its impact on our daily lives and our businesses.
- What business owners are going through today was very different from 2008 and 2009 when we had a gradual progression to recession. COVID-19, for many businesses, has caused a drastic and immediate impact.
- The COVID-19 pandemic has shown us further that the CEO and key officers are not immune.

Many business have followed the **Darwinian Evolutionary Theory: A slow but continuous change**. Business is now being dictated by the **Punctuated Equilibrium Theory: A series of bursts of evolutionary change followed by a period of equilibrium**

# Making practical decisions during an emotional time

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- The emotions of the family, employees, and clients cannot be parked at the door and the desire to get “back to business as usual” will not happen immediately.
- Everyone involved in the company, including the family members, employees, clients, vendor/suppliers, etc are all asking themselves the question:

*“What is going to happen and how will I be affected?”*

- This uncertainty and fear can lead to losing focus, making poor decisions.

# A transferable business has two key characteristics

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- It is not dependent on a specific individual with skills or relationships that cannot be transferred.
- The business generates sufficient cash flow for BOTH market compensation and return on investment.



# Thinking about the WHATS could be infinite

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- What will be the new normal for our daily lives be?
- What does the new economy look like?
- What will the future form of my business look like
  - If your business depends on high degrees of customer reaction – your future may look very different.
- What will the future workforce look like?
- What will the future work environment look like?
- What will my competition look like?

Currently this list could be infinite

Business for the past 10 years experienced reward. Business now will be discussed in terms of risk and uncertainty, with variations in outcomes and performance.

# The business realities can be overwhelming



# What makes a business transferable

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Viable      Stable      Profitable      =      Transferable

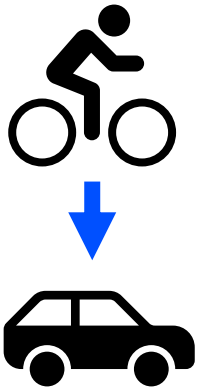
Now, as we deal with the realities of COVID-19, businesses that have long answered “yes” to those attributes are having to rethink.

**Do I have to rebuild these attributes?**

# Where I am today

Every private businesses will eventually transition either voluntarily or involuntarily.

## No Plan



## Started a plan    Have a plan

Is my plan outdated, ineffective, or outright obsolete?



Is your plan still workable?

**Without a written succession plan, Wills and Trusts  
become your default business succession documents.**

# All business owners face three inevitable issues sooner or later



“Have I properly planned for the management or perpetuation of my business in the event of an **unforeseen occurrence**, such as incapacitation, death or permanent disability?”

“**How and when will I perpetuate the business** into the future at some point while realizing value for what I have built?”

“How do I **continue to effectively manage** my business to ensure a more viable, stable and profitable firm?”

# How do I re-vive

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- Review the situation
- Reflect on the new reality
- Re-align my intentions with my new reality
- Re-assess my options
- Reimagine the transition outcome
- Recreate the plan
- Re-establish my timeline

# Understanding agile transition planning

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## Shaping, adapting, preserving the right change

As a general definition, transition planning is the “*process*” of deciding when and how you would like the business to be managed or transitioned in order to protect the firm, its employees, its clients, and its value against unforeseen events.

The transition planning decisions that a business owner makes now, or elects not to make, will be a major factor in deciding the future of your organization.

*Transition planning is a game of inches - “Can never start too early but often start too late”*

# Transition planning will be neither easy nor straightforward

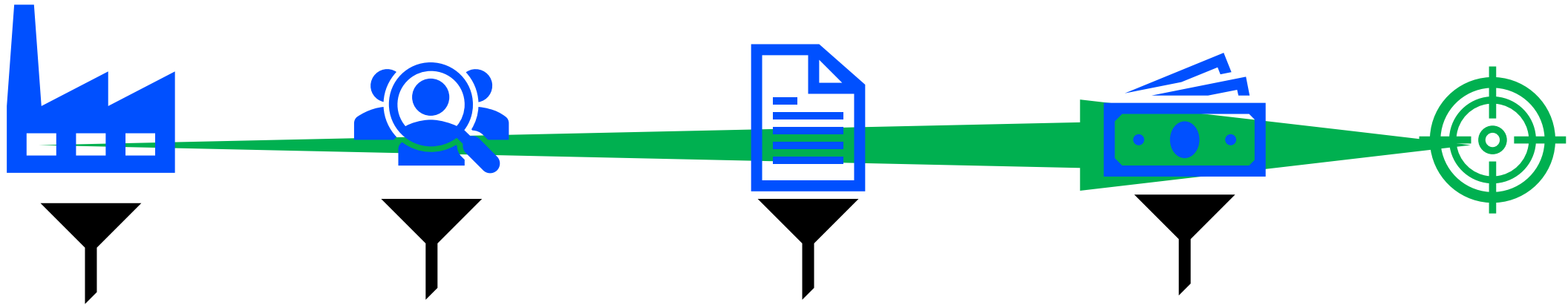
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Ensuring a successful transition requires a focus on four dimensions of the transferability indicators: **leadership, ownership, legacy, and wealth transition**



# Seeing my horizontal plan

Many business owners do vertical planning and never look at their planning horizontally when in fact each component is intrinsically connected and interdependent.



# Embedding transition into your strategic plan

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Business owners have a tendency to skip the strategic plan, running by gut and emotion instead. But emotions run high in uncertain times.

One of your most important roles as a leader right now is to establish a strategic plan that is connected to my transition objectives.

# Two key factors for transition planning



# Keys to remember



- This is a process, not just a project.
- While the process generally remains the same, each situation is unique – a cookie cutter approach will not get it done.
- A fly-by-the-seat-of-your-pants approach will only work by chance.
- An educated decision is always the *BEST* decision.

You can't help but... with 20/20 hindsight, go back and say, 'Look, had we done something different, we probably wouldn't be facing what we are facing today.'

- *Norman Schwarzkopf*

Everything  
starts with an  
interim plan



“Status quo, you know, that is Latin for **the mess we’re in.**”

**Ronald Reagan - *1991 speech***