



From entrepreneur to exit: How we'll help you with your business succession planning

As an entrepreneur, you'll want to leave your business in safe hands when you step down, whether that's in the near future or years down the line.

Succession planning is about mapping out your business's future so it's in a strong position when you leave.

The right approach to succession planning will depend on your unique circumstances and goals. Some will prefer to keep their business in the family, while others will choose to transfer ownership to existing talent in the business. Alternatively, you may be considering selling your firm.

Whatever your plans for the future are, working with an experienced financial adviser can help you achieve them.

At HW Associates, we have a reputation for helping businesses from conception to succession, and we pride ourselves on providing high-quality accounting and advisory services that don't break the bank. With years of experience supporting owner-managers and entrepreneurs like yourself, we can provide the tools you need to build a future-proof succession strategy.

Here's how we can help you with your business succession planning.

Why should I create a succession plan?

The benefits of succession planning are manifold and contribute to the long-term sustainability and success of a business. Here are some key advantages:

Manage risks

Even the best business plans can be derailed unexpectedly by illness or a sudden change in personal circumstances. Succession planning helps identify and mitigate risks associated with key personnel leaving the organisation on short notice.

By identifying and training potential successors, your business will be better prepared if an owner or decision-maker cannot fulfil their duties.

Fill talent gaps

As part of your succession plan, you'll need to identify the skills and experience potential successors must possess. In some cases, you may discover that candidates fall short of what would be required of them as business leaders.

By starting the planning process early, you give yourself more time to train the new owner and fill potential talent gaps before your departure.

Make strategic decisions

It's difficult to move your business forward without a destination in mind. With a solid succession plan in place, you'll find it easier to make strategic decisions that align with your long-term objectives and help your business grow in a sustainable way.

Ensure continuity

A carefully crafted succession strategy can minimise disruption to your business when you leave. A smooth transition period allows for greater continuity within the business and allows leaders to focus their attention on the road ahead.

How can we help with your succession planning?

Finding the right approach

No two businesses are the same, which means every succession plan will look different, too.

Leaving a business you've built from the ground up can be daunting, so we'll draw from our experience in this area to make the process as stress-free as possible.

Working with financial experts who understand your business inside and out can help you find the approach that works best for you. We'll look at your current business finances, management team and ownership structure, as well as your long-term goals to draw up a succession plan that aligns with them.

An outside perspective

As experts outside of your organisation, we can also offer a fresh perspective on your succession strategy and business finances as a whole. We'll help you consider all your options to ensure your plan is as future-proof as it can be.

Saving you time

Whatever your hopes for the future, creating and implementing a succession plan can be time-consuming. The best strategies are revisited on a regular basis, adding to the long list of responsibilities you already have as a business owner.

At HW Associates, we can take on some of that burden, working closely with you to draw up a flexible plan you can easily adapt if circumstances change. We can also save you time on research and number-crunching by providing you with the in-depth forecasts, reports and market analysis you need to create a solid plan.

Tax advice

In many cases, changes in business ownership can have extra tax implications for the parties involved. As your accountants, we can help you understand how different decisions may affect your tax position and structure your finances to minimise the impact on you and your business.

Disposing of all or part of your business shares or assets, for example, can trigger a capital gains tax (CGT) charge. This may even be the case if you pass your business to the next generation as a gift.

We can use our in-depth knowledge of the tax system to ensure you make the most of available reliefs.

If you're giving away business assets or company shares, you may be able to use gift hold-over relief to defer payment. Business owners who qualify for this tax break do not need to pay CGT when they gift business assets. Instead, the recipient will pay any tax due when they eventually sell or dispose of the asset.

You could also consider using business relief to minimise inheritance tax payable on your estate. This tax relief reduces the value of your business or assets by either 50% or 100% when working out inheritance tax.

So long as they qualify, you can get this relief on business property and assets you give away during your lifetime. However, the recipient must retain the assets until you pass away in order to keep the relief.

How to build a good succession plan

Assess your needs

A good succession plan is about more than just finding someone to fill your shoes. You'll also need to assess your current workforce to identify which positions are critical to your business and most at risk of turnover.

Which positions have a direct impact on your business's ability to meet its goals and obligations? Are there any top-level roles without clear successors? Asking these questions can help you understand what your succession plan needs to include and where your business is most vulnerable if someone leaves.

Identify future leaders and skills

Once you've determined which positions are critical to your business's success, you should start identifying future leaders. You may already have individuals in mind, but it's important to evaluate whether they have the core competencies and qualities necessary to fit the role.

Who shows potential as a capable business leader? Which employees take more responsibility in their stride and are proactive in their approach to problem-solving? Do they have the passion to succeed and the values you need in a future decision-maker?

Looking at both the current performance and future potential of employees can help you make well-informed decisions. High performers with high potential are likely to be the best fit for top-level positions in the business.

During this process, you may discover that there are talent or skill gaps within your business or no clear successors for key roles. If this is the case, don't panic; you can create a succession plan that focuses on filling these gaps.

Flag potential business challenges

Another vital component of your succession plan is risk mitigation. Considering potential business challenges in the near and long term can help you build a more resilient succession plan.

What is happening inside your organisation in the present? What potential challenges do you anticipate in the near or long term? Are there any external factors that could negatively impact your business?

Generally speaking, the more comprehensive your understanding of the potential risks, the easier it will be to mitigate them. While identifying and addressing business challenges can be time-consuming and difficult to get right, your accountant can play a vital role in the process.

We'll use our financial expertise to draw up detailed reports and forecasts that pinpoint discrepancies and early indicators of potential challenges.

Our role extends far beyond numbers, so we'll also work closely with your management team to gain a more holistic understanding of obstacles and opportunities your business could face.

Train up future leaders

As mentioned, an important part of your strategy is ensuring that future leaders have the qualities and competencies necessary to progress in the business.

A good learning and development plan will fill gaps in a successor's skillset and experience, giving them the best chance of success when you step down. Focusing on their professional development can also help them feel more valued within the business.

Think about potential development opportunities. Are there any current or upcoming projects that could give successors more hands-on experience? Would your successor benefit from mentorships with or training from more senior members of staff?

Evaluate your strategy

Now you've pinned down the essentials of your succession strategy, you'll need to evaluate it. Have you considered all your options? Are there any issues your plan fails to address? What are the financial and tax implications of transferring full or part ownership of your business to your chosen successors?

If you've not already done so, now may be the time to bring in a business adviser to help you solidify your plan. Professionals with experience supporting businesses through succession can help ensure that your strategy is water-tight, and they'll be able to recommend further actions that will set your business up for success.

Communicate with shareholders

Transparency is vital in business. Before you set your succession strategy in motion, we'd recommend communicating your plan with stakeholders in your business.

For many firms, this will include investors and board members, as well as employees and successors. Communicating your plans as soon as possible and asking for input can give you time to address any concerns.

This step is particularly important if you run a family business, as it can make it easier to reduce potential conflicts within the firm and the family itself.

Review your plan regularly

Business succession planning should not be a one-time event. The only constant in business is change, so regularly reviewing your plan can ensure it remains aligned with your changing goals and the evolving landscape of your firm.

Internal shifts in key personnel or external factors impacting your industry make a proactive approach essential. By conducting an annual review, you can identify these challenges and adjust your plan accordingly.

Each time you review your plan, you should assess the success of your efforts. Is your business stronger than it was before you started implementing your strategy? Is your training and development plan on track? Has employee turnover increased or decreased? Are there any pain points that need to be addressed?

In essence, monitoring the progress of your succession plan is not just a precautionary measure but an investment in the sustained success and adaptability of your business.

Selling your business

When it comes to succession, passing on ownership of your business to an employee or family member isn't the only option. Some entrepreneurs plan to sell their business for a profit from day one, while others may decide to sell after determining they have no clear successor. Whatever the reason for putting your business up for sale, we're here to help.

Accountants play a pivotal role in facilitating and optimising the business sales process.

Before the sale

If selling your business is part of a long-term strategy, you can rely on our support before you start the sales process. We'll use our business development and accounting acumen to help you grow your business so you get a good return on your investment when you sell your firm.

Due diligence

We can conduct thorough financial due diligence to give potential buyers a clear understanding of your business's financial health and its compliance with regulations to instil confidence in the transaction.

Valuation services

Professional business valuation services can determine the fair market value of your business and serve as a starting point for negotiations. We'll use various methods to assess the business's worth and ensure you set a realistic starting price.

Deal structuring

We can assess the financial implications of different deal structures, such as asset sales or stock sales, and provide guidance on the most advantageous approach.

Tax planning

Our expertise means we understand the potential tax implications of the sale, so we can provide strategic advice to minimise your tax liabilities. This can include CGT planning and identifying available tax reliefs or exemptions.

Sage advice

With comprehensive accounting support, practical advice on making the sale and having your best interests at heart, you can rely on HW Associates to make the sales process as stress-free as possible. We'll keep you informed throughout, from early negotiations to the completion of your sale.

Conclusion

In most cases, succession planning is far from straightforward. You'll need to consider all your options carefully to ensure you get the best outcome.

As a result, the two best things you can do is start the planning process early and work with experts.

If you're at the beginning of your business journey, we know that creating a succession plan may not be at the top of your to-do list, but it's best to start as early as possible. Even if you don't plan to leave your business for decades, having a strategy in place can help safeguard your business in case of sudden changes in leadership.

What's more, the process is often time-consuming, stressful and difficult to get right. By working with professional accountants and business advisers, you can give your strategy the best chance of success. As financial experts, we can analyse your firm's fiscal health and use what we learn from your accounts to offer practical solutions and advice on achieving your succession goals.

If you're uncertain of the best course of action, we'll help you weigh up your options carefully so you can make well-informed decisions about your business's future – whether that means passing it on to the next generation or selling it to make a profit.

Finally, we can offer practical support with implementing your succession plan, from minimising your personal tax bill and aiding you in sale negotiations to helping your successors thrive in their new role.

Get in touch to find out how we can help you with your succession planning.

**Ready to find
out more?**

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