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## Baltimore experts on succession planning: Start now

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Allen Burrus recently left his son in charge of his company while going on a weeklong vacation "just to see how things would play out."

While on the golf course with some friends, Burrus kept getting text messages from his son asking various questions. Burrus' phone went off so much his friends asked him to turn it off. He said he has "a lot to do" to ensure he can successfully enact a succession plan.

"I discovered [my son] is not ready and there is too much dependency on me making decisions," said Burrus, the founder of Allen & Son Moving and Storage Inc. in Baltimore. "I plan on retiring from the business and turning it over to my son, but I see so many different challenges that I am already facing."

Burrus shared his story with fellow business owners at an event Monday on succession planning hosted by the Baltimore Development Corp. Succession planning has become an important topic for small and midsize businesses because many are still owned by aging baby boomers. In addition to Burrus, other panelists were Michael Curry, CEO of Krueger-Gilbert Health Physics Inc.; Greg Hogan, a director at SC&H Capital; and Newt Fowler, a



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A panel of experts discusses succession planning at an event hosted by the Baltimore Development Corp. From left to right, Michael Curry, CEO of Krueger-Gilbert Health Physics Inc.; Newt Fowler, partner at Womble Bond Dickinson LLP; Greg Hogan, director at SC&H Capital; and Allen Burrus, founder of Allen & Son Moving and Storage Inc.

partner at Womble Bond Dickinson LLP.

Keith Burns, president of Krueger-Gilbert Health Physics who moderated the panel, said about 60 percent of businesses with between \$25 million and \$100 million in revenue are owned by baby boomers.

"That means over 48,000 businesses will be transitioning to the next generation of ownership in the next 15-20 years, totaling about \$1 trillion in total enterprise value," Burns said.

Those owners have a couple of options if they want to the business to continue. They can sell the business or pass it on to someone else, normally a younger family.

Burns cited a recent PwC survey that found three out of four business owners "profoundly regretted their decisions to sell." He also said 80 percent of businesses that are put on the market actually never sell and that 30 percent of family-owned businesses don't survive into the second generation of ownership.

Now is an important time for business owners to plan for succession because private business valuations are at all-time highs, Hogan, of SC&H Capital, said. Buyers are also flush with capital, he said, and there are "generally favorable" credit conditions.

"You combine all those factors and they contribute to a very, very strong market for owners who are looking to sell their businesses at good, strong valuations," Hogan said.

Throughout the panel's discussion, Fowler repeatedly emphasized a need for business owners to begin planning for succession early. Normally an owner gets tired or a life event happens that leads to a decision to sell.

"That's almost the exact worst way to go about the process," Fowler said. "You have to think about the end line years in advance."

The panelists named a long list of things owners need to do in advance of putting their businesses on the market or enacting a succession plan. Some of the things on the list include:

- Make sure the financial statements are clean
- Having a management team in place that can carry on operations after the owner leaves
- Understanding who potential buyers might be
- Understanding the process for selling a business

Hogan said clients are "consistently surprised" at how difficult it can be to sell a business.

"It's more than just trading financial statements and tax returns," Hogan said.

Business owners also need to figure out what they want to do after they leave. The panelists said owners need to "manage emotions and perspectives." Oftentimes, an owner

will still want to be involved as an adviser when it might actually be best to let go of control completely.

"There are lots of non-monetary factors that need to be considered," Hogan said.

In Burrus' case, he said he wants to make sure that his company continues to be based in Baltimore and provide jobs for the local community. Allen & Son, which currently does about \$3 million in revenue, is located west of Druid Hill Park.

After hearing from the other panelists, Burrus said he now knows what he needs to do to prepare his company before retiring, including having a serious conversation with his son.

"Now my approach is going to be to look for other key employees who can support him in the process," Burrus said. "I will revisit that conversation of does he truly really want to stay in the business or is there a possibility we may prepare ourselves to sell the business, and what steps are necessary to prepare for the sale?"

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