The Oil&Gas Advisor™

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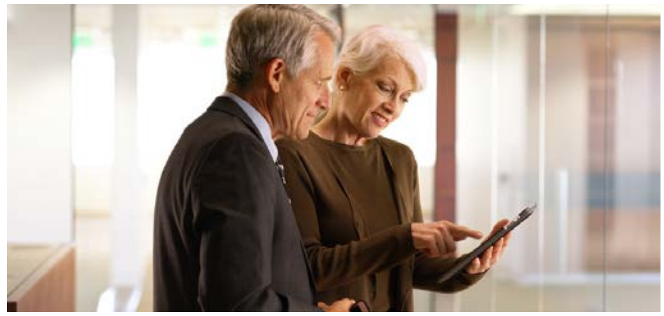
Top Four Statistics You Need to Know About Ownership Transition



If you own a business, then ownership transition should definitely be a central topic in your planning. A few years ago, MassMutual Life Insurance Company conducted a very interesting and thought-provoking survey of family-owned businesses. Obviously, family-owned businesses have their own unique needs and challenges. The MassMutual Life Insurance Company survey certainly underscored this fact. While the survey was conducted a few years ago, the information it contained is more relevant and actionable than ever. Let's take a closer look at some of the key conclusions and discoveries.

Founder Control

One of the most important findings of the survey was that a full 80% of family-owned businesses are still controlled by the founders. The survey also discovered that 90% of family-run businesses intend to stay family-owned in the future.

Lack of Leadership Plans

Leadership is another area of great interest. Strikingly, approximately 30% of family-owned businesses will in fact change leadership within just the next five years. Moreover, 55% of CEOs are 61 or older and have not chosen a successor. When a successor has been chosen that successor is a family member 85% of the time. Succession is often a murky area for family-owned businesses. A whopping 13% of CEOs stated that they will never retire.

Failure of Proper Valuations

According to the survey, valuation is another surprise area. 55% of companies fail to conduct regular evaluations, meaning that they are essentially flying blind in regard to the true value of their company. Adding to the potential confusion is the fact that 20% of family owned businesses have not completed any estate planning and 55% of family-owned businesses currently have no formal company valuation for estate tax estimates.

Lack of Proper Strategic Plans

The financials for family-owned businesses are often just as murky as their succession issues. The MassMutual Life Insurance Company survey also discovered that 60% of family-owned businesses failed to have a written strategic plan and 48% of family-owned businesses were planning on using life insurance to cover estate taxes.

Simply stated, many family-owned businesses are not organized properly and are, in the process, not fully taking advantage of their opportunities. In short, family-owned businesses are frequently insular in their approach to a wide range of vital topics ranging from succession and leadership to valuation, planning and more. In the long term, these vulnerabilities may serve to undermine the business making it harder to sell when the time comes or opening it up to other problems and issues. Family-owned businesses are strongly advised to work with professionals, such as experienced accountants and M&A Advisors, to ensure the long-term profitability and continuity of their businesses.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

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