



# Succession Planning Study

The process of planning for the future of a business.

# Study Overview

Succession planning is an ongoing challenge for retailers who do not have a successor in place or have not prepared a step-by-step exit plan for themselves so they can retire. Not having a succession plan is risky for a business owner. In the case of an emergency, there is no backup plan. Additionally, without a succession plan, retailers can run out of time to train the employee or relative who's next in line to run the company.

Today, many business owners are nearing retirement and a high percentage of them don't know how to start planning for the next generation.

In fact, less than 30 percent of participants in the *Succession Planning Study* currently have a succession plan. This is problematic because a plan allows a business to continue functioning when the previous owner steps out and the successor steps in. It can alleviate potential family disagreements or questions over the value of the business.

Retailers planning to sell their company should have a three-year plan, according to financial expert Gary Pittsford, president and CEO of Castle Wealth Advisors. This requires planning ahead and having advisors in place before you need them desperately.

The North American Retail Hardware Association (NRHA) conducted the *Succession Planning Study* to understand where retailers stand on planning for the future of their businesses. The association surveyed independent home improvement business owners and employees to learn who and what is involved in the process, how much time is dedicated, and some of the pain points of planning.

For this study, NRHA surveyed retailers from independent home improvement businesses throughout the U.S. and Canada. About 233 owners, managers and other employees contributed to the research. The study was conducted over eight weeks via an online survey.

Whether you're years away from retirement, preparing to hand your business over soon or will be on the receiving end of the succession plan, you have much to consider as you prepare. The transition period takes time, and it's never too early to get started.

Read on to learn where your peers are in the succession planning process. The retailers who have started formally planning offer insight into who they involved in the process, how much time they have taken to work through the details and what challenges they have faced.

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## Additional Resources

### ***Succession Planning Timeline***

Nearly 27 percent of study respondents say they don't have a succession plan in place because they're not sure how to begin the process. If you feel the same way, check out the Succession Planning Timeline at [TheRedT.com/succession-timeline](https://TheRedT.com/succession-timeline) for an overview of what both the buyer and the seller should be doing at each step of the process.

### ***Insights From a Succession Planning Expert***

Selling or buying a business is difficult. When you add family into the mix, sometimes things get even more complicated. Families can take steps to avoid disputes and disagreements throughout the succession planning process. For tips and best practices from a family business consultant, visit [TheRedT.com/succession-expert](https://TheRedT.com/succession-expert).

### ***Stepping In: New Owners Discuss the Challenges of Buying a Business***

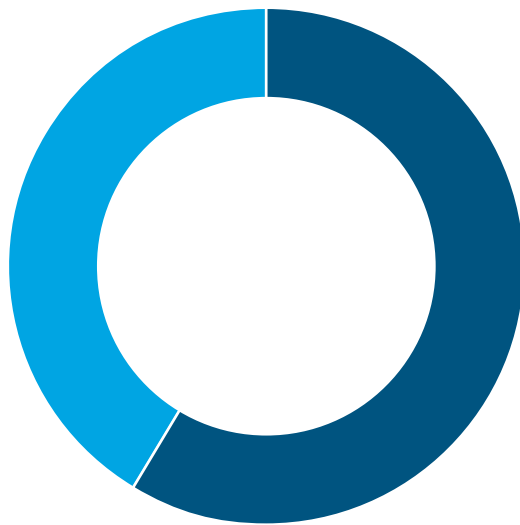
Retailers who have stepped into businesses as new or next-in-line owners have worked through planning and financing their purchase, but they're also tackling daily duties, such as building trust and writing paychecks. Read perspectives from retailers who are ready to take over a business at [TheRedT.com/entering-gen](https://TheRedT.com/entering-gen).

### ***Stepping Out: Retailers Talk Selling and Exiting a Business***

In a *Hardware Retailing* feature story, retailers who have successfully sold their businesses and transitioned their company to the next generation of leadership provide insights into what they did to ensure a smooth transition. Read more from retailers in the exiting-generation at [TheRedT.com/exiting-gen](https://TheRedT.com/exiting-gen).

### ***Expert Q&A: How to Prepare a Business to Sell***

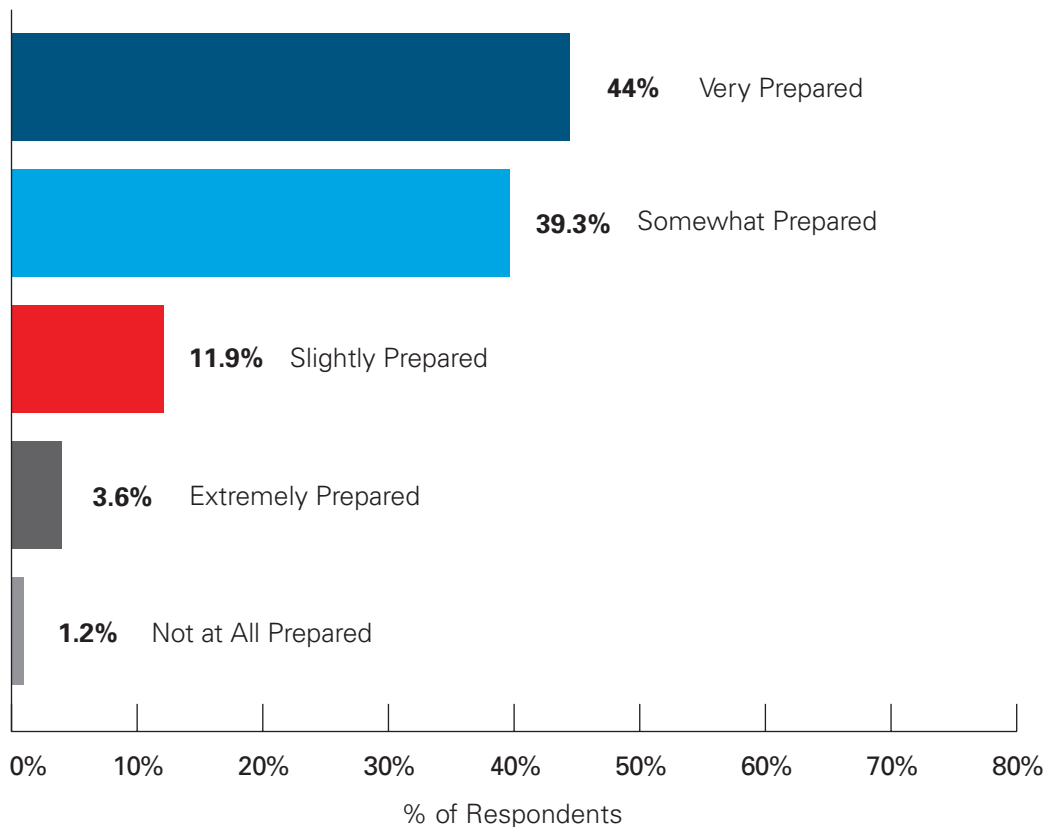
Accurately assessing the value of a business is challenging but important for preparing to sell the business and setting a realistic asking price. For advice from a financial expert who has helped numerous business owners across the U.S. prepare their businesses for ownership transitions, visit [TheRedT.com/valuation](https://TheRedT.com/valuation).

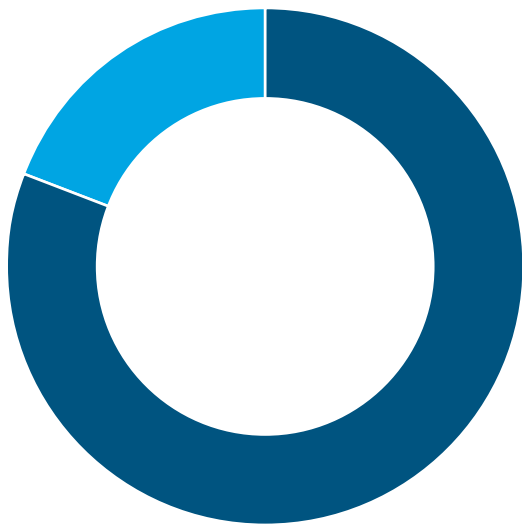


### Have You Ever Participated in the Development or Creation of a Succession Plan for Your Store?

- No ..... 58.8%
- Yes ..... 41.2%

### In Your Opinion, How Prepared Were All Parties Involved in the Transition Process?



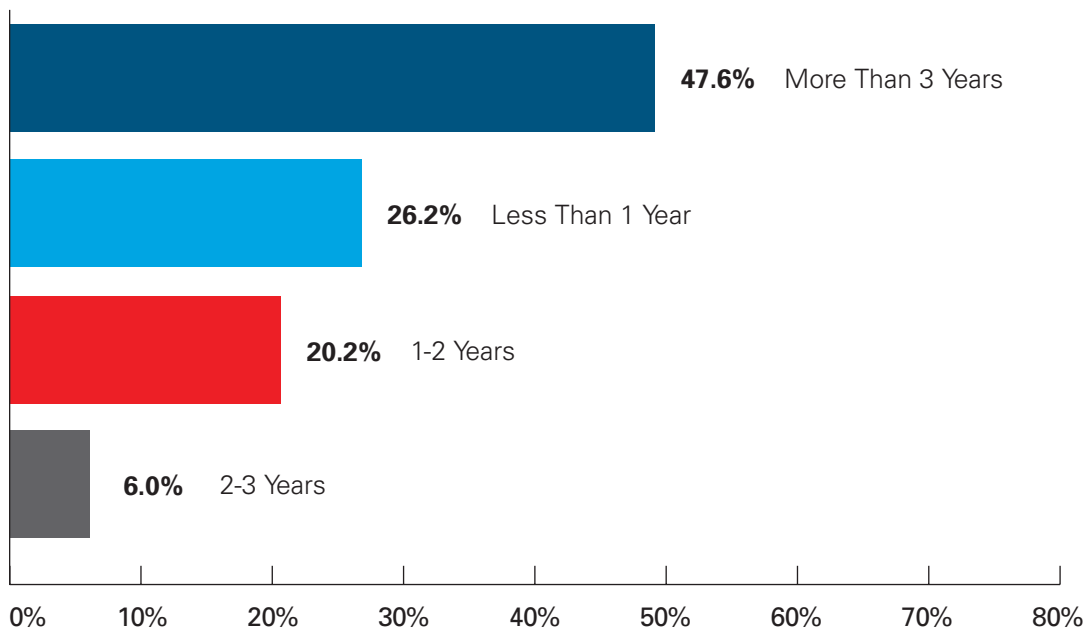


### What Was Your Role in the Succession Plan?

- I Was Stepping Into the Business . . . . .81.0%
- Was Stepping Out of the Business . . . . .19.0%

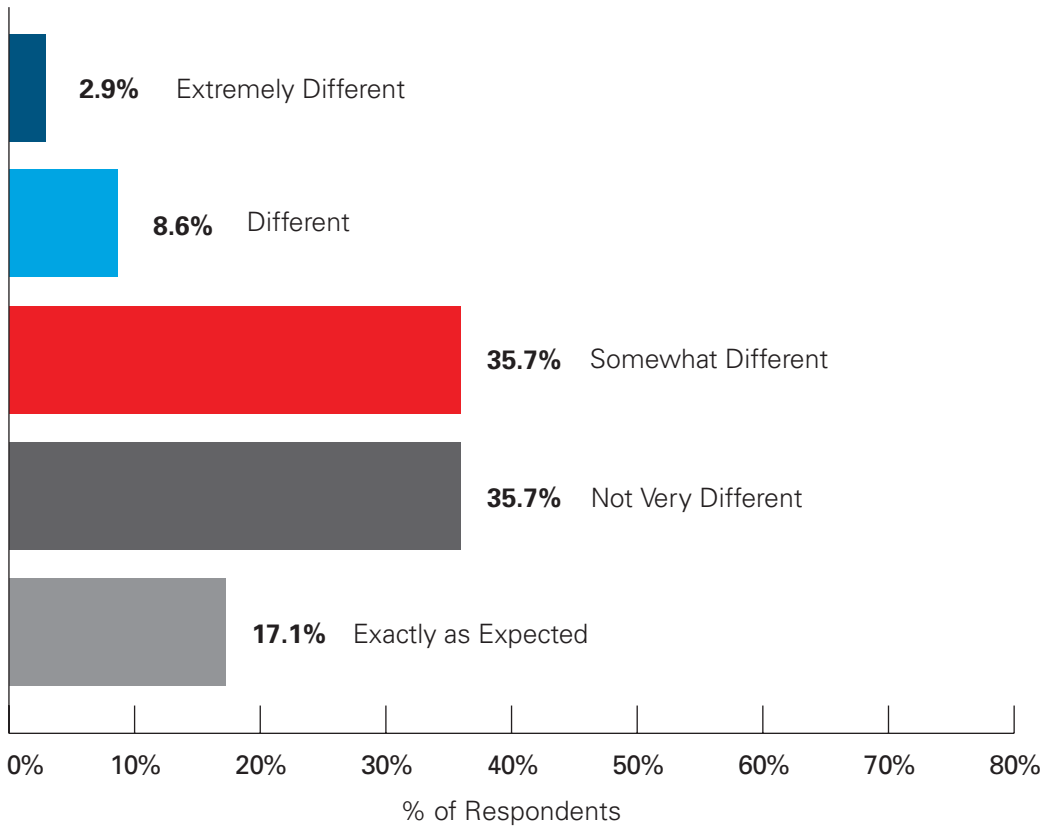
Respondents who served in advisory roles or participated in succession plans in other ways are not included in the data above. Only retailers who took over or exited ownership of a business are reflected in these specific numbers.

### How Long Did the Transition Take?



% of Respondents Who Participated in Succession Plan

### To What Degree Was the Transition of the Business Different From What You Expected?



### What Did the Involved Parties Do to Prepare for the Transition Process?

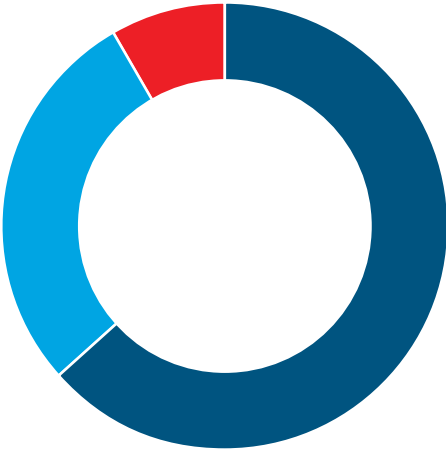
- They met with an attorney, accountant and other advisors to develop a plan.**
- The incoming owner shadowed managers and trained in all areas of the business.**
- The incoming owner worked with the exiting owner to go through inventory.**
- Both sides developed an agreement trying to address every possible scenario.**
- They created a succession plan with specific steps in place.**
- They developed a detailed transition plan.**

**The majority of respondents met with an attorney and accountant to develop a plan.**

## How Could the Involved Parties Have Been More Prepared? What Could Have Been Improved?

- They could have researched more about the succession process ahead of time.
- They could have consulted a coach who had been through the process before.
- They could have involved more accountants and attorneys.
- They could have created a more detailed phase-out plan for the exiting generation.

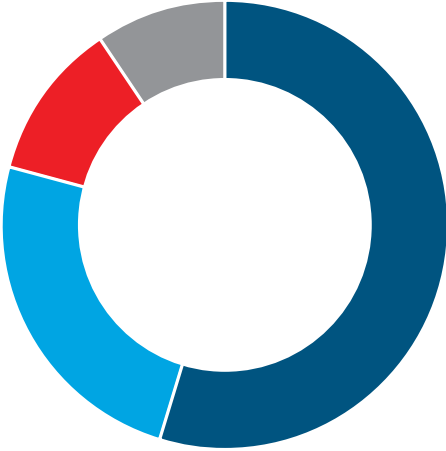
The majority of respondents mentioned planning further in advance.



### Does Your Company Currently Have a Succession Plan in Place?

- No ..... 63.5%
- Yes ..... 28.4%
- I Do Not Know ..... 8.1%

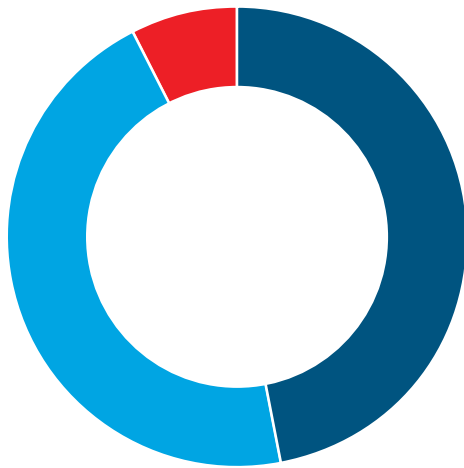
Retailers' Perspectives



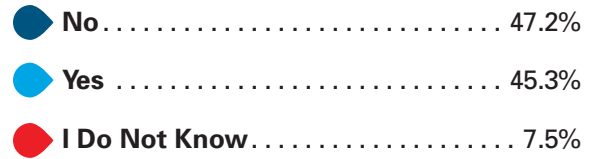
### In What Way Are You Involved With the Succession Plan?

- I Am the Owner Stepping Down . . . . 54.7%
- I Am the Successor ..... 24.5%
- Other ..... 11.4%
- I Am Not Involved in My Company's Succession Plan..... 9.4%

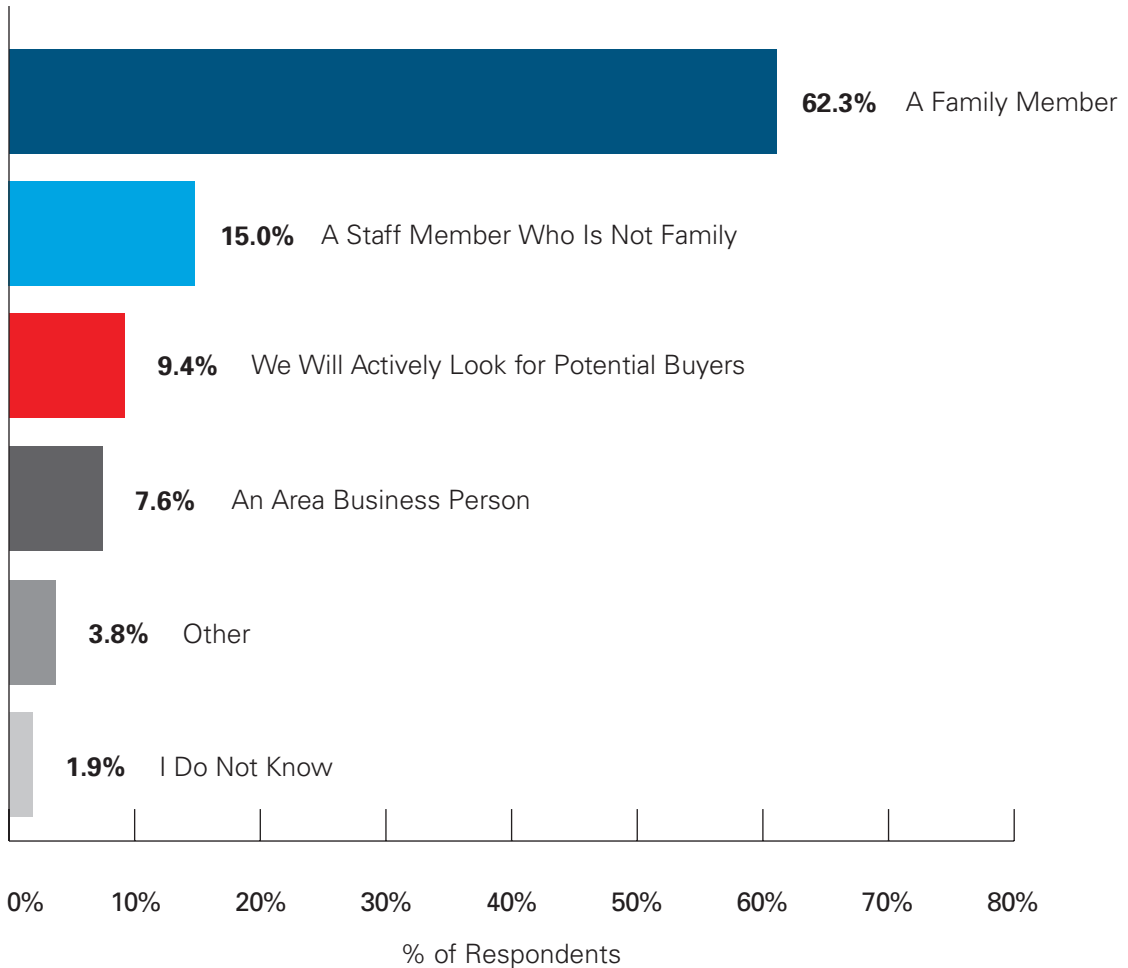
Respondents Who Answered "Other"		
Key Employee	Manager or Future Owner	Owner's Spouse or Family Member



### Is Your Company's Succession Plan in Writing?



### Who Was Chosen to Be the Successor?

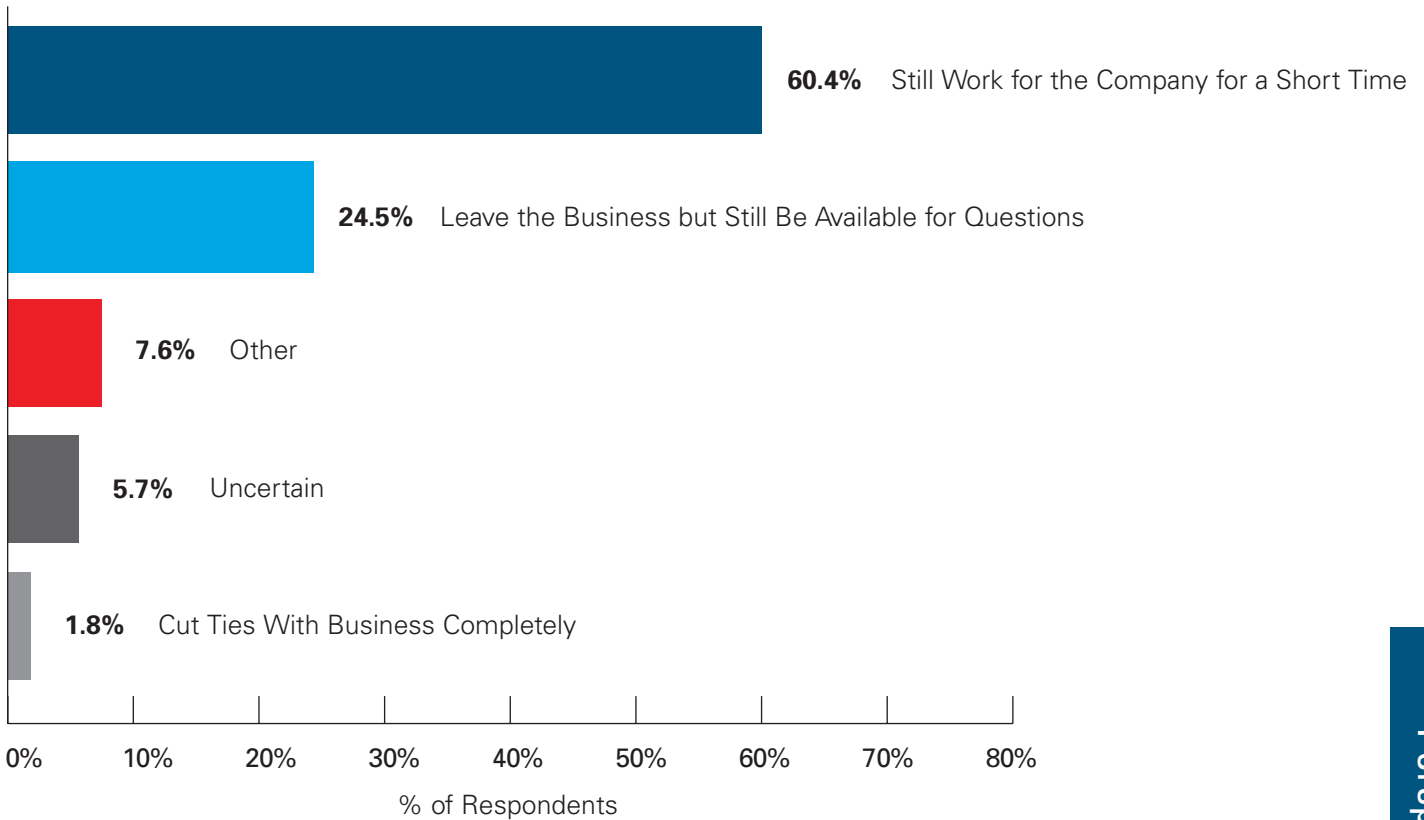


#### Respondents Who Answered "Other"

Multiple family members.

A team member who is not family, but we are also pursuing other options as a backup.

## After the Transition, What Will Be the Role of the Owner Who's Leaving the Business?



### Respondents Who Answered "Other"

Work for the business as long as retiree desires.

A plan is being defined.

## In One Word, How Does Succession Planning Make you Feel?

Anxious

Relieved

Comfortable

Nervous

Excited

Overwhelmed

Sad

Prepared

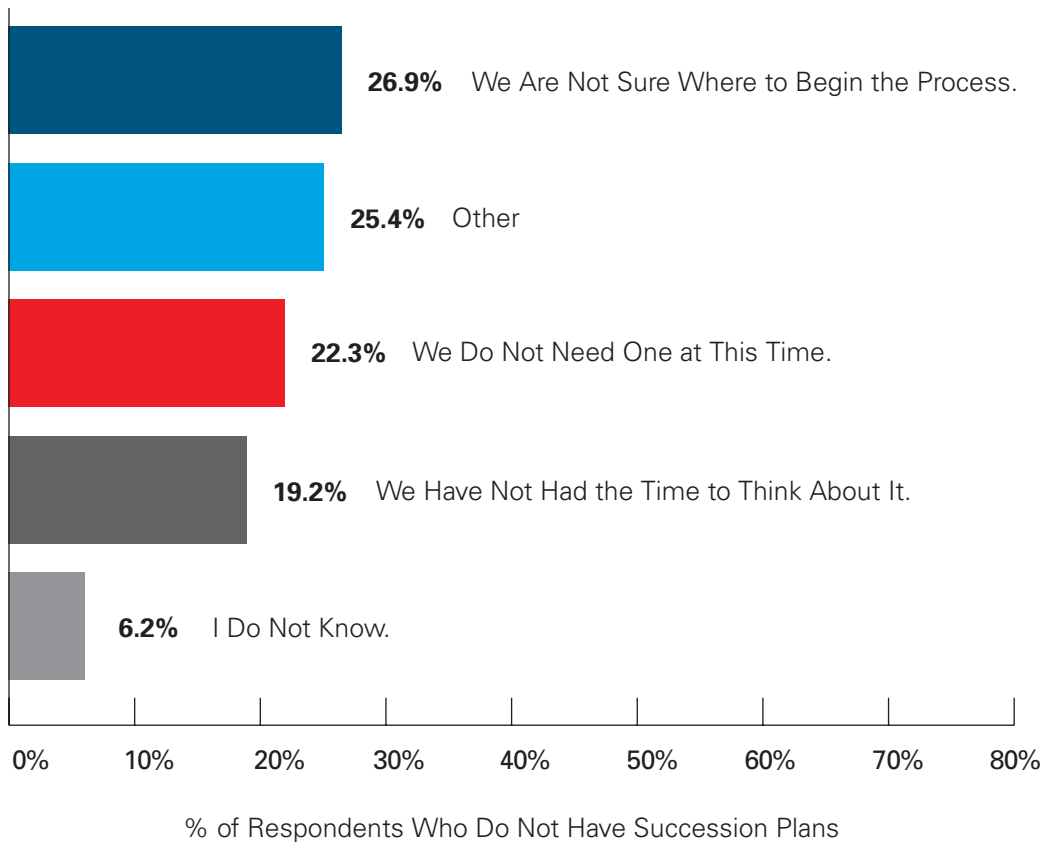
Stressed



## What Tools Would Be Useful or Do You Wish You Had for Succession Planning?



## Why Doesn't Your Company Have a Succession Plan in Place?



Retailers' Perspectives

Respondents Who Answered "Other"
Difficulty finding a successor.
Uncertain about what to do with the business moving forward.
Too many obstacles like family dynamics, lack of knowledge and unwillingness to plan.
Not interested in selling any time soon.

The North American Retail Hardware Association and *Hardware Retailing* have compiled multiple reports and studies on the home improvement industry. A library of this research can be found at [hardwareretailing.com/research-guides](http://hardwareretailing.com/research-guides).

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Brought to you by the North American  
Retail Hardware Association