

Ownership Transition Survey Results

Mass Mutual Life Insurance produced an ownership transition survey back about a decade ago. The survey results were based on feedback and answers from family-owned businesses. It produced some very interesting results, and is worth examining even today. While the survey at this point is quite outdated in terms of the timeline, there are still many valuable nuggets of information to be gleaned from it. Let's dive in and take a closer look at the numbers and what they can tell us for 2021 and beyond.



While the Mass Mutual Life Insurance ownership transition survey had a range of important points, the one that leaps right off the page is the fact that a whopping 80% of family-owned businesses are still being controlled by their founders. A large percentage of those founders are Baby Boomers who will have little choice but to retire in the next few years.

The survey indicated that 55% of CEOs over the age of 61 or older have yet to choose a successor. This fact serves to emphasize the fact that a “retirement wave” will hit family-owned businesses, and this will lead to some interesting shifts and opportunities. And while the survey indicated that 13% of CEOs state they will never retire, the reality of the situation is that ownership will eventually change hands. Business brokers and M&A Advisors can expect to see an unprecedented wave of interest in their services. Additionally, prospective buyers will also have a highly unique opportunity to buy established businesses.

The survey also indicated that 30% of family-owned businesses will be changing leadership within the next five years. Of course, with that change of leadership, many possibilities open up, including the possibility of selling. However, it is important to note that while there will be a “retirement wave” amongst the Baby Boomers, not all businesses currently owned by Baby Boomers will be placed on the market.

The survey noted that 90% of businesses currently plan on remaining family-owned, and 85% of businesses plan on having their next CEO be a family member. However, it is important to keep in mind that even if these numbers were to hold true, that means at least 10% of businesses will be up for sale.

It is likely that this number is far higher now than when the survey was conducted due to the aging nature of the Baby Boomer population and owners looking to sell because of pandemic related issues. Simply stated, there will be no shortage of businesses for sale in 2021 and beyond.

Another important aspect of the survey to consider is the fact that family-owned businesses are not prepared to sell. According to the survey, 20% of family-owned businesses have not completed any form of estate planning, and 55% of family owners do not have any formal

company valuation for estate tax estimates. Combine these statistics with the fact that 60% of businesses do not have a written strategic plan, and it becomes clear that family-owned businesses, especially those considering selling in the future, are most definitely in need of professional assistance. Many family-owned businesses are ill prepared for the future and have a range of vulnerabilities. Business brokers and M&A advisors are uniquely positioned to provide those services.

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