



It Pays to Plan

Start your succession game plan today by addressing these five critical items in your current business operations.

BY JARED TANKE

I have recently finished watching the hit TV show “Succession,” and I can’t recall how many times I thought to myself, wow, this is stressful just watching. If you’re not familiar with the show, it’s based on the Roy family, which owns a large media business and whose father, the CEO, is reaching the age of retirement and looking to identify his successor.

Multiple sons and daughters, along with some trusted advisors, all fight for pole position to be named the ultimate successor. While this show has clearly been over-dramatized, there are many things we can take from its premise, the first one being that it pays to plan for the future.

From the 2023 NFDA Member Succession Planning Study, it was found that 46% of owners surveyed said they were planning to retire within the next five years, and just 23.7% of owners said they

have an exit strategy/succession plan for their business. Since this is such a life-defining moment for most owners, these numbers are quite alarming.

Depending on the current state of business operations, it may take some time to implement a well-thought-out plan that can be executed when the time is right. While identifying to whom you want to sell your business (children looking to take over, a key employee or a third-party corporation) is an important task and probably the one that gets thought about most, there are many other items that need to be looked at today that will have serious impact on the viability of a successful transition regardless of the potential buyer.

Depending on your exit timing, you have some items that can be accomplished quickly, while others will require a longer period to really take effect. The items to address in your current business operations include:



1. Staffing Level

Are you properly staffed? The answer here may vary depending on who you ask, as some business models allow for a very lean operation and others require a lot of hands-on service, which means more staff. However, the important point is having a command of your operation and the staff it takes to run it properly.

In the event that you as an owner are still heavily involved in the daily operations, it will serve you greatly to start delegating more of these tasks to current staff. When Foresight values a business, a big component is “key man risk,” or what the risk is that the business will suffer once the current owner/operator is no longer in command.

The more staff is out and active in the community and knows how to operate when you are not around, the more that level of risk will be significantly reduced. This will also ensure a smooth transition to whomever is the successor, as your staff will continue operations on a normal course.

2. Recordkeeping

What do the current records look like? Are you able to accurately represent the financial and operational health of the business over the last five years? When



soliciting the next successor, there will be heavy emphasis on the financials and what the business is worth.

Unfortunately, only 53% of owners know the current value of their business, according to the NFDA Member Succession Planning Study. If the records are clean and accurate, this exercise of determining value is much easier and provides a much higher level of confidence knowing what someone can pay for it. It also mitigates potential stumbling blocks down the road if the buyer must obtain financing through a bank, as they will require certain diligence on the business.

Aside from financials, other important records include corporate documents, monthly sales reports, preneed files, trust documents and any other management tools used to track your position in the market versus others around you. The good news is that there are many technology vendors in the market today that address these issues and allow you to have peace of mind knowing the items can be generated with a push of a button.



3. Pricing

When was the last time you took a deep look into your prices? While the easy solution may be applying a blanket 1%-2% increase every year, there is a lot more that should go into a pricing analysis. You must take into account your total overhead costs to ensure that you are generating sufficient margins, the prices of those in your market to determine your pricing power, and the knowledge of other things, such as consumer spending trends in your area, which all help in establishing the proper prices for your services.

As cremation continues its rise, making sure that you are ahead of the curve and can meet families' needs is a way you can set yourself apart from others

Forty-six percent of owners surveyed said they were planning to retire in the next five years, but just 23.7% said they have a succession plan in place.

Making sure your that firm is ahead of the curve and can meet families' needs is one way to set yourself apart from others in the market.

in the market around you. If you identify this now, you can make the proper price changes and start to prove out the results.

It is much easier to show a potential buyer the improved business revenue because of a price increase that has been implemented/verified than it is to talk about it hypothetically.



4. Capital Expenditures

What condition is your building in? Are your assets all in good working order? If you own and operate a crematory, when was the last time it was inspected and given proper maintenance? When considering getting ready for a succession, this is an important item to consider, as a turnkey operation is much easier to transition than an operation that has not had improvements performed in years and will be viewed more as a turnaround project. While this does not mean you need to go out and completely renovate your space and buy new vehicles, it does mean you should be conscious of any potential deferred maintenance that should be taken care of today. Budgeting for 2%-4% of your annual revenue toward these capital expenditure projects will go a long way in making sure your business is in prime condition for succession.

5. Digital Presence

Are you up to date with your website and digital SEO? Are the families searching for your funeral home able to easily find you? In this day and age where everything is online, making sure that your business is fully functioning across all platforms is key. When you go to a restaurant, you probably check Google or Yelp reviews; the same holds true when families search for your funeral home.

Spending time making sure you are getting the

best reviews and showcasing them on your website is a great way to share that trust with others. Another way to gain trust is through transparency with pricing. Having your price lists easily accessible on your website will go a long way in showing potential families that you can provide them top-quality services.

I know this may seem like a lot to think about, and you may question why or even *if* it is necessary. More than 58% of owners claimed that the most important factors when choosing their successor were “maintaining presence in community” and “family legacy.” Community means everything and staying true to the people you have served for years – maybe even generations – is paramount. Everything that goes into preparing yourself for this major life decision will be critical in ensuring a smooth transition, allowing you to feel confident and proud about the business in the future when it is no longer under your ownership.

As the Chinese proverb says, “The best time to plant a tree was 20 years ago. The second best time is now.” I believe this to hold very true in this profession, and no matter where you are in your ownership journey – whether you’ve just bought your first business or you’ve been in ownership your whole life – the day to start having this conversation is today. ☰



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