

Minority businesses lack succession planning, study says

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In studying minority business succession planning, the Greater Philadelphia Minority Business Strategic Alliance got some disturbing news last year — the pool of successors most businesses will have to choose from is small, and few of them are planning.

Awareness is the first step in addressing those issues, GPMBSA Chairman John Milligan said. On Oct. 1, GPMBSA will take that first step by offering a free seminar on minority business succession planning as part of the city's Minority Enterprise Development week, he said.

Participants will leave with an understanding of the importance of succession planning, Milligan said. Participants will also leave with the tools to begin to craft one on their own, he said.

"If you look at many of the successful businesses out there, most of them are owned by the baby boomers and most of them will be facing retirement within the

next five to 10 years," Milligan said. "If they are not thinking of succession planning and are not planning for succession what will happen eventually is these businesses will fade away."

In the study completed by GPMBSA last year, 62 percent of firms that had reached the phase of their life where succession planning had become critical had no plan in place. Ninety percent of the mature business owners hadn't directly sought out a qualified minority successor and 75 percent of the mature businesses relied on some form of "minority-based" contracts, making the transition even harder.

"A lot of people just don't think about the fact that it will not be easy to turn their business over," Milligan said, explaining that many minority-owned businesses must be assumed by another minority in order to retain their value.

To further its efforts, GPMBSA has received a \$100,000 grant from the state Department of Community and Economic Development and a \$200,000 grant, to be apportioned over three years, from Citizens Bank.

Experts will be on hand at the October seminar, hosted by Exelon Corp. from 8:30 to 11:30 a.m. at 2301 Market St., to discuss all of the critical areas of succession planning, Milligan said. The seminar will instruct attendees on determining the value of a business, the amount of cash needed to ensure a comfortable retirement, and minimizing the tax impact of buying and selling a business. Attendees will also receive a self-assessment checklist to help them figure out what other resources they may need to prepare their succession plan, which will be made available through GPMBSA's strategic partners. More than 100 are expected to attend, GPMBSA Executive Director Marjorie Anderson said.

"We are promoting this actively and aggressively because we want businesses to take advantage of these opportunities," Anderson said.

As part of their efforts, GPMBSA also plans to establish a database within the

next two to three months, which will link those interested in selling minority businesses with those interested in buying them, Milligan said. GPMBSA hopes to eventually build the database nationwide, he said.

"Our concern is to get businesses to think first of the impact of succession planning and then provide them a tool to help them prepare," Milligan said.

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