

## What will happen to your business once you retire or the unexpected occurs?

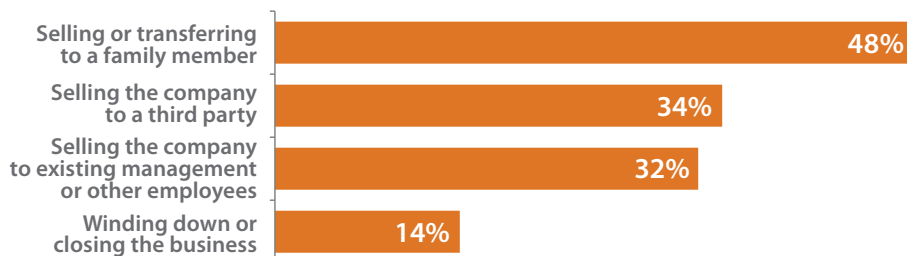
Owning a business can be all encompassing, leaving little time for much else—including planning for things like retirement or a major disruption. With that in mind, this edition of the ATB Business Beat looks at succession and continuity planning. How many small and mid-sized businesses (SMEs) have a financial plan for retirement? Does it include selling their business? Has a successor been identified to take over? Do they have a continuity plan? What about loan and disruption insurance? And have events such as the Fort McMurray wildfires and Calgary floods made SMEs more concerned about the effects of a major disruption on their business?

We also asked our regular questions on whether or not Alberta SMEs believe the Alberta economy, and their business, will be better off, the same or worse off six months from now.



## IMPORTANCE OF SUCCESSION PLANNING

More than nine out of 10 (91%) Alberta SMEs we surveyed believe succession planning is important, yet only 58% have a succession plan and of that only 21% have a formal plan. Business owners reported their succession plans are generally focused on selling the company to someone else—whether that be family, a third party or employees—as opposed to closing the business altogether.



### What are the main reasons your business doesn't have a succession plan?

The lack of action around succession planning seems to stem from business owners not making it a priority (27%), or not feeling it's necessary in either their current business life stage (24%) or for their business type (23%).

**PROCRASTINATION. I HAPPEN TO BE A CHARTERED ACCOUNTANT. MUCH LIKE A MECHANIC WHO DOESN'T CHANGE THE OIL IN HIS OWN VEHICLE, I KNOW WHAT HAS TO BE DONE AND I JUST HAVEN'T DONE IT YET.**

– President, Retail Trade

32 years in business, 1-4 employees, less than \$250,000 in revenues

**MOSTLY LACK OF PREPARATION, IT'S A FAMILY BUSINESS SO FAMILY WILL ALWAYS BE THERE.**

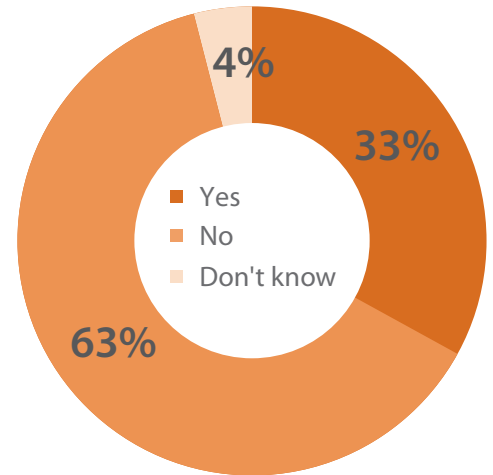
– Controller, Construction

50 years in business, 100-199 employees, \$20 million or more in revenues

We asked whether SMEs had undergone a formal valuation and only a third of businesses (33%) have done so. Of those, 88% got professional help for the valuation. Accountants (45%) were the ones whose professional advice was most sought after, followed by commercial or business appraisers (13%). Of note, bankers were fifth on the list (8%).

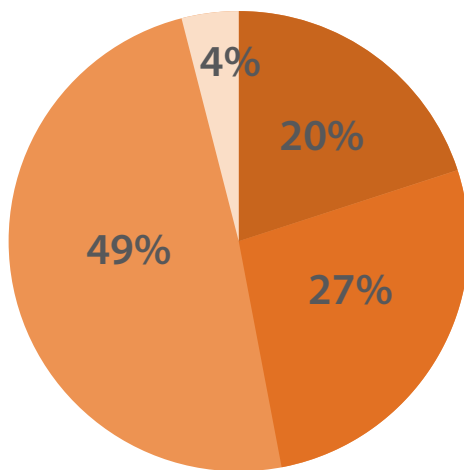
As bankers, we'd like to see that increase. The evolution of a business' ownership is inevitable. That is why finding the right person and getting sound advice is critical. A professional, like an accountant or banker, can play an important role in helping maximize the value of a business and ensuring that the owner's legacy is left in good hands.

**Has your business undergone a formal valuation to determine the price that could be expected if the business were sold?**



## CONTINUITY PLANNING

**Does your business have a formal business continuity plan?**

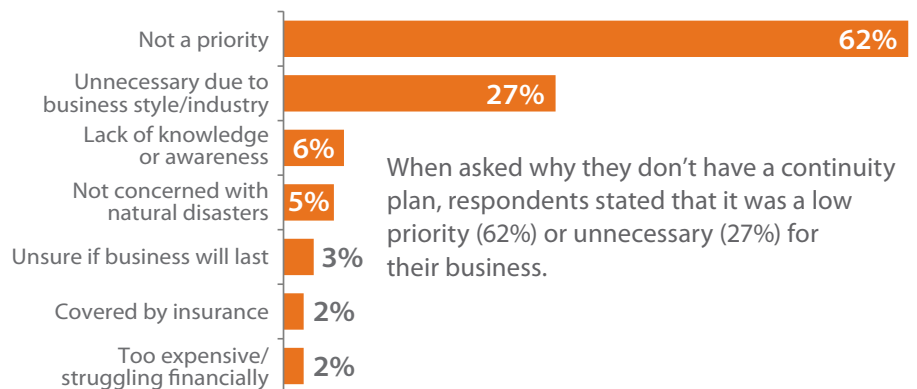


- Yes, a formal plan
- Yes, an informal plan
- No
- Don't know

**47% have a plan**

As with succession planning, the majority of SME owners in Alberta (78%) believe a continuity plan is important. However, slightly less than half (47%) have followed through and enacted a continuity plan. It should be noted that the larger the business, the higher the likelihood of it having a continuity plan in place. More than three quarters (76%) of mid-sized businesses (50 or more employees) are likely to have a continuity plan while two thirds (64%) of small, home office business owners (0 employees) do not.

**What are the main reasons that your business doesn't have a business continuity plan?**



When asked why they don't have a continuity plan, respondents stated that it was a low priority (62%) or unnecessary (27%) for their business.

**PROBABLY JUST HAVEN'T PUT ANY THOUGHT INTO IT. MORE OF A 'DEAL WITH IT AS IT COMES' MENTALITY. HEAD IN THE SAND.**

– Owner/Operator, Retail Trade  
30 years in business, 5-19 employees, \$1 million to less than \$3 million in revenues

**WE DON'T HAVE ENOUGH STAFF. WE HAVE INFORMAL PLANS IN VARIOUS DEPARTMENTS, BUT THEY HAVE NEVER BEEN BROUGHT TOGETHER IN A FORMAL PLAN.**

– Chief Financial Officer (CFO), Education  
30 years in business, 50-99 employees, \$10 million to less than \$15 million in revenues

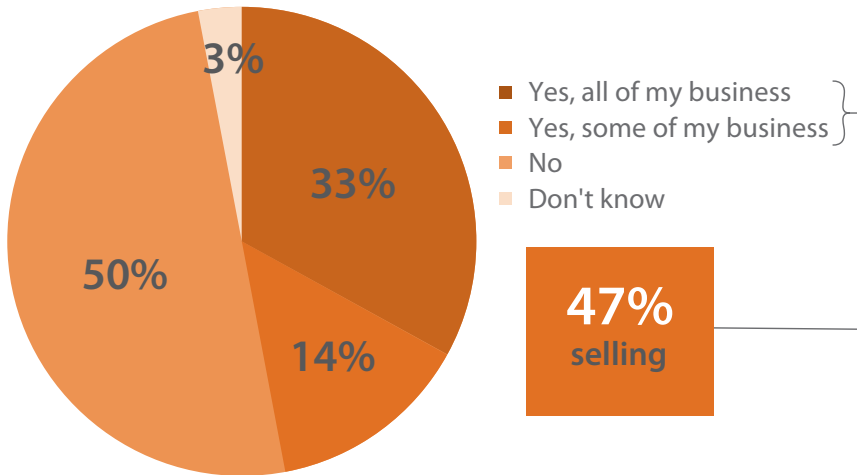
**I DON'T SEE A REASON FOR IT. I'VE GOT INTERRUPTION INSURANCE AND I THINK THAT'S ALL I NEED. IF THERE IS AN EARTHQUAKE, MY BUSINESS IS DESTROYED AND I NEED TO REBUILD, THAT'S WHAT THE INSURANCE COMPANY IS FOR.**

– Owner/Operator, Food Processing/Distribution  
12 years in business, 20-49 employees, \$1 million to less than \$3 million in revenues

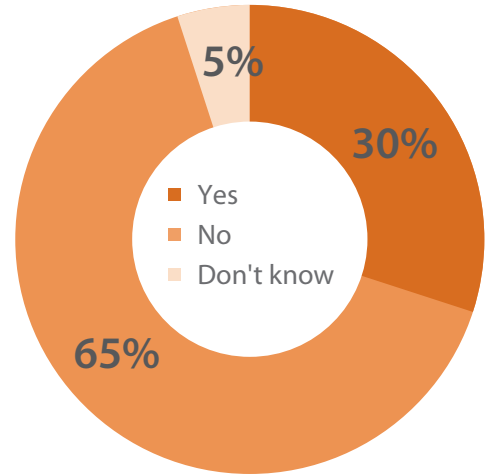
## RETIREMENT

Almost one third (32%) of the small and mid-sized business owners we surveyed are planning to retire within the next five years, and just under half (47%) are planning on selling all or part of their business to help finance the retirement. Despite this, only 27% have a formal personal financial plan for retirement and only 30% have identified a successor for the business.

### Are you planning on selling all or part of your business to help finance your retirement?



### Has a successor been identified to take over ownership of the business?

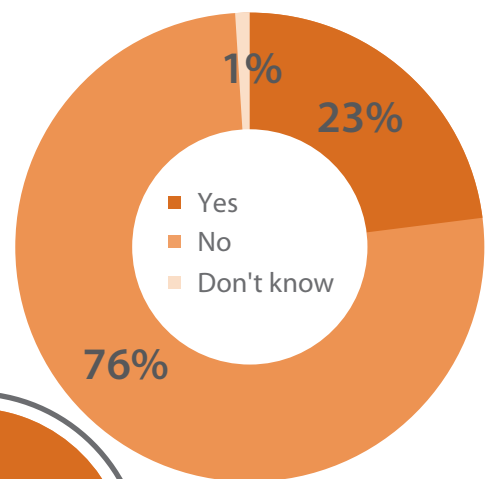


## INSURANCE

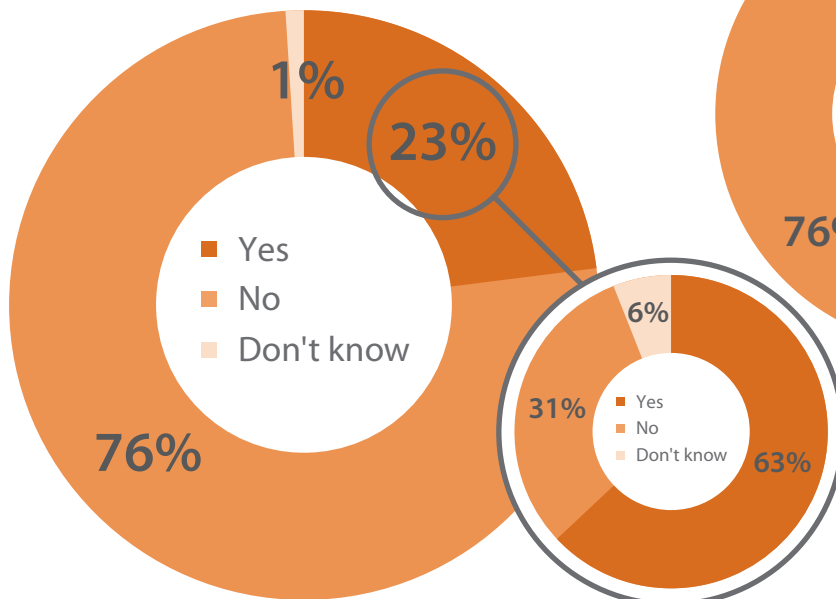
Almost one quarter (23%) of SMEs have experienced a significant disruption in their business. Given this, it is surprising that the majority (66%) remain unchanged or are less concerned about disruption as a result of recent high-profile disasters such as the Calgary floods and Fort McMurray wildfires. Over half of surveyed SMEs (54%) report carrying disruption insurance, which may help explain the lack of concern about these types of events.

Of the businesses that we surveyed, one quarter (23%) have large loans from the bank and of those only 63% carry loan insurance.

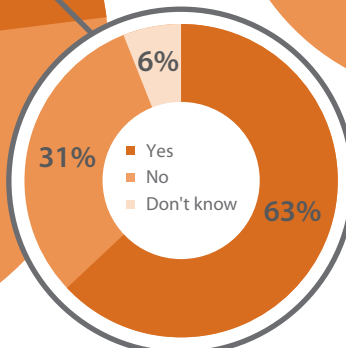
### Has your business experienced a significant business disruption in the past?



### Does your business currently have large loans out with your bank for commercial mortgage, equipment, etc.?



### Does your business carry business loan insurance?

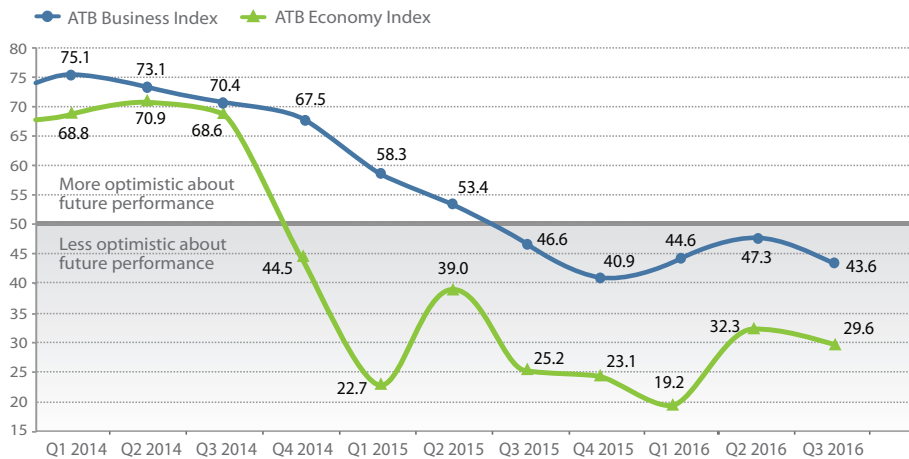


# ATB BUSINESS BEAT INDEXES

The percentage of Alberta SMEs who think the economy and their companies will be better off six months from now remained relatively flat versus last quarter. However, when compared to this time last year, more SMEs are feeling optimistic about the economy but less are feeling optimistic about the outlook for their own companies.

Although retail sales are down slightly from last year, the industry remains relatively resilient in the face of the current economic conditions. Therefore it's not surprising that they have slightly rosier expectations for the future of the Alberta economy than SMEs from other industries.

The gap in optimism in the Energy industry has closed over the past two quarters, with Energy SMEs now as optimistic about the future of their businesses as other Alberta SMEs. This can likely be attributed to slight increases in jobs in the field and oil prices when this survey was in market.



To determine the indexes, we remove the neutral numbers, take the % better (somewhat/much better) and subtract the % worse (somewhat/much worse) and rescale the number to range between 0 to 100.

## ABOUT THIS REPORT

For more information on this report or the next ATB Business Beat, please email [businessbeat@atb.com](mailto:businessbeat@atb.com) or visit [atb.com/businessbeat](http://atb.com/businessbeat) to be put on the mailing list.

### About ATB Financial

ATB Financial ([www.atb.com](http://www.atb.com)) is the largest Alberta-based financial institution, with assets of \$43.1 billion. ATB offers retail financial services, business and agriculture financial services, corporate financial services and investor services to more than 710,000 Albertans and Alberta-based businesses in 244 communities in our province.

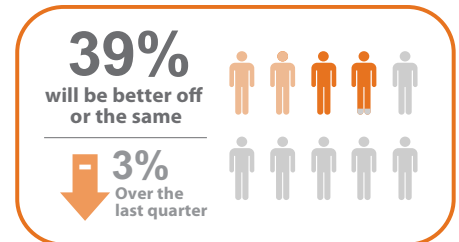
ATB Business and Agriculture provides services to Alberta's small and mid-sized businesses, farmers, and other agriculture customers.



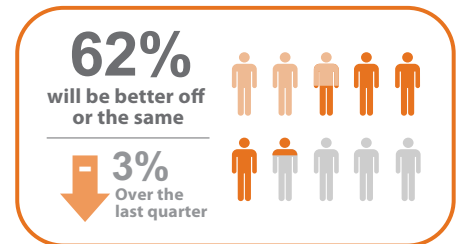
To find out how ATB Financial can help your business grow, please contact: Teresa Clouston, Executive Vice-president, Business & Agriculture at [tclouston@atb.com](mailto:tclouston@atb.com)

## Mixed emotions about the future

### Alberta Economy



### Your Company



% better off % the same % worse

### About NRG Research Group

NRG Research Group ([www.nrgresearchgroup.com](http://www.nrgresearchgroup.com)) is a leading Canadian public affairs and market research company with offices in Calgary, Vancouver and Winnipeg.

### Who did we talk to?

These findings are from an ATB Business telephone survey conducted during August 8-19, 2016 with 300 randomly selected Alberta SME owners/operators.

**Study exclusions:** agriculture (farms or ranches), government, financial institutions, and large businesses (500+ employees).

**Business size definitions:** small (0 to 49 full-time employees) and medium-sized (50-499 full-time employees).