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BUSINESS TRANSITIONS

SUCCESSION PLANNING ISN'T ONE-SIZE-FITS-ALL



Succession Planning: Why C-Suite Executives and Entrepreneurs Need Different Playbooks

Succession planning gets talked about as if it's one discipline with one set of rules. In practice, the process looks very different depending on whether you're a corporate executive preparing to hand off a role or a business owner preparing to hand off a company you built. Both are forms of succession planning. Both involve identifying a successor, managing a transition, and protecting continuity. But the stakes, the mechanics, and the emotional weight diverge sharply – and treating them the same way is one of the most common planning mistakes we see.

Ownership vs. Employment

The clearest distinction is structural. A C-suite executive is transitioning out of a *role*. The company existed

before them and will exist after them; the org chart, the board, and the shareholders remain in place. Succession here is fundamentally a talent and governance exercise – identifying and developing the next leader, managing the optics of the handoff, and ensuring institutional knowledge transfers cleanly.

An entrepreneur, by contrast, is often transitioning out of an identity. The business may be the owner's primary asset, their largest source of net worth, and in many cases something they've built from nothing over decades. Succession isn't just about who runs the company next – it's about who owns it, how that ownership transfers, and what the founder's financial and personal life looks like once their name is no longer on the door.

Timeline and Triggers

Executive succession usually runs on a predictable clock: retirement age, a board-driven timeline, or a defined tenure. It can be planned in relative isolation from the executive's personal finances, since compensation and equity structures are typically well-defined in advance.

Entrepreneurial succession is rarely that tidy. It's often triggered by health events, burnout, a partnership dispute, or simply the owner realizing they haven't built anything that runs without them. Without a formal process, many owners default to an unplanned exit — a forced sale, a fire-sale valuation, or worse, no transition plan at all when something unexpected happens. This is why readiness and business-risk assessments (Is the business too dependent on the owner? Is there a viable successor, internal or external?) have to happen years, not months, before the transition.

The Successor Pool

For C-suite roles, the successor pool is usually internal and visible — a bench of VPs, a COO being groomed, or an external executive search. The process is formal, often board-governed, and benchmarked against industry norms. For entrepreneurs, the

successor pool is far more varied: a family member, a management buyout (MBO), an ESOP, a private equity buyer, or a strategic acquirer. Each path has fundamentally different implications for valuation, deal structure, tax treatment, and the owner's post-transition role. Choosing among them isn't just a leadership decision — it's a wealth-planning decision that has to be weighed against the owner's retirement income needs, estate goals, and legacy intentions.

What's Actually Being Transferred

An executive transition transfers authority and responsibility. An entrepreneurial transition transfers value — enterprise value that has to be built, protected, and eventually converted into liquid wealth. That shifts the planning conversation from "who's ready to lead" to a much broader set of questions: Is the business's value maximized? Are the financials clean enough to survive buyer scrutiny? Is the deal structured to protect the owner's after-tax proceeds? Is there an estate and legacy plan for what happens to that wealth afterward?

The Emotional Dimension

Both transitions carry emotional weight, but they differ in kind. Executives typically have a next

chapter already mapped out — another role, a board seat, retirement with a defined income stream. Entrepreneurs are often stepping away from something inseparable from their sense of purpose, with no built-in "next act." The mental and emotional transition — preparing for life after ownership — deserves as much planning attention as the financial and legal mechanics, and it's frequently the piece that gets skipped.

Common Mistakes in Each Track

On the executive side:

- **Waiting for the board to raise it.** Succession is treated as a governance formality instead of an ongoing talent strategy, so the bench is thin when the timeline suddenly accelerates.
- **Grooming one candidate in isolation.** A single anointed successor with no real competition or backup creates fragility if that person leaves or isn't ready when the moment arrives.
- **Underestimating the knowledge-transfer gap.** Relationships, unwritten decision-making context, and institutional history rarely make it into a formal handoff document.

On the entrepreneur side:

- **Treating the business as a retirement plan without a distribution strategy.** Owners assume the business will fund retirement but never model what the after-tax proceeds actually need to look like.
- **Waiting for a triggering event to start planning.** Health scares, disputes, or burnout force a rushed, unplanned exit instead of a deliberate one — usually at a lower valuation.
- **Never reducing owner dependence.** If the business can't run without the founder in the room, it isn't sellable at full value and isn't inheritable by family or management either.
- **Skipping the Quality of Earnings and financial cleanup.** Buyers discover issues in diligence that the owner could have fixed years earlier, eroding trust and price.
- **Ignoring the deal structure until an offer is on the table.** Tax strategy, retention plans for key employees, and personal estate planning all need to be built into the strategy well before a buyer is at the table — not negotiated under time pressure.
- **Underestimating the mental transition.** Owners who haven't planned for life after ownership often sabotage or second-guess a well-structured deal because they aren't emotionally ready to let go.

The Takeaway

C-suite succession is a leadership and governance problem.

Entrepreneurial succession is a leadership, ownership, valuation, tax, estate, and identity problem — all at once. A generic succession framework borrowed from the corporate world will miss most of what actually matters to a business owner. Effective planning has to start from that distinction, not paper over it.

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