

Succession Planning vs. Exit Planning

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In the emerging field of Exit Planning for business owners, the terminology can be a little confusing. **Many people believe that succession planning is the same as Exit Planning, but it is not.** To help you clarify the boundaries of each activity when talking with prospective clients and strategic alliances, we offer the following descriptions.

Succession Planning is the process of identifying successors within a business and providing them with an opportunity to develop their skills and experience in order to replace the existing leaders of the business at a future date. Succession planning primarily focuses on the transfer of leadership and/or management from one generation to the next within the business. Succession planning is essentially a business continuity approach, which is one of the critical Components of Exit Planning.

Exit Planning is the comprehensive analysis of all of the factors that impact a business owner. Exit Planning addresses a wide variety of issues that are important to business owners, including their current and future planning with respect to their business (its value, its employees, its position in the market), their family and their community. Exit Planning starts from the perspective of the business owner's goals and objectives in each of these critical areas, along with his or her current and projected resources (business value, personal and business financial resources), to identify the specific strategies and steps that are most likely to allow the business owner to reach his or her goals.

Succession Planning and Exit Planning are not incompatible. Professionals in both areas frequently work together so that the succession plan for the business fits neatly into the owner's overall Exit Plan.