

Ownership Transition and Valuation

Introduction



Ownership transition planning is a prudent activity for any successful company. For professional service firms, like so many others, owners have taken significant financial and personal risk and devoted many years of hard work to create firms of which they are justifiably proud. However, if those owners do not think ahead and plan for their firms' future as they get closer to their own retirement, options as well as value become diminished. Six key factors for a well-conceived ownership transition plan that will enable firms to endure for successive generations are:

- 1) Effective market positioning and strategic direction
- 2) Established corporate structure and governance
- 3) Strong financial performance
- 4) Identifiable firm culture
- 5) Strong professional development program for staff
- 6) Clear and open communication

Emerging design professionals generally develop high-level skills in one or more of the core competencies: design, technical and project management. However, in order to be successful firm leaders, it is also critically important that they develop team leadership, communication, business development and strategic skills in order to direct and manage the growth and development of their firms in an always increasingly competitive business climate. Ownership opportunity can be a great motivator for professional staff to develop a diversity of skills. It can reinforce a chosen career path, engender loyalty and even bind a design professional to the firm, making individuals less susceptible to recruitment by competitors.

Understanding how to put a value on professional service firms and the financial considerations of ownership transition, as well as peer group characteristics of younger generations, are additional important considerations for design firm owners. The factors of ownership transition can be complex and take significant time to consider, strategize, plan and implement.

This section of BDP Risk features concise articles prepared by industry-leading subject matter experts and professional colleagues of our Chief Risk Management Officer who have specific expertise in ownership transition planning and M&A activities. This set of articles enables the reader to explore the factors of valuation and ownership transition and offers recommendations for potential paths your firm can take.

1. **[Passing the Torch – Essential Keys to Leadership Transition Planning](#)**
Steve Whitehorn, Whitehorn Financial Group
2. **[Ownership Planning: Many Options But No Silver Bullet](#)**
Michael O'Brien, Rusk O'Brien Gido + Partners
3. **[Which Path to Choose – The Internal or External Sale?](#)**
Steve Gido, Rusk O'Brien Gido + Partners
4. **[Financial Management and Shareholder Value](#)**
David Cohen, Matheson Financial Advisors, Inc.
5. **[The Quest for Reliable Valuation and Financial Performance Statistics](#)**
Ian Rusk, Rusk O'Brien Gido + Partners
6. **[A/E Firm Valuation FAQs Answered](#)**
Ian Rusk, Rusk O'Brien Gido + Partners
7. **[Are Architectural Practices Less Valuable Than Engineering and Environmental Consulting Firms?](#)**
Ian Rusk, Rusk O'Brien Gido + Partners
8. **[Approaching Retirement: Ownership Transition in Small Firms](#)**
Rena M. Klein, FAIA
9. **[FAQs about A/E Ownership Transitions](#)**
Jonathan Voelkel, Rusk O'Brien Gido + Partners
10. **[The Rationale for Strategic Planning](#)**
Ray Kogan, AIA and Cara Bobchek, Kogan & Company

For more information, contact:

Andrew D. Mendelson, FAIA, Senior VP and Loss Prevention Officer at AMendelson@berkeleydp.com or

Diane Mika, VP and Director of Risk Management Education at DMika@BerkleyDP.com.

BDPRisk.com

© 2016 Berkley Design Professional Underwriters

[Continue on, to learn more...](#)

Information provided by Berkley Design Professional Underwriters is for general interest and risk management purposes only and should not be construed as legal advice nor confirmation of insurance coverage. As laws regarding the use and enforceability of the information contained herein will vary depending upon jurisdiction, the user of the information should consult with an attorney experienced in the laws and regulations of the appropriate jurisdiction for the full legal implications of the information. Practice management recommendations should be carefully reviewed and adapted for the particular project requirements, firm standards and protocols of the design professional.