

LEGACY.

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By Martha Underwood.

02

LEGACY WHITE PAPER 02 / FOUNDERS & BUSINESS OWNERS

Beyond the Founder

Black-owned businesses are growing faster than ever, and most still depend on a single person. This paper lays out how founders can make what they built outlast them, and why doing so makes it worth more today.

BY MARTHA UNDERWOOD / 7 MIN READ / OCTOBER 2026

Executive summary

More Black Americans own businesses with employees than at any time in the nation's history. Census Bureau data analyzed by the Brookings Institution show that Black-owned employer firms surpassed 200,000 in 2023, and Census data released in late 2025 put their receipts at about \$249 billion.

That growth is a generational achievement. It also creates a generational risk. For many owners, the business holds most of the family's wealth, and the business depends heavily on the owner. The Exit Planning Institute's 2023 national research found that roughly 80 percent of the typical owner's net worth is concentrated in the business, and that 78 percent of owners lacked a formal transition team. A 2026 McKinsey Institute for Economic Mobility report estimated that about 6 million small and midsize businesses will face ownership transitions by 2035, representing as much as \$5 trillion in enterprise value.

This paper argues that **continuity planning is not retirement planning. It is value planning.** A business that can operate without its founder is more resilient to surprises, more attractive to buyers and lenders, and more likely to become a lasting family asset.

It offers:

- A diagnostic, **the Monday morning test**
- **Four succession paths** and when each fits
- **The continuity kit:** the documents and structures every owner should have
- A **12-month roadmap**
- Guidance on the founder's own **next chapter**

Part 1: Building, and building on one person

The growth

Brookings reports that the number of Black-owned employer businesses grew by 62 percent between 2017 and 2023, adding nearly 77,000 firms. The Census Bureau's 2024 release, covering 2022, counted 194,585 Black-owned employer firms with about 1.6 million employees and \$61.2 billion in annual payroll. Millions more Black-owned businesses operate without employees.

These businesses are concentrated in sectors like health care and social assistance, professional services, construction, and transportation, and they are often located in the communities they

serve.

The concentration

For a founder, the business often represents:

- **Most of the family's net worth**, which may be illiquid and hard to value
- **The family's primary income**
- **Personal guarantees** on loans and leases, which can follow the founder's estate
- **Relationships and know-how** that exist mostly in the founder's head

When all four depend on one person, a single event, an illness, an accident, a death, can threaten both the business and the family behind it.

The value penalty

Businesses that depend on their owner are generally worth less. A buyer is purchasing future earnings, and if those earnings walk out the door with the founder, the buyer will pay less or not buy at all. The same is true for a family successor: a business that can't run without its founder is a job, not an asset.

Part 2: The Monday morning test

Imagine you're unable to work, starting tomorrow, for three months. Answer honestly:

QUESTION	WHY IT MATTERS
Who can sign checks and approve payroll?	Without signing authority, employees and vendors may go unpaid within days.
Who has access to the bank, software, website, and email?	Locked systems can halt operations and hide critical information.
Who knows your largest clients personally?	Clients who only know the founder may leave when the founder does.
Who knows your pricing, contracts, and vendor terms?	Undocumented terms get renegotiated in the other side's favor.
Who can speak to your lender?	Loans often have covenants and reporting requirements that don't pause.
Where are the lease, licenses, permits, and insurance policies?	Missed renewals can shut a business down.
What happens to your ownership share?	Without an agreement, it passes under your will or state law, possibly to people who can't or don't want to run it.

Every “only me” is a risk to address. Most owners find five or more.

Part 3: The four succession paths

Path 1: Family succession

Best when: a family member has genuine interest, relevant ability, and time to develop.

Watch for: assumed rather than confirmed interest; titles without authority; sibling tension when one child runs the business and others don't; and a founder who can't let go.

Practice that helps: have the successor work outside the business first; build a written development plan; separate leadership and ownership decisions; and treat non-involved siblings fairly, which may mean equalizing with other assets or insurance.

Path 2: Key employees and employee ownership

Best when: a trusted manager or team already runs much of the business.

Options: a management buyout, often paid over time from the business's cash flow; an employee stock ownership plan (ESOP), which can offer tax advantages and broad-based ownership; or a worker cooperative.

Watch for: financing the purchase; ensuring the buyer group has the skills the founder provided; and the founder's own need for liquidity.

Path 3: Outside sale

Best when: there is no internal successor, or the founder wants to maximize value and liquidity.

Buyers include: competitors, larger companies, private investors, and individual buyers, sometimes using SBA-backed financing.

Watch for: preparation time. Clean financials, documented processes, diversified clients, and a management team that stays are what buyers pay for. Most owners need years, not months, to prepare.

Path 4: Planned closing

Best when: the business is built around one person's unique skill or license.

A good closing: refers clients to trusted providers, supports employees in finding new roles, sells equipment and other assets well, settles obligations cleanly, and preserves the founder's reputation.

A planned closing is not a failure. It is a responsible ending, and it protects the family from the costs of a chaotic one.

Part 4: Leadership and ownership are two decisions

One of the most useful ideas in family business planning is that the person who **leads** the business and the people who **own** it do not have to be the same.

Examples:

- One child leads the business; all children share ownership, with an agreement governing decisions and distributions.
- The leading child buys out siblings over time.

- The family keeps ownership and hires professional management.
- The founder keeps ownership for income while transferring leadership.

Treating these as separate decisions reduces conflict and opens options that a single “who gets the business” decision would close.

Part 5: The continuity kit

Every owner should work toward these, with an attorney, accountant, and insurance professional.

Emergency authority

- A named interim leader and backup, who know they are named
- A second authorized signer at the bank, or a durable power of attorney that clearly covers business matters
- Shared, secure access to critical systems

Ownership documents

- An operating or partnership agreement that addresses death, disability, divorce, and departure
- A **buy-sell agreement** that sets who may buy a departing owner’s share, how the share is valued, and how the purchase is funded
- **Funding**, often life insurance on each owner, so cash exists when the agreement is triggered
- **Key person insurance** to cushion the business through the loss of a critical individual

Personal estate plan

- A will or trust that addresses the business interest specifically
- Beneficiary designations and titles aligned with the business plan
- Awareness of personal guarantees and how they would affect the estate

Operating documentation

- Written core processes
- An organizational chart that shows single points of failure
- A client relationship map, with a second contact for every major client
- Current, reliable financial statements

Valuation

- A professional valuation, refreshed every few years or before any major decision

Part 6: The founder's next chapter

The Exit Planning Institute has reported that many owners feel deep regret after selling, often because they had no plan for life after the business. The business supplied purpose, structure, community, and identity. Without a destination, even a successful transition can feel like a loss.

Founders should plan their next chapter with the same seriousness as the transaction:

- What will a good week look like?
- What role, if any, will you keep?
- How will your income work after the transition?
- What will you do with your experience? Many Black founders become mentors, board members, investors, and teachers, strengthening the next generation of businesses in their communities.

Part 7: A 12-month roadmap

Months 1 to 2: Stabilize. Take the Monday morning test. Name an interim leader. Add a second bank signer or confirm your power of attorney covers the business. Gather key documents into one place.

Months 3 to 4: Protect. Review or create your operating agreement and buy-sell agreement. Review life and key person insurance. Update your personal will, beneficiary designations, and powers of attorney.

Months 5 to 6: Understand value. Obtain a professional valuation. Identify what drives or drags on value: client concentration, founder dependence, financial clarity.

Months 7 to 9: Choose a path. Discuss succession openly with family and likely successors. Decide on a preferred path and a backup. Separate leadership and ownership decisions.

Months 10 to 12: Build the bench. Begin documenting processes, one per week. Introduce a second person to every key client. Put a development plan in writing for your successor. Schedule an annual review.

At the end of a year, the business will be safer and more valuable, whatever path you ultimately take.

A closing word

The generation of Black founders building today is doing something extraordinary: creating enterprises that can employ, serve, and anchor communities for decades. Whether those enterprises last depends less on how hard their founders work and more on whether their founders make them able to stand without them.

The most successful founders aren't the ones who can never leave. They're the ones whose businesses don't need them to stay.

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About the author. Martha Underwood is the founder and CEO of Prismm, which builds inheritance infrastructure for banks and credit unions, and the author of *The Death of Deposits* (2026). She spent more than 25 years building technology inside regulated banking institutions.

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