

## Simply Complex – A Case Study

### Meeting 3 – Owner Readiness to Exit

#### Thoughts that came out of group discussions:

The exit planning institute has done surveys and find that 75% of business owners are profoundly unhappy with the sale a year after they sell the business. The reasons for this vary broadly, including lack of plan for “next act”, poor personal financial planning, culture of the business changing after sale, and the emotional impact of selling. One of the big discussion points in this session was the extent to which the exit planning advisor is responsible for the happiness of the owner post-sale. And, generally, the consensus was that an advisor cannot prevent dissatisfaction once an owner sells.

However, in our discussion numerous thoughts were shared that highlighted the necessity to engage in these questions to some degree. A key point is that, the factors that drive unhappiness after sale, often are at play during the sales process and can either hinder or stop a transaction from moving forward. The fact that owners put off committing to an exit plan is often driven by some of these factors.

In the discussion, our groups identified a significant list of questions to answer / issues to explore with the sellers, including:

- Do you have a plan for life after the business?
  - How will you spend your time?
  - What outside interests do you have?
  - if you are moving **away** from the business what are you moving **toward**?
  - What will give your life purpose?
  - The more thought that is put into this question, the higher the probability of “no surprises”
  - Do you know what **you want to do** as opposed to what others want you to do. Because exiting business owners have skills, they can get pulled into being Board Members for businesses, non-profits and community organizations – and feel like they have just stepped into an unpaid job, rather than retirement.
- Are you prepared financially to live out in next act:
  - Did you consider taxes at sale?
  - Did you consider a charitable giving?
  - Have you and your wealth advisor built a robust plan with some cushion in it?
  - Have you done adequate estate planning?
- Company Culture /Legacy
  - What are your desires for the employees?
  - How important is culture?
  - How important is maintaining your brand name and reputation
  - Are the key people that the owner wants to have taken care of
- Health considerations
  - Are you / your family healthy enough to live the next act?
  - How will extended family (particularly parents) factor into your plans?
- Your role in the company after transaction
  - Are you willing to work within the business after the sale?
  - Are your anticipated successors actually able to run the company?
  - Family considerations - are there family members in the business?

## HANDOUT FOR THE MEETING:

The Exit Planning Institute defines 3 legs of the “Exit Readiness Stool”.

- Maximizing Business Value
- Owner’s personal financial preparation
- Owner’s plan for the “next act”

We have spoken a bit about the first “leg” when considering the readiness of the business to sell. While the business seems generally healthy, we have several questions to answer from our last meeting. Today we are going to meet with John and Mary (separately) to better understand their personal readiness to sell. Major categories to consider are:

1. Timing of exit
2. Exit Path preferred
3. Personal Readiness and Lifestyle Planning
4. Financial Security
5. Retirement Planning
6. Identity and Purpose
7. Family and Relationships
8. Health and Well-Being
9. Transition Planning
10. Emotional Readiness
11. Support Network
12. Self-Reflection and Growth

Personal readiness and emotional readiness are integral components of the overall exit planning process. By addressing these aspects thoughtfully and proactively, the owner can ensure a smoother and more fulfilling transition out of the business and into the next chapter of their life.

The following pages contain some background information on John and Mary. As the advisory team, please discuss the following:

- What tools, practices do you use to assess their personal readiness?
- In your limited time with them, what are the key questions to ask?
- How do these concerns potential impact their exit goals?
- How do their personal goals affect your advice on exit path?
- How do you know the sale will enable them to realize their goals?
- Is the right advisory team in place?
- Do you bring their family members in to the conversation?
- How does strength of the business affect your conversation with them?
- While you cannot **ensure** all of their goals are met, what are the most critical areas to focus on (and act on) for both John and Mary?

## What do we know about John and Mary?

They filled out an assessment last month and answered some question regarding personal readiness:

STRATEGY RENOVATION SCORECARD			
Score the following categories according to the following scale:			
1 - Strongly Disagree		4 - Somewhat Agree	
2 - Disagree		5 - Agree	
3 - Somewhat Disagree		6 - Strongly Agree	
The lowest scores in each section will be highlighted Red - these are the areas requiring your attention.			
		John	Mary
90 Owner's Personal Factors			
Q1	You have definite plans / goals for life after exiting the business.	3	5
Q2	You have an Up-to-date Personal Financial Plan in place.	4	4
Q3	You have a written contingency/ business continuity plan in place.	2	4
Q4	The owners are in no hurry to sell.	4	2
Q5	No family member has strong feelings about what to do with the business.	6	1
Q6	The owner (s) are open to a variety of deal structures.	4	2
Q7	You have thought through to whom you may wish to transfer the business	5	5
Q8	There are no existing factors that would force you to sell the business	5	5
<b>Average</b>		<b>4.1</b>	<b>3.5</b>

## John's Background

### Personal Information:

- Age: 65
- Spouse: Linda, age 63, a retired school principal
- Children: Four; Alex (35), a software engineer; Sarah (32), a marketing consultant; Michael (30) an aspiring musician and Bethany (26) a student completing her PhD in history.

### Hobbies and Extracurricular Interests:

- **Golfing:** John is an avid golfer, frequently spending his weekends at the local country club where he has been a member for over 25 years.
- **Classic Car Restoration:** He has a passion for restoring classic cars from the 1960s.
- **Traveling:** John and Linda love to travel, with a particular interest in European history. They plan annual trips to various European destinations, exploring historical sites, museums, and local cuisines.

### Personal Challenges:

- **Succession Planning:** As one of the founders of the business, John is concerned about its future direction and leadership, especially since none of his children are involved in the business.
- **Health Concerns:** Recently, John has faced some health challenges related to hypertension and stress.
- **Adjusting to Retirement:** John is apprehensive about retirement.

**Advisory Team:** John says he has a great team of advisors so he's all set.

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## John's Work Skills and Attitude:

### Leadership Skills:

- John possesses strong leadership skills honed over decades of experience in the industry. As one of the founders of XYZ Solutions Inc., he has played a pivotal role in shaping the company's culture and vision.
- He excels in strategic planning, decision-making, and fostering collaboration among team members. John's leadership style is characterized by empathy, integrity, and a commitment to excellence.

### Business Acumen:

- With a background in finance and business management, John has a keen understanding of the financial aspects of running a business. He is adept at analyzing market trends, identifying growth opportunities, and making informed investment decisions.

- John's entrepreneurial spirit and innovative mindset have been instrumental in XYZ Solutions Inc.'s success, driving the company's growth and expansion into new markets.

#### **Relationship Building:**

- John is a natural networker and relationship builder, with a knack for forging strong connections with clients, partners, and stakeholders. He values open communication, trust, and mutual respect in business relationships.
- His ability to cultivate long-term partnerships and maintain customer loyalty has been instrumental in securing key contracts and driving revenue growth for the company.

#### **Work Attitude:**

- Despite his age and health concerns, John remains deeply passionate about the business and is committed to its continued success. He takes pride in his work and feels a strong sense of responsibility towards the company and its employees.
- While he acknowledges the need for succession planning and preparing for retirement, John is determined to ensure a smooth transition and leave behind a lasting legacy that reflects his values and principles.

#### **John's Desires for the Company After Exit:**

##### **Caring for Employees:**

- John has a deep sense of loyalty and commitment to the employees of XYZ Solutions Inc., many of whom have been with the company for years.
- He envisions implementing a succession plan that prioritizes the development and advancement of internal talent, providing opportunities for career growth and professional development within the organization.

##### **Maintaining Brand Image:**

- John takes pride in the reputation and brand image that XYZ Solutions Inc. has built over the years.
- He emphasizes the importance of upholding the company's core values and commitment to customer satisfaction.

##### **Impact on the Community:**

- John believes in the importance of corporate social responsibility and giving back to the community.

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## **Mary's Background**

### **Personal Information:**

- Age: 62
- Spouse: George, age 62, an architect
- Children: two; Emily (29), an environmental scientist, and Jennifer (33), a software engineer who works for Simply Complex

### **Hobbies and Extracurricular Interests:**

- **Gardening:** Mary has a profound love for gardening, dedicating much of her free time to cultivating her expansive garden, which features a variety of flowers, herbs, and vegetables.
- **Volunteering:** She is deeply involved in community service.
- **Pottery:** Mary attends a pottery class every Thursday evening.

### **Personal Challenges:**

- **Caring for Aging Parents:** Both of Mary's parents are in their late 80s and require increasing amounts of her time and attention, presenting a challenge in balancing personal, professional, and familial responsibilities.
- **Personal Development:** Despite her successful career, Mary feels a lingering desire for personal growth and exploration beyond her current achievements. She contemplates taking sabbatical leave to pursue a degree in environmental science.

**Preparation for Retirement:** Mary is excited about retirement but also concerned about the transition. She is actively seeking advice and planning activities that can keep her engaged and provide a sense of purpose post-retirement.

**Advisory Team:** Mary has told us she has a wealth manager and a lawyer who can do estate plans.

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### **Mary's Work Skills and Attitude:**

#### **Technical Expertise:**

- Mary is a highly skilled professional with expertise in environmental science and sustainability. Her background in biology and ecology equips her with the knowledge and analytical skills to address complex environmental challenges.
- She has a solid understanding of environmental regulations, compliance standards, and best practices, making her a valuable asset in navigating regulatory requirements and implementing sustainable solutions.

#### **Project Management:**

- Mary excels in project management, with a proven track record of successfully leading multidisciplinary teams and delivering projects on time and within budget. She is organized, detail-oriented, and adept at prioritizing tasks and resources effectively.
- Her ability to coordinate and collaborate with stakeholders, including government agencies, NGOs, and community groups, facilitates seamless project execution and stakeholder engagement.

#### **Innovative Thinking:**

- Mary is known for her creative thinking and innovative approach to problem-solving. She is constantly seeking out new ideas and technologies to address environmental challenges and promote sustainability.
- Her passion for innovation drives her to explore alternative solutions, implement pilot projects, and leverage emerging technologies to achieve environmental conservation goals.

#### **Work Attitude:**

- Mary is deeply committed to her work and feels a sense of purpose in making a positive impact on the environment and society.
- While she looks forward to retirement as an opportunity for personal growth and exploration, Mary remains dedicated to her work and strives to leave a lasting legacy of environmental stewardship and conservation.

### **Mary's Desires for the Company After Exit:**

#### **Caring for Employees:**

- Mary shares John's concern for the well-being of the employees and their families.
- She desires to see the company invest in employee development programs, health and wellness initiatives, and work-life balance policies to enhance employee satisfaction and retention.

#### **Maintaining Brand Image:**

- Mary recognizes the importance of maintaining the company's brand image and reputation.
- She emphasizes the need for transparency, accountability, and environmental responsibility in all aspects of the company's operations.

#### **Impact on the Community:**

- Mary is passionate about making a positive impact on the community and believes in the power of businesses to drive social change.

In speaking of an owner's desire to leave a legacy, Eddie Tuvin mentioned the idea of a Benefit Corp, a third-party certification that demonstrates the company's commitment to environmental, social and governance performance. Attached is an article that explains this entity.