



Stewardship Advisory Group

WEALTH MANAGEMENT ESTATE PLANNING LEGACY COACHING*

Leading Your Business Transition/Exit

Many owners of privately-held businesses are not pro-active in planning for their exit and the company's transition. This is true mostly because the 'exit planning industry' is nascent and many owners are simply not aware that a service exists to help owners with this complex issue. This newsletter is written to advocate the position that owners should be pro-active and should actively lead their exit plans by involving those that help them manage the business. An owner's successful exit is an entry point for another owner to take the company to the next level, creating potential opportunities for the leaders in your organization. However, without leading the process, it is not something that you can rely on without proper planning. You might get lucky, but luck is rarely a solid strategy.

Exit Planning & Mountain Climbing

Let's first examine how leading an exit is different from growing a company. We will use a helpful analogy – mountain climbing.

Climbing up a mountain requires determination, focus, strength, and management of many obstacles. The ascent is often arduous, creating doubt in the mind of the climber as to whether they will reach the pinnacle. There is a summit that can be identified and a specific point at which one turns to begin the equally, if not more so, challenging act of descending down the mountain.

On the way down a mountain a different skill is required. One's weight is now working against them. There is a different need for balance and coordination of activities. In fact, Sir Edmund Hillary is not so much known for his ability to be the first Westerner to scale Mount Everest. Rather, he is famous because he was the first to survive the descent. Will you, and your

business, survive your exit? The answer to this question may depend upon the new leadership skills that you learn.

First Set the Path for Your Exit

Before the climb and descent begins, a plan is established to reach milestones as well as the ultimate goal – you don't climb a mountain in one day. It takes months, if not years, of preparation and the climb and descent requires careful planning.

A strategic, long-term plan for the business – including alignment of key employee's incentive compensation with that plan – is an excellent start to setting the right path. When you take the time to formulate a strategic plan as well as align key people, you put the Company on a path to [eventually] succeed without you. When you can define a vision both for the Company as well as for yourself, you can work faster towards being the leader that your organization needs you to be to more effectively handle your exit plan. Without direction, there is no catalyst for positive momentum forward.

You Need to be a Leader in Your Exit, Not Just a Manager of the Exit

Your exit will require a different skill set than growing your business, the same way going down a mountain requires different skills than going up. You need to adopt a leadership mindset towards your exit. In fact, it will mostly be your ability to let go of the responsibilities that you have grown so attached to that will define the success of your exit. In order to let go you need to build a team who can assume your responsibilities. And in order to build that team effectively, you need to become a leader.

Empowering Others – An Unselfish Act

As you set your company plans remember that you are leading, not managing these tasks. For example, management is more about getting a task done, often with the self-centered objective of successfully driving a result. Leadership, however, is about the empowerment of others.

When you move from management to leadership, you focus on the strength of your team and begin to more effectively work yourself out of your job. Your overall strategic plan should have you working hard to eliminate yourself from the day-to-day running of the business. This is not so much to put you out to pasture but more to increase the transferability of your Company to someone else in the future.

Your Team Will Help Your Future Owner Manage the Business

Your exit will depend on your team because that team will lead your company into the future. Think of the situation in these terms - no matter how you decide to exit, it is the company that will pay for the value. Simply put, if the 'golden goose' stops laying eggs then an exit cannot be financed.

It will be the team that you develop and lead to self-sufficiency that will run and grow that company into the future. This is true whether you exit via sale to an outsider, or whether you exit via internal transfer to managers, family or employees. Someone has to run the business and be empowered to do so. The team that you build and lead will be that catalyst for the future and will define your exit.

Are You Developing Your Talent on a Regular Basis?

A leader is able to see out over the horizon and prepare for changes within the marketplace and the business. The success of your exit will depend upon your ability to replace yourself in this regard.

Do you have a process for recruiting new talent and assessing existing talent within your

organization? Are you able to let go of large responsibilities and trust that they will be handled well by those that you lead? These are critical questions to ask and answer in advance of your exit because turning over the reins of a business is often an emotional event for an owner. Working through this emotion and putting the right people in place is an unselfish act that is done for the long-term growth and survival of the business.

Concluding Thoughts

You worked hard to establish your position in your company, industry, and community. Now you need to work just as hard to replace yourself in that role. This unselfish act (or more appropriately, series of acts) sets the stage for a successful exit because you are building your own replacement by leading the organization to a whole new level.

Regards,

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