



The Exit Strategies Newsletter

YOUR EXIT PLANNING TEAM VERSUS YOUR EXIT EXECUTION TEAM

As a business owner, giving consideration to the largest financial transaction of your life – i.e. the exit from your business – you need to surround yourself with people who can provide insights and assistance. Your advisory team is a critical part of your planning process as it is, of course, vital to seek the counsel of others for such an important transaction. That being said, it is equally important to bring in the right people at the right time and to understand that there is a difference between the people who serve on your exit *planning* team versus those who serve on your exit *execution* team.

The Stages of An Exit Plan and Transaction

When preparing for an exit, you want to allow enough time to gather information, do your research, and improve your business and personal situation to generate enough profitability to achieve a solid value that will meet your goal. This is the planning stage of the exit. In this stage you are analyzing and executing on the strategies that will make the business better for your future owner as well as preparing your own personal situation so that you are well-prepared for the changes that come with an exit, including the protection of your wealth. After the planning stage will eventually come the execution stage. The execution

stage is when you are ready to transact on the primary strategy

that was chosen during the planning stage. This is the point when buyers and financing may be sought, taxes are assessed, legal agreements are signed, investment strategies are chosen, transactions are negotiated and ownership changes hands.

There are different skill sets and, therefore, different advisors that are required for each stage of the overall exit.

Soft Skills versus Hard Skills

The world of professional advisors to business owners can be neatly divided into those who practice ‘soft’ skills and those who practice ‘hard’ skills.

‘Soft’ skills include human resources, team and culture building, leadership and management training, personality assessments, employee education, human capital assessments, as well as strategic and business planning. In short, the ‘soft’ skills address the areas of a business that are more intangible but critical to the successful operation of your company.

‘Hard’ skills, on the other hand, are those that apply specific and direct solutions to existing situations. These include, tax, law, negotiations, estate planning, financial

planning, accounting, budgeting, business and management reporting and various forms of technical expertise that are also critical to the running of your business.

Each type of advisor is needed throughout the lifecycle of your business as well as during the stages of your exit. The key is knowing when and how to engage the services of each of these advisors for your specific needs.

A Guide to Which Advisors to Deploy and When

Although there is no boiler-plate system for employing these various types of advisors because all owners needs and all situations are unique, some general guidelines and examples can assist you with who to select and when.

No matter who is going to own your business after you, it is required that you prepare the business for this future owner. Good products or services, great people, solid management, good culture, strong communication policies and a general feeling of pride amongst the employees of the business is very helpful towards the likely success of the business under a new owner. Therefore, as a general rule, the ‘soft’ skilled advisors to a business are more important early on in the exit process when you are preparing the company for a future owner. This most often happens over a multi-year period, allowing time for important changes to staffing and culture. That being said, making sure that the ‘hard’ skills of having proper employment agreements and compensation, bonus, and benefits plans are also an important compliment to the ‘soft’ issues.

On the personal side of the planning equation, an owner needs to do quite a bit of

goal setting and soul searching early on in the process – these again require ‘soft skilled’ advisors. Detaching yourself from your privately-held business is a hugely emotional process as much of an owner’s identity will be wrapped up in their business. So, during the early stages of the personal planning, consulting with relationship-based financial planners, life and legacy planners, and other types of ‘soft skill / planning’ consultants is important as you want to have a strong conviction in the decisions that you make.

Once you have prepared yourself and prepared your business for the exit, your planning phase will begin to shift into the execution phase. During the execution phase of your exit, the allocation of ‘soft’ skills to ‘hard’ skilled advisors will switch. At this point in time you need to employ the services of transactional advisors, negotiators, legal advisors, accountants and tax advisors to help find buyers, explain the business to the future owner as well as to assist in the actual transition of the business to the next owner. These ‘hard skill’s come more into focus as you are now ready to transition and you need to execute the skills of different advisors.

The Vital Role of The Quarterback

Remember that there are some advisors in the marketplace who serve as the quarterback to your exit planning as well as your exit transaction. These multi-skilled advisors are some of your best allies in drafting a plan for your exit while also helping you to recruit all of the necessary ‘soft’ and ‘hard’ skilled advisors who will be needed for this multiyear engagement.

Concluding Thoughts

Just like with the growth of your business and the marshaling of your resources to assist with advancing forward, you need to evaluate the types of advisors that you will need for your exit and when you will need them. Further, you need to know when and how to utilize the skills of these advisors to your direct benefit and understand the difference between planning for an exit and executing your exit. Remember that the choosing of personal and business advisors is a significant decision because you are letting these people into your private world to assist with a critically important transaction. It is wise to give a good amount of thought as to ‘who’ you need and ‘when’ you need them in order to help effectuate your exit plan.

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