STRATEGIC ADVISORS

The Exit Strategies Newsletter

EXIT PLANNING IS A LONELY TASK

A CEO was skiing with family and friends and had just finished a run from the summit. At the bottom of the mountain he ran into friends who were just arriving for the day of skiing. Wanting to know the conditions of the slopes they asked the CEO, 'how is it at the top?' The CEO's answer: 'lonely'.

This short quip illustrates an important point that all business owners must confront in their strategic and tactical planning, that the job of a CEO is a lonely job. And, as a result of this isolation, it truly can have an impact on the performance of the person in the top role. When you add planning for an exit to this fact, you see that the formula becomes more complex. And, when you further add that a business is often that owner's largest financial asset and the monetization plan is critical to their retirement, we see that exit planning can truly be a lonely task.

In fact, the January, 2012 edition of Chief Executive Magazine highlighted a new survey from RHR International which reveals that over half of CEOs (54%) felt the job was not what they had originally expected and that half also felt isolated in their role. First-time CEOs are particularly susceptible to this isolation, with nearly 70% saying it negatively affects their performance. The article went on to explain that 'to some degree isolation is part of the job. A CEO can share only so much with his colleagues before he is open to favoritism or is ill-advised by those who may have their own agendas.'

Favoritism and Being Ill-Advised

The job of CEO requires a constant balancing of priorities and delegations. Unfortunately, the owner-operator of a business, in a fast-changing world, needs to make the best strategic decisions that they can with the information that they have.

If the owner relies too much on one person for their planning, it can be detrimental to their relationship with others and the owner only gets one perspective. Furthermore, when managers, advisors and other influences in this owner's life begin to participate in the exit planning decision, they often bring with them their own agendas, making this already complex decision even more lonely and forcing the owner to process a complex decision and a complex transaction by themselves.

Strategies, Tactics & Communications

Perhaps one of the reasons that owners do not successfully plan for their exit is because they are more alone with exit planning than they are in running their businesses. And, given the challenges of the current economy, most owners likely decide to simply 'wait things out' before engaging in exit planning. The reality is that successful CEOs seek the counsel of others before making key strategic decisions. However, if the same managers that the owner relies upon for the strategic, exit decisions are likely to be heavily personally and professional influenced by the exit transaction, it is a challenging topic to address from both a strategic and tactical perspective. Further, because many of the managers are presumably not shareholders in the company, the communications can also be difficult as owners feel that the wrong information communicated at the wrong time may be irreversible as well. Therefore, the loneliness of this exit decision is further emphasized and owners see that more obstacles need to be overcome to tackle this important issue.

Who Should the Owner Trust?

CEOs of successful businesses often pride themselves on the job they have done of choosing the best team of trusted managers and key employees to help run their businesses. To further that thought, a CEO who faces the task of planning for their exit needs to once again build a reliable team of trusted advisors.

A team of advisors could include; an attorney performing estate planning work, an accountant analyzing tax saving strategies, a financial advisor looking to manage the liquid investments and plan for their retirement, an insurance provider looking to help these owners with their risk management, a business management consultant looking to assist with the efficiency of the operations, and a merger and acquisition professional. This team should, ideally, have an experienced exit planner in the position of quarterback who will help lead the team under the direction of the CEO. Such an objective team of advisors eases the 'lonely' issue as the owner should demand objective advice as well as access to salient and reliable information to assist in making the best decision possible for this challenging task.

Concluding Thoughts

A CEO may feel lonely when faced with the operations of their business, but when a CEO's isolation leads them to become the sole planner for the exit from their business they are doing themselves, their businesses and the constituents to that business a great disservice. Recognizing these challenges, being proactive and pulling together an experienced team of advisors to help navigate the exit planning process will help ensure that the right exit options are evaluated and the best decision is made with the greatest amount of clarity that an owner can obtain. Only at that point in time will the owner / CEO know that the wealth they have worked so hard to build within their business will be successfully reaped for the next stage of their life.

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