



## The Exit Strategies Newsletter

### *THINKING STRATEGICALLY ABOUT YOUR EXIT WHILE ECONOMIC RECOVERY IS STILL RECURRING*

This newsletter is for owners who have the majority of their wealth locked in their privately-held business and are postponing planning for their future because of today's difficult recession and slow recovery. A planning process, in essence, is one that looks out over a long enough horizon so that pieces can be put in place and plans can be set in motion to achieve certain goals. Most business owners today are not looking out over the horizon because the economy is forcing them to only consider the next payroll cycle and this month's bills that are due. However, despite that fact that we are in an economic slump, it is still important to employ long-term, strategic planning which includes planning for your eventual exit. We note now and repeat again later that it is not possible to plan for your exit with short-term thinking and expect to get a great result. We therefore offer the following thoughts to assist you with, once again, thinking about and planning for better times ahead.

#### **An Owner's Thoughts and Decisions and their Impact on Others**

Business owners make decisions every day that impact the lives of those around them. One might argue that the largest part of a privately-held business owner's life is the decisions that they make and the impact that those decisions have on people associated with the business. It's a constant battle to find the solutions that both advance the

mission of the business while also satisfying the personal elements of those involved with the enterprise. And, when an owner thinks about their own exit, they cannot help but think about how many people this large decision will impact.

#### **Nothing but Blue Skies Ahead . . .**

How many of us as business owners spent the last few decades thinking that our businesses would continue to only go up? Go back and look at the projections and business plans that you assembled during these times. You will likely find a lot of positive momentum in your business, leading to the thoughts that empowered longer-term strategic thinking. When you were looking ahead during those years there appeared to be nothing but blue skies ahead and we were all encouraged to look beyond the short-term horizons and to make plans for the longer-term. The future seemed bright (perhaps endless) and we took action with our planning to capture those opportunities.

#### **Good Times versus Challenging Times**

It has been said that good economies are great masks for poor decisions. In other words, because an owner's decisions impact so many people, it is a lot easier to make more decisions when the economy is strong because even bad decisions are absorbed by the rise in the business. However, when challenging times hit, the bad decisions are

amplified within an organization because resources are less and optimism has faded. It is painful to have to lay off workers. It is even more painful when the cause of those layoffs was not as much the economy as it was a poor decision that cost the company a lot of money. Once a few bad decisions have been made, the owner's overall thinking changes from long-term, strategic thinking to short-term, tactical thinking. This almost always has a fatal impact on plans for an owner's exit (which is arguably one of the most important areas of thinking and planning that needs to be addressed on a regular basis).

### **Short-term Versus Long-term Thinking**

Simply put, longer-term decision making carries with it more risk because it is a lot harder to see into the future. This notion is amplified when going through a tough economic time. Therefore, today's business owners are making fewer and fewer long-term decisions and are erring towards the short-term decisions that help assure that their companies will continue to run.

If an owner has had enough bad decisions, they soon enough realize that the only decisions that they want to make are the ones that are least likely to be extremely expensive to themselves and their organizations. This, by default, is where short-term decision-making lies. And, unfortunately, this is creating a situation today where owners are not making longer-term, strategic plans for their eventual exit and the protection of their wealth.

### **How to Plan Long-Term When in a Short-Term Thinking Environment?**

As mentioned earlier, you cannot plan for an exit with short-term thinking and expect to get a great result. Therefore, in order to

make plans for the largest financial and emotional transaction of your life, you need to rise above the short-term thinking that today's economy has forced us into and lift yourself to a higher plane of thinking with your long-term, strategic, exit planning.

Some of the questions that you want to ask yourself in order to move further in this direction include:

1. Do I know who is going to run my business after me?
2. Do I know who is going to own my business after me?
3. Have I put in writing the manner in which my business runs so that someone else can one day run it without me?
4. Have I sought the advice and counsel from those best trained and experienced in helping other owners like me through a business transition?

Once you have set your mind towards questions such as these, you will begin to pull your thinking out of the day-to-day, tactical running of your business and start to put your mind more into the future where you can engage in longer-term, strategic thinking. In a sense, you return to the 'blue skies' thinking. Only this time, you are keeping your feet firmly on the ground while you look ahead with your eyes on the stars. A practical balance of long-term and short-term thinking is the answer.

### **How Do You Reach This Balance Between Short-Term and Long-Term?**

The key to balancing the short-term and long-term thinking is not having only one or the other dominate your mind. One of the best ways to achieve this balance for your business is to seek the counsel of others and

to not try to do everything yourself. This is easier said than done, but once you begin down the path of allowing others to assist you with this planning you will find great resources available to you.

## **Concluding Thoughts**

Although it may not be easy to think longer-term, this newsletter is written to encourage you in this direction. After all, your exit plans are not going to write and execute themselves. Some active participation on your part is required and the first step is challenging yourself to look beyond today's economic struggles and into the brighter days of tomorrow. By starting once again to think long-term you'll be able to form a clearer picture of what direction you want to take your business and, as a result, your business will be better aligned for the future steps you will one day take.

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