Where to Start

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When we start any important project, it is common to choose to plan in phases. Sometimes we choose to plan in phases because there is a certain aspect of the project that we consider to be more urgent than others. Maybe it can be overwhelming to try to focus on the big picture. Regardless of the reason, a phased planning approach can be a great strategy to help alleviate the stress of a large project like planning for the future of the ownership of your business.

Even if you know you are interested in a phased approach to planning, you may still not know where to begin the process. Considering every business owner and every business is different, there are many ways to approach planning for your business. To give a sense of the more common starting points, here are some examples.

Prioritize Your Goals & Objectives

Carol owns a structural engineering and design firm with an average of eight million dollars in annual revenue. She owns 100% of the company. Her family has never been involved in the business. She has a few key employees that she trusts, but she is not completely confident that they will be able to manage the business for her once she is ready to step back. A year ago, Carol's husband passed away unexpectedly in an accident. Her key employees did a great job of keeping the business going while she was grieving and taking care of her husband's affairs. But now that she is starting to return her attention to the business, she's realizing that if something unexpected happens to her again, the business may suffer, company debts may not get paid, and employees may be out of work. She is aware that she needs to start developing a plan for the worst-case scenario, but she is not exactly sure where to start.

Carol is a good candidate for phased planning. If one of her main concerns is the success of her business long-term (and possibly without her), the first phase she might focus on is business continuity. Business continuity planning is a means of handling in advance a variety of events and consequences that can impact the business and the remaining (or new) owner when the original owner's involvement with the company is somehow interrupted.

A sole owner, like Carol, can benefit from business continuity planning because it works to mitigate the

impact of a serious disruption in areas like customer or vendor relationships, day-to-day operations, or management of critical business. Carol's lack of confidence in her management team tells us there is potential for reduced business value and/or challenges in the business carrying on without Carol. Carol may be able to act now to change these outcomes through planning.

Small Wins Lead to Clarity of Next Steps

Abe is 77 years old and a successful entrepreneur in the hospitality industry. He owns a variety of assets, including hotels, restaurants, food distribution facilities, transportation vehicles, and even parking lots, all in separate entities. He also owns a management company with his sister Glenda that provides all types of services connected with many of the assets, including marketing, sales, data analytics, staffing, and accounting. The hospitality industry has recently been hit hard by a world-wide economic crisis. Abe and Glenda have seen the value of their business go down. At age 77, Abe needs to act quickly to protect the business value they have left and rebuild value so that he and his family can live comfortably for generations to come.

Abe is another great candidate for phased planning for his business. His attention is likely being pulled in many directions and his anxiety level may be high. His first priority should be protecting and building (or rebuilding) business value. Abe can first focus on a variety of key business activities, often called value drivers. In Abe's case, he may need to take a fresh look at all the assets that comprise his business interests, and think creatively about how they might be reorganized or repurposed in light of more traditional value drivers, including:

- Stabilize and increase cash flow.
- Establish a stable, motivated management team.
- Put in place reliable business systems that improve the sustainability of cash flows.
- Develop a solid, diversified customer base.
- Build a business facility with a physical appearance consistent with the asking price.
- Devise a realistic, documented growth strategy.
- Establish effective financial controls.

Once Abe progresses on the value drivers that he deems most useful, he may begin to gradually build the value in his business. He can then move on to other phases of planning, including updating his estate plan and preparing for the sale of the business.

Taking the planning process one step at a time is sometimes the best way to continue making progress. The last thing you want is to lose motivation or momentum because the planning process became too much to handle. It's easy to become overwhelmed or frustrated over the long laundry list of tasks to complete. Keep the momentum going with little wins that stack up and, eventually, build a more comprehensive planning framework for the future.

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