

Mental Fortitude for Transitioning Your Business



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Baby boomers are exiting their businesses and in the next 10 years will pass trillions of dollars--\$13 trillion is a good estimate--down to next-generation owners. The staggering exchange of wealth is result of business owners acting on the big succession question: "What's next?" Half of the 20 million family and closely-held businesses will face a decision on how to exit. Those at the helm of family and closely-held businesses are rapidly determining how to transition their businesses. Is selling the answer? Until now a surprising 75 percent of them report being unhappy about their exit decision a year after the sale. Why? Their plans for retirement fell flat. The buy-out agreement had a short shelf-life. Valued employees were left without jobs. The legacy didn't continue as they hoped.

After a lifetime of service, owners of middle market companies deserve to end as strong as they start. After all, the US middle market employs 60 percent of our US population, stabilize our communities, and fuel our economy. It important that when business owners look back on the choices they made to transition their business they feel good. And going forward they continue to achieve and find meaning in whatever they decide to do next.

Here are a few strategies to help business owner's transition strong:

1. **GET INTO THE MINDSET:** Totally embrace that your most important role before transitioning the company to new leaders is to position the company for success for another 30 years:
 - **INVEST:** Enhance the value of your company while you are still in the driver's seat. Get into the mindset that this process is a strategic one that requires a capital investment. It is not business as usual. Just as if you were to roll out new software system, launch a new product, or build a new plant, you need to make a capital investment and add new resources. You must see that monies you allocate to this process over the next 5 years will yield returns. Without a comprehensive plan and a financial commitment to a formal transition plan, you will limp along, duplicate effort and dispirit your team. Set out to do this right.
 - **EVOLVE:** Enhance your self-awareness. Self-awareness is a leader's ultimate competitive advantage. Get an executive coach, who is impartial to the outcome (except that it is the one that you want), to ensure you are at your best as a leader. You are at a complex juncture. You are preparing the company for someone else to lead and own. You are making a capital investment. And you must begin to prepare your own life for post-transition. All around the stakes are high, and you will feel tremendous responsibility. Your coach will help you see things clearly, solve problems well and not become a problem yourself. With a coach, you can lay it all out on the table. Think clearly. Build conviction. And accomplish what you say you want without undue complications.

2. **KNOW YOUR OPTIONS:** There are two basic directions for achieving a desired ROI on your life's work: selling your business or continuing your legacy. Taking deliberate steps to enhance the value of your business before your exit, ensures your desired ROI is a baked-in to either decision.
 - **Transition:** Passing the business to the next generation of family or transitioning to employees focuses on preserving the wealth engine for continued prosperity for the family, employees and the community. It requires developing successors and implementing a transition plan over a period of time to support family-ownership or employee-ownership models.
 - **Transaction:** Selling a business to an external buyer focuses on executing a transaction at a point in time with the goal of obtaining the highest price and stepping away. It requires preparing for close scrutiny during due diligence and developing a strong marketing strategy to attract strategic or financial buyers.
 - [And for those business owners who vow to die at their desk, dissolving the business is certainly an option. Without judgment, estate planners and insurance experts can utilize financial instruments that will minimize risk to your spouse and family.]
3. **ENHANCE VALUE:** Develop conviction in your plan. You will want your buyers to pay a premium for your company or you will want to set your successors up for success. Either option requires that you establish a more efficient operation and more engaged and productive workforce. Your job is to usher a successful process but you don't have to go it alone. Get an expert team to build and drive the plan. Then get behind the process in word and action. Involve key stakeholders for a fresh perspective on your business and direction for the future. Work with a strategy/management consultant, someone from industry, who will look at the major categories of your business like strategy, accountability, culture, financials, and operational efficiencies. Then systematically improve the drivers of success: vision, value proposition, market share, customers, competitors, controls, products, profitability, pricing and potential.
4. **BUILD BENCH STRENGTH:** Know your talent as well as you know your numbers by implementing a sound talent management system.
 - Develop a working knowledge of your talent across the enterprise. Using principles for strategic talent management, establish the know-how, intelligence and processes to hire the right people, provide them the clarity of direction to be productive, and prepare for new roles as the company grows.
 - Create an environment for people to do their best work by using principles of employee engagement. The methodology increases value in a company by preparing the workforce to handle challenges inherent in a transaction.
 - Be transparent about your vision for the company's sustainable future after you leave. Transparency of the vision will gain employee confidence as well as mitigate the risk of employees "bailing out." Often the future leader will have a bigger vision, more capital and an updated strategy that will stimulate growth and new opportunity in ways that benefit employees.

Again...owners of middle market companies deserve to end as strong as they start. They deserve to know what success looks like financially, as well as for their family, their business and their future. Bringing on a coach will help business owners develop the mental fortitude to know what they want, pursue it with passion and achieve it at the highest level. Leave no stone unturned. The psychology of your decision should rest squarely in your hands.