



Walk the Talk

Radio for Agile Minds

Shelley	<p>It's that time of the month when we "Walk the Talk" and welcome Nick Anderson to the studio to help us check out if we do actually "Walk our own Talk"</p> <p>Nick is Senior Partner for Professional Development Services – The PDS Group and affiliated with ROCG – Business Transition Specialists and long time contributor to WGVU</p> <p>Over the last 20 years Nick has coached many leaders in household names like Turner Construction, Qwest Telecommunications and Royal Bank of Canada to impact bottom-line results through aligning people for change</p> <p>Each month Nick chooses a topic related to the business world in West Michigan focusing on the transitions this economy is going through</p> <p>Welcome....What have you chosen for us this month?</p>
Nick	Well, Shelley I was reminded of the topics we covered two years ago through a number of

	<p>conversations with Financial Planners. Two things stuck out in terms of their frustrations, especially with business owners.</p> <ol style="list-style-type: none"> 1. Clients don't want to reveal all their assets the planner 2. Clients will <i>"dither"</i> (PC?) on the end game. <p>Some listeners will be thinking, rather skeptically, about the self interest motivating such frustration. But, for a minute consider how many well motivated most are – they can't build a book of business by not doing two things really well:</p> <ol style="list-style-type: none"> 1. Know their clients really well 2. Act in their best interests <p>Other conversation with businesses owners about when and how to transition: one is expanding quickly and the founder is 59yo, another is 52yo and returning to work after a major illness and the third is still trying to transition out but is being held back by the recession</p>
<p>Shelley</p>	<p>So, Nick, what is your theme this week?</p>
<p>NICK</p>	<p>"May you live in interesting times" Old Chinese curse</p> <p>Listeners don't want another recital of the recession litany. Yet, there is opportunity in any downturn.</p>

	<p>Yes, conditions are unpleasant with loads of troubling BUT....</p> <p>"If you can keep your head when all about you are losing theirs and blaming it on you; If you can trust yourself when all men doubt you, But make allowance for their doubting too; . . . If you can meet with Triumph and Disaster And treat those two impostors just the same . . . Yours is the Earth and everything that's in it."</p> <p>My message is for business owners this month is - Don't waste time worrying about things you can't change – Direct things to things you can control: this choices on how are you going to move forward.</p>
<p>SHELLEY</p>	<p>That's easier said than done in this economic climate</p>
<p>NICK</p>	<p>Oh I am not talking about easy but I am talking about the need to be proactive...Since I have been on the radio, 4years? for those business owners who are baby boomers the dynamics of their condition has not changed.</p> <ol style="list-style-type: none"> 1. 78m Boomers of whose wealth is held in 12m privately owned businesses 2. 70% will change hands in 10-15years

	<p>3. Trillions of dollars will transfer</p> <p>Now think of the business owner with 180,000 hours, say, invested what are thinking</p> <ul style="list-style-type: none"> • Work less in next five years • Consider leaving the business • How do I get out?! • Don't know what the business is worth • What is the best time to sell
Shelley	<p>Surely, though, most owners are in survival mode and need to protect their business</p>
NICK	<p>But why not combine the two. Expand strategy to accomplish both – the reality is they are not mentally exclusive. In fact, there are real problems if you don't keep them integrated.</p> <p>Remember the quote “keeping your head” This is not the time to abandon business planning.</p> <p>It takes 2-3years to successfully implement in NORMAL Times. You can argue now is the right time to put in place tactics that will increase value when the recession ends.</p>
Shelley	<p>OK. So what can business owners do now?</p>
Nick	<p>Well, the business cycle is alive and well, there's still timing when you business is at its optimal value for rejuvenation merger, acquisition.</p>

	<p>If you don't think ahead: you will be in the herd - those 9 out of 10 owners who don't get anywhere close to what they expected or want for their business. Delay in making a decision for mature businesses, especially erodes the transaction value.</p> <p>The fact is that less than 40% of businesses successfully transition their business.... Yet 84% say the need the proceeds to finance their retirement.</p> <p>There's been no change to owners lack of urgency:</p> <ul style="list-style-type: none"> • 58% don't have any plan • 33% informal • Only 9% have a formal written plan <p>Ummm, what's the connection between 1 in 10 get what they want and 1 in 10 have a formal plan.</p>
<p>Shelley</p>	<p>When are owners thinking of exiting their businesses?</p>
<p>Nick</p>	<p>28 % within 5 years, 52% plan on exiting within next 10 years</p> <p>Like retirement and personal investment planning, the longer the timeline to plan and implement, the better results.</p>
<p>Shelley</p>	<p>With such compelling stats for just how much is on the line, what's holding people back?</p>

<p>Nick</p>	<p>There are the three fears of transition:</p> <ul style="list-style-type: none"> • Fear of Loss Wealth • Fear of Loss of Control • Fear of Conflict
<p>Shelley</p>	<p>What are the main reasons for not having a succession plan?</p>
<p>Nick</p>	<p>It's a bit like Letterman's Top Eight Reasons (Excuses) for not getting the right return on 180,000 hours of blood, sweat and tears!</p> <p>Top 8</p> <ol style="list-style-type: none"> 8. Too scary 7. Thoughts of the end 6. Family/Employee conflict 5. Don't want to think of leaving 4. Can't get adequate advice 3. Too complex 2. No Time <p>No. 1 – No time to plan!</p>
<p>Shelley</p>	<p>(Comment) thenIn this recession why has transition planning become even more important?</p>
<p>Nick</p>	<p>Good question,</p>

	<p>There will be more market competition – fewer buyers than sellers</p> <p>With downward pressure on business values a premium will be placed on well run businesses that stand out from the pack and can differentiate themselves in the market place</p> <p>Planners 10-0: Non-Planners: 0-10</p> <p>Which team do you want to be on?</p>
<p>Shelley</p>	<p>How does the Family put a brake on transition planning?</p>
<p>Nick</p>	<p>Well. Many owners consider passing their business on to their children,</p> <p>It's one of the most challenging decisions a parent owner will faces.</p> <p>Impartiality is critical in addressing these emotional family issues and the effects on the business</p>
<p>Shelley</p>	<p>What are the main reasons a plan being agreed, put in place.</p>
<p>Nick</p>	<p>Sadly, many family-owned businesses are shut down because the Family didn't handle the succession issue:</p> <ul style="list-style-type: none"> • Parents stays on too long • Parent steps down too soon before successors are trained or sufficiently

	<p>experienced in the leadership roles</p> <ul style="list-style-type: none"> • Fail to face the realities that many children don't want to be involved with the business or at very least shouldn't be forced into working together <p>The reality is that the odds are not stacked in their favor:</p> <p>30% - 2nd Generation survival</p> <p>12% - 3rd</p> <p>3% - 4th</p>
Shelley	Tip of the month
Nick	<p>What comes first?</p> <p>The Transaction</p> <p>The Management of the Transition</p> <p>The Strategy for the Transition</p> <p>Don't put the Cart before the Horse.</p> <p>Talk to your trusted advisor – CPA, Lawyer etc.</p> <p>Who do we need to create and implement the plan.</p>
Shelley	