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What's So Important About Planning?

When business owners start their businesses, they often create a written business plan to guide them toward success. However, many successful owners don't mimic that process when they begin to approach the end of their business ownership.

There are three areas in which forgoing planning for the future can create unintended consequences for business owners: money, time, and successors. Consider how a thoughtful planning process (or lack of one) can affect each area.

Planning Affects More Than Just Personal Finances

Regardless of the reasons why they choose not to create an Exit Plan, business owners who don't create Exit Plans tend to open themselves up to more risk than owners who take the time to think through and document their plans for the future. Some of this risk correlates with age, because as you age, you can become less physically and mentally able to adjust to events that can negatively affect your business, such as economic downturns or rapid changes in the competitive environment. This inability to adjust can affect cash flow, which in turn can affect how much money your business is worth and how much money you receive for your ownership.

But an absent Exit Plan can also affect you beyond your personal finances. For instance, without an Exit Plan, your family might find itself in a financial bind if you were to die suddenly. If you were to die and did not have a plan for how the business should be run in your absence, operations may become interrupted or key employees might abandon ship. If your family members rely on your business ownership to fund their lifestyles, it can become difficult, if not impossible, for those family members to fill that hole without a plan.

Planning Can Adjust to Changes of Heart

Experience has shown us that business owners can have changes of heart as they approach their business exits, and even throughout the process of exiting. Owners who at one point said they'd never want to exit may change their minds due to family considerations, an unexpected illness, or burnout. Likewise, owners who first thought they'd like to keep the business in the family may find that their children are incapable of running the business successfully.

In cases like these, you might find yourself with too little time to adjust to a change of heart. This lost time can force you to stay in the business for longer than you wanted, which can cause burnout and affect your performance. This can be especially challenging to your exit if you are at the center of most of your business' success: If cash flows primarily because of you, hitches in your performance can negatively affect your business' bottom line. This can have a ripple effect on your personal finances, your family's financial security, and your business' value.

Properly crafted Exit Plans help address the issue of lost time by digging deeply into your Exit Planning goals. Then, advisors devise strategies that position you to pursue those goals while remaining nimble enough to adjust to changes of heart you might experience throughout the process.

Planning Can Encourage Stability

Many owners want their business legacies to reflect their values positively, even after they've died or exited voluntarily. This kind of stability can be threatened if you can't clearly articulate your expectations of your business exit. While "producing a good product or service" is a nearly universal value among successful business owners, the nuances of your values can get lost unless they're clearly stated.

Exit Plans consider your personal values and which aspects of the business are important for your successor to continue or maintain. Using your goals and financial situation as bedrocks, a solid planning process guides advisors toward strategies that respect your values-based goals and find (and if necessary, train) successors that are willing to commit to the values most important to you. This type of stability can too easily fall to the wayside without a plan.

If you don't yet have an Exit Plan but you'd like to see how Exit Planning can address potential issues concerning your money, time, and successors, contact us today. We have tools and strategies that can help us determine whether the risk of unintended consequences may affect your business exit.

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Any examples provided are hypothetical and for illustrative purposes only. Examples include fictitious names and do not represent any particular person or entity.

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