



Not All Strategies Are Created Equal

Succession planning, Exit Planning, and business planning may seem interchangeable in most people's eyes. However, each type of planning plays a very different role in the process of designing, and then implementing, a strategy for leaving your business and planning for the future. You can't use one strategy without the others when it comes to running, growing, operating, and eventually leaving a business.

These planning approaches go hand in hand. Although they have their similarities and overlap in some ways, there are some major differences you may want to think about in order to plan effectively for your future and the future of your business.

Succession Planning

Succession planning has become a common term to most business owners. This type of planning strategy is primarily focused on the transfer of leadership, management, and/or ownership of a business from one person to another. This strategy usually encompasses the identification of potential successors and the training of the chosen successor to build the skills and expertise to successfully run the business once the original owner decides to back away or move on.

Succession planning also emphasizes the timeline for when an owner is planning to part with their business. The succession planning process could take years, depending on the availability of successor candidates, business valuation, profitability, current management team in place, incentive plans, etc.

The main difference between succession planning and Exit Planning is succession planning primarily focuses on the smooth transition (succession) of the operation of the business. A primary goal of succession planning is to find the right person to take over your business and make sure the process of leadership



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transfer go smoothly. Succession planning may primarily focus on the goals and objectives of the business and may not be as focused on the owner's personal goals for the future.

Exit Planning

Exit Planning can be considered a broader approach to planning for the future. Although one of the main goals of Exit Planning is to ensure a seamless transition from one leader to the next in the business, this approach also considers the future plans of the owners for themselves and their families. Exit Planning considers a business's financial status, the valuation of the business, the position in the market, employee benefits, and the owner's family as well as the community in which the business is operated. It tries to identify the gap between what a business owner has today, and what they want for the future. It really is a full picture of all factors that affect a future change in your relationship to your business. This process encourages planning for everything so that when you are ready to leave your business, you've worked through as many factors as possible.

Although each owner's exit strategy is going to be unique, typically each plan consists of some or all of the following 7 steps.

- Step 1: Identify Owner Objectives
- Step 2: Quantify Business and Personal Resources
- Step 3: Maximize and Protect Business Value
- Step 4: Prepare for Ownership Transfers to Third Parties
- Step 5: Prepare for Ownership Transfers to Insiders
- Step 6: Manage Business Continuity
- Step 7: Support Personal Wealth and Estate Planning

Business Planning

Business planning can refer to the overall plan of how you run and operate your business. This is commonly a strategy most business owners use throughout the lifecycle of their business, from the very start to the day they consider selling the company. Your business plan is a living and growing document. It is often going to be focused on how your business will approach and succeed in its chosen market. It probably looks at how you'll be profitable in your chosen lines of products and services. It may be reviewed regularly to be sure you are meeting your company goals. Having a solid business plan can play a role in your succession and your exit. The more detailed the business plan you have in place, the easier it may be to advance a succession and exit.

Conclusion

A well-run company always has a plan in place. The planning processes never ends. Your business plan can help ensure the success of the business in its entirety and can eventually provide support for your future plans, including succession and Exit Plans.

We strive to help business owners identify and prioritize their objectives with respect to their business, their

employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

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