

John Brown:

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Elizabeth Mower:

Hello, this is Elizabeth Mower, President of BEI.

John Brown:

I'm John Brown, the founder of BEI.

Elizabeth Mower:

Each episode we take you into the world of exit planning. Sharing the stories, struggles, and opportunities of business owners and their advisors. We'll get into this episode's conversation right after this.

Jared Johnson:

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Elizabeth Mower:

Today, we want to talk about, small word that has big impact, goals.

John Brown:

Goals.

Elizabeth Mower:

So today... Tell us a story about goals, John.

John Brown:

Okay. So, I'm really excited about talking about goals today because I'm going to talk about my exit plan; the goals of my exit plan, but not from BEI, from my law firm, and why setting goals is so critically important.

John Brown:

Back in probably 1990, I'd been practicing law for what seemed to me was an eternity, and I thought, "You know what? I'm just going to leave the business in five years." I had just written my first book, *How To Run Your Business So You Can Leave It In Style*, so I knew all about exit planning. I was going to leave in five years, that was my goal.

John Brown:

In 1995, I sat down and I said "Gosh, you know what? I'm going to leave my business in five years." And in 2000 I realized that I was doing something business owners do all of the time, which was to... I call it the rolling five-year exit plan, "I'm going to leave in five years. Why? Well, because it's far enough away where I don't think I have to actually start taking steps today to exit, but it's close enough for me to get a feeling that I'm really on the way to exiting my business". It wasn't until I realized that I had to set a stake in the ground to say, if I want to leave in five years then that means I want to leave January 1st, 2000 whatever, 25, 30, whatever five years is, in the end of the future, and that's what I did.

Elizabeth Mower:

Well you know, I was with that firm at the time, and I will say I remember a little bit differently, were a couple of things. One was that, other people inside that firm would ask each other, or would ask me, people were talking amongst themselves, about what is John's plan? Because you were a founder of that firm as well, "What is John's plan for retiring from this firm." I remember overhearing that and saying, "You know, you should probably ask John, because maybe he knows" and maybe you didn't, and that was the problem because-[crosstalk 00:03:40]

John Brown:

I would have said five years.

Elizabeth Mower:

Five years is fine. I think you were probably in a very similar situation to a lot of owners on that five year rolling departure schedule, which is that, at some point you know your co-owners start feeling fidgety and thinking, "What is this guy's plan?" "When is he going to get out?" "When is he going to talk to us about this?" People have a real discomfort with bringing up... that was my observation at the time... have a discomfort with bringing it up. Certainly, you didn't have co-owners in that business that had the advanced planning skills that you have, so they weren't able to bring up the conversation, say "let's develop a plan." "Let's go through a process." While you were on your rotating five years schedule and on your long bike rides, or whatever it was that you were doing, they were thinking the same thing. I don't think anybody was talking to each other. That was how it looked to me. Is that right?

John Brown:

I think that's very typical.

Elizabeth Mower:

And a huge problem-

John Brown:

A huge problem?

Elizabeth Mower:

... because It creates a lot of uncertainty, which creates anxiety, which creates problems. Once you finally decided that you needed to do something about it, did you have a way that you went about that? Did you go read your own book? What did you do?

John Brown:

I might refresh my memory by reading my book again. By that point I was doing a lot of speaking and other writing and things like that, and I really realized that I needed to do what I wrote about, which was to have specific measurable goals and have a timeline, to say that I will do this by this time. Until owners do that, they're just going to keep floating along. Another metaphor is, a lot of owners probably like me, it was like a little leaf floating down a stream with not much direction, but just kind of going down the stream. Nobody... you are right because I'd done the exit plan... would come to me and say, "Hey John, have you thought of doing an exit plan?"

John Brown:

That's what we want advisors to do, is to talk to their clients about setting goals, determining resources, and going down this exit planning process. But, it really starts with establishing goals for the owners. Let me turn the tables and ask you, what do you do when you're sitting down initially with an owner, and they understand perhaps it's going to be a discussion about exit plan, what kinds of questions do you ask them? What kind of information do you want about their goals and aspirations for themselves and their businesses? How do you do that?

Elizabeth Mower:

Right. I think it's a very difficult subject to bring up and I think it is a lot easier said than done. "At your next meeting, just make sure you find out what their goals are", that's not very easy to do, in my opinion, and I did it badly many times. I think you... at least in the initial phases, until a business owner brain really starts thinking in terms of this set of goals, this particular timeline, these action items that I'm implementing, here are the ones I'm going to do today, here are some that I'm going to do in the future... until their brain starts to categorize their future ownership of the business in that way, I don't think you can talk to them in those terms.

John Brown:

How do you as an advisor help them do that?

Elizabeth Mower:

Well, I think you have to start with things that they do think about and they do understand all the time. Well, I should say business owners understand everything, they're the smartest people that we are ever going to interact with. But, their brains tend to work in a fairly, I think kind of predictable... they tend to work in a way that I recognize, which is that, they think about problems, they think about solutions, they think about direction and things like that. So, what I might start with is one of those universal objectives that you and I've talked about before, is how much longer do you want to be with the business? That I think is a bit of an abrupt question. It's the right question for us to talk about when we're talking to other advisors and when you and I are training people or something like that. But what I might say if I'm actually talking to a business owner is, "what's your involvement in your business today?"

Elizabeth Mower:

Then I get quiet with them, explain all of that, and then I might say, "okay, if you could change one thing about your current involvement with the business, what would that be?" Now we find out what their thing that's bugging them, thing that drives them crazy; it's a problem. Okay, "If we could solve that," right problems and solutions, "then what would you do?" "Would you be happy? Would you stay with your business? Would you move on to the next thing that you don't like about your current situation and try to attack that? So what would we do next?"

Elizabeth Mower:

As you progress through that conversation, I might be able to get to, in a fairly short period of time, "Okay, well let's kind of look into the future, what do you see your..." I call it... I think a lot of other people have different words for it... I call it, your relationship with the business. "What is your interaction with this business in the distant future?" "So are you the kind of person who really can't imagine any day ever that you won't have a place to go, have a desk to sit at, have a phone to use at this, at this company? Can you not see yourself separating at all?" If that's the case? Perfect. That gives me something to work on as an advisor, I can try to see if I can accomplish that for you, but what would you not be doing that you're doing today? I might go in that direction.

John Brown:

So in our world of exit planning, we need to know to do an exit plan... a departure date, and what that means to the owner. We need the owner to understand how much income post ownership departure he or she will need for themselves and their family.

Elizabeth Mower:

Right, which they may have never thought about it until someone asks the question.

John Brown:

They need to think about who their successor owner's going to be, and try to define that. Is it little Johnny who's in his sixth year of undergrad, and the owner wants to leave in five years? Is it something more practical? It might be other goals and aspirations of, I want to make sure the culture of my business continues when I'm gone or the business stays in the community. All of these other more pointed questions that we need to know the answer to, to create an exit plan. But you're starting off one or more steps before that discussion, it sounds like.

Elizabeth Mower:

Yeah. I think I have to in order to really get a sense of what somebody, who lives and breathes their business, really wants out of it. It's more of they... I sometimes when I'm teaching our planning programs, I'll talk about teaching other advisers how to have better conversations; I talk about, what are the qualities that an owner wants to see? If you say, "Who's your successor owner going to be, John?", that might be a difficult question for you to answer, you might never have thought about it. But what is the next owner going to do, what's important to you, if for some reason by choice or by plan, you don't own this company anymore, then what's important to you to be happening, what is it going to be like, what is the next owner doing or not doing?

Elizabeth Mower:

Moving a manufacturing facility out of the community is a bad idea, I do not want to have anyone do that. Okay, now I understand that protecting your employees and their livelihood is important.

John Brown:

So from there, of course some owners might say, "I don't care that much about my community-

Elizabeth Mower:

Lots of owners will say that.

John Brown:

... or my employees I just want as much money as I can get."

Elizabeth Mower:

It's true.

John Brown:

Then you do an exit plan based on that because it's the owners desire to do that.

Elizabeth Mower:

Absolutely. If they say, "The future that I see from this business is that I am gone and I never look back; the door closes behind me and I am finished. I have other things I want to do." What I might follow with in that case is just really probing there to make sure I understand; Do you really have something else to do, is it real, have you ever done that before.

Elizabeth Mower:

"I want to start a nonprofit and provide clean drinking water to small villages." Oh okay, have you ever started a nonprofit, have you ever worked for a nonprofit, have you ever done any of this charitable work. So, I might get you to start talking to me so I know whether I also need to help you get ready for that too. But if you're saying, "I want to be gone; I need to be done." then I can help you get ready for that. But, I think to get back to your original point, I'm still going to need a timeline. "I want to be gone" is not very doable unless I know when you want to be gone, [crosstalk 00:13:37] back it up.

John Brown:

Or if I want to be gone in five years, isn't it very doable either?

Elizabeth Mower:

Five Years is... if somebody says five years, we might should just automatically say, okay well they don't know what they want to do. Start this conversation again, because that's the faking it kind of answer, I think.

John Brown:

It's a brush off answer.

Elizabeth Mower:

Yeah, exactly. So, five years maybe we can create a rule in our planning work that, if the business owner says five years that we assume that they said, actually I have no idea when I want to leave, and we'll work with that. Okay how're we thinking of figuring it out?

John Brown:

So, for advisors who don't have your skill set in asking these, not subjective questions but even more open ended questions, than we're used to doing... I mean lawyers and CPAs it's, in my world, much more black and white, it was historically.

Elizabeth Mower:

Okay, fair enough.

John Brown:

Are those skills necessary? How do you get those skills if you don't have those skills today?

Elizabeth Mower:

You know, if you don't, then want to create some kind of a process that you use with every client that has the questions that you need. We've talked about this before, we might have to talk about it every single time we sit down, that the questions that you ask are going to determine the quality of the relationship with the client, and the outcome that you get. So, if you are by nature and by training, a very linear person who's very structured in the way that you think, which many planning advisors, whether they're CPAs or financial planners-

John Brown:

A lot of our members are like it, hopefully the majority.

Elizabeth Mower:

Right, so lawyers are highly technical people. Okay, then the way to deal with that...maybe I was an anomaly because I'm actually a little bit less technical than a lot of people. They want to have a series of things that they talk to business owners about, but it might not be, "Can you tell me your ideal departure date?" Is maybe a question you would strike from their list. But, you might be able to ask it in a slightly different way and so you might be able to say something like, "Have you given any thought to how much longer you want to be involved in the business?" They might ask something that is a little bit more gentle that a business owner can respond to more naturally. "Have you and your spouse talked about how much longer you're going to work at the pace you're at right now?"

John Brown:

Those are all good questions, and I think advisors need to judge their business owner client to see how they want to proceed with that whole questioning process. So we always keep coming back to in exit planning, it's the quality and type of questions that you ask owners that determine the success of an exit plan.

Elizabeth Mower:

Right, and I talked with another advisor, who is I think a senior partner in a large CPA firm that's got a large regional presence, what she said that her firm did is they decided you can't go at everything, you can't address every goal, you can't talk about something as broad as all possible goals and objectives all in one conversation, you can't expect everyone to do it well. That's just the determination that they made in their firm. So they decided to pick, I think it was two questions that are the things that really get at, they worded them... I don't know, they probably did it by committee, and they decided these two questions are something we want to know about every business client. Then they added it to, because CPAs are a fairly structured and process oriented profession and so they added it to the annual meeting-

John Brown:

Tax planning meeting?

Elizabeth Mower:

... process that they go through with every single business client. They pushed the list of questions, which I think was, it was 10 or fewer total questions that every partner in the firm had to ask every business client at the annual meeting, a sort of tax planning meeting, annual planning update, and two of the questions on the list had to do with the future of that person's ownership of the business. They just chose the ones that they thought worked best for their personalities, and the style of work that they do with their clients. Then they just always asked those and then whatever answer they got created a followup conversation for a future date. So, if you're a very highly structured person, I think you can still get really interesting and thoughtful questions in and just say, "Listen John, I have this piece of paper here, we do this with every single client, our firm is committed to you and the future of your business. Let me just go through these questions with you".

Elizabeth Mower:

So, even if it's structured and linear, and it's 10 questions, and I always ask them, then I think you as a client can respect me for doing that and saying, Oh, okay, Elizabeth is asking me something that's not on the things that I came in here wanting to do. So, there's a variety of ways to get at it, I think that are more organized and linear and for other advisors and business owners, who are kind of less structured people naturally, there's ways to get about it as well.

John Brown:

I mean I think the theme of our podcasts up to now, is owners don't know what to do, typically to be able to exit the business on their terms because they don't even know what that means; they don't know when, how, whom, how much money they need. That's one point, they don't know. Secondly, their advisors don't know what to suggest. They don't have any background in what we call exit plan because they have background as a financial advisor, as a business attorney, as a CPA. So, they don't ask the questions that you're asking, so they don't know that. And the third point is, all of this really does begin with asking questions. It can be fairly specific questions, it can be... especially if the owner's pretty confident in what she wants to do, it can be more general questions that are questions to get the owner to think more about his or her situation, what they want it to be, how they want it to change.

John Brown:

But the most important thing is for advisors to take that first step and to start asking these questions, start finding out about your owner's goals and aspirations. Because if you don't do this, nobody's going to do it, and the owner's not going to do it. And we're going to end up with where we're at today, of owners starting to get burned out and they've got to quit; owners frustrated because they don't know what to do and things just going sideways. And so, that's one of the big things we want to prevent through this whole podcast series.

Elizabeth Mower:

And I might add to that and say that, in addition to asking good questions about what business owners want for the future and if you're a business owner, really thinking about what your future looks like and what you'd want to change, what you'd want to keep. After we do that, revisit it frequently, those things can change. I might have a sort of a knee jerk reaction to what I think my goal is for the future, and if you ask me in a few months when we sit down again, "You know Elizabeth, last time we talked you were talking about how you'd really like to..." Whatever it is, start a new business, stay in your business

forever. And then I might say, "you know what? I've been thinking about that. It's not very realistic for me to stay in this business forever."

John Brown:

And what you've done is, you've prompted the owner to finally start thinking more deeply, instead of giving these more shallow surface responses, knee-jerk responses to these questions, you finally get them thinking. The other thing is, just to add on to that, is they start to move through this planning process, that we'll eventually get to... maybe in year five of the podcast, I don't know...we'll eventually get to, where we are creating and executing a plan for the owner to leave within a specific timeframe. They may start to move down that path and realize, this is not what I want to do. I'd really like to transfer the business to my son, Franklin or my daughter, Eleanor but they're not making progress, they don't seem that interested, let's back up.

Elizabeth Mower:

You could tell a bunch of stories about that on a future day.

John Brown:

There's [crosstalk 00:22:47] we can tell about that. Oh, the last thing I want to mention before we end this podcast is, we're telling a lot of stories about the failure of owners to do exit planning, to even start, or the failure of advisors to ask questions. Not every single story we're going to talk about is a study in failure; we're going to have a lot of success stories as well, but it's because we've learned a lot in exit planning and we have success stories. Most of the failure stories, but certainly not all of them, are towards the beginning of... at least I'll speak for myself... the beginning of learning about exit planning. I'd already written a book, I thought I knew a fair amount about exit planning, but there was still a tremendous amount to learn. The reason for that is initially, I was just learning as a lawyer learns, I was learning what lawyers do in exit planning and how they needed to help the business owners.

John Brown:

But, exit planning is far broader than any one profession and it takes several different advisors from different professions to really create and implement a great exit plan for a business owner. That's hopefully what we're teaching our advisors to do, is to be that coach, that leader, and that facilitator of a team of exit planning advisors or professionals doing exit planning, to help that client.

Elizabeth Mower:

Totally agree. We've told a few stories that have been success stories already and we'll always have those in our pocket, and we're going to have just as many on the negative side, where things have gone awry and those are the ones that people tell me that they remember and they're the ones I remember because I usually messed something up in the process. So, we'll get back to this goals concept I think is going to come up very frequently because, as you and I agree, something we do agree on, that we can't do anything; business owners can't do anything unless they know and can articulate what they're trying to achieve. That's, I think, something business owners really understand intuitively. We're just going to apply that to the future of your business, the future of your ownership more specifically in the business. What is an exit to you? You get to write your own story and build your own path. And so these goals are going to be pervasive throughout everything.

John Brown:

I mean, even if you want to say, "I've got Harriet Smith, my key employee, I want to incent her to grow the business income or revenue or value." That desire to do something now, relates back to the goals of the owner. If the owner wants to leave in five years, we want this incentive plan to achieve the needed revenue growth in five years. So goals are always front and center on an exit plan.

Elizabeth Mower:

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