

John Brown:

What most, if not all, owners who are too busy to plan suffer from is they're trying to be all things to all people.

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.

Speaker 3:

As an advisor, you have the technical skills to assist business owners in exit planning. However, few advisors know how to package the process and use it to drive the demand for their service. Learn how when you attend an upcoming bootcamp workshop. Visit exitplanning.com/bootcamp to see the latest schedule and to register. That's exitplanning.com/bootcamp. Don't miss the opportunity to take advantage of all exit planning can offer, and to set yourself apart from the competition.

Elizabeth Mower:

Welcome back for another episode. Today we thought we would sort of bring planning into the picture by almost sort of talking about the opposite. John and I have been talking the last couple of days about not really planning for business clients, even though I know that that's supposed to be the point of the podcast. Instead, what we've been talking about is business owners not planning.

Elizabeth Mower:

That's a pretty common scenario, and we think that there's some reasons that we've identified over years of practice, and then also some studies that have been done and some data that's available. I think it's a good idea to talk through why and when business owners don't plan for the future of their business or their ownership of it. What is going on with that? Is it really in their best interest? Are they really getting the outcomes that they intend? What can advisors and owners alike do about it?

Elizabeth Mower:

John, you have a couple of things, and when you give talks around the country, you're mentioning these things. So maybe give us your highlights from your experience and your conversations with professional advisors and owners, and then from the data, some of the top reasons why owners just don't do anything about planning for the future of their ownership interest.

John Brown:

You know, it's interesting. Thanks, Elizabeth. Sometimes I'll be talking to an advisor, because a lot of the talks I give are to advisor groups, and they'll say something like, "You know, I had this interesting

situation with one of my long term clients who came up to me and presented me with the letter of intent for the sale of his business. It was the first thing he had mentioned ever to me about the fact that he was thinking of selling his business. What's wrong with these people?" So you hear that occasionally from other advisors over the years, and one comes to the conclusion that it's not the owner's fault for not bringing to the attention of their advisors that they're thinking of someday leaving the business. It's really the advisor's fault for not asking questions, as they just are doing it every day or every year, representation the client, be it a tax return or a financial planning review or an estate planning engagement. We just don't ask owners if they've ever given thought to some day leaving their business, and what does that look like? Tell me more about it. You're the master of all of those questions.

Elizabeth Mower:

I think advisers get busy doing their thing, and they don't realize that business owners are not planning experts. So business owners are very good at what they do, and they're not very good at knowing the good questions to ask. So same thing, if I go to my doctor, it's not really my job necessarily to uncover all the things that might be wrong with me. They should be asking me questions. It's the same when you visit with any business owner who visits with any of their advisors. What have you done so far? How is it going? What were the outcomes that you expected and the outcomes that you got from any activities that you've done to try to prepare your business and yourself and your family and your company for a successful future?

Elizabeth Mower:

So advisors need to understand all of that, and then they're seeing ... I think there are some of those themes that you've picked up on in the answers that business owners give, and maybe one of the things that I hear very frequently is that the response to a lot of the different questions that advisors might be asking is something that's sort of connected to, "I have more time. I don't have to do it yet." Is that right, John? You're seeing a lot of variations on that theme.

John Brown:

Yeah. So the first thing is we, as advisors, need to be asking our clients those questions. Have you ever thought of transferring your business or leaving your business at some point? What does that look like to you? That type of question. It can be very much on the surface, because they might say, "No, I'm not thinking of selling for 10 or 15 years," or it might be, "I'm thinking of selling, getting out by Friday. Can you help me?" You never know what you're going to get as an answer, but that's okay, we've made a start.

John Brown:

So now we go ahead and we ask the question, have you someday thought of leaving your business, and what does that look like to you, et cetera. You're going to get a variety of answers. We can talk about all of those in these various podcasts, because each one probably is worthy of a podcast, but one might be, "I'd love to do some planning, but I'm just too busy right now. I don't have time to plan." So in other words, go away, come back in another year, and it'll be the same question, and it will probably be the same answer. So how do we break through the "I'm too busy to plan" response? That's the first, and I think then we'll have some other responses, and we know owners have these responses because we ask them those questions in surveys, and about a quarter of the owners that don't do any planning, their response is, "I'm too busy." So what's your response?

Elizabeth Mower:

I can also say that in our most recent business owners survey, about 80% or more of business owners, depending on how you slice the data, just don't have a plan. What's interesting is we've seen the percentage of business owners that we survey who do have a plan in place, or believe that they have a plan in place, at least, has been edging up, and someone on our staff was excited about that, "Oh look, it's higher," and I said, "Right, but flip it. What's the number of people that don't have a plan?" It's still very, very high, and that's pretty scary.

Elizabeth Mower:

So "I'm too busy to plan," I think really must have a lot to do with the expectation that business owners have of what planning is. What does that mean? What does it involve? What would have to happen? How much time would I have to contribute to this? How many difficult decisions am I going to have to make? If they feel that they don't have the bandwidth to take on something that serious or heavy or significant than, "I just need to finish this really important thing, opening a new location or adding a new line of product or service, or expanding my business, or taking on these new, larger customers." So business owners are going to say, "I have to get through that, because I don't think I have the capacity," and so "I don't have time to plan" seems to be a capacity sort of assumption on the part of business owners. It may not be true. I don't know that advisors who start this conversation have already explained what planning is and what commitment it might require from a business owner.

Elizabeth Mower:

So let's say if I'm talking to you, John, and I say, "Oh, I just don't know, I have all these projects that I'm working on, and I have to develop some employees, and we're looking at new lines here. I don't think I have time for that," what are some examples or things [crosstalk 00:08:26].

John Brown:

Some responses I would make?

Elizabeth Mower:

Ways to describe what planning is and what commitment it does require?

John Brown:

So yeah, I'd even back it up maybe a little farther than that. These owners might, in fact, be too busy. They might have too much on their plate, and they don't think they can plan. Part of the problem, as Elizabeth pointed out, is that they don't understand that planning doesn't really take that much of their time. The other part, the focus I would tend to give is, "Well, why are you too busy? Tell me more." "Well, I've got this new customer coming on board. It's going to take a lot of time. I've got to redo my systems within the company, and that's going to take a lot of time." Well, what's going to take a lot of time is that they're doing it all themselves. The way that you gain time, and trust me, I am the master of this, I'm not the master of a lot of things, but I'm the master of not doing too much work. Would you agree with that?

Elizabeth Mower:

I totally agree.

John Brown:

So I don't work that much, because I have a great management team, because I've decided that the only way to grow a business is to delegate responsibility to keep up with people, and what most, if not all owners who are too busy to plan suffer from is they're trying to be all things to all people. So the approach I would take, especially when I did a lot of exit planning for those owners, would be to say, "Well, let's break down what's causing you to be too busy." Usually, it's pretty obvious that they lack management talent or the right person in a management position.

John Brown:

So rather than taking their time up, we can say something like, "Well, we can help you work on that." Before we engage on an exit planning, let's first deal with the issue that you don't have time, which is attributable to the fact that you're trying to do too many things, and we can help you find some good management. Maybe we can train people within the company, maybe we have a head Hunter that comes in and helps us find management talent, some kind of a search firm that would help our clients do that. We've done that many times, and it can make a huge difference in the business, and now that the owner is not doing every single thing, he or she will have time to plan. So let me know your thoughts on that, and then talk to me about, how much time does it really take to plan?

Elizabeth Mower:

Yeah, I would agree in that, and I think it's important that you say all these things about how it is true that we, any advisor, can help a business owner, client, develop their management team, delegate more, create more time and space in their day so that they can think about other things, and that it's important to sort of make sure that we clarify that to say, "That doesn't mean that you or I have any skill or expertise at all in finding people, screening them, recruiting them, incentivizing that." There's lots of things that you and I, as advisors, have no capability of doing. So what we're saying when we tell a client, "I can help you," it's true, or what I'm going to do is if that's not my specialty, I'm going to bring in the correct resource, and you and I have done that many times with clients and said, "Okay, would you like some help with that? I know some people." Advisors should have good connections and business owners should know that their advisor is good, if the advisor says, "I don't do that myself, but I know somebody."

John Brown:

That's actually a great example of delegating in itself.

Elizabeth Mower:

True, true. We as advisors should not try to do everything that our clients need. I have had advisors call me before and say, "Well, this is just taking up all of my time to help this client," and then they describe to me what they're doing, and they're doing the jobs of three or four or five different advisors.

John Brown:

Different professions.

Elizabeth Mower:

Different professions, and not all of them they're very good at, so it's taking a lot of time. So everyone has this problem, I think is what we're saying. So then once we do that, what your next question is,

"Well, okay, how much time should a business owner think that it does take?" You and I were talking about this before we went on the air, and I think this is really true. It doesn't actually take that much time for a business owner if they have good advisors in place.

John Brown:

I think there's two aspects to that, probably more than two, but one is most of the planning we're talking about right now is going to have ... It's not so much exit planning, it's simply planning to make the business a better business now, not five years into the future. We're not talking about planning what's life going to be like in eight years when you leave your business, we're talking about what needs to be done today and in the immediate future to make your business, in our example, less dependent on the owner, because that's the factor in having a transferrable business, is the owner is not the hub of all activity. So even the planning that we're going to do is going to have an immediate impact to improve the business, but beyond that, the actual creation of a comprehensive exit plan, the actual spending of time by an owner on that plan would be 10 to 20 hours over a multi-month timeframe. Is that a fair estimate of time?

Elizabeth Mower:

Yeah, maybe less.

John Brown:

Maybe less.

Elizabeth Mower:

I would say not more, maybe that's right, could be less depending on their situation, and certainly to get planning really up and running, I was just thinking it might be the length of a golf game. That might be the contribution that an owner has to make. Answering questions, finding some copies of things, and letting the people who've collected information from them go on about their work of sort of identifying opportunities. So really to get planning from not moving at all to fully in motion with people engaged might be the length of a golf game. That's something that a business owner [inaudible 00:15:05], most of the time, be willing to contribute to a successful future, and then the advisor team should be doing the heavy lifting. "I need to look into this. I need to have a conversation with John, my colleague who knows a lot more about estate planning than I do, and then I'm going to put in a call to a different advisor who knows a lot more about ... The call I got before I came in here, that I will return when we get out, is somebody who wants to talk through a client who just received a letter of intent, and there's some unclear language in it, and they want to talk it over with me."

Elizabeth Mower:

So that advisor isn't wasting the business owner's time saying, "Well, owner, what do you think the buyer means when they put this in letter of intent?" This advisor's going around to his other resources and saying, "Let's talk this through and see what maybe we need to do to go back," and then coming back to the client with something specific to say about it. So once the initial kind of discovery and information gathering is done, which might take several hours, then really the burden shifts to the advisor team and the business owner gets to sail in, "Tell me what you've figured out so far. Tell me what I need to know," make some decisions, walk back out, and have the advisors do the rest of the work.

John Brown:

Yeah, so the planning process, because if you're an owner listening, and the planning process really is going to save you time and effort. It's not going to lengthen out or create more time that you don't have. So think about it in that way. The other thing that has evolved out of our little conversation here that I hadn't thought of quite in the same way before is the advisor you work with in your planning activities also should not be the hub of everything. They shouldn't think they have to solve all of your issues and problems. Instead, they should have a capable team of other advisors from other professions that they can call and get that assistance from, because it's so much more time efficient and cost effective to do that.

John Brown:

So throughout the whole exit planning process, it's don't do anything that you're not the best at doing, have somebody else do that. Owners are probably not the best at planning the future of their business without them, or their future, for that matter, without the business, so have an expert to help you plan, and then, as you will see, that planning should have almost immediate impact on how your business operates. We can identify, in our example, why owners are too busy, and we can address that, and your exit planning advisor should have resources available, usually through other advisor relationships, to address your issue right away.

Elizabeth Mower:

I agree. I think in future podcasts, we should talk about other reasons why business owners don't get started, don't plan, don't realize that they need to plan, think they already have a plan when they don't. These are various topics that I think are all worth exploring and finding the sort of underlying truths in those stories so that we can address them and just get better outcomes for business owners, and that's sort of why we plan, is that we're trying to help business owners benefit from their lives work, and it takes owners raising their hand and saying that they're ready to think about it, and advisers who are qualified and can do something helpful. So we'd like to participate in that process. So thanks for being here today, John.

John Brown:

Thank you, Elizabeth, and by the way, your hair looks nice.

Elizabeth Mower:

We'll see everybody next time.

John Brown:

All right, thanks.

Elizabeth Mower:

Thanks for listening. Join us for our next episode. For more content like this, please visit exitplanning.com.