



Transferring Management Responsibilities Prior to Your Business Exit

The Importance of Shifting Core Duties Prior to Your Exit: Part One

In the past two issues, we have discussed the importance of transferring management responsibilities in advance of your planned departure date and the roles of your advisors in the process of developing a successful management transition plan. The next two articles will conclude our series on transferring management responsibilities by discussing which areas of the business you should focus on when developing your plan.

To illustrate the importance of shifting core duties prior to your exit, let's revisit Will Tryon, our hypothetical business owner of a thriving pre-cast manufacturing company. When Will began thinking about who he should transfer management responsibilities to and which responsibilities should be transferred first, he quickly became overwhelmed because the degree of responsibilities he held as the company's owner were complex and ingrained in his everyday routine.

To help Will simplify this sometimes complicated process, Will's Exit Planning Advisor helped him identify the top five areas that he needed to focus on to design his management responsibility transition plan. These areas included human resources, sales and marketing, financial, infrastructure/capital investment, and general business duties. The remainder of this article will discuss the critical issues associated with human resources, such as sales and marketing that need to be addressed in a management transition plan.

As we describe the management duties that need to be transitioned, it is critical to note the importance of creating a time-based plan that determines who will take over which tasks within a set timetable. Since transferring management responsibilities can take some time, we recommended that you start creating the plan at least five years in advance of your target exit date.

Human Resources

Similar to the majority of business owners today, Human Resources was the number one area that Will wanted to transfer responsibilities to his management team early on in the process. When you get to the point where you can see the light at the end of the tunnel and your business exit is nearing completion, you may find yourself in a similar situation as Will – tired of dealing with the sometimes tedious, difficult and time consuming processes within the human resource realm of the business. The areas within human resources that you may want to consider transitioning responsibility include:



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- **Compensation Analysis:** Should you be paying a staff person \$24,000 a year, \$36,000 a year? How do we decide? How do they fit into the overall organization? The management team should begin paying attention to these questions and making some of these decisions.
- **Allocation of Duties:** The management team should be involved with assigning employees in the company to the appropriate duties.
- **Employee Morale:** When people are upset, they're unhappy and may become dissatisfied with their job. Whose responsibility is it to address that and try and turn it around? The management team should start dealing with these issues early in the Exit Planning Process.
- **Employment Law Compliance Issues:** You will want to start training your management team on what it needs to do in terms of hiring practices, firing practices, promotions and demotions, employee reprimands and things of that nature. You can get your business attorney to participate in this area, but you need to figure out who's going to be responsible for it and make sure that they have the information and training they need to carry out the duties associated with employment law compliance.
- **Internal Policies and Practices:** Are employees going to be required to come into the office at 7 a.m. or 8 a.m.? Should they work 37 hours a week or 40? Should you have a policy of telling everyone that the company has the right to read their emails so beware, or should you have a policy built on trust? These kinds of issues and how management relates to the employees in the business should all be tasks and duties that get switched over to the management team so that you can relinquish your responsibilities in this area early in the Exit Planning Process. It is also helpful for the management team to take over these duties ahead of time so it has the experience and skills it needs to continue running the company after your exit.

Sales and Marketing

In order to ensure the longevity of your company, the management team should be looking at ways and areas in which it can promote the business and its reputation within the community and specifically in your industry. To do this successfully, the members of the management team need to be aware of what the company's reputation is and how they can appropriately represent the company's personality when they are in the field communicating with prospects and the marketplace in general. The questions that should be brought up to address a company's sales and marketing strategies should include:

- What are the current and future target markets that we want to participate in?
- Who is our ideal customer?
- Should we be focusing on expanding our services or products to our existing customers, or should we focus our efforts on generating completely new business?
- How do the sales and marketing initiatives fit into the overall short-term and long-term plan for the company?

You also will want your management team to be familiar with the sales objectives of the company.

- What sales goals should the company be expected to accomplish on a monthly, quarterly or yearly basis?
- What are the benefits to achieving the sales objectives and the consequences for not achieving them?

8820 Ladue Road
Suite 101
St. Louis, MO 63124

tel: (314) 725-9939
fax: (314) 725-9938

www.claytoncapitalpartners.com



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- What does the competitive environment look like?
- Who is the competition, what are they doing and how is your company better than the direct competition?

As you can see, the sales, marketing and human resources duties of the company are key responsibilities that you should consider transitioning to your management team early in the Exit Planning Process. This will help to free up some of your time as a business owner and allow you to focus on life after you exit your business. In the next **Exit Planning Navigator®** article, we will continue our discussion on transferring management responsibility to the remaining three key areas of your company – financial, infrastructure/capital investment, and general business duties.

If you have any questions about transferring management responsibilities prior to your business exit, please contact Kevin Short, Managing Director (kshort@claytoncapitalpartners.com).

8820 Ladue Road
Suite 101
St. Louis, MO 63124

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fax: (314) 725-9938

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