



Exit Planning

NAVIGATOR

Exit Planning Strategies for the Entrepreneur



Issue 63

The Loss of Key Talent—You!

The Third of an Owner's Business Continuity Concerns

In the previous two issues of this newsletter, we discussed the first two issues that business owners must address if they want their companies to continue should they die or become disabled. The first issue was the continuation of ownership. The second was the company's loss of financial resources. The third, and the subject of this newsletter, is the company's loss of key talent - you - and the cascading affect on employees and customers.

Issue 3: Company's Loss of Key Talent (and subsequent loss of employees and customers)

Problem for Sole Owners. Your death will likely have the same impact on your company that the death of any one of your key people would have. Your talents, experience, relationships with customers, employees and vendors may be quite difficult to replace (especially in the short term). Once you are gone, expect employees to jump ship (unless the plans suggested in the First Part of this Series have been made). Without employees, your company is likely to default on its contractual obligations. Without planning few businesses have the financial resources or successor management to weather this storm.

Problem for Co-Owners. Multi-owner companies experience the same loss as solely-owned companies, if the remaining owners do not have the experience or talent to replace you. If you are the person who generates new clients, heads operations or maintains most of the company's key relationships, your death or disability will jeopardize, if not ruin, your company's survival.

Solution for Sole Owners. As described in the First Part of this Series, sole owners should create written stay bonus plans to motivate their key employees to remain with the company after the owner's death. Additionally, you should create a succession of management plan that names the person who will assume your duties. Finally, you should decide now how you want your company to ultimately be continued. Do you want the company to be sold? Continued? Or liquidated?

Solution for Co-Owners. If your co-owners do not have the skills and experience to replace yours, you must put in place a plan to give them the skills and experience they lack. If your employees are confident that the surviving owners have the skills necessary to bring in new business, run the operations or maintain key relationships, they are unlikely to jump ship.

Successful business continuity requires cash—usually in the form of life insurance proceeds. But continuity requires more than cash. Your company will need to fill the talent void created by your departure. To do that, you must encourage (perhaps with cash through a stay bonus plan or perhaps through ownership) existing management to

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stay. If your business does not currently have, in place, management capable of assuming the reins, you must make it a priority to find and hire that management now.

If you missed any of the prior issues in this Series and would like copies, please email us at kshort@claytoncapitalpartners.com.

*Subsequent issues of **The Exit Planning Navigator®** discuss all aspects of Exit Planning.*

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