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a newsletter on practical strategic thinking and action
issue #64

three must-haves for business owners

Principal Financial Group recently released findings from a survey of over 400 U.S. businesses (<http://www.planadviser.com/NewsResearch.aspx?id=6319>) with an employee base between 2 and 500. Of those surveyed, more than 2/3 of business owners did not have an exit plan for their business. By not having an exit plan, does it mean these businesses are completely ill-prepared for the future?

The answer actually depends on what other planning the business owner has or has not done. For business owners not to have an exit plan may be understandable, given that many owners today are busy fighting day-to-day problems and may find it hard to focus on the next phase of their life. However, even if the owner does not want to acknowledge their mortality or life after running their business, there are a couple of vital documents every business owner needs to have in case they get hit by a bus or struck by lightning and leave this world in a hurry.

a different approach

Times are tough because revenues are down and credit from banks is tight, so most business owners are focused on surviving the next quarter. But for business owners to be truly prepared, they should have the following:

- 1) a will
- 2) a succession plan for the business
- 3) an exit strategy to monetize the value in the business

The first necessary document for a business owner is a will. It is important to remember that the details of the will do not need to be made public to anyone, including family members, but by having created one it will sure make life easier on those left behind. A sudden death would be traumatic in and of itself. But if you do not have a will and die suddenly, someone else (the courts) will decide how your assets will be distributed. There is certainly no guarantee that your assets will then be distributed how and when you envisioned them without it being in writing. Remember, you can adjust the details and the beneficiaries of your will as often as you like. It is also a good idea to designate someone (make sure they are willing) to oversee the distribution of your estate. And the good news is that it's no longer expensive. For short money, you can use internet tools and draw one up easily and conveniently online. For more complex situations, of course, an estate planning attorney can help you navigate the waters with tax planning.

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The second document to have is a succession plan for the business. Who will make decisions if you are hit by a bus? Do you have a capable business person on your staff who can keep the ship afloat if you are suddenly gone? If so, this person should understand that their role will be to keep things moving as you have planned until a buyer can be found. If you have been careful to develop depth in your management team, your succession plan can be even more detailed. A carefully laid out plan can ensure the least possible disruption to the business, its operations, and its future.

The third document to have is a plan for your eventual exit strategy. For many owners, much of their net worth is tied up in the business. An exit strategy requires business owners to look into the future, figure out what they want to be doing in five years, how much they will need to live beyond current savings, who the candidates are to assume ownership (third party sale, private equity, management buyout, employees or the next generation). Once this is done, you have to execute the plan, likely with the help of your advisors.

Can your business exist into the future without these documents – maybe. But why take chances with your life's work and value? Protect it by talking with a qualified advisor who can help you execute these three important items for your business correctly. You never know when that bus has your name on it!

reading list

Once You're Lucky, Twice You're Good:

The Rebirth of Silicon Valley and the Rise of Web 2.0

By Sarah Lacy

Sarah Lacy is the co-host of Yahoo Finance's Tech Ticker and covers technology for *Business Week*. Lacy's readable book covers the period from the bursting of the tech bubble in 2001-2002 through the resurgence of tech firms in Silicon Valley with the impetus of Web 2.0, which was responsible for changing the internet's capacity to that of a social interaction vehicle. The book focuses on the entrepreneurs who created the applications and companies that led the successful transformation. PayPal, Facebook, MySpace, YouTube and others are featured in a more personal way that should interest those who did not know these stories beforehand.

Read more about this book (<http://www.amazon.com/Once-Youre-Lucky-Twice-Good/dp/1592403824>).



announcements

Mark your calendar—the Exit Planning Exchange has a number of upcoming events in the Boston area:

- Thursday morning, August 13
 - XPX Content and Curriculum committee
 - Topic: Social Networking
 - Location: EEC Room at Foley Hoag Emerging Enterprise Center at Bay Colonies in Waltham, MA
- Wednesday evening, August 26
 - Networking and light hors d'oeuvres
 - Location: the waterfront of the Newton Marriott
- Tuesday morning, September 29
 - Panel of mezzanine lenders and private equity investors who will speak on their experience investing in lower-middle market transactions and the long-term outlook
 - Location: Babson Executive Conference Center, Babson, College, Wellesley, MA

For additional information and details, or to register for any of these events, please visit the XPX events page (<http://exitplanningexchange.com/index.php?/xpx/events/>).

about trek consulting

Trek works with owner-managed businesses to develop action plans for growth. Trek also works with the owners to prepare for their successful exit by coordinating the resources necessary to increase and preserve the firm's value, creating the succession plan and assembling the right transaction team, financing and post-transaction plan.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781.729.1008.