



The Other Side of Succession

Jim Grew

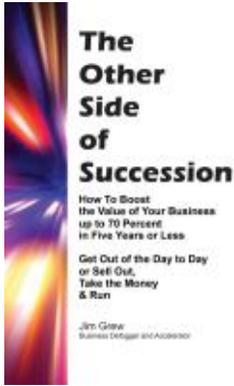
The Other Side of Succession

**How To Boost
the Value of Your Business
up to 70 Percent
in Five Years or Less**

**Get Out of the Day to Day
or Sell Out,
Take the Money
& Run**

Jim Grew
Business Defogger and Accelerator

6.00 x 9.00
130 pages 181 mm



Is your company ready for you to retire? The Other Side of Succession is about how to increase the value of your business (up to 70% in five years), get out of managing it day to day or sell out, take the money and run. Learn how to do it in style. There are no Purchase Fairies. This is practical advice from a man who is experienced at defogging and accelerating companies of all types.

The Other Side of Succession: How to Boost the Value of Your Business up to 70 Percent in Five Years or Less, Get Out of the Day to Day or Sell Out, Take the Money & Run

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The Fourth Way

If you're over 50 and own your business, you're special. You're special because you have a lifesaving choice in front of you, if you'll see it and seek it. It's okay, you'll be safe reading this – it's not a motivational piece. Instead, it's a peek around the corner at a life you may not have imagined. Here's the story:

The Peak Myth

We're flooded with stories of entrepreneurs who make it big before they're 40. The YPO (Young Presidents Organization) memorializes them. Stories of legendary founders (Gates, Hsieh, Jobs) suggest that the life curve of a business builder is slow start, steep up, and a continuing upward trajectory like a missile with explosive launch power. Little is written about their lives after 50. We imagine it as a mix of wealth, toys, celebration and...

The truth is different. Since each leader charts her own path, her life curve is special. Most successful folks suffer heart-breaking failures in their path to success, and they don't know how their story will turn out until it turns out. Regardless of their platform, when they turn 50 a life fact seeps into their soul: it all will end. Not yet. But it will.

The Peak Reality

We're waist deep in folks who reignited at 50 to produce their greatest life work:

- Lou Gerstner turned around IBM starting at 51 years old.
- Warren Buffett earned 99 percent of his wealth after age 50.

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- Henry Kissinger received the Nobel Peace Prize at age 50.
- Meg Whitman became CEO at Hewlett Packard at age 56. (Okay, the results aren't in yet.)

SPEED BUMP: If you've hit 50, the peak is before you, not behind you.

The Peak Choice:

Which of these business leaders will you be after you're 50?

- **Clutcher:** This owner hangs on for dear life, celebrating the best strategies that he's learned in his business lifetime. He and his business seep slowly away, with a lingering sense of regret. A local business, legendary for its success in making precision parts for an international vehicle manufacturer, survived two crisis points by cutting past the bone. When it lost a big chunk of business at the 2009 recession, it looked back instead of forward, cutting past the bone again. Its progressive employee layoffs destroyed its heart and mind, and it closed.
- **Coaster:** This owner has his life finally working, with all its perks: community respect, business success, time and money for toys and play, good friends, and more. He'll sell eventually, he thinks, but now is no time to be thinking dark thoughts. Customers and employees detect a subtle slide in the urgency and pride that built their success.
- **Chaser:** He's always chased the next big thing, and now it's the home run sale of his business. He's heard of folks who sell quickly to an industry insider for huge sums, with little pain. He gazes longingly at the happy life without the pain of being an owner-manager. This is fairyland, and he even knows it, sort of. Tough challenges never stopped him before, so he keeps on with it. His chances are slim and none.

SPEED BUMP: The fourth way is sitting there waiting for you to pick it up.

What's the fourth way? Be who you are: an **Igniter**. You have the gift to turn on customers and employees. You've built a successful business out of your head. It succeeded because of you, not because of chance. Of course you had help and luck and support. All successful people do. The difference in your company is you, so look that in the face and ask the Serena Williams question.

SPEED BUMP: What will win now?

Thirty-two-year-old female professional tennis players are coaches, not Grand Slam winners. Serena decided to channel her smarts and drive to win with her wits, not her speed. Back to the Igniter: Since you're at peak skill, knowledge, power, and influence in your business, why not harvest that? Why not find a way to double the value of your business in five years, cut your stress, work less, and have the jolt of fun at building again? It's life at its richest, and you'll enrich everyone around you at the same time!

Succession — and this book — is not what you think. It's not about any of these:

- Selling your business
- Preparing your business for sale
- Exiting your life

It is about what can be the richest and most gratifying period in your life, if you'll follow the rules that you already know:

- A big payoff requires preparation.
- Shortcuts are vital, since there's never enough time.
- Expert help makes the difference between adequate and rewarding.

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So here are the first rules for success:

- See succession as a process that will last at least several years; it's not an event.
- Re-recruit the vital 25-year-old that you really are.
- Make space to dream.

Things to avoid (since we're in the rules business for a while):

- Stop thinking about selling your business (look at it from the corner of your eye, like a star at night).
- Stop planning your retirement. The only planning that it needs is wealth.
- Stop thinking about how to "get out." We all get out when we're dead. That comes to us in spite of our plans, and it doesn't need our help.

Bonus Fantasy

The purchase fairy has done more damage to owners' lives and retirements than anything—other than greed and stupidity. purchase fairy? That's the fantasy that unlike all others, you are so special that a man will ride up on a white horse and make you a full-price, all-cash, no-contingency offer for your business, and then push the money across the table to you.

Blow up the idea of a purchase fairy. The barn is empty of white-horse saviors, and purchase fairies have always existed only in the minds of business owners who are amateur sellers. Why would you join them?

And for now, blow up the idea of selling your business, regardless of the emergency that's just raised its head. You wouldn't have sold for this bad of a deal when you were 25, so why would you do so now?

So what DOES the smart guy do (smart woman and smart

person included)?

- Look closely at the wonderful business that you've built, and the reasons why customers and employees want to share their lives and their wealth with you.
- Use that look to imagine the next big thing (NBT) for your business.
- Pull in the team to help you make that NBT happen in your lifetime. Why not?

Here's what we'll do in this book:

- Help you frame your NBT (Next Big Thing).
- Help you bring your NBT into the context of your life today.
- Present a menu of tips and tricks that will boost you along your way.

ACCELERANT: Read this little book. It will open the door to a future you'll love.

Cash Flow Genie

Why do you think that even though you've worked 60-hour weeks (or more) for 20 years or more to build your business, you can step back and the cash flow will continue? How can that make any sense? Either you weren't needed (unlikely most of the time) or you will have to have an equally competent replacement.

SPEED BUMP: How will you protect future cash flow?

Yes, this is for founders of successful firms who are over 50 and thinking about their next steps. It seems like an obviousity, but somehow this question is frequently clouded in the daily swirl. Worse, actions (legal, financial, and family) that

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retirement demands add layers of difficulty to daily operations and planning. The magical assumption is that cash flow has always been there, and “my team” will keep it coming.

SPEED BUMP: Replacing you is harder than you think.

Who cares about this cash flow? Here’s a starter list:

1. You
2. Your family
3. Your employees
4. Your customers
5. Your suppliers
6. Potential investors
7. Potential buyers

John Doerr is a legendary venture capitalist. As founder and leader of Kleiner Perkins (KP), likely one of the top three VC firms in Silicon Valley, he finds himself at a strange place at age 64. He’s the lead investor in firms like Google, Amazon, Genentech, Sun Microsystems, and Netscape.* That means he made the key investment at a very early stage. Here’s his dilemma: How does his firm (KP) thrive as he steps back?

Right now, he faces these pressures:

- Top talent is moving to other firms, worried that there is no room for them.
- Investors are hesitating to place their money with KP, when his status is uncertain.
- Leadership of his firm is fuzzy, and it needs to be sharpened up fast.
- Recruitment to maintain the top talent that drives success is much tougher than it was.

SPEED BUMP: You are more like KP than you ever imagined.

KP actually faces shrinking investment funds, and is sorting out new leadership to prevent their demise!

Here is your challenge: As your presence shrinks (voluntarily or not), people in and out of the business will act on their assumptions about their future. Unless you begin to create the story about the future of the business, they'll assume it's at least dangerous for them, if not deadly. The "story" is your plan, of course. These people will read the plan in their own interest first, and then in the company's interest. They will put themselves into your story as they understand it.

SPEED BUMP: Unless you share your plan, folks will write their own story.

To be successful, your plan must include these elements:

1. Leadership succession plan: Who will be the leaders of the key parts of the business and when will that happen? Usually, folks will know you're stepping back before the replacements are finalized. That's okay, if you acknowledge their interest and your commitment to making and implementing a plan to secure the future of the business.

2. Communication plan: This is a commitment that you'll communicate with your three essential groups as you form your plan. They don't expect it to emerge fully formed, but they do expect to be kept in the loop.

3. Reinvigoration of values: Now is the time to spool up the essential elements that have made your culture a success, like this:

- Create a new measure or two
- Task a leader or two with boosting one or two key elements

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- Charge your team with crafting a powerful sales initiative

These build on the experience that the best way to keep an adolescent out of trouble is to keep her busy. (It works with adults, if the goals are exciting).

ACCELERANT: How big a challenge will you give your team now?

*Wall Street Journal, 4/7/16, p. B2

Chapter 13

Procrastination – Friend or Enemy?

If you're a successful leader, you procrastinate. The issue is that it's often prudent, sometimes harmless, and occasionally disastrous. The trick is not to stop procrastinating (not possible), but to choose it as a leadership skill – particularly as you are looking toward succession.

Procrastination has a bad rap. Regardless of whether we're perfectionists or impulsives, we likely procrastinate and hide self-criticism of it with either blame or impassive ignorance.

Instead of hiding, consider the latest facts:

1. Everyone procrastinates.
2. It's necessary for high-functioning health.
3. It's risky behavior.

The CliffsNotes version is that emotional self-regulation is essential for successful leaders, and procrastination is a useful tool in the self-regulation toolbox. It's a way to let off pressure, make space for others in the problem-solving process, and allow the right (creative) side of your brain to wander in search of a better solution. Wandering is essential food for creative thought, critical when obstacles block known avenues of progress. As an added benefit, it can also make room for effective delegation.

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Procrastination includes an emotional “payoff” that’s different for different folks. It’s replacing a desirable activity with a short-term pleasure.

Which of these is your payoff of choice, when you procrastinate?

1. Doing something that’s good (healthy, generous, kind) – for example, going to the gym.
2. Doing something useful, but not the task at hand.
3. Doing anything else that’s popped up and looks interesting.
4. Doing something that takes your mind off bad feelings – for example, eating.

Leadership Payoffs for Procrastination:

- It can shift problems from leader to team. Winning teams take most problems away from their leaders and solve them, seeking help when they are stumped. This is an economical use of a leader’s skill and time, and multiplies her impact on the organization.
- It creates space for others to solve the problem on their own initiative, which provides deep satisfaction to most folks. It’s also a powerful growth tool that takes little leadership time, unlike most training which requires more time from the leader.
- It morphs the problem in a good way. With time, the current problem often changes into one of two better forms, accelerating a solution:
 - Dissolved into nothing.
 - A clearer problem that’s easier to solve.

Here's how problems get better with procrastination:



For the leader who is anxious and impulsive, procrastination is a special blessing. It replaces low-value targets with the higher-payoff targets that appear with time. Instead of jumping to solve the problem at hand, waiting usually enables a better solution that is:

- Faster
- Cheaper
- Higher impact

SPEED BUMP: Procrastination is actually an acceleration technique.

SPEED BUMP WARNING: Some procrastination costs more than its benefit.

These high-cost procrastinations usually are the fruit of anxious impulsiveness in the face of turtle-speed progress. All leaders encounter this. Since impulsiveness is one of the two prime drivers of procrastination, observe your impulsiveness and delay action for a better solution.* This can be harder than it looks, since there's a fine line dividing impulsiveness and action orientation. This simple answer works most of the time: When it's a hot question, slow down, ask questions, and wait a bit. Let it come to you. Your creative brain emerges when your impulsive brain hits a wall, so put up a temporary wall for better results.

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Transitioning out of your business is a big, unfamiliar, risky, and complex decision. It's made for healthy procrastination. However, to avoid the hiding that boosts your risk of a bad outcome, start down the planning road immediately. Planning is cheap, can be changed, and is essential to a good outcome. Then a bit of procrastination can lead to a payoff.

ACCELERANT: What will you put off today?

* Wall Street Journal, September 1, 2015, p. D1



Chapter 21

Stepping Back without Stepping in It

I recently talked with a founder whose son is doing a good job of running the company, but not at the level that dad wants. While we found some good ways for him to help his son, the clumsiness was apparent. He imagines himself as chairman; his son sees him as dad first, chairman second. Pleasing dad trumps dramatic business leadership for son, diluting both talent and results. They're back to driver's ed, with dad punching the floor to stop, diverting son from driving safely.

SPEED BUMP: Neither son nor dad is ready for dad to step back, but here they are.

The problem is not that dad doesn't know better. Rather, he assumes that he can make it work in spite of what others have done. Some call that hubris; others may label it as bad judgment. The stick in his spokes is the strong family feelings that he and son share. Skiers call it "out over your tips."

SPEED BUMP: Accept that you're underprepared to step back, and prepare.

What can you do?

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Here is the gold standard, beyond having first-rate advisors:

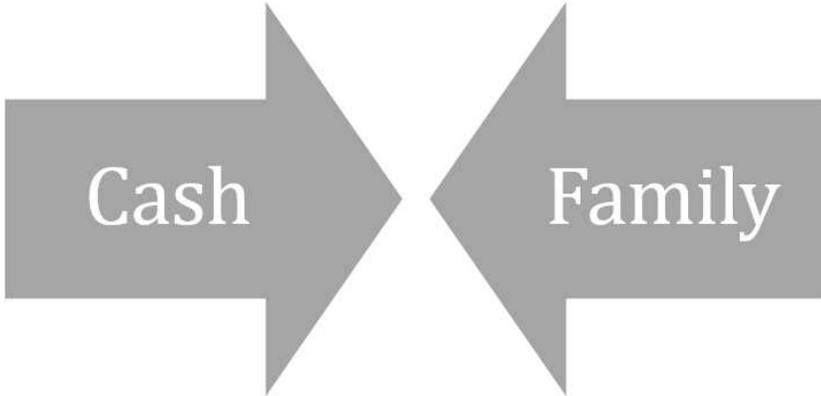
1. Enhance sustained future cash flow in the business.

Since cash flow comes from excellent management, how will you replace yourself? Skip the modesty, since likely you've built a leadership group that relies on you for final support, regardless. Here's the trade-off: if you decide you can't afford a first-rate replacement, you likely have hobbled the cash machine you've built. That cash shortfall affects employees and owners, who often are your family. It funds their lives, your retirement, and the business's future. Even though you had it working smoothly, it wasn't automatic (why did you spend so much time at work, if you weren't needed?), and entropy can dilute it quickly.

2. Include key family members in planning five years before you step back. Most of your family have feelings about the business regardless of their role in it. Whether they are supported by it, see a personal growth opportunity in it, or want to "put their mark on it," they need as much time and space as you do to find both a suitable path to change and a winning landing spot. As one of my clients said, "I realized that I'm the same age my dad was when he started the business, and I want to put my mark on it." Powerful feelings at work.

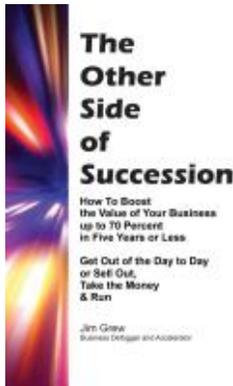
3. Choose the business over your family. As you start working on your new role, and the future roles of family members in the business, put the business first. That means that as you evaluate answers to all the questions about family involvement, start with "What does the business need?" Then ask how your family members can enable future business success, not the other way around. Of course you can't know for sure how your family will do as leaders, but use your years of hiring experience to make the best judgments

possible. For instance, it's admirable to promote a daughter with the proviso that she lean into developing her skills in the two areas that need it. You help by identifying the training need, and supporting the company investment in that.



ACCELERANT: When is your first real family discussion about your future?





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