

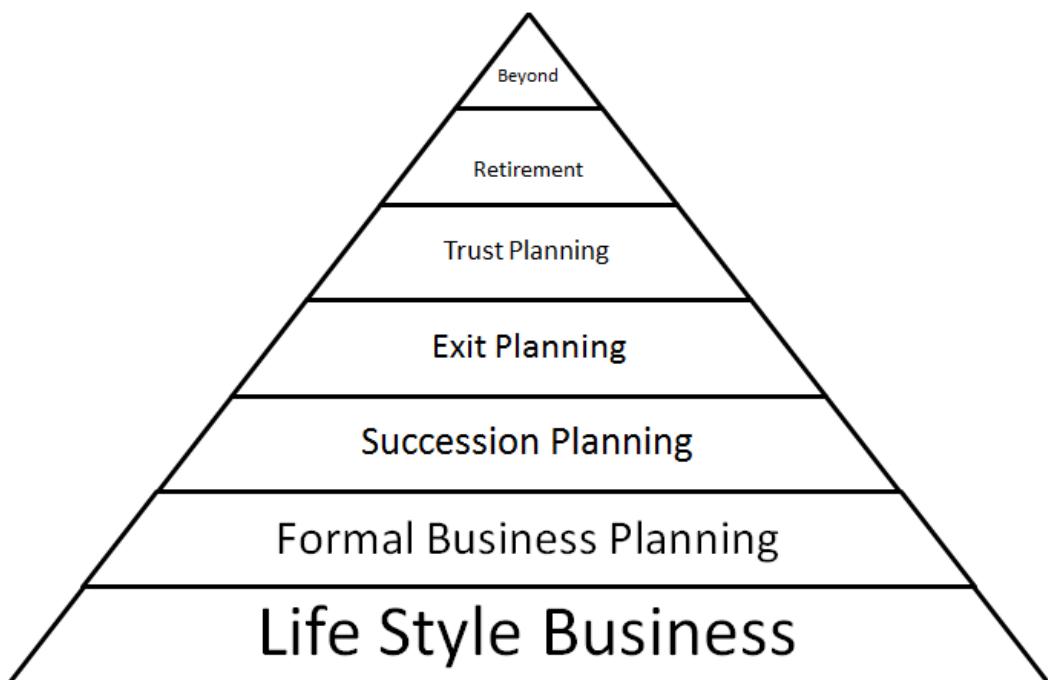
Business Owner Hierarchy of Needs and Life Cycle Planning

By Greg Hayward, AM&AA and MMA Member

Founders of successful private businesses have accomplished so many things. They came up with a business idea, started the business, bootstrapped the finances, invented and improved products and services over time, developed their customer base, and employed so many people in our economy. All of these things are amazing accomplishments and a source of pride. It is the American Dream!

At some point, the entrepreneurial spirit needs to be supplemented by formal business planning and processes in order for the business to be sustainable and to grow. Formal growth business plans typically work hand-in-hand with financial leverage and good banking relationships.

The chart below illustrates the business owner hierarchy of needs and lifecycle planning. Most businesses start out as lifestyle businesses as shown at the bottom of the pyramid, and progress upward with increased levels of planning. For most, this is painful.



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God bless the private business owner who does not have any debt. They have the freedom and are entitled to manage their business, to a degree, as they see fit.

The following thoughts and comments are for their consideration. When a private business owner decides to sell the business, chances are that it is the first time they have ever sold a business. They need to shift gears into “Selling Mode” just like when they developed their customer base. Their financial statements and operations must be ready for “Primetime” and review by the potential new investors and ultimately their bankers. So, it is in the best interest of the private business owner to prepare for a potential transaction long before they anticipate pulling the trigger.

Once private business owners have decided to sell their business and have come to grips with turning their business over to new ownership, they need to personally keep three things in balance:

1. Sell Business - Optimization of the business value and exit plan: Succession & exit/transition plan, consistent 5 year financial statements, quality of earnings report, evidence of a quality operation, operational scalability, a future facing management team, etc.
2. Manage Proceeds - Personal investment planning post transaction: wealth management plan, will and trust plan, tax planning, etc.
3. Future Goals - Personal lifestyle planning from Day 1: new business, Boards, retirement, family, buy a sailboat, golf, travel, go fishing, etc.?

If you are a business owner, where are you in your hierarchy of needs and life cycle planning? Owners have invested a lifetime in their businesses. It seems logical that they should prepare and invest in the next phase of their future.

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About the Author: Greg Hayward, Executive Director, The ProAction Group LLC. Greg is an accomplished business leader who increases revenues, cost savings and earnings with over 30 years of experience in the manufacturing and distribution. His consulting career began in 2011 after working in industry for nearly 30 years.

Greg's focus has been to apply the principles he learned during his career at ITW to middle market companies. Greg began his career and rose to the GM role at ITW. During his time at ITW, Greg had full P&L responsibility including financial planning/accounting, sales/marketing, distribution and direct channels, manufacturing, R&D/engineering, new product development, team building/talent development, M&A, acquisition integration, and divestitures. Greg received his MBA, Strategic Management & Marketing Concentration from the University of Illinois at Chicago and his BS in Industrial Technology & Economics from Illinois State University in Normal, Illinois.