

PAHU Conference

April 28th, 2016

Business Transitions from an
Insurance Carrier/Brokers perspective

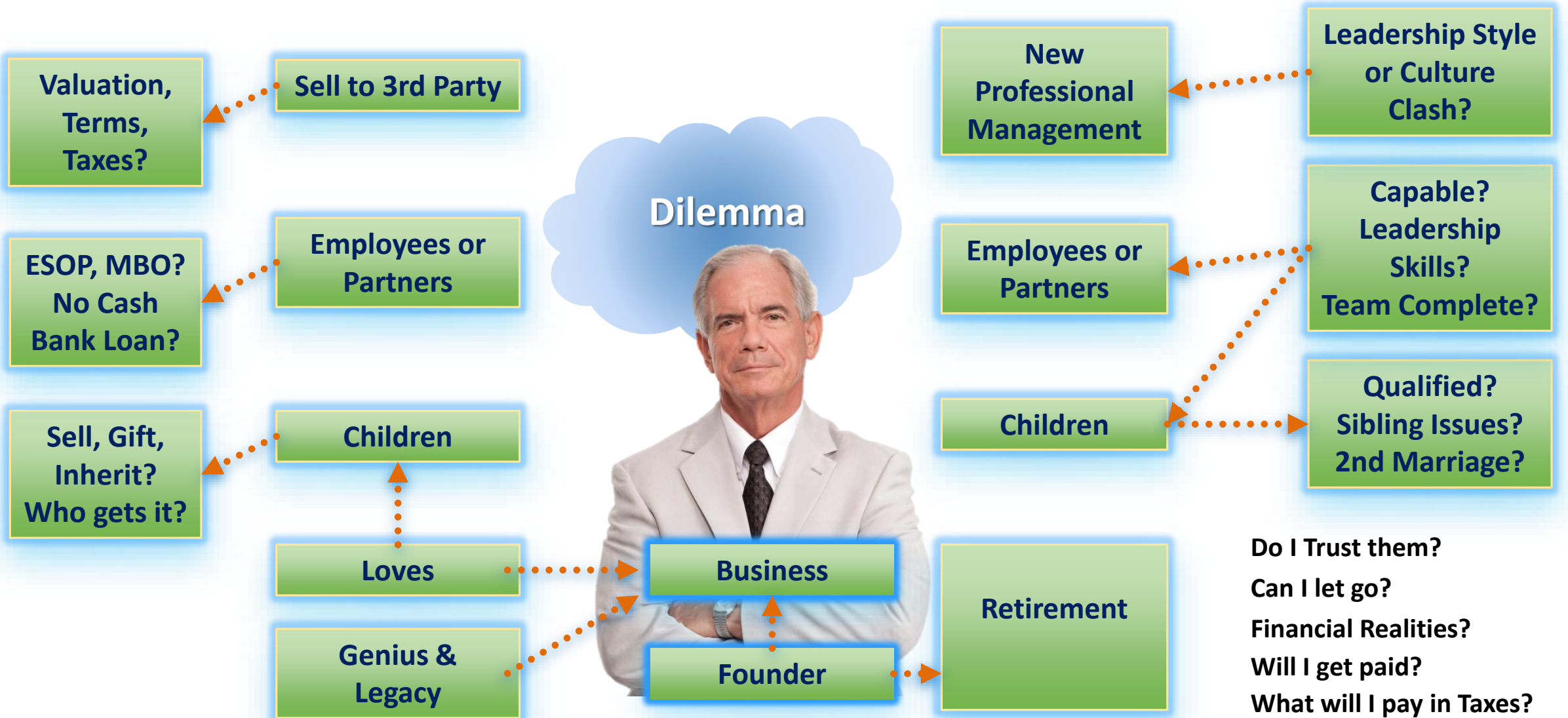
What is a Business Transition

- Leadership & Management Succession
- Ownership Transition
- Family Unity

What do I do with my ownership?

Who am I now? What will I do with my time?

Who will run the business?



What are your clients going through?

- 2 Big Questions
 1. Who will run this business next?
 2. Who will own it?
 1. 3 Forks in the ownership road
 3. How to maximize the business value?
- FUD Factor
- The Monkey Bar Effect – Letting Go
- Financial Realities



Leader-ship

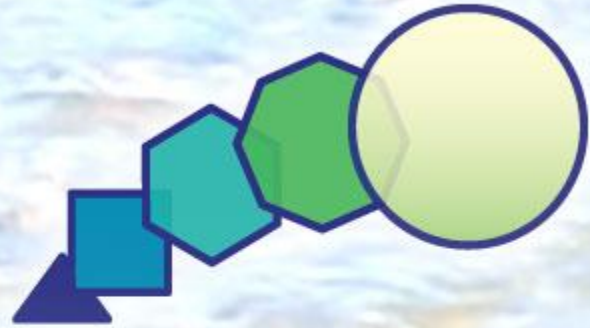
- Culture
- Change

Owner-ship

- Financial Security
- Control

Member-ship

- Family Unity
- Sustainable Wealth



Leadership Transitions
LLC

**Why a
transition strategy
is critically important**

Why plan for Transition?

Fear

Love

Happiness

Pride

Gratitude

- Preserve your life's work
- Peace of Mind
- Secure Retirement
- Engaged Employees
- Protect the Families
- Grow or Die
- 70% Failure Rate
- Shirtsleeves to Shirtsleeves
- Enhance the community
- Jobs

Key Questions

- What is your vision for the future of your business & your family
- Who will be affected by a transition?
- Is the current culture going to help or hinder the business in being sustainable?
- Who is in control of your client relationships?
- How will you engage them in this process?

Key Questions

- If you have a family member working in the business, what issues does this raise that you might need to plan for?
- If you are blending cultures what will you do to successfully combine them?
- How will you transfer the relationships with key clients to the next person?
- If you are selling to an insider for a note how will you be sure that they have the business management and rainmaking skills to continue to make the business successful?

Begin with the end in mind...

“It’s the day of your retirement party and you have to give a speech. I want you to talk about what you’re most proud of that you worked so hard to create. What does your business look like as if all your dreams came true.”

- Write down your vision
- Write down your key objectives
- What don’t you want?
- What do you want?
- What are you committing to?
 - put down a placeholder date for now

Step 1: Becoming a Passive Owner

Essential Elements

- Business Management System
- Leadership & Management Skills
- Developing an effective Governance Structure
- Contingency Planning

Guiding Principles

- Agreement-Alignment-Accountability
- Learning
- People
- Process
- Strategies
- Culture

The “Business Management System”



What needs to be done?

Step 1: Moving to Passive Ownership

1. Separating Ownership from Management
2. Marathon - Triathlon - Relay Race
3. Building a Business Management System
 1. Identify current Issues & Objectives
 2. Create a Shared Vision & Identify the Cultural Values
 3. Operate with a Strategic Plan
 4. The right meeting rhythms – Daily-Weekly-Monthly-Quarterly

What needs to be done?

Building a Business Management System

5. Accountability System – 5 steps

1. Accountability Chart – Roles & Responsibilities for Effective Decision Making
2. Talent Acquisition – Hiring – Training – Right People – Right Seats
3. Written Work Process
4. Management Succession Plan – Time Line and Baton Hand-offs
5. Compensation & Benefits

What needs to be done?

Building a Business Management System

6. Dashboard to measure performance

7. Plan B – Contingency Planning

1. Emergency Operating Plan

2. Lose key client(s)

3. Lose key Vendor

Organizations



- Shared Vision & Values
- Culture of Mutual Trust, Respect, Initiative & Accountability
- Leadership Styles
- Management - an Effective Decision Process
- Right People – Right Seats
- Governance Structures



What needs to be done?

Step 1: Moving to Passive Ownership

Leadership & Management Development

1. Values drive the Leaders; Leaders drive the Culture; Culture drives Performance
2. Leadership Philosophy and Styles
3. Leadership Skills
4. Leading Yourself – Leading Others – Effective Decision Making

Leadership Styles – What's best?

Command & Control
Leadership

Servant
Leadership

Transactional
Leadership

Facilitative
Leadership

Visionary
Leadership

Charismatic
Leadership

Situational
Leadership

Autocratic
Leadership

Transformational
Leadership

What needs to be done?

Step 1: Moving to Passive Ownership

Leadership & Management Development

5. Management Skills – Feedback, Delegating, Accountability
6. New Business Development
7. Change & Transition
8. Tools:
 1. Coaching
 2. Assessments – Behaviors, Motivators, Emotional Intelligence, Competencies
 3. Assessments – Leadership Skills and Types
 4. Workshops & Retreats

Step 2: Transition Ownership

Essential Elements

- Determine Ownership Transition Strategy
- Business Valuation
- Financing
- Financial & Estate Planning
- Insurance

Valuation Issues

- Size of Company
- Who is the Buyer?
 - Sales to insiders requires good cash flow management and tax planning
- Multiples can be misleading

Multiple Owners

- Buy/Sell Agreements
- Most Likely Scenario
- Life and Disability Insurance Funding

Trends in the Marketplace

- Private Equity firms are buying larger firms
- Smaller firms often have family members who may be the next owner

Step 3: Family Unity

Essential Elements

- Governance – Family Council - Meetings
- Communication & Learning Environment
- Shared Vision & Values
- Family Purpose & Wealth Philosophy

Family Unity

- Family members have influence and expectations
- Estate Planning & Family Culture

What can you do?

- Empathy and the lonely CEO – how to be a respected and trusted advisor
- Build a network – be ready to help make a referral
- Think like a partner – how can you help them prepare?
- Be a resource – help sponsor or invite to workshops