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Loss of Key Talent - You The Owner

Three issues confront a company whose owner dies or becomes disabled prior to a planned exit:

1. Continuation of ownership;
2. Company's loss of financial resources; and
3. Company's loss of key talent—you, the owner—and the cascading affect on employees and customers.

Today let's look at how the loss of an owner affects both sole-owned and co-owned businesses.

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 you've made careful contingency plans. 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 losses 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

Solution for Sole Owners. 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 be preserved. 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 less likely to jump ship.

Certainly, 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 the offer of ownership) existing management to 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 would like to discuss how you can go about managing your company's continuity, please contact us.

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Chris Rich is the Founder and President of GoldenHawk Professional Associates, LLC. He has been serving the business owner/CEO community for nearly 25 years, with expertise and wisdom. He holds numerous professional designations, including Certified Financial Planner (CFP), Masters of Science in Financial Services (MSFS), Chartered Financial Consultant (ChFC). In addition to his professional accomplishments Chris is also very involved in his community, he is an active member and volunteer of the Mounted Posse of Maricopa County. In 2011 he was awarded Arizona Father of the Year, by the Arizona Father's Day Council, and the American Diabetes Association.

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