PRESENTS An interview with Susie Japs

“Exit Strategy People Plan and What You May Be Missing”

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Bill Black (Commercial):

Hi everyone, it's Bill Black, The Exit Coach from The Exit Coach Radio Show. One of the biggest questions I get on this show is, what exactly goes into a business exit plan and when should I start creating mine. Well, I always tell people that the best time to start was five years ago, but the next best time is now because you never know when you might need it. So, we put together a free report that describes what an exit plan is and what you should know. You can get it free by texting “exitplan” with no spaces to 44222 or click here.

Announcer (00:31):

Welcome to the exit coach radio show the show for baby boomer business owners who are looking for cutting edge information as they plan their three to 10 year business succession and exit. Every week we interview top professional advisors for their best tips, strategies, and precautions. So you can be well planned. And now here's your host, the exit coach, Bill black.

Bill Black (00:58):

Thank you. Thank you so much for listening today. It is a pleasure to have you with me. My next guest is Susie Japs with Wejungo Corporation. Susie is a terrific person. She's well known in this group called Provisors that we're both in. Today we're going to talk about the three items companies miss in their exit planning, and why having an exit strategy people plan is so important. Now Susie's the managing director of Wejungo, a management consulting firm, and she leverages her strategic, authentic, engaging approach and interactive style to challenge business leaders on common beliefs about recruiting, hiring, retention, and performance; and it gives them a new way of structuring their teams to get better results. She has more than a decade in helping companies hire, engage and retain talent. And Susie is truly an expert on building strategic people plans, and she speaks to CEO groups over the years, such as Vistage, TEC, Sage, CEO summit and more. She's a mom of two boys and her favorite things to do are hiking, traveling, and all kinds of fishing. So Susie, thank you so much for joining me today. It's a real pleasure to have you with me.

Susie Japs (02:10):

Thanks so much. I'm glad to be here.

Bill Black (02:13):

Okay. I want to know what's the last kind of fish that you caught? Let's start with that.

Susie Japs (02:22):

Ah, so yes, I was North of Minnesota in Canada last year and we were focusing on walleye. So a lot of people don't know what that is. If you haven't gone up there, it's a very yummy fish.

Bill Black (02:36):

Okay. There you go. So this company Wejungo is a great company. You guys really focus on the people issues and that's so important for our listeners to really think about. So tell us about what the company's all about, what you do there, and what kind of clients do you work with?

Susie Japs (03:00):

Sure. So Wejungo is rather unique. There are not a lot of companies in California that truly do what we do. When it comes to strategies, we don't just create the strategy and build the plan and then leave. We actually join together with the company as an extension of their team. That's why we are called Wejungo. It actually means "we join together," and we believe that it's really a partnership, and being able to teach the companies how to fish, how to think of people differently, how to build processes that are sustainable that link back to their operations and bottom line goals. And it's about taking the business owner along for the ride. So, it's not just helping them maintain that ride, but it's also making sure you don't get off track in the future. So a lot of our engagements and relationships are very longterm over courses of many, many years as we're working with clients and we've really been able to help at this point, 10 years in, over a hundred companies, closer to 200 in a variety of industries. We typically work with companies of revenues 5 million to 500 million, and we create different types of strategies.

Susie Japs (04:10):

So the four core ones that we focus on - recruiting strategies is the first. That's the idea of how do you reduce the need for outside recruiters and actually be able to do a better job in house. So we'll build out those strategies and teach their teams how to recruit better. The second is customized hiring processes to improve their hiring accuracy and get the right hire the first time. The third is developing strategic workforce plans to assess a current workforce and expedite that bottom line growth. And then finally the fourth, which is the one that I think we're going to talk probably most about today, is helping business owners create that exit strategy. People plan two to five years out to ensure they get the best financial outcome when they do exit, because for most businesses, their most valuable asset is their people. And so, what is that essential plan of how to best protect and grow that asset?

Bill Black (05:06):

Yeah, that's what we tell owners all the time, your best assets aren't on the balance sheet and they go home every night. So those are your people and especially your key people that are going to run the business, and that's what a buyer's going to pay top dollar for. Or if you're turning it over to an employee group or family members, certainly you want to make sure that the top key people stay in place. What are the three items that most business owners miss when they're planning for an exit?

Susie Japs (05:35):

Sure. That's a great question. Well, we've had the pleasure of partnering with many business owners over the years and when it comes to selling a business and exit planning, I believe there are actually a lot of mistakes, mostly that actually happen in advance before a sale. Essentially during those years that a business is operating without a game plan. There's a lot more than three but I'll just focus on maybe the three most common mistakes that I see. I would say the first one is failing to understand what makes your business valuable and really not understanding what it's worth, or confusing growth with value. What I mean by that is, you know, sales transactions often fail, I'm sure you see this all the time because of the inability of the buyer and seller coming to an agreement on the price, or the value, of the business.

Susie Japs (06:22):

A lot of emotions can be behind that, especially for the the owner of the business who's trying to sell and that can get in the way of more of a logical decisions that need to be made. And I've seen many times too, business owners really having an inaccurate or incorrect value of their business because they're relying heavily on very conventional valuation methodologies, and failing to take the time to really understand the motivations of their potential buyers, and looking at it from that viewpoint. Again, how is the people value, too, in there? I very rarely see that when I'm asking companies, how are you valuing your people? How does that increase the value or decrease it? And then they also focus on business growth versus the value. And what I mean by that is, I'll just give two quick examples of companies we've worked with.

Susie Japs (07:13):

There is one, we worked with a manufacturer two years ago that had grown in revenue by double digits for several years in a row, which looks great. But the revenue increase, once you look at it, a couple of layers in was 55% of that total revenue came from a single customer. So if I'm looking at, from a buyer perspective, I'm very concerned because if you're going to lose just that customer, you're losing a lot of the actual growth of that business. So it's essentially presenting a lot of risk. The second example would be a professional service firm that we recently worked with, that achieves growth rates above its competitors for the last three years. But if you look at where the success came from, it was actually five key employees out of all 58 they have, and those successes were not captured through business methods, or training, or cross training, or even a strong management bench against the people. So the growth was real, but it's not sustainable if it's only dependent on those five people. So that I would say would be one of the first ones.

Bill Black ([08:21]()):

Those are huge, a lot of times when we come up to a business owner and say, look, who are your best and brightest people here. And then we talk with them and they sometimes they'll say, well, you know, I've been here for 15-20 years. A lot of these key people are longterm employees. And they'll say, look, when the owner leaves, I'm leaving. I came in with the owner, I'm going out with the owner. That can be very problematic. So that's a key that the owner really needs to start thinking about. Well, what are you going to do to either replace or retain that employee to and beyond your exit timeline, because if that employee leaves, while you leave, you've got a double whammy.

Susie Japs ([09:04]()):

Yeah. We always say build that bench a couple layers deep and not just depend on a first layer of key people.

Bill Black ([09:14]()):

Right. So, what are some of the other things, items that business owners miss out on when they're planning for an exit?

Susie Japs ([09:22]()):

Yeah. So I think the second most common mistake that I see is business owners not taking the steps necessary to really make the transfer as easy as possible. The first question we always ask prospects when we're talking to them is "How transferable do you believe your business is?" And really a lot of the times we realize from talking with them that it can't be handed over with ease, which is going to make it harder to sell. So we always say, you know, plan on the following four elements to really be scrutinized by a buyer - and this is, again, how it connects to your people. So, the reliance on the owner; does the business rely heavily on that person, that one or two people's involvement, do customers buy from the company just because of the relationship with the owner? Or it would be owner responsibilities.

Susie Japs ([10:06]()):

So how many hats is the owner wearing? And if you split their duties up in normal job description, how much work, and how many positions are there, how many hours on a daily basis and weekly basis are they really putting in, what is the calculated wages of these positions that this one owner holds potentially, and then is it really realistic for another person to come in and hold that similar role without having the knowledge that an owner would have? There probably aren't going to be a lot of people that are capable or interested in taking that over -so that's the second. The third element is just documentation. Is there proper documentation and systems so that people, any people, can come in? Whether they've worked there 10 years or they're new, can they still have the same chance of success in the role? And then the fourth is just understanding the importance of a committed management and leadership team, right? So you had already kind of noted that, do you have managers and key people that are willing to stay, that will be part of that acquisition, and how will that shift or change once the owner is gone?

Bill Black ([11:11](#)):

Yeah, and something that we talked about in an earlier interview today also, is that not only are the people there, but have you done your best to capture their best practices, their ways of doing things? Because a lot of times the owner might say, well, I know how to do everything, but they might not know the best way to do everything. The people that are doing it probably know the best ways. And the problem is if they walk out, there goes the value of your business as well. That's really problematic. So those are really three huge items that business owners, you're right, typically miss when planning for an exit. Now you have something called a strategic people plan. What is that?

Susie Japs ([11:51](#)):

Yeah. So it's really with having the end in mind, right? So Stephen Covey's Seven Habits of Highly Effective People. He says that, begin with the end in mind. So that's the idea of having a strategic people plan, is if you can understand what you want to accomplish as a business, also, what's the end game for your exit? What does that exit look like? What type of exit, what's the financial numbers that you need to have to have a successful exit and transition out? Once, you know, all of those things, then we come into the picture and we start assessing current state organization. That's around the people, the operations, communication, leadership - see how that's working today in the current state, what future goals are, and also what that runway is, is it two years, three years, how much time do they have to get to where they need to be? And then we create a future state organization, so it's a complete look at how do you need to restructure? What types of roles do you need? What type of people? Who in your organization is going to be able to rise to that occasion, and who, probably, are you going to need to replace or transition out eventually, and then build all the action steps between it - between the future and the current. So that's, what is the strategic people plan.

Bill Black ([13:08](#)):

That sounds very comprehensive. How often do you find that business owners have key positions, but not key people filling those positions?

Susie Japs ([13:25](#)):

Yeah. That's a great question. I would say 70% of the time, that's the case. And what's the hardest for them is when you ask them to separate position and people. Say, "No, no, no, no, I don't want to know who your most important people are here. I want to know your most critical positions." The positions you have to have, or your business will not succeed. It will not grow. It will not get you where you want, remove the people from that situation. First, I want to understand the position and then once they can get really clear on that, a lot of times they realize, "Gosh, we don't even, we don't really actually have the right position because we've been trying to mold our positions around the people we have."

Bill Black ([14:02](#)):

Well, that is a mouthful, Susie. I think that's another interview at some point down the road because, I always ask is the position key or is the person in the position key? And a lot of times, especially in smaller and family businesses and that type of thing, you just know what the right answer is, even if the person doesn't see it, if the owner doesn't see it. And the problem is - and something you said earlier - the buyer is going to see it. A buyer is going to see that you have a non-strategic or non-key person doing a key role in the business. So if there's a tip you could share on how to perform or improve an organization or team's performance what would you tell our listeners?

Susie Japs (14:52):

There's an exercise that we have companies do pretty early on when we start working with them, because it's kind of fun and it's also really simple. It's to visualize three buckets: an A bucket, a B bucket, and a C bucket, and those are your, A, B and C players. A players exceed expectations always, B players are your average performers, and C players are the below average performers - are consistently underperforming. And then we ask the company, whether you're a 15 person company or a 1500 person company, to start placing people into those buckets. And again, it's not super objective at that point, it's more subjective and kind of just your opinion so far, but it gives a really good first sweep at really what percentage of your organization are really key people with high potential and high performance, or who are the people that need to be developed more or eventually moved out.

Susie Japs (15:44):

And it's a very interesting exercise because, you know, we worked with an electrical subcontractor about six years ago, and we did that. They had 800 people, and it just blew the leadership team away when they saw the results, which was that 65% of their organization were C players. And they were realizing, well, no wonder we're not meeting our goals every year. No wonder we're not getting there. The people that we have, we're either not giving them what they need to be supported or that we didn't hire right in the first place. And it was a huge game changer for them to just see that.

Bill Black (16:20):

Is there a third option that they're not being managed properly or motivated properly you know, or trained properly?

Susie Japs (16:29):

Yeah, yeah. So that's it right there - either not being supported well by the company, and maybe they weren't trained properly, maybe they're not managed well by a good manager, or, you know, the other option again, is that they just are not the right fit for the role, and so they're never going to perform well. And so that's part of the assessment that organizations need to do. But now, like for example, with that subcontractor, they can zero in on that 65% and focus getting even deeper and piecing apart, which bucket are they fitting in now? Okay, 'we need to train them or develop them more bucket,' or the 'they're just never going to be the right fit.'

Bill Black (17:05):

Yeah. Well, I hear a lot of circumstances and sometimes you might have a C manager grading an A player, an A employee. That's the problem, is it's all, it's all through who's lens? So you really need some kind of a good assessment. And you offer a behavioral assessment to help either ensure a more accurate hire by giving business owners insights into a candidate, and crafting customized interview questions to further vet them, or to further development and coach leaders, managers, and teams to be high performers. So, you know, tell our listeners a little bit about that assessment and what it's all about.

Susie Japs (17:46):

Sure. Of course. Yeah, and to your point, it is very subjective. If you have a manager who's maybe a C player, they hired somebody and they're like, "Oh yeah, the person that reports to me is an A player," and they're not really, but that C player manager would never even be able to really recognize an A player, honestly. So we use assessments like that to help support kind of what the best in classes that you want to have on your team. Prior to that, though, we have a tool at Wejungo called the Talent Profile, and that's where you get very objective of what success factors, KPIs, et cetera, are required for that role. And once you have that scope, you can then match it up to a very customized behavioral assessment. So what behaviors are needed to then succeed in that talent profile?

Susie Japs (18:31):

So it's the pair of both of those, but the assessment, a great part of that is, my favorite part of it is it measures what we call paradoxes. So it's the idea of not an either or for a trait. So let's say it's communication. You could have a frank communicator, or you could have a diplomatic communicator, and most assessments out there will measure the either or, the one we use measures the paradox of the two - what you actually get with a communicator if they're not only frank, but they're diplomatic, is that actually better than just being frank or diplomatic? And there's 12 paradoxes like that, that we measure to show how people behave normally. And also, how do they flip under stress? And when will that come out? Why will that come out?

Bill Black (19:13):

Great. Now here's the inside scoop for you listening, Tte cost is usually 750 bucks a report, but anybody who contacts them with the code "wejungorocks" will receive the first five assessments purchased for only $350 per report. That's terrific. Let me give you the spelling of that first, the website is wejungo.com. So hey, take advantage of that and get to know the company, look at their website. It's really a great website. I've got it up right now. It's got a lot of terrific information and great resources on it. So Susie, I really appreciate you coming on and sharing all this great information with our listeners today and I hope we can pick this up later. There's so much to talk about in this subject and, you know, 20 minutes, doesn't give us enough time to really get into it, but it's a good start. Thanks so much for joining me today.

Susie Japs (20:13):

Well, thank you so much for having me. I really appreciate the opportunity and it's always fun to chat with you.