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How Do Business Performance and Health Affect Your Planning?

Many successful business owners don't feel any urgency to plan for the futures of their businesses. When owners are comfortable where they're at, they may struggle to plan with a longer view of their business futures, perhaps asking, "Why change what works?"

One way to answer this question is to define what makes a business strong. Strong businesses are a marriage between *performance* and *health*. The difference between business performance and business health as follows:

- Business performance is the business' ability to **win today**.
- Business health is the business' ability to **win tomorrow**.

As a successful business owner, your business may perform well right now. But have you considered the shape of your business' health? For example, many successful businesses meet or exceed various expectations *based mostly on the owner's presence*. If that owner were to leave unexpectedly (via death, injury, or otherwise), the business would most likely suffer, if not fail altogether. In this example, the business may have a strong performance. But its health—its ability to win tomorrow—is in jeopardy because if anything were to go wrong with the owner, it's likely that things will go wrong with the business.

Compounding that challenge is the fact that many owners are incredibly optimistic about themselves and their businesses. They may say, "We can worry about that when it's time." But the time to worry about the business' health is now, especially if you, your family, and others rely on your business to support their lifestyles.

Let's look at two ways you can marry business performance to business health.



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Pinpoint problems in the context of how your business affects you and others

Business owners typically don't answer to anyone. You're likely the boss, the decision maker, the interrogator. If your business consistently turns out a strong performance, you may question why you need to plan for your business' future.

One way to confront this (sometimes false) sense of comfort is to ask yourself, "How does this business affect me and others I care about?" Though some answers may be obvious (e.g., "The business is my nest egg"), other answers may be less apparent. For example, you may ask yourself, "Can my business run smoothly without me?" If the answer is "no," then how might that affect your family and employees if you were ever forced out of the business by death, incapacity, or something else?

Your business is likely a vehicle to financial security, but it might also be much more than that. If you want to eventually transfer your ownership to children, you should know whether your children want to run the business, whether they're capable of running the business, and how any differences in management styles might affect the business. Likewise, if you intend to sell to a third party, you may need to determine whether you have a management team that can continue smooth operations.

An ounce of prevention is worth a pound of cure. Diagnosing your business' long-term health often begins when you dig into how your business affects you and the people or causes you care about most.

Calculate consequences

Knowing how your business affects yourself and others gives you a baseline to consider consequences. For example, your business may have enjoyed years of success. During those years, your business may have provided your family with a lifestyle that you could have only dreamed of when you founded the business. You may wonder why you would change what's worked.

In this case, a question you might ask is, "Is this business that has provided my family and me with so much protected?" Even without going into vivid detail, the idea that your business might be vulnerable can get you to consider the consequences of not having a plan for future success. Perhaps there are threats or risks you've ignored for years, because those threats and risks haven't yet affected the business or simply because you don't have a solution to address them. This is fairly common among successful owners.

By calculating consequences, you can focus on what it will take you to maintain the business' long-term health. It can also encourage you to act, because other people may be counting on you.

Marrying business performance and health is rarely a one-person show. If you'd like to talk about how your business affects yourself and others, and what the consequences of not having a plan for future business success might be, please contact us today.

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