

Maximizing Results Through People
A CEO to CEO Quarterly Newsletter

8-15-04

Retirement from a Small Company

Dear Fellow CEO:

Bob Wilson & Associates is a small company by any standard. We have 11 employees. Our revenues would constitute a rounding error for some of our clients. In spite of our size, we offer all employees health insurance and a stock-based incentive program. At this point, that's about all we can afford. We like to think of ourselves as a nice, little business where people can have fulfilling, enjoyable, work. While we may be dysfunctional at times, I think we all think of the business as an extended family (as much as a business can be) that we're proud to be a part of.

When I started the business in 1986, I was 34 years old. If I had grey in my hair, it was only a strand or two and I was younger than most of the people I was dealing with as clients. Now, I'm frequently the most chronologically mature person (how's that for a euphemism?) when in the company of clients. However, within our own organization, we have people who are both more and less chronologically mature than I. And in the last several months, we've for the first time, begun to specifically deal with the issue of the retirement of one of our employees.

Judy Wilde, our West Michigan consultant, has been with BWA for almost 8 years. She has done a terrific job over those years servicing our clients and building our business. She's been an integral part of making the business what it is. She's opinionated, forceful and forthright in her interactions both internally and externally. She's been a good employee, colleague and friend. Ken (Judy's husband of many years, and a former minister) has frequently led grace at our company holiday dinners. We know each others children and I've met most of Judy's grandchildren and keep informed about them all.

At each of Judy's last several reviews we've talked about what she wanted to do with her future. Up until last year, Judy has said, "I'd like to continue what I'm doing for as long as I can do it."

The last couple of years have presented challenges for Judy and Ken. They've watched their children and grandchildren grow older. They've watched friends and relatives pass. They wish they were able to travel more than what they have been able to. West Michigan winters have been unusually harsh.

Judy told me last fall she was getting tired of going full bore as a consultant. She told me she wanted to slow down.

So, we started to discuss how we could create a retirement plan that was mutually beneficial for both Judy and BWA and which could serve as a model for future employees. There was a major cost to the business for Judy to just up and quit (which she didn't at all want to do). And there was, at that time, no mechanism for Judy to benefit from working to create a smooth transition for our clients.

Our challenge was to create a solution that reimbursed Judy for the equity she created with her clients so as to receive an income stream after retirement which could reasonably be funded by the business. Could we trade some loss of corporate profitability for both the client satisfaction resulting from a smooth transition and a retirement fund for a good employee? Actually, we could and interestingly, creating the solution wasn't that difficult.

We completed our plan last winter. We'd hire a new consultant (Bill Livengood, who started in May), train him, and begin transitioning clients from Judy as soon as he completed his apprenticeship (that actually occurred July 30th, sooner than usual, as Bill had a half dozen years experience with Predictive Index). Judy would then receive a decreasing percentage of override on Bill's revenues for a period of four years. When Bill was transitioned, Judy would determine if she wanted to work for a couple more years in a reduced capacity or elect to immediately seek another consultant to whom she would transition the rest of her clients.

When Judy and I met for her mid-year review in July, she told me that she and Ken would like to clean their slates and begin what will be the rest of their new life. Judy was ready to retire (at least, as much as Judy will ever retire).

Judy said she and Ken would like to move south. They'd also like to take some time to see the world. Judy foresaw combining her P. I. consulting skills with Ken's ministry experience to create an avocation / business yielding better functioning church boards (if you believe your church would have an interest, I'm sure Judy would be happy to discuss her ideas with you). We agreed we would immediately begin the process of looking for a second new West Michigan consultant.

Judy will shepherd both Bill and whoever the new person is through at least the first half and perhaps all of 2005. Judy still may elect to keep a client or two and has offered to help with overflow training or in whatever way she could be of service and in which her time allows. Judy doesn't want to leave us high and dry and would like to keep her fingers in the business, even if in a limited fashion.

Regardless of what services Judy continues to provide for BWA, she will receive a nice income stream for another four years after retirement. She will also benefit from the cashing out of the stock awards she's earned over the years. At the same time, BWA will have achieved as smooth a transition as is possible from one consultant to another. Our plan should work out well for all concerned.

Judy has given eight years of her life to make a better Bob Wilson & Associates for those employees and clients who will continue to carry on. And we've tried to make a better retirement for Judy and Ken as they prepare for their next stage in life. It's an exciting time. It's a sad time. It's a time when we can all say we've done our best to make our work an enriching part of our lives. That's something Judy and I can both be proud of. We'll all relish the time we have left with each other while looking forward to the futures we've helped create.

I hope you've enjoyed and received value from reading this letter.



Bob Wilson, President
Bob Wilson & Associates, Inc.