



# Business Owner Transition Profile™ Report

**Joe Smith**

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# INTRODUCTION

Who you are as a business owner is a powerful driving force for and against the success of your business, particularly at critical points of transition (sale, scale, or succession). Strategy, financials, tax efficiencies, legal all matter when it comes to transitioning your role but, too often awareness of *who* the owner is below the surface is the critical missing element. While owners are uniquely wired for success, they are still human, and all humans are subject to blind and hidden parts of their personality. This Owner Transition Profile goes below the surface and helps you (and those who will advise you) better understand how you will respond to one of the most significant seasons in your career to give you greater clarity, confidence, and control over your transition.

## Built around the 3 areas that matter most during transition:



### This report includes:

- 1.0 Executive Summary
- 2.0 Your Identity in Context of your Role & Change
- 3.0 Your Change Style in the Context of Transition
- 4.0 Your Personality Style Relative to Transition
- 5.0 Summary Recommendations

When an owner has greater clarity, there is opportunity for greater control leading to better financial outcomes, less stress, better use of time and family cohesiveness.

*Let's jump into the deep end*

# 1.0 EXECUTIVE SUMMARY

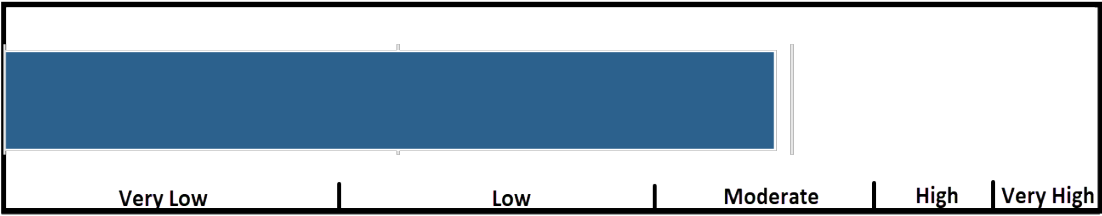
**Target Time to Transition :** 1-2 years

**Transition Type :** Sale

## Your Personal Readiness for Transition

From the founding of a business through scaling, growth, and eventually exit (sale, family succession, or die at your desk) an owner’s identity will be their superpower or their kryptonite – and it can vary at each stage. Your personal readiness is a measure of the degree to which certain psychological attributes are met through your role and the level of self-awareness you have regarding your emotional journey.

Personal Readiness Score: 148



Your moderate personal readiness score indicates that a role transition will present challenges as you navigate the journey. Your resilience and likelihood for success may be enhanced by exploring your inner world. Identifying opportunities to enhance your understanding of the emotional journey and the relationship between your role and identity will give you greater control over the choices you make along the way.

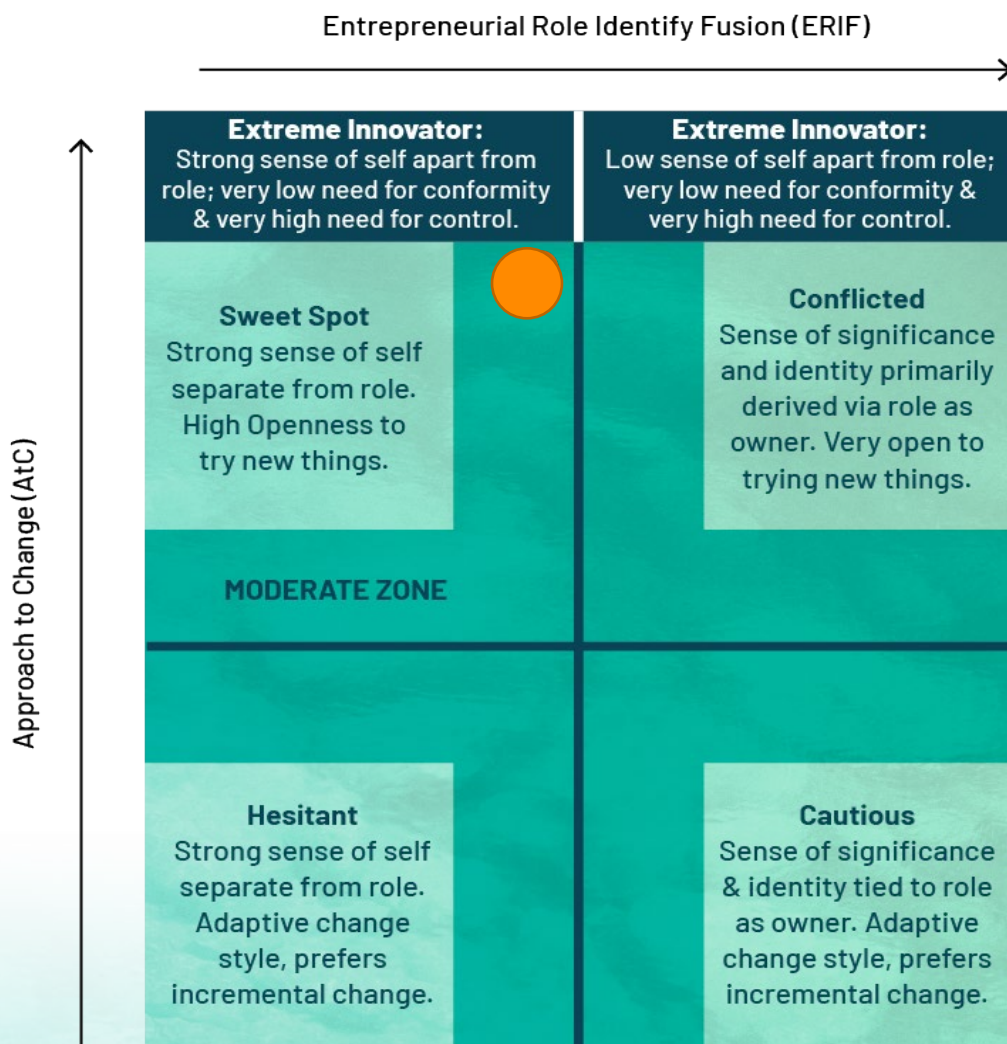
## Interpersonal Communication Style

Based on your responses, your style is best described as competitive; fast-paced, outspoken, questioning, and skeptical. You are known for getting stuff done! Your tendency to challenge ideas presented by others, rather than remain open and receptive may present a roadblock to effective collaboration and teamwork during transition. Advisors serve you best by being concise and succinct in their communication, understanding your definition of success, and supporting opinions with fact.



## 2.0 YOUR IDENTITY IN CONTEXT OF YOUR ROLE & CHANGE

Both research and experience demonstrate an owner's level of Entrepreneurial Role Identify Fusion (ERIF) and Approach to Change (AtC) are leading indicators for their transition outcomes. ERIF is a measure of the degree to which an owner's self-identity and their role-identity are fused versus separated. AtC measures how a person approaches defining problems, seeking solutions, and their originality needs. Together, these factors provide insights about the relative ease or difficulty that may be experienced when engaging in a significant transition.



Joe, your ERIF-ATC score is in the moderate zone of the sweet spot quadrant and indicates conflicted features are present. Your natural tendency to explore options, generate creative solutions, and try new things are strengths. Aspects of your self-identity are derived from your role as it exists today. Attempting to change how you think and behave triggers internal resistance hidden below the surface – you may not even be conscious that it is happening. Success beyond transition will depend on your capacity for creating new meaningful opportunities and experiences.

## A DEEPER DIVE ON IDENTITY

A role identity is the self-perception resulting from a set of behaviors tied to a specific position of power, authority, control, and influence (PACI) in a group. Role-identity fusion occurs as the features of self-identity apart from role identity becomes less and less differentiated. In life, we all have many role-identities. In the case of business owners, their psychological needs for competence, relatedness, autonomy, and significance (motivational drivers) get met through their owner role to varying degrees. For some owners this is particularly challenging as the world around them reinforces their personal value is tied to their ownership role.

Over time, this dynamic creates a self-reinforcing loop that increases the degree of ERIF. When the owner's sense of identity and significance as a person are derived from their role, redefinition of that role is quite challenging. "If I am no longer the owner of ACME Widgets, Inc., will I still be invited to sit on boards, give my political opinions, speak publicly, or attend major social events?" "Will the family still respond to me in the same way?" Perhaps the most common question owners wrestle with is "will I be relevant after the transition?" Owners with highly fused role and self-identities struggle to acknowledge, let alone adequately answer these questions without skilled support. Even those with a moderate degree of ERIF may get blindsided by the emotional aspects of their transition journey. These journeys are demanding and will require change at a profoundly personal level.



## OUR BRAINS, IDENTITY, AND CHANGE

From the most cautious and diligent to the boldest and most adventurous, people struggle when confronted with situations requiring changes in the way we think and behave. Yet, our brains also have tremendous capacity for learning and adapting. So, what makes changing our thoughts, behaviors, and associated emotions so difficult?

Our brains are primarily designed to preserve life, protect us from danger, and maintain a balanced internal state (homeostasis) for optimal functioning. Significant change presents a threat, setting off a cascade of protective mechanisms (fight-flight-freeze) occurring in the hidden depths of our mind. In fact, the hidden parts of our mind drive far more of our behavior than we realize, while giving us the illusion of free will. It is this paradox that makes change so difficult.

**BOTTOM LINE:** conquering our own psychology is the greatest obstacle to significant transitions. Gaining control requires creating self-awareness, redefining our identity, and building resilience to persist through the change.

Whether we like it or not, humanity is subject to our brain's hardwired mental processes and shortcuts (called *heuristics*) for making judgements and evaluating problems quickly. These heuristics are necessary for survival and to keep the brain from getting overwhelmed with the volume of inputs it must react to. In the context of significant transitions, these heuristics are often related to preservation of our self-identity.

A person's self-identity is a psychological construct for how a one experiences themselves in the context of their environment and it is deeply connected to their opportunity for satisfying certain motivational drivers. A motivational driver is an internal force causing us to behave in ways that are necessary for maintaining our sense of psychological health and well-being. Going through a significant transition present threats to the means of satisfying these psychological needs, forcing us to find new ways of meeting them; and it requires letting go of a source that has served us well before we experience the new source. Talk about scary!



The relative ease or difficulty of making this shift is reflected in our cognitive style and expressed through problem-solving and change. Researchers note that cognitive styles occur on a continuum from adaptive to innovative. Adaptors tend to embrace the status quo, prefer improving current systems rather than changing them, and engage in consensus decision-making. Their motto is “let’s do things better together”. Innovators love to explore new ideas, generate novel ways of doing things even if many are impractical, and tend to decide independently. Their motto is “we’re going to do new and different things”.

Our research and experience with owners, family members, and management teams at points of significant transition has reinforced the importance of gaining awareness of the nature of self-identity, and of cognitive style for approaching problem solving and change. Together, these aspects provide a helpful profile of a person’s natural inclination for responding to a significant transition.



## 3.0 YOUR CHANGE STYLE IN THE CONTEXT OF TRANSITION

Taking the time to understand your natural change style (AtC) in the context of your identity (ERIF) increases self and other awareness. This awareness offers a powerful opportunity to gain control of your transition and prevent your psychology from being used against you.

Change involving the presence of multiple possible alternatives and outcomes, as is the case with significant business transitions, is inherently complex. This complexity cannot be resolved with “one-size-fits-all” solutions because people have a variety of unique needs and approaches to the process. The key is remembering change is a *process* and processes can be broken down into component parts. Once we understand how the parts work, we gain insight about our opportunity to make intentional adjustments in our response. With respect to significant transitions, there are three important aspects: 1. Problem framing: what, if any, rules are used to define the issue; 2. Solution finding: how does a person choose to explore solutions; and 3. Originality needs: the degree of uniqueness a person desires for the solution or outcome. Each of these attributes occurs on a continuum from Adaption to Innovation – and they can be measured.



### ADAPTORS

#### Problem Framing

Will accept constraints and work within current paradigms. Sensitive to group norms. Values group cohesion.

#### Solution Finding

Methodical, disciplined, prudent, structured, prefers what worked in the past.

#### Originality Needs

Focused on incremental improvement and diligent attention to details.



### INNOVATORS

#### Problem Framing

Will challenge current paradigms and push through constraints. Appear insensitive to group norms.

#### Solution Finding

Risk-taking, bold, focus on “big picture” embrace new ideas, willing to try the impractical.

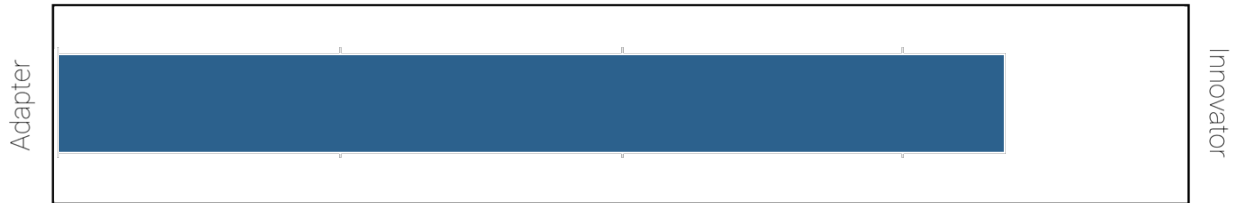
#### Originality Needs

Proactively seeks change, prefers new solutions, short attention span for details.



Combining an understanding of identity (ERIF) and approach to change (AtC) provides powerful insights for building self-awareness and increasing capacity for emotional self-regulation, both necessary attributes for maintaining control and optimal decision-making during significant transitions.

## Approach to Change (AtC)



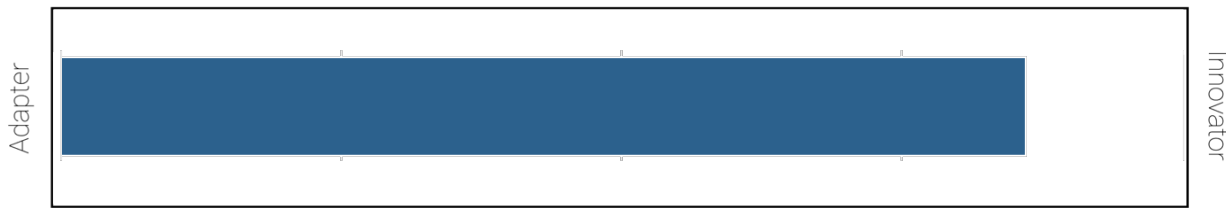
### *High Innovator*

Your score indicates a high Innovator style. Your inclination for leading the charge, trying new things, pushing the limits of possibility, and out competing others in the pursuit of goal achievement combined with your extraverted nature helps you excel in a crisis. When working with Adaptors you will balance their focus on people and stability by pressing for task accomplishment and breaking long-held mental models that may keep the organization stuck. During significant transitions others may see you as being insensitive, reckless, or pushing too hard too fast; for you, these attributes are the result of your sense of urgency for goal achievement. Succeeding at points of significant transition will require you to be intentional about investing more time in exploration and gaining alignment than would otherwise come naturally for you.

This total score is the sum of the three aspects of the change process that are relevant to a significant transition: 1) Problem Framing; 2) Solution Finding; and 3) Sufficiency of Originality. Dive deeper to see how you score on each individual scale.



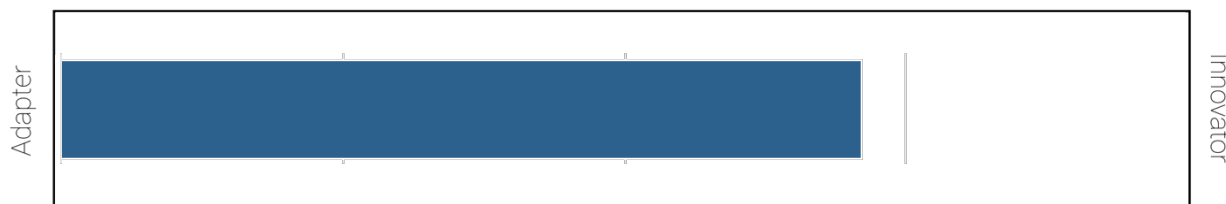
## Problem Framing



### *High Innovator*

This subscale refers to the rules that govern your approach to defining (framing) problems. As a high Innovator you prefer to do things your way rather than the established way, challenge assumptions, and re-frame problems to suit your view. You are irreverent of rules that constrain your ability to re-define the problem and achieve your goals. When working with Adaptors you are likely to be frustrated with their detailed questions and what feels to you like inflexibility or bureaucracy. Having a clear and documented goal (problem frame) that can be communicated, tested, and refined along the journey will give you greater ability to build trust with Adaptors and help you create clarity when you need or want to change course.

## Solution Finding



### *High Innovator*

This subscale measures your need for conformity, consensus, and the status quo when finding solutions. As a high Innovator you loathe being constrained and seek situations where you can make your own rules. Your value for trying new things and breaking out of routines is well suited to significant transitions. However, you are likely to overlook the “soft” people aspects in your pursuit of goal achievement. In contrast, Adaptors value norms, respect for rules, group cohesion, stability, and unity while resisting solutions that disrupt the status quo. Significant transitions require the strengths of both Innovators and Adaptors to achieve success. Consider finding trusted advisors that can bring balance your Innovator strengths and help you successfully navigate the transition process.

## Originality Needs



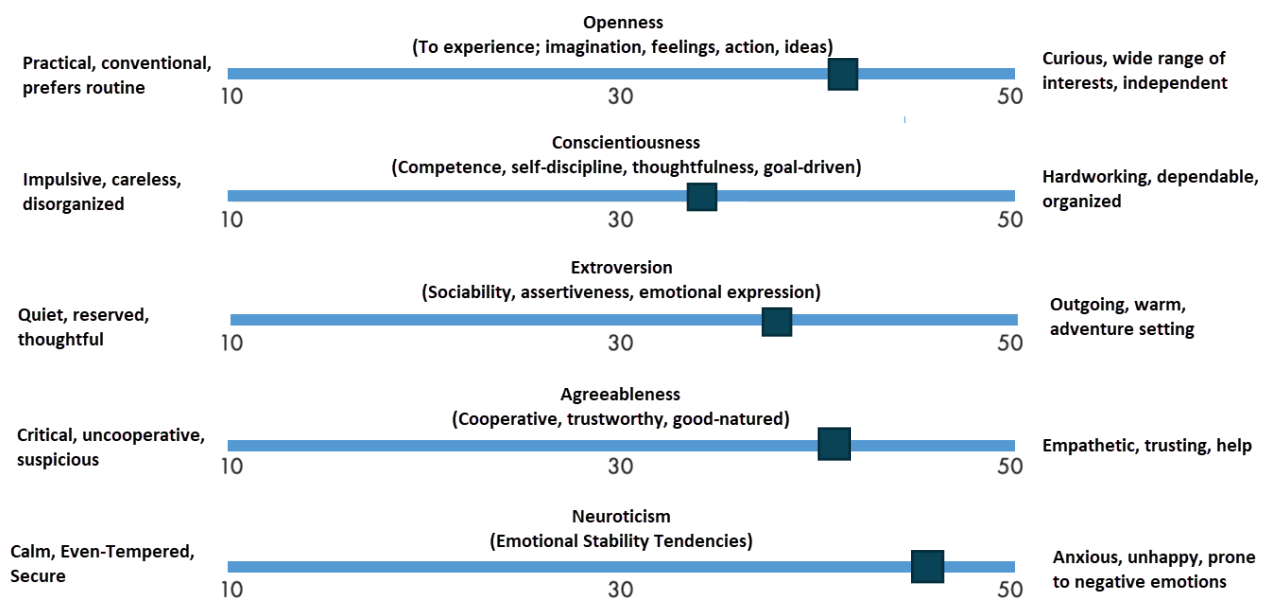
### ***Moderate Adapter***

This subscale measures how you prefer to approach the process of change. As a moderate Adaptor you value efficiency, prefer doing things better and making incremental improvement. Once the problem frame is set, you will be somewhat hesitant to refine it. You prefer to generate a few practical solutions that you know will work but, are willing to explore new options before committing. When working with Innovators you will tolerate exploring impractical ideas and work to eliminate them by diving into the details. Living with ambiguity a bit longer than is comfortable may provide the clarity you need to step into new possibilities.



## 4.0 YOUR PERSONALITY STYLE RELATIVE TO TRANSITION

Finally, consider your personality style. A widely accepted and well researched tool for gaining insights about personality comes from the Big Five Model (also called the Five Factor Model; FFM) originally developed by D. W. Fiske in 1949. The FFM model recognizes five personality dimensions (Openness, Conscientiousness, Extroversion, Agreeableness, and Neuroticism) occurring along a continuum. While neither end of the continuum is good nor bad, personality attributes provide insights about how we will behave in various situations.



Based on your responses, your style is best described as competitive; fast-paced, outspoken, questioning, and skeptical. You are known for getting stuff done! Your tendency to challenge ideas presented by others, rather than remain open and receptive may present a roadblock to effective collaboration and teamwork during transition. Advisors serve you best by being concise and succinct in their communication, understanding your definition of success, and supporting opinions with fact.

## Personality traits that will be an asset through transition:

- **Openness:** Leverage your curiosity and adventurous side to explore new horizons.
- **Conscientiousness:** Your high level of responsibility and tendency to seek organized approaches will be particularly useful once those you have a clear plan around which you can gain buy-in and align your team.
- **Extroversion:** Using your outgoing, warm personality to champion a vision for the future and inspire those around you.
- **Agreeableness:** Using your empathetic tendencies to engage those around you for both buy-in and emotional support.

## Personality traits could make transition more challenging:

- **Conscientiousness:** Your need for competence and goal achievement may hamper your willingness to admit the need for help and remain open to input.
- **Extroversion:** Be cautious your bias for action and fast-paced nature do not hinder the need for thoughtful introspection and reflection.
- **Agreeableness:** Monitor for thinking errors and biases. The more relational trust you have, the less likely you are to challenge assertions. Work with your advisors to distinguish between their opinion and fact.
- **Neuroticism:** This dimension is in stark contrast to Extroversion. Your outgoing warm extroverted side may cover for the emotional tension you experience in your inner world. When stress is high you may be tempted to make the pain go away by ignoring your inner voice, becoming irritable, and using anger to control the situation. This is a futile effort at points of transition. The dramatic shifts in mood may be difficult for those closest to you, both in the business and in your home life when the challenges of transition close in.



# SUCCESSFUL TRANSITIONS ARE A JOURNEY

Owners that achieve successful transitions consistently do 4 things:

1. They recognize transition is a process
2. They successfully complete all four phases of transition.
3. They seek the support of others, early and often.
4. They give themselves years, not months to achieve their transition goals.

## The Four Phases of Transition:



**Exploratory:** This is the least concrete of the four phases and the one most often skipped. The exploratory phase involves the “soft stuff” that can be hard to articulate, particularly for successful owners that are not well-suited to cautiousness and self-reflection. However, the importance of this effort cannot be overstated. Gaining clarity for who you are, what you want for MOM, and the impact it will have on those around you provides a grid against which to evaluate decisions in future phases. President Dwight D. Eisenhower’s famous quote, “plans are worthless, but planning is everything” cuts to the heart of the matter.

While there are some concrete tasks that can be checked off the list, the process of exploration is less of a straight line and more of a squiggly line. It is an existential process that affords the opportunity to explore a variety of options, try on new realities long before they happen, define what they do and do not want for their business, money, self, family, and staff. Going through the process allows owners to gain clarity and develop both business and psychological anchors against which decisions can be confidently measured.

The transition journey is a series of battles and with proper exploration you can choose the battles you will fight rather than the battles choosing you. Investing the time and effort to gain clarity empowers owners to identify the compromises that you will and will not make before you engage the battle. Once on the battlefield your plans may change, but the process of planning will give you greater control of strategic decisions and the power to confidently direct your team of internal and external advisors.

**Strategic:** this is the phase where tactical decisions are made and a coherent set of actions is designed to achieve the desired outcomes for your business, your money, and yourself. Owners having completed the exploratory work find engaging the strategic phase results in less stress and when the tough stuff comes, they are psychologically prepared to navigate the journey. Those attempting the strategic work without the exploratory insights often experience tensions and reduced resilience having to do the work of both exploratory and strategic phases at the same time. In the most challenging cases owners may attempt round after round of transition only to end up in the same failed loops. When owners find themselves in these loops, the key is to identify the psychological barriers manifesting as strategic obstacles. Push pause and go back to the exploratory phase.

**Execution:** in the case of sale or succession transitions, this is the phase where the transaction and legal ownership transfer occurs. At the end of this phase the owner realizes a liquidity event while relinquishing responsibilities, rights, and privileges associated with ownership. In the case of scaling through growth obstacles, this is the phase where owners and their management teams navigate the challenges of change management and organizational capacity building. Significant transitions always require leaders to be and do differently. What worked in the past won't be sufficient to get them to the next level. No matter the type of transition, those that are well prepared to enter the Execution phase ready to confront the pressures of role change with clarity and confidence are far more likely to achieve a satisfying outcome with less stress.

On the other hand, while the transition may have truly failed prior to execution due to overlooking critical exploratory and strategic challenges, the failure becomes obvious during execution as sellers abandon deals that meet every term they specified; families abandon succession efforts and attempt to sell (sometimes multiple times); or the business fails to build the necessary capacity to reach its growth goals. When execution fails, advisors report being surprised saying things like "I got them everything they asked for..." or "I never saw this coming." Owners point to market forces, staff, or other business reasons, but the real issue is often a failure to adequately prepare themselves for the transition. In these cases, going back to do the exploratory work is often the best next step.

Does this sound repetitive? It is. We cannot overemphasize how important robust exploration phase is for achieving success and finding satisfaction during the adjustment phase.



**Adjustment:** For those attempting to scale and adapt to the next level of leadership demands, this time can be rich and rewarding or fraught with peril. During the adjustment phase owners must release aspects of their role others have assumed, resist the temptation to return to old habits, and navigate new challenges. Owners that took the time to learn, grow, and develop new skills long before they needed them will realize a great deal of satisfaction and reward during the adjustment phase. Those that did not will struggle and often create confusion, conflict, and frustration for those around them.

In the case of sale or succession this the owner fully steps into whatever comes next beyond the role as owner. This is when the exploratory work really pays off. Owners who engaged in robust exploration reap the rewards of adjustment, finding a life of satisfaction and significance. Just the opposite is true for those that failed to do the exploratory work. Award winning author, Bo Burlingham (Finish Big: How Great Entrepreneurs Exit on Top) found the critical difference for those who had a successful exit (defined as being happy 12-months after the transaction) was the exploratory work. Our own work with privately and closely held businesses has demonstrated the same thing and both are congruent with psychological research.

***The business and market environments are rarely the issues – it is the owner’s psychology that makes all the difference for the teams they build, the decisions they make, and the life they lead beyond their role as owner.***





## 5.0 SUMMARY RECOMMENDATIONS

- **PROCEED WITH CARE:** Based on your answers and time to transition, exploring the implications of role change on your identity, significance needs, and the emotional stability of your inner world is an important step. Your time to transition indicates you are likely already engaged in the strategic and/or execution phases. **We recommend pausing to create clarity for life beyond the transition.** Seeking skilled assistance will increase the likelihood of realizing your transition goals with less stress.
- **YOU ARE THE KEY TO SUCCESS:** Your High Innovator score indicates a bias for action, a tendency to challenge others rather than engage in exploratory dialogue, and a preference for deciding independently. Being willing to build a skilled team and lean into the strengths of others is essential for a successful transition with less stress. Transition is a profound experience that will have emotional implications. **Taking time for reflection and treating your emotions as valuable data points will serve you much better than ignoring your inner world.**
- **BUILDING THE TEAM.** You are well served by advisors who are not afraid to give you direct feedback. Your competitive nature, bias for action, and no-nonsense approach are strengths that can become challenges when collaboration is required. Internal and external team members/advisors are better able to collaborate when you **have a documented time-based plan for your transition of MOM (management, ownership, and money)**. Be curious when others challenge your point of view, they may see something you do not

### Tips for Your Advisors

Helping Joe get clarity for MOM (Management, Ownership, & Money) will be a dynamic process. When making significant decisions, Joe's natural style is well served by advisors that provide data that is clear, concise, and accurate. Advisors can expect Joe to respond by knowing what to do, processing logically, and acting promptly. When receiving advice, Joe prefers advisors that are optimistic and help explore ideas from different perspectives before acting.



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