IMPLEMENT YOUR BUSINESS EXIT STRATEGY TODAY

10 STEPS TO GETTING THE MOST FROM YOUR BUSINESS

By Paul Croft, Consultants 2 Business LLC

A professional exit strategy helps you, the business owner, manage and execute a well-structured plan to transition from ownership of a business and monetize the value of your labor and investment.

An effective exit strategy is more than a sale – it is a process that a business has to incorporate into its operations as soon as possible. Buyers will look at the history of a company to assess the stability and long-term efficiency of the enterprise and assess the enterprise's culture and DNA.

Paul Croft and Consultants 2 Business work with the owners and the company throughout the process.

1. - DEFINE YOUR OBJECTIVES

❖ Every business owner needs to prepare for the fact that one day they will no longer own the business, whether the exit strategy is active or passive – it will happen.
❖ An exit strategy is a plan to manage the transition from owning a business to not owning the business.
❖ The default strategy is de facto procrastination until time forces the hand of the business owner.
❖ A possible any other strategy should be designed to manage the post-ownership well-being of the current business owner.
❖ Owners should define objectives that include the post-sale benefits that are desired, the benefits that are needed and how those benefits are to be paid and how soon.

2. - SELECT YOUR KEY ADVISORS

❖ The sale of a business is a complex process and requires a multitude of additional tasks not normally undertaken by a management team. The distractions and additional workload can lead to underperformance in the business and potentially a poor decision-making process.
❖ Identify your key advisors: look for reliable added value in a number of areas including maximizing your business in preparation for a sale, transaction and due diligence experience. Consider your attorneys, your business valuation advisors and your accountants.
❖ Selecting the right advisors who bring a mix of appropriate skills is paramount to a successful exit from ownership and maximizing the reward for all the years of hard work and risk.
❖ Any transition involves some element of risk and the advisors should have the experience and resources to identify and isolate the potential risks and be able to support the owners with contingency plans should the need arise.

3. - DEVELOP YOUR PLAN

❖ Work with your advisors to understand the drivers of value of your business, a realistic range of values and a timeline for execution.
❖ Know the perspective of value of a buyer by having a professional business valuation. Your business valuation professional analyzes all aspects of your business, including its current business mix, its history, the marketplace, the prospects, customer mix, position with suppliers, the strength and stability of your organization, your partners and your profits to mention just a few– just as any buyer would.

❖ Seeing an unbiased opinion of value will pay off in setting the correct price and helping define the potential due diligence issues.
❖ Identify the possible exit methods and candidate buyers. This could mean your managers or employees, a customer or supplier, bringing in a partner or family member, or identifying an outside buyer.
❖ Define the steps required to get the business in the best shape for a sale to maximize value and avoid a stressful transition.
❖ Understand the timeline and the scope to highlight the attractive features of the business and improve or mitigate the negatives.

4. – REFINE YOUR OBJECTIVES

❖ Examine the owners' objectives again.
❖ Understand any changes in perspective now you, the owner, have had the time and opportunity to examine your options.
❖ Plan for what is possible given the available timeline and resources.
❖ Regularly track the performance of your against the objectives.

5. – MANAGE TIMELINE

❖ Run the business to maximize the value at the projected time of sale.
❖ Confidentiality is paramount during this process as the prospect of a change in ownership can bring uncertainty to an enterprise's workforce, suppliers and customer base.
❖ Align the businesses operations to fit the profile expected on change of control.
❖ Run the business as if a sale will not happen. Having no alternative to a sale will make a business look like a marathon runner staggering to the finish line.

6. – BRING TO MARKET

❖ A swift and efficient marketing effort will reduce the instability and uncertainty of a slow and protracted sales period.
❖ Knowing how to present your business and focusing on the objectives will reduce the risk and maximize value.

7. – IDENTIFY BUYER

❖ Work with advisors to select the potential buyer(s), whether your previously identified targets or a new candidate.
❖ Select on price adjusted for ability and willingness to close. Working with a buyer without adjusting the expected sales price for the probability of closing the transaction risks wasting time and potentially opportunity.
❖ Negotiate the deal terms in conjunction with your advisors.

8. – DUE DILIGENCE

❖ Be ready with all the information the buyer would need to see. A delayed due diligence period can unsettle both the prospective buyer and the buyers in the wings.
❖ Deal with any salient points that may be a deal breaker early in the process to avoid potential disappointment. It is unlikely a buyer with the knowledge, experience and money needed to buy your business will miss the issues.
❖ A failed due diligence can act as a caution signal to the next buyer.

9. - CLOSE SALE

- ❖ Finalize the details and deal structure so that all parties benefit from a deft and certain close.

10. - POST-SALE PROCESS

- ❖ The transition arrangements after the close can include non-compete agreements, advisory arrangements.
- ❖ Let go at the appropriate moment and enjoy the fruits of your labor.

Contact Consultants 2 Business to find out the simple steps to implementing your exit strategy today.

Paul Croft is a business valuation and advisory professional based in Napa, California. He has a strong track record of business management and strategy developed at a top global investment bank over 17 years and 8 years of business consulting and transaction management.

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