



# Plan Now for Exiting Your Business

## **Failing to plan is like planning to fail.**

We've all heard that and yet many business owners fail to plan for exiting their businesses, whether it's through a sale, an ESOP or some other type of transition.

Whatever the transition, the best approach is to put some key elements in place to maximize the value of the company. Here are six critical areas of your business you should focus on:

## **Build a solid management team and deep bench strength.**

That means starting

*"You wouldn't get in a car and drive around aimlessly, hoping to eventually arrive at a pleasant destination. So why would you even consider doing this for your business?"*

*- Koos Kruger, Business Exit Expert and Author*

at the top by developing an executive team that has clearly defined roles and responsibilities and hire the best people you can. When you have a great management team you will have better decision making because your team members will have high level, specialized knowledge and you will have clear direction from team members who have a deep understanding of their roles and responsibilities.

Building strong managers and directors underneath your executive team will give you bench strength to move people into positions that may be vacated or newly created positions as your company grows. Developing a high performing team will give you the ability to fill vacancies quickly and without slowing down the momentum you are creating.



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- Individual & Group Medical Practices
- Medical Billing Services
- Nursing & Rehabilitation Centers
- Personal Care Facilities
- Pharmaceutical Distributors
- Pharmacies
- Sub-acute Facilities

#### **Manufacturing Industry**

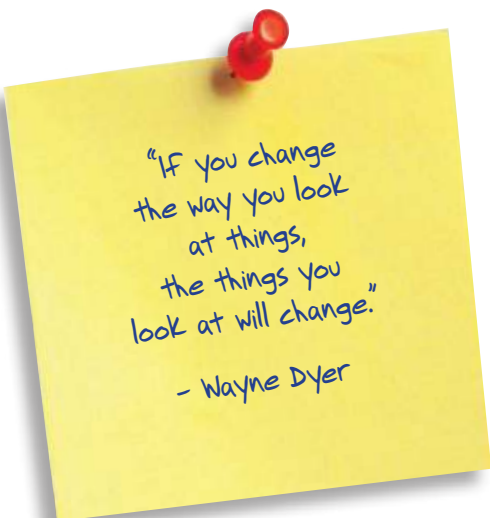
- Tool and Die
- Fabricators
- Mold Extrusions
- Snack Food
- Packaging
- Aluminum Siding
- Glass and Glazing
- Industrial and Automotive Tools



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**Clean up the Books.** This process should start with a professional accounting audit and continues through to actually doing the recommendations in the audit. Examples of some recommendations might be better documentation of cash management, benefits, expenses and other details in your books.

**Conduct a Business Audit.** This goes beyond an accounting audit into having an outside firm audit your processes, operations, management structure, sales and marketing process, departmental structure and other processes that may be unique to your business. Recommendations from this audit should be implemented and followed up on annually. First, tackle the areas that will bring the most value to the company and then work on the lesser items as you move through the process.



**Form an Advisory Board.** Bring in six to seven people who have proven to be successful business owners who will understand your business and are able to give you independent, smart advice and will ask you the tough questions your employees won't ask. Find people who are willing to spend the time (in exchange for compensation) to help you increase the value of your company. Don't invite your golf buddies, relatives or friends unless they meet the business criteria and even then you're better off with executives who've been in your shoes.

**Manage the Rumor Mill.** Rumors of an impending sale or owner transition always makes employees nervous so stay neutral without making any promises of what could happen. A "stay agreement" can be used with key employees that specifies the terms and conditions under which an employee can leave. Talk with your attorney and your HR Director to see what's appropriate in your situation and if it's enforceable with key employees who might be affected with stock options.

## JEFF BLEACHER



*"Transitioning a business is an arduous process that can have difficult periods of adjustment for everyone in the business. Having outside professional advisors can help pave the way for a smoother process and increase value in the business so that a sale is at a higher level than when the process first started. Five to seven years may seem like a long time for planning but it's the best way to avert a crisis that could happen without a plan."*



## KEN FALK

*"Get a valuation on your business when you start the process so you know what your benchmark is and what you need to improve upon. Many business owners don't want to spend the money to do this, even though it's relatively inexpensive. When they don't get a valuation they are missing opportunities for improvement and therefore forfeiting value in the long run."*



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## **Don't call it Retirement.**

John Warrillow, author of *Built to Sell: Turn Your Business into One You Can Sell*, thought of a few. Perhaps you want to...

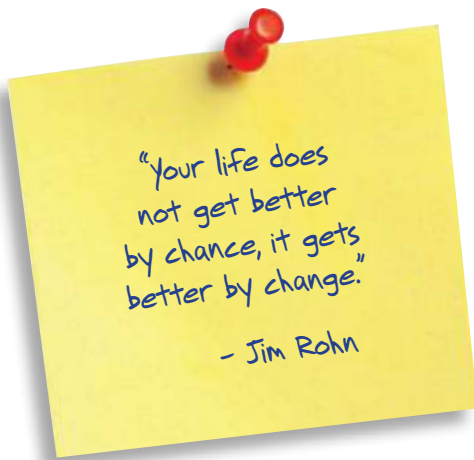
- Become an angel investor;
- Capitalize on an unsolicited offer for your business;
- Write a serious check to a charity;
- Get rid of your mortgage;
- Start a bigger, faster and more profitable business;
- Live debt free;

- Take a year off to coach your kid's baseball team;
- Buy a beach house

Check out more of what Warrillow has to say on selling your business.

## **Take Care of Yourself.**

Even though planning can make for a smooth transition, it can still be a stressful process and can take a toll on your health. Build downtimes into your schedule, get massages on a regular basis, spend time in nature, go on a retreat or vacation with family and friends – do whatever it is that helps with your stress level. Go out strong and leave a legacy of which you are proud.



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## **JEFF GROFF**



*"Preparing for a taxable event is a key element in thinking about a sale or transition in the future. Giving yourself enough time to prepare for that can make a huge difference when the transition occurs and can impact the company's potential value."*

## **PATRICK GENDRUE**



*"Many business owners are so busy with putting out today's fires that they never get to the planning. That's a set-up for failure and a scenario that we talk to our clients about every year. Those that begin the planning process are always thankful that they did and have greater peace of mind as a result."*