

At some point under a set of circumstances that you may or may not be able to predict you will **exit your business**. When that time arrives you will want to obtain the most value from what is most likely your largest investment. Will you and your business be ready for either the market or succession? Far too often entrepreneurs come to this final stage of their business unprepared and fail to realize the full value that they had always hoped to obtain. There are some basic steps that you can take now to ensure that when you reach that point you get what you are expecting. The first and perhaps most important step starts with the realization that you need to begin the planning and implementation process 3 – 10 years before you intend to exit your business. Frequently you will want to exit your business as a result of burn out, health issues, family issues, or retirement. When you are facing those underlying issues it is not the best time to start your 3 – 10 year planning process as you will want out now, not three years from now.

Think back to when you started or purchased your business. That business represented an attractive opportunity to you that made you willing to take the plunge. How attractive will your business be to a future buyer? Now I have to ask you to step back for a moment and distance yourself from your pride and the blood, sweat, and tears that you put into building your business. You see, your buyer will not have this emotional attachment and will actually be looking for reasons your business is not worth the risk you are asking them to take by purchasing your business. Buyers expect value and future opportunities for success. Buyers want: a reasonable asking price, strong cash flow after debt service, a strong management team, demonstrated growth potential, increasing market share, a low debt ratio, and no ghosts in the closet. The ugly truth is, if you haven't properly planned you may be ready to sell only to find that no one is willing to buy. So what do I do now, and how do I prevent this from happening to me and my business and my family?

A well developed strategic plan can mean the difference between a good business and one that excels. Revisit your strategic plan at least annually. Starting now, include a plan for your exit strategy within your strategic plan. The exit strategy is a defined process, a structured system resulting in an action plan to prepare the business and the business owner for a successful transition. There are 7 steps in your exit strategy:

1. setting exit objectives
2. determining value/price
3. preserving, protecting and promoting value
4. converting business value into cash
5. selling the business
6. contingency planning
7. wealth preservation planning

No one professional has all the answers as many diversified skills and talents are necessary to successfully implement the exit strategy. Your team should include a business consultant, a business broker, a financial/insurance advisor, a business/estate planning attorney, a CPA/accountant, and a tax advisor. Each team member will have a role to play in the exit process. Of course, these should be people you trust and have an on-going relationship with.

Before you get to ready to run though, realize the first step is making sure your business will be perceived as providing value and opportunity to the potential buyer. This means you don't want buyers to view your business as a fixer upper. You want buyers to perceive your business as a successful operation with a good deal of potential for continued or even greater success. Thus a true diagnosis of your business is in order so that you can resolve the true root cause of problems within your organization rather than putting costly quick fixes on symptoms. Your business must show a steady increase in market share and profits, not just revenue. You can't be the sole decision maker in your business. If you are, you are the business and the business loses marketability. Your management team must have a proven track record that demonstrates their ability to operate your business without you. The earlier you start the sooner you can enjoy the benefits of a smooth running operation that results in greater net profits. Those higher net profits will enable you to meet your current objectives while preparing an organization that is truly marketable when it is time to move on to the next phase of your life.

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This month's book review: "The Art of Possibility" by Rosamund and Benjamin Zander (available on our website)

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