



The Exit Strategies Newsletter

Believing in your Exit

The U.S. Chamber of Commerce reports that only 20% of private businesses that are for sale will successfully sell to an outside buyer.

What does this mean for your exit and why is it important to develop a strong belief system around the proper way for you to plan for that eventual exit?

First, what the Chamber of Commerce statistic likely means for your business exit is that you will not be selling to an outside buyer unless you are prepared on a number of different fronts. In other words, you need to prepare for your future exit no matter which exit option you choose. However, if you are planning to exit via a sale to an outside buyer, you need to pay particular attention to a number of items, not the least of which is the fact that most businesses will not successfully do so. What will make your exit a success?

The answer is how strongly you believe in your exit. What does this mean?

Quite simply, beliefs are typically things that we inherit from our parents and other

influences in our lives. These beliefs quietly guide all of the decisions that we make in our businesses and our personal lives.

We have beliefs about our families, our values, about money, about religion, about the government, about political parties, and countless other items in our lives. So, why don't you have a belief about how you will one day exit your business?

The likely answer is simply that no one has yet asked you this question. Furthermore, you have likely not taken the time to evaluate which exit option and strategy would be best for you.

So, knowing that most businesses will not successfully sell to an outside party, it is a bit hard to hold a firm belief that you will successfully do so. It defies the odds and the statistics for you to boldly state that 'my business is saleable' without having some strong evidence to support that statement. And this is where the exit planning and the education come into play.

You need to build a belief around your eventual exit by applying yourself to the

process of developing that exit. There are actually many ways to exit a business other than selling to an outside party. We will not recount the many ways to exit your business here, but you should know that without a plan for your exit, those options may not exist for you.

In addition, without a plan, it is very hard to believe that your exit will be successful – how can you? It is said that one cannot ‘learn in a vacuum’. What this means is that you need to engage in the process of learning about how to exit your business and then critically examine the options that will most likely get you to your goals.

Let’s take a look at an example. Business owner, Bill, thinks that he will one day sell his business to one of his competitors. He does not have a plan as to how this will occur but he believes in his ability as a business owner to strike a good deal. Bill knows very little about planning for his exit but a whole lot about running a successful company. Bill believes in himself but really has no idea how challenging an exit can be. Simply put, Bill is applying the tools of business building to his exit, and they are the wrong tools for the job.

By contrast, Phil recognizes that his exit will be the largest financial transaction of his life. Phil is aware that all that he has learned in business was taught to him by someone else. Fortunately, he accumulated this knowledge over many years and corrected the many errors that he made in the process of building a successful business. Most importantly, Phil recognizes that he does not have a

strong belief in how he will exit or his ability to do so on his own because he sees that the process of exiting a business is not only complex, but occurs in a time period much shorter than that of building his business. Phil is ready for a planning process by which the education builds up his belief about his exit. Once Phil has all of the information that he needs, his belief in his exit will be strong, and hence successful.

When you engage in the exit planning process, you build a belief around your future exit. Similar to the way that your current belief systems help you give meaning to events around you, your belief about your future exit will help shape the direction of your business. With the proper strategy and belief system, you will build your business so that it accommodates your future exit.

Take a look at your plan for your exit and ask if it is something that you have confidence in. If not, meet with your advisors to discuss your current plan. You cannot put a price on having a strong, positive belief in your future exit. After all, it will [likely] be the largest financial transaction of your life.

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