



## The Exit Strategies Newsletter

*DEVELOPING AN "EXIT MINDSET"*

When considering a successful exit from your privately held business, it is important to develop a proper 'exit mindset'. An 'exit mindset' is one that encompasses the past, present and future of a businesses' potential. Sadly, most owners will not allocate the proper time to balance these different mindset 'time zones' and will fail to properly calibrate their mindset for an exit. And, it is crucial as the owner of an ongoing business to realize that your "time zone" mindset has probably evolved and changed as your business has progressed. This newsletter describes the various "time zone" mindsets that an owner experiences with the start up and growth of their businesses, while also offering a solution for developing an 'exit mindset'.

### **New Business Owners are all Futurists**

As a business owner, you've gone through a transition in your allocation of time as your business progressed. At the beginning of a business the emphasis is very much on the future. Products, services and markets are developed. Plans are put in place to reap future benefits. This is a time that every owner's mindset is full of hopes, dreams and positive thinking. This is the time of tremendous

optimism, passion and creative thinking. There is very little thinking of the past, as it doesn't exist at this stage of a business.

### **Past, Present, and Future – The Mindset of the owner during the growth phase**

As the business grows there is a shift that takes over. The successful business owner is still focused on growth. However they will be spending more time in the present and past times zones. More of their time will be dedicated to analysis of budgets and analyzing previous year's activities. They will find themselves dealing in the present tense with operational, employee and financing issues. Business owners are still very much engaged and thinking about future issues as well. Business development occupies much of the owner's mindset at this stage.

In this phase of the business cycle the owner's mindset is fully engaged in the three concurrent time zones, past, present and future. In general though the concept of exit planning will not occupy any of the time they dedicate to thinking about the future. It's not something, unfortunately, that most owners are occupied with until it becomes a 'present' tense reality. NOTE that an exit as a 'present' tense reality mostly manifests in the form of an unsolicited buyout offer, pressure from a management team, or a personal tragedy or illness. A proper 'exit mindset' will allow you to be proactive with your exit instead of reactive. But let's also look at the final stage of a business owner's mindset – maturity.

## **The owner's mindset in a mature business**

As a business enters into the maturity phase of the business life cycle, there is a natural tendency for the owner to be more present tense and past tense oriented. The risk tolerance for expanding product lines, developing new markets and general business expansion starts to decrease. The acceptance of limited growth and even status quo is greater. Business owners will tend to spend a great amount of time 'working in the business' rather "working on the business", lacking an ability to work and think about the future.

This can be, perhaps, the most dangerous period for a business owner in the context of a successful exit plan. The business will have accumulated significant equity and goodwill as the products, services and brand become established. However, the need for the business owner to maintain a large future thinking component has not diminished – in fact, one could easily argue that the 'exit mindset' is more critical than ever before because there is so much more at stake.

## **Exit Planning recalibrates the clock**

Because owners lose the ability to develop an 'exit mindset' they lose out on knowing the optimal time and manner in which to exit. Actually, by the time most business owners begin to contemplate and plan for an exit, the business may have already been in significant decline, making the exit less beneficial to the owner. There is significant risk in not preparing in time.

Creating an exit plan with an 'exit mindset' essentially 'recalibrates' the clock of the business owner. It forces you to think about some crucial issues. Are you mentally ready to exit? What will you do after you have

successfully exited your business? Are you too attached to the business to even contemplate an exit?

## **Conclusion**

The discipline of developing an 'exit mindset' and writing a formal exit plan has the benefit of having the owner recognize the value of all that they have built into their enterprise of many years. The critical component of this mindset is the context in which you view your business and exit. Recognizing that the exit planning process is essentially a compendium of past, present and future time zone considerations wrapped in one, an owner is empowered to protect their illiquid wealth with a well developed 'exit mindset'

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