



The Exit Strategies Newsletter

THE FRAGILE NATURE OF A BUSINESS EXIT

A wise business owner once said when asked about his exit that there is a difference between leaving your business and employees and abandoning them. This is an interesting perspective through which to begin thinking about the survival of your business after your exit.

A key component of a successful exit is understanding that it is in the nature of planning an exit that one needs to make themselves irrelevant to the business operations. In this regard, it is important to plan for your exit in a very counter-intuitive way. What does this mean? Well, in essence, your business success was very dependent upon your vigilant oversight – this was particularly true during the formative years of the business. However, during the mature stages of the business, a different type of fragility exists. Namely, it is the ability of the business to function without you, the owner. Therefore, we can safely say that business exits are a fragile endeavor, much the way that your business inception had a high degree of fragility.

Let's put this in a simple context that many can relate to – parenthood. It is a natural dynamic of the cycle of human life that an infant needs an extreme amount of attention and caring. On its own, the infant is not equipped to survive. And, as a result of the dependency that the child has on its parent, the parent has an opportunity to raise this child in a manner and with standards that reflect that parent's belief system and sense of 'family'.

Once grown, it is the proud parent who watches their child blossom into adulthood. And, in the maturity stage, the child become less and less dependent upon parental guidance . . . so much so that it is typical for many teenage children to rebel against this authority.

Has your business matured to the point of rebellion? If so, that is a good sign because your exit will include less fragility and the business will be better suited to survive on its own.

What actions have you taken to allow the business to stand on its own?

Perhaps you are an owner who believes that the managers and employees cannot function without you. If this is the case, is it the fault of those who work for you, or the fault of the person you see in the mirror each day? The best advice that an owner can receive during an exit phase is that couched in honesty. Therefore, this question is intended to be helpful, not antagonistic.

Without empowered employees who can make decisions on their own and run a business in accordance with both the systems and the values that you have instilled and installed, the fragility of your exit could be high and your overall wealth could be hurt by your exit.

So, is it too late if you have not already started working towards reducing this fragility?

Some owners may reply, “Yes, it’s too late because I am sixty (60) years old today and I’ll be sixty-five (65) years old before I make those kinds of changes to my business”. Well, there is only one response to that answer, which is in the form of a question: “How old will you be in five (5) years if you don’t make these changes?”

You see where this is going?

The game of business is a wonderful sport. There are ups and downs and you as the owner get to experience them all – sounds just like parenthood. But, when you don’t empower your business to be self-sufficient, you wind up with the equivalent of children who never leave home.

To reduce the fragility of your business for your exit you must answer the hard questions. Namely, why is your business so dependent upon you? And, is there really no one else who can do all of the things that you do, or is this an illusion that is running your decisions for you?

There are management systems and assessments that are available to you to answer these questions at a deeper level. They are not hard to find if you have the courage to seek them out. Remember, you want to accumulate data, input and advice that is objective. And, objectivity is tough to come by when you are the only one whose opinions count.

In order to reduce the fragility of your business and to create a sustainable enterprise you must take action and face hard facts. And remember that it’s not always the most pleasant news

to hear that you have issues in your business, but, then again, it's not the doctor's fault when he tells you that you are sick, right?

If you suspect that your business can run without you but you don't know, it is a great time to engage in a few exit planning exercises that can answer this question definitely and in an objective manner for you. That may be your best next step in assessing the fragile nature of your future exit.

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