



The Exit Strategies Newsletter

Four (4) Signs That You May be Ready to Plan for Your Business Transition – Part II

Successful business owners are unique in their abilities to manage many aspects of their companies, all towards a successful, profitable outcome. In the day-to-day battles and pursuits to advance your company, it is unlikely that you stop to think about its future transition. Despite the fact that you may not be ‘pro-actively’ thinking about the future ownership of your business and how you will participate in the transition of the company to the next owners, here are a few signs that may indicate that you are getting closer to planning for your future departure and succession to a new owner.

1. I’d Like to Be Ready to Sell if the Opportunity Presents Itself

If you are a successful business owner, then it is likely that others have approached you in the past about buying your business. Alternatively, you may not have had the conversations with these buyers, but you know that they are out there and would cherish the opportunity to own what you have created and get access to the people and assets you have accumulated as well as the cash flow that you are churning each year. If you are now thinking that those buyers will inevitably start knocking on your door and that you want to be prepared to have a meaningful conversation with them, then that is a sign that you should begin the exit planning process. The bottom line is that

there will be an excess number of Baby Boomer Business Owners looking for buyers for their businesses in the upcoming years. Therefore, in most cases, the buyers and investors who acquire companies are going to have a lot of opportunities to choose from. The owners who are not prepared to have organized, meaningful, and realistic conversations with these buyers will simply be passed by. You see, if the buyer thinks that you, as the owner, are not committed to a deal, then it is generally not worth it for them to advance any further.

If you know this, either intuitively or through research, then you know that being prepared for those future buyers and investors is a prudent course of action. These thoughts are signs that the exit planning process will serve you well in being ready to transition and to show your future partners / owners that they are speaking to an owner who is serious, prepared, realistic and informed about the process and someone that they can have confidence in that when they head down the path of acquiring your company, they stand a good chance of completing a transaction with you.

2. No One Else Can Run This Business Except for Me and I’m Uncomfortable with That Fact

Given that it takes years and years of continued effort to build a successful

business, most owners are ‘hard wired’ to do the heavy lifting themselves. However, with the passage of time and continued success, more key people are added to the successful business to assist it in running on a more consistent basis. Now, even though key people are added, many owners will not give up the important tasks because, after all, it is still their money that is at risk and they are reluctant to turn over controlling and important decisions to others – the past has taught these owners that these can be very expensive mistakes. So if you find yourself in this position and you are no longer comfortable with the fact that you are the only person who can run the business, then that is a sign that an exit planning process will serve you well. You see, an exit planning process can (and should) take years to design and implement. Time, in this case, is working against you successfully replacing yourself in the business. And, after all, if the business cannot survive without you, then you won’t leave much of a legacy behind if something unforeseen should happen to you. Many Baby Boomer Owners are seeing their friends and fellow owners develop illness and / or overall fatigue in their later years. If you are concerned that your business has too much risk because you are the key person, then starting a process to plan for having the company run without you will help you sleep better as well as make for a more transferrable enterprise in the future.

3. My Friends Are Getting Sick and I want to Relax and Enjoy Life Before I do Too

This is the ‘life is passing me by’ thinking where one’s mortality is being more heavily considered. Now, while most owners enjoy what they do and do not want to necessarily stop doing it, it is possible to work less and enjoy life more through a gradual transition

of responsibilities within the business. This transfer of duties has both psychological and practical parts to it. On the one hand, an owner needs to let go of certain tasks that they do not need to be doing any longer. On the ‘practical’ side, someone needs to be in place to do those jobs. If you are thinking that you want to ‘stop and smell the roses’, it is likely a sign that you are ready to begin the exit planning process by planning and executing your exit over the next number of years.

4. I Made My Contribution to This Business and My Kids Don’t Want It After Me

Some owners hold on hope that their children will take over their business. With the shift in generational focus as well as the changing landscape of business, this will not happen for many business owners. Therefore, when a child reaches the age of maturity to make a determination that they definitely do not want to take over the business, owners start to let go of the idea of intra-family transfers and wonder about who else will own the business next. If you are thinking the same thing, then you are likely a candidate for an exit planning process which includes a detailed conversation about who the next owner of your business is going to be.

Concluding Thoughts

This newsletter is written to assist the owner who is feeling fatigued or somehow questioning the future of their own business. While it can be a challenge to consider an exit because you are giving up a portion of control, all of the signs listed above are offered to help you think through your next steps as you advance towards a successful exit and transition of your company.

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