



The Exit Strategies Newsletter

IN ORDER TO EXIT SUCCESSFULLY, YOU MAY NEED TO RE-ENGAGE YOUR BUSINESS

This newsletter is written for business owners who have been impacted by the adverse economy as well as by the fast-paced change of business today. This new economy has likely caused you to reevaluate your business, its value, and your ability to transition it to someone else at some point in the future. Many business owners have recently been reminded of the cycles of their businesses and that reduced profitability in their business leads to lower valuations. Today's owners are also finding that they need to navigate a new economy where it is difficult to keep pace with global and technological changes that are impacting their [relatively] small enterprises. Because small businesses today are being forced to reinvent themselves, this newsletter is written to those owners who want to exit successfully but realize that they likely need to reengage their businesses in order to do so.

In Order to Get Out, You Need to Re-Engage

Planning for the day that you will leave your business is a difficult task indeed. One of the primary challenges is how we as owners like to hold onto the idea that the profitability that we achieved in the past will be repeated again in the near future – a return, in essence, to better days. The only problem is that during a recessionary time, it is dangerous to assume that yesterday's

successes will be indicative of tomorrow's business reality.

It is more important to take an honest look at your business today and realize that it is likely that in order to re-build the value, you will need to substantially reengage and reinvent your business. Of course, this is much easier said than done for a number of reasons.

The Owner's Role in Their Company – The Recession's Dual Impact

Typically, owners are the center for strategic thinking and have the most creative ideas within a business. However, this recession has forced owners to do jobs that they thought that they would never have to do again. There has been a dual impact of (1) needing to reduce headcount which has forced many owners to go back to performing certain tasks that they had previously removed themselves from, and (2) needing to continue to navigate the company into the future through uncertain times. This is the weight that a recession lays on many owners. However, now that we recognize this issue, it is important to fight through it and to reengage your business with a brand new three (3) to seven (7) year plan - sufficient time to re-engage and position your business for a future owner. While you are reengaging the business remember the valuable lesson learned.

The Good News About Today's Economy

The most positive thing that can be said about today's economy is that a valuable lesson has been learned. Business owners have learned that leadership cannot be relegated to others and that you need to be proactive in looking after the wealth of your business or you face the prospect of losing it. It is important not to get caught in the past but rather to learn the lessons that it teaches us. And one of the most valuable lessons that you can learn from the past is not to allow yourself to get too involved in the day-to-day running of the business or to lose sight of the strategic role that you play in your company. This can be hard to do but is necessary to your success and in remembering to plan for a day when someone other than you will own and run your business.

Therefore, the first step in your exit planning may be to restructure your operations in order to pull yourself back into the leadership role. Staying caught in the trap of keeping too busy inside of your business not only reduces the amount of time that you can commit to strategic-level thinking, but it also increases the dependency that the day-to-day business functions has on your personal involvement. This is a trap to avoid and likely the first place that you need to focus on as you reengage your business.

The Key Thoughts Should Be 'Sustainability' and 'Transferability'

When your business is eventually evaluated in the eyes of future owners they will be looking at how sustainable those profits will be in the future. Moreover, a future owner will want to see that systems and procedures of the company should drive the profitability because in addition to profits being sustainable, they also need to be transferrable. If you do everything in your

business, it is not transferrable without you. This is one more reason why it is vital to pull yourself back into the leadership role and ensure that your company can function profitably while being independent of your personal efforts.

Concluding Thoughts

Running a privately-held business is certainly not for the faint of heart. And when a recession hits, even the most seasoned owner is challenged in new ways that test their abilities. And with today's changing landscape of business forcing you to accelerate change within your company, remember that it is more important than ever to reengage your business. Look ahead three (3) to five (5) years at not only the cash flow of the business, but also at the operations to see how and when the company will transfer to someone else. And, as you rebuild your business, look at each decision with the eyes of a future owner to make sure you will be poised for your next eventual step forward with your exit planning.

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