



## The Exit Strategies Newsletter

### *Recent Business Owners Survey Tells a Steady Story*

A recent release of findings from an ongoing research effort being conducted by Pinnacle Equity Solutions, Inc., a national leader in the emerging field of exit planning, reveals that 85% of business owners who are considering a future exit from their privately-held business currently have a Low Mental Readiness for their exit. This newsletter discusses these findings and provides insights for owners of privately-held businesses to learn how you might begin planning for your own business transition or exit in the future by knowing more about what your peers are thinking and doing.

#### **Exiting Your Business, Protecting Your Wealth – Financial and Mental Readiness**

In October of 2008, John Wiley & Sons published John Leonetti's book, Exiting Your Business, Protecting Your Wealth – A Strategic Guide to Owners and Their Advisors. This seminal book on the topic of exit planning provided a system for owners and their professional advisors to plan a business exit. This exit planning system provides two (2) initial components that an owner should assess – their Financial Readiness and their Mental Readiness for a future business exit.

An owner's Financial Readiness is simply a measurement of the amount of wealth that

is held outside of their business, and/or other sources of income, that can pay for maintenance of their lifestyle.

A business owner's Mental Readiness is an indication of how much longer the owner would like to continue working in their business. For example, a business owner with a High Mental readiness is someone who is NOT enjoying working in their business today and would like to move on from the business. However, a LOW Mental Readiness reflects an owner's desire to continue working in the business because they enjoy the continued challenge and thrill of running their business.

#### **Business Exit Readiness Index Assessment**

In order to understand an owner's Financial and Mental Readiness, Pinnacle released its Business Exit Readiness Index™ (BERI) Report in late 2013. This ten (10) minute assessment includes twenty (20) questions that rank an owner's exit Readiness in these two categories.

The data presented in this newsletter are the initial results of more than seventy-five (75) owners of operating companies who have completed this BERI™ assessment. The results provide a view through which we all can better understand an owner's attitude

and preparedness for their future business exit.

### **BERI™ Report Survey Results**

As mentioned at the beginning of this article, 85% of business owners who completed the BERI™ survey stated that their Mental Readiness to exit their business was LOW. This means that 85% of business owners who were curious enough to take a survey that asked them about their ‘exit readiness’, responded that they are NOT ready to exit their business. This interesting fact begs the question: “why are the majority of owners who complete the BERI™ assessment ultimately ranked LOW on the Mental Readiness score?”

### **Traits of LOW Mental Readiness**

The following attributes apply to the 85% of owners who have a LOW mental readiness for an exit. As a group, they generally:

- Have no written plans for an exit
- Have not thought about a future without them working in their business
- Take less than 3 weeks of vacation per year.
- Are performing at the ‘top of their game’.
- Lack the management team to replace their responsibilities at the company
- Continue to have a high level of enthusiasm to work at their companies.

These traits vary in degree amongst different owners who completed the BERI™ report, but are the general areas where they all reply positively to the survey questions.

### **How Can You Apply These Survey Results to Your Exit Plans?**

As you review the list of traits in the preceding paragraph regarding owners with a LOW Mental Readiness, you may see many that apply to you. If so, you may begin to consider your own Mental readiness for an exit and how this could impact your planning. And, notably, if your desire is to continue to run your business into the future because owning and running your business is what you enjoy doing, then you are in the majority of your peers.

However, our important message to you in this newsletter is the following: just because you desire to remain with your business does not mean that planning should be ignored or put off until a later date. In fact, ‘exit planning’ does not (and should not) mean that you are leaving your business. Rather, planning for an exit includes growth planning (i.e. increasing the cash flow and value of your business), leadership planning and development (so that the business can run without you), personal planning (so that you have the peace of mind that you can afford an exit) and contingency planning (to assure that you don’t lose what you created if someone unforeseen should happen to you). These are all very important areas that you can plan for today, even if – like the majority of other owners – you do not plan to exit for a number of years.

### **Concluding Thoughts**

We hope that this newsletter has accomplished the objective of having you understand what your peers are thinking and doing for their exit plans so that you can better define your own. Also, if you would like to measure your own readiness for an exit, click here to take the BERI assessment.

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