

Which way out?



You've worked hard to build your business to what it is today.

Don't hand it over to just anyone.

Consider all the options!

Sell to someone in your family

Sell to someone inside your business

Sell to someone outside the business

Which way out?

As a successful entrepreneur, the last thing you want is someone telling you how and when to exit your business. However, the blunt fact is that one day you will no longer be the driver of the vehicle you have worked so hard to build. The good news is that if you act now, you can at least have some say around how and when you pass the wheel to someone else and a choice around who that someone else will be.



There are three main routes for exiting your business. You might be one of the 85% of business owners who would really prefer to 'sell' their business to a family member or someone inside the business but don't think it's likely to happen – that's the left lane. Or perhaps you are more like the majority of business owners who somehow find themselves in the right lane and have no choice but to sell to someone outside the business, often a competitor. The third route, and the one with the most flexibility and potential, is to stay in the middle lane where both of the previous options – to sell internally to someone already connected to the business or externally to someone outside the business – are infinitely viable.

Ensuring you have that choice doesn't come without some action on your part. To allow for maximum choice around how or when to sell, and to whom, there are important steps you must take as soon as possible.

Planning for an External Sale

All too often, business owners end up selling involuntarily – either years before they really want to, or for less money than they would like or need to carry on their desired lifestyle. Some have to sell because of ill health or burnout, while others sell off the assets or wind the business down due to low profitability. Unfortunately, too many owner-managers sell themselves short.

With all the consolidation in industries today, smaller businesses often sell to larger organizations. While this option may appeal to you, make sure it is your choice to sell externally and not a forced sale. With some professional insight and guidance, you will be able to maximize the benefits to you and your family.

A business transition specialist will first prepare you and your family for the emotional aspect of the sale and review your ongoing financial needs. In preparing the business for sale, he or she will determine the criteria for a buyer based on yours and your family's principles and values. The next step will be to You will be able to sell your business at a time and price that is right for you!

A business that is ready for sale is not dependent upon its owner but rather has systems and processes in place that ensure it can survive under alternate leadership. This is called professionalizing the business to the point where the owner can take a month off without worrying that the business will go downhill in his or her absence. While most entrepreneurs are quite clear about the importance of maintaining a good cash flow and cutting costs, many fail to take advantage of some simple proven strategies used by business transition specialists to enhance the profitability of the business.

Which way out?

Plan for an internal sale

While preparing the business for sale, it is important to also enable the choice around whether to sell to a family member or someone already involved in the business (an internal sale), or to sell to an outsider, perhaps a competitor or someone looking for a good investment (an external sale).

Professionalizing the business and handing over the decision-making are obviously very important to maximizing that choice. Whether the business is to be sold to someone inside or outside the business, it is imperative that you have a strong management team in place and that the business is not dependent upon you.

The best approach is to plan for an internal sale by grooming a successor from within. If you can sell your business internally, then it follows that it can certainly be sold externally. The reverse is not necessarily true.

Grooming a successor is the second stage of preparing your business for a transition. Prospective buyers from inside the business will likely be individuals who already have a passion for the business. By sharing your vision with prospective successors, you can determine if there is a common interest around the future direction of the business. If so, the next step is to involve the prospects in developing a track and creating a plan to realize that shared vision. Matching their skills sets to the ones needed to lead the business will highlight the gaps. A professional development and mentoring plan can reduce those gaps. The key is to begin early as it will take a number of years for your successor to garner all the experience and wisdom you have accumulated over time.

If your preference is to keep the business in the family and create a lifestyle for your grandchildren and a legacy for your great-grandchildren, it is important that you promote a sense of stewardship early in your business cycle. A steward is someone who nurtures and builds an asset in order to pass it on, bigger and better than when he or she received it in the first place. As a result, your successors will share the same purpose and vision for the business.

A business transition specialist can advise on the many strategies for building on this stewardship and keeping the family connected in subsequent generations. If your family is strongly connected to the business and there is a strong management team in place, it might be possible to give some family members the option of owning shares of the business without any involvement in the day-to-day management.

If there is no suitable internal successor, you certainly have the option to sell to someone outside the family / business. A professionalized business is not only attractive to others in the industry but also of interest to outside investors.

Create a post transition plan

Exiting a business doesn't necessarily mean retirement. Business owners rarely want to retire. Retirement means to take something out of use, so for many it is akin to death! Instead of planning for retirement, entrepreneurs should create a post transition plan.

Creating a post transition plan is the third key component of the overall business transition plan. Before you exit your business, you need to consider where you will direct your energies once you are no longer totally consumed by the business. How will you re-invent yourself? What will give you continued fulfillment? You might choose to remain connected to the business in a way that utilizes your natural strengths but does not interfere with the new leadership or ownership of the business. Or you might already have an alternate passion and be willing to devote your time as an experienced mentor for up and coming entrepreneurs.

If, like most other entrepreneurs, you want to have choices around when to exit your business, you need to actively create those choices. The more time you allow, the more choice you will have. Make it a priority and start today!

