



business control
smart accounting
sound advice

Exit Strategies: 10 steps to successfully move on from your business

There are many reasons you might consider putting in place an exit strategy to help you step away from your business. Whether it's an imminent need to hand over the reins, or simply the acknowledgement that at some point in the future you'll want to sell up ready for the next chapter. Either way, it pays to spend time putting the right foundations in place at the earliest opportunity.

The tips in this guide are designed to ensure you can command what you deserve from any sale that might take place, as well as safeguarding the security and ongoing success of your hard-fought-for business.

What do we mean by 'exit strategy'...



When you're looking to end your involvement in a business you've been building over a number of years, it can quickly become apparent just how integral you are to operations. And while that might feel good in one respect, it's not conducive to selling the company easily or garnering a high price. That's why it's vital to set things up to operate just as efficiently when you're no longer there. And to put in place processes and procedures that allow easy transfer of ownership and a enterprise that is set-up for future success – with or without you at the helm.

Working on your exit strategy involves striving to create an enviable business. One that is operating profitably, able to demonstrate its value and enjoys a host of loyal employees and customers. And no matter whether your exit is likely to happen in two years or ten, there is no time like the present to start putting the jigsaw pieces in place.

... and why might you need one?

An exit strategy comes into play when there is a need to change the people at the top of a business. It can be a crucial part of succession planning, ensuring that leadership and ownership are transferred smoothly to capable individuals, whether they are family members, employees, or outside executives.

This can, of course, become necessary for a number of reasons. A long-running CEO may choose to step down due to retirement, a change in personal circumstances or simply losing passion for the business and feeling it's time to move on. They might wish to pursue other financial goals, whether that's cashing out on their investment or realizing the business's value so they can invest in other growth opportunities. Perhaps a partnership dispute or disagreement leads to one partner wishing to exit.

Challenges brought on by changing market conditions, new industry regulations or the threat of increased competition might prompt a business owner to consider selling at a perceived peak. Similarly an economic downturn might push them to sell before the situation worsens, reducing the business's profitability.

No matter the reason, the resulting sale or transfer is almost inevitable in the lifecycle of any business. Which is why it pays to put steps in place to make an exit as easy as possible at whatever point it becomes necessary.

Exiting right: 10 tips for successful succession planning exit strategy...

Our best advice to help you get your plans, processes and finances in order, so you can exit in the most profitable way for you and your business.

1. Consider the type of exit that's right for you

Just as there are many reasons you might be looking to exit, there are numerous mechanisms to make it happen. The options open to you might depend on the size of your business, the market you're in and the success you've had. But whether you're considering the idea of a merger or takeover, passing the company to a family member or taking it public, there will almost certainly be pros and cons to debate.

Think about what you want to gain personally from your exit. What are your financial goals and plans for the future? And what expectations do you have for the prospects of the company and its employees? For some CEOs, it's about getting the cheque and moving on to the next adventure. For others it feels important to support the transition by stepping back and retaining some element of control, at least for a short period of time.

2. Set the business up to be 'sellable'

Experts recommend thinking about your exit strategy from the very start of your business journey. And while it might seem counter-intuitive to contemplate the end as you pop the champagne of incorporation, we couldn't recommend it more. Create a healthy habit of noticing the value you drive through your business activities. Get curious about what makes your business the best. And work out how you can grow those strengths still further.

Is it your unique, research-backed products? The patents and trademarks you own? Or the customers who consistently sing your praises? Work out where the gaps are, fix them and get accounting experts on board to support you if you need the eyes of an outsider. Driving up the value of your small business won't just benefit you in terms of short-term brand recognition, customer acquisition and income generation. But when it comes time to find a buyer, you'll find you have an extremely palatable offer to put out to market.

3. Focus on creating a firm financial footing

When it comes to due diligence, we can be almost certain that the first thing a potential buyer will look for is clear, consistent financial records dated back at least two years. So there really is no better time to start cleaning up your financials than right now. Get all bills paid on time and if possible, keep all contracts digitally. Demonstrate strong revenue growth and a healthy balance sheet.

Identify areas where you can potentially reduce costs or improve profitability and put them in place nice and early. And make sure your records are easy to read, dissect and understand. Remember, buyers come in all shapes and sizes. If you become the target of a takeover, your purchaser may be interested in revenue and staff only, perhaps they already have the overheads in place to take on the business.

Ask your accountants to interrogate the financial records and pick up any anomalies so they can be investigated and rectified before questions are asked.

4. Put processes and protocols in place

It goes without saying that best practice suggests we should have a full suite of process manuals and automations in place in our business. But as we scale, adapt and fight the daily fires we come up against, processes are destined to change, becoming known and understood by the few rather than the many.

In order to make your business an attractive prospect, it's vital to get everything that happens day-to-day formalized and documented. The goal being that a stranger could come in tomorrow and get the job done. By creating regularly reviewed "how to" guides and making sure there are clear job descriptions in place, you'll allow a potential buyer to quickly get up to speed with who does what, when, where and how.

Not only will that impress interested parties, you'll see improved efficiencies with the running of operations in the immediate term. Not to mention reduced risks associated with key person dependencies.

5. Get the experts involved in good time

Selling a business or untangling any kind of contractual obligation is rarely a straightforward process. Which is why it pays to engage a team of experts to ensure the transition runs smoothly. You might wish to consult with legal and financial professionals who specialise in business transactions, for example. They'll be able to help navigate some of the complex aspects of your chosen exit strategy. They'll also be able to support you in preparing required documentation, for example financial statements, contracts, employee agreements, and any other legal documents related to the business.

It's also a good idea to get a professional opinion on how much your business is worth. Of course no one can tell you exactly what you can expect to receive, but a rough idea of the fair market value can help to set realistic expectations and inform plans. Getting this valuation in good time will also give you the opportunity to reassess your decisions or change your approach if the predicted price is lower than you were hoping it would be.

6. Find and engage the right buyer

Once you've decided how you'd like your exit strategy to look, you can begin to think about who might be interested in taking over your business. You might consider competitors, employees, family members, or outside investors, for example, depending on their suitability and financial capability. Your approach will likely vary depending on what you decide.

If you're selling to family, you'll want to ensure that everything is transparent and that the wishes and needs of various family members are taken into account. While if you decide to take the offer to the wider market, addressing points 1-5 above becomes even more important, in order to get the best price.

Come up with a sales pitch that tells your story and excites potential buyers. Furnish your pitch with facts and statistics that clearly demonstrate the strength of the business and its future potential. Be honest but positive in all your conversations.

7. Devise a transition timeline

Take a look back at the reasons behind your wish to exit the business and the goals you've set for yourself, both personally and professionally. Is this something you've instigated? Or are you being asked to work to someone else's timetable? What sort of timeline would work for you and does this seem achievable? This could depend on whether you're retiring, starting a new venture, or simply cashing out your investment.

If you're passing the business on to family, or being bought out from within, you may choose to retain a financial interest and stay involved during the transition period. Perhaps receiving a consultant's fee or staggered payments, while you help the business move into its new chapter. Conversely, if you choose to sell to private investors or to a competitor, you may not wish to stick around any longer than necessary.

Either way, it's important to put a plan in place to make sure everyone fully understands what will happen going forwards. This should outline how the business will operate after your departure, including the transfer of responsibilities, training, and the role you'll play during the transition period.

It's worth noting: If you have a client services business that particularly depends on you, personally, the buyer will expect you to stick around to help facilitate a smooth transition for both the existing clients and the team as a whole.

8. Start to take a back seat

When you've always been the figurehead of your company, the name above the door as it were, it can be difficult for employees, customers and potential buyers alike to envision success without you being at the helm. That's why it's important to start creating a world where you're not so important. After all, no buyer will want to buy you out of your business if it doesn't look like it will survive without you.

As difficult as it may be after all the hard work, try to take a step back, empower your staff, delegate anything of importance and simply stop showing up so often. As a helpful side effect of this, you'll be able to begin the mental transition necessary to 'break up' with your business too. Of course it depends on your reasons for going, but when you've put years into something and it comes time to move on, it can feel incredibly tough and unsettling. Giving yourself a period of adjustment rather than an abrupt end can be a great way to help you move through the transition in a healthy and positive way.

9. Execute the exit plan

Once you have identified a potential buyer or a suitable exit route, it's time to negotiate and close the deal. While you can rely on your broker or legal representative to negotiate the terms of the sale or transition - including the price and payment structure - you need to make sure you're comfortable with any conditions and contingencies. When the deal is finalised, you can begin to put your transition plan into place.

Don't forget, it's normal for this process to take several months or even years to complete, depending on the complexity of your business and your chosen exit strategy. Don't try to rush things. Try to be patient, flexible, and adaptable throughout the process and seek professional guidance when needed to get everything over the line.

10. Don't look back



Richard Starkey's bottom line

"From the moment you set up and incorporate your business, exiting at some point down the line becomes inevitable. And while you can't know what the future holds, or even what your own goal or aspirations will be years from now, there are still plenty of things you can do today that will serve you well in any event.

"So spend some time tidying up your 'house' as it were. Get your financial reporting and record collecting in order, preferably digitised for easy reference. Spend time training your employees and working with them to create detailed processes and procedures that will allow anyone coming into the business to simply 'plug and play'. Forge relationships with experts who can get to know your business in detail, offering advice and guidance, knowing the end goal you have in mind. And put aside time, regularly, to pull yourself and your management team out of the day to day grind to take a more strategic view on ways to drive business value up.

"If you've been paying attention, you'll notice that everything we're suggesting here is about increasing profitability and efficiency, and creating a business that is more automated and easier to manage. And there's a reason for that. Because a business that runs like a well-oiled machine is one that's appealing to potential buyers. It's one that will attract a higher valuation and a better price. And it's one that's very likely to survive, whether under your leadership or someone else's.

"Remember, whether you make plans for it or run towards it with your eyes closed, you will want to move on from your business at some point. So why not embrace the idea and set all your ducks in a row from the earliest point possible. It's never too soon to begin building your exit strategy and create a business that will allow your legacy to live on into the future."



If you'd like us to support you with streamlining your financial reporting, understanding the nuances of your accounts or spotting opportunities for growth, contact the team at:

hello@businesscontrol.co.uk

or by calling:

01225 840538

Disclaimer

While we have made every attempt to ensure that the information contained in this Smart Guide has been obtained from reliable sources, Business Control is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this guide is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will Business Control be liable to you or anyone else for any decision made or action taken in reliance on the information in this Smart Guide or for any consequential, special or similar damages, even if advised of the possibility of such damages.