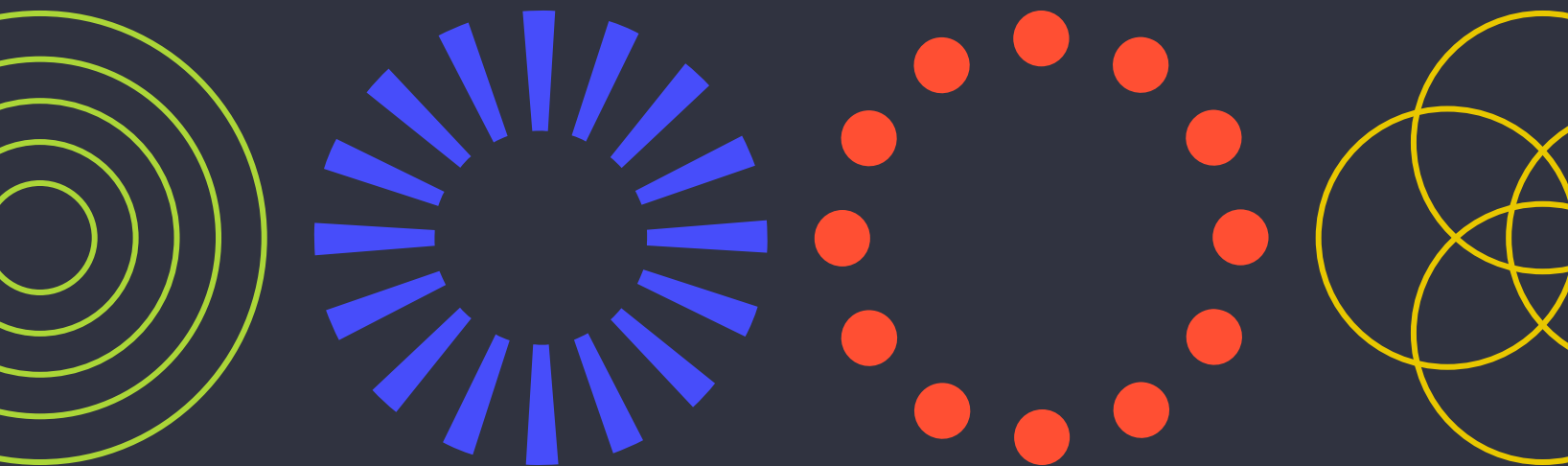


3 Areas You Must Consider When Preparing Your Business for Exit



3 Areas You Must Consider When Preparing Your Business for Exit

There Are Three Main Reasons Why SMEs Are Not Ready for Exit and That Make Most Unsaleable

As a business owner, you have a business life, a personal life, and a financial life. They all appear to be separate; however, they are all linked, in that all need to work symbiotically and be given equal priority to create stability.

If you were to imagine exit planning is like a three-legged stool:



One leg is your business plan, the other leg your personal plan, and the third leg your financial plan.

Each leg has equal importance and must be addressed in equal measure to ensure you create a holistic and stable platform.

Your Business Plan

To assess your business plan, we need to look at two parts:

- Business Attractiveness
- Business Saleability

Business attractiveness is what your business looks like from the outside. It is what your business will look like to a buyer at first glance.

Business saleability is what a business looks like from the inside. It is what a buyer will begin to uncover during the due diligence phase.



Very often I see extremely attractive businesses, but as soon as I start looking around, I see risk everywhere and the finances are in a mess. What I saw from the outside does not tally with what is happening on the inside.

In order to achieve a successful exit, should you be selling, the business attractiveness and business saleability have to go hand in hand.

Irrespective of the type of exit you are planning to achieve, a planned or forced exit, your business plan will feed into both your personal and financial plans.

Your Personal Plan

The reason why you should look at your personal plan is that so often the vast majority of owners simply never think about this part of their life! A lot of owners get so wrapped up in their business, they become emotionally attached and sometimes their business becomes their identity. They don't know themselves apart from their business. They've not developed much of themselves or their life beyond their business.

You also need to assess what your plans are for your life post exit. There are many owners who, when they exit their business, have no plans for their life post-exit. This can have some disastrous consequences—anything from having no sense of purpose or identity, to getting divorced, to seeing their physical and mental health taking a nosedive.

It is vital to have this part of your exit plan dialled in, so you can make the most of the next chapter of your life, which you may find could be the best chapter yet! However, exiting a business will affect everyone. For me, personally, for every business I've sold there was a period, albeit a short period, where I had sellers' remorse and questioned my reasoning for selling, but because I had a plan and other projects to work on, this little dip was short lived.

The big outcomes to having a personal plan are threefold:

- Understanding how prepared you are for the 7Ds (Deal, Decide, Distress, Disagreement, Disease/Disability, Divorce, Death).
- Determining how emotionally tied you are to the business
- Outlining your plans post-exit

Your Financial Plan

You need to understand what Your Number is:

Your Number is the amount of money you will need when you retire to live the lifestyle you want, without the fear of ever running out of money.

When first undertaking an exit strategy, for most owners there is often a financial gap between where they are now and where they want to be upon retirement. This is called your **wealth gap**.



You need to bridge that wealth gap using two strategies:

- A personal investment strategy, with the help of a qualified wealth planner.
- A business strategy, with the help of an exit planning advisor.

It is extremely important to know what Your Number is and to constantly review this in conjunction with your personal and business plans for two reasons:

1. You may get to a point where you need or want to exit the business, but the wealth gap has not been closed. You simply haven't bridged that gap. That could mean you will need to either pare back your standard of living or you will be forced to continue to work until such time as you can retire.
2. You bridged that wealth gap years ago, but because you don't review any of your plans, you don't know that you've already closed the gap, so you continue to work longer than you really need to.

Both are equally concerning.

So, as you can see, in order to create a solid, holistic exit strategy we need to focus on these three key areas. Your business plan, personal plan, and financial plan all have to have equal priority to achieve this.

In the hustle and bustle of running a business it is very easy to take your eye off the ultimate end goal—successfully exiting your business. Keep focused and do not be afraid to ask for help.

Would you like to make sure your business is ready for sale? Learn more about how we can assist you. Please contact Cliff at Business By Design for a free confidential phone call to see how we can assist you.



Written by Cliff Spolander

Founder of:
Business By Design— Value Creation Process
Business Optics

Author of:
The Cash Flow Code: 6 Keys to
Unlocking Ultimate Cash Flow
The Smarter Exit: A Strategic Plan to
Grow and Exit Your Business

**To get your free copies of these books
please visit businessbydesign.co.uk**

