Charting a Course for Your Exit Starts with Setting Coordinates.

"When a man does not know which harbor he is heading for, no wind is the right wind." -Seneca

Philosophers, business owners, and successful people from all walks of life understand the critical importance of establishing goals, creating plans to attain those goals, and persevering to see their plans through to completion.

Where to Start

Having worked with hundreds of owners, we know that a successful exit starts with answers to three principal questions:

1. How much cash will you need to be able to support the lifestyle you desire after your exit? (Do you want to be cashed out when you leave the business or are you willing to receive the purchase price over time?)
2. When do you want to leave the company? (And when you do, do you want to make a complete departure, or how long are you willing to remain active in the company?)
3. To whom do you want to sell / transfer the company? (To a child? Key employee? Co-owner? Or perhaps to an outside party who can pay top dollar?)

The Consequences of Not Planning

Let's look at an example of an owner who arrived at her exit date without a plan.

Jan, the owner of a 45-employee plastic extrusion company, had long thought of transferring her business to a son and a key employee but had done little to prepare for that transfer. As tougher economic conditions challenged her company, and as she reached her 58th birthday, she decided it was time to retire.

Jan had answers to two of the three principal questions. That is, she had determined that she didn't want to work much longer in the business and that she wanted to transfer the business to her son and a key employee. But Jan failed to determine how much money she needed once she left the business.

At this point, Jan had two choices. First, she could retire immediately and try to sell the company for cash - but not to her son and key employee. They had no cash and no bank would lend an amount even close to the amount of money necessary to close the deal. If Jan wanted to sell today and receive an amount that would support her post-exit lifestyle, she would have to sell to an outside third party with sufficient cash. Jan's other option was to sell the company to her son and key employee, but wait six to ten years to receive (hopefully) the entire purchase price.

Had she started with all answers to all three questions, she would have been in a position to chart a course to the harbor she wanted to get to. Jan's situation illustrates why setting your objectives, understanding how each affects the other, creating a plan, and then acting to reach those goals is so critical to a successful exit.

Leaving Your Business in Style

If you want to leave your business in style (which, to us, means leaving your business to the successor you choose, on your timetable and with the amount of cash you desire), you must take time to formulate specific, consistent, attainable goals and objectives. And you must establish (and stick to) a plan based on those goals.

Don't be an owner who is too busy working in your company to work on the most important financial event of your business life.

For more information or to learn how L. Harris Partners can help you grow your business:

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