THE EXIT PLANNING REVIEW™

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Can You Afford To Ignore Your Business Exit?

"In preparing for battle, I have always found that plans are useless but planning is indispensable." Dwight D. Eisenhower (As quoted in Six Crises by Nixon, Richard (1962). "Krushchev. " Doubleday.)

General Eisenhower's point was that the process of creating a plan provides value because it forces the planner to consider (and make provision for) "What if events don't proceed as planned?" A plan not only provides context and the basis for adapting to new and unanticipated events, it also provides alternatives based on assumptions about goals, objectives and resources that may need revision.

As advisors, we know that business owners who create business plans are able to react more quickly to new events—events of the past few years in this economy and this world come to mind—than can those without.

Unfortunately, even owners who have business plans fly without Exit Plans, co-pilots, or maps to help them when storms force them to alter course toward their business exits. If an unanticipated event arises (such as a deterioration in the economy), they shelve their exit planning thinking (and thinking is all they have since they haven't created a written plan) because their only option is to wait for conditions to improve. These successful owners would never consider a similar passive response to be acceptable in a business plan.

If the value of an Exit Plan isn't obvious yet, let's look at a few hard, cold facts.

First, you are far from the only fish in the sea. Estimates indicate that there are approximately 7.5 million business owners in the United States (SELL-SIDE TRENDS: **The Business Transition Tidal Wave** by By Roger Winsby, ACG HUB NEWS http://www.imakenews.com/acgboston/e_article000178731.cfm) and according to a 2005 PricewaterhouseCoopers' survey of 364 CEOs of privately held, fast-growing companies, "65% of the respondents planned to leave their company within a decade or less: 42 percent within five years and 23 percent in five to ten years" ("Wide Majority of Fast-Growth CEOs Likely to Move On Within Ten Years, PwC Finds, " PricewaterhouseCoopers, LLP "Trendsetters Barometer," released January 31, 2005). That could result in a glut of companies on the market, driving down valuations and giving new leverage to buyers.

Second, if you are a Baby Boomer (born between 1946 and 1964) the generation following you is not nearly as big so expect far more sellers than buyers in the marketplace. This too, adds to the glut.

Third, even during boom times less than half of the owners who tried to sell their business actually were able to sell (2005 Business Reference Guide, Tom West).

Fourth, unless your company is superior to its competitors because there's something about it that a buyer can use to make more money than you do (or other businesses in your industry do) that rising tide is going to lift you only as much as it lifts that glut of competitors.

Fifth, if you select "wait for rising tide in the economy and the M&A market" as your exit strategy, you've lost control of the timing of your exit, how much and the terms of payment you'll receive, and even the type of buyer. Are you confident that the next boom cycle will appear when you need it?

And finally, if your reason for putting "Exit Plan" at the bottom of the list is because you believe that until the economy improves your time and money are better spent preserving and growing business value, understand that *working to create a valuable company is an integral part of any successful exit plan*.

Among the benefits of exit planning are:

- laser focus on the value-building aspects of the business that buyers seek;

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- laser focus on the value-building aspects of the business that buyers seek;
- time-sensitive accountability for each action step necessary to build value; and
- benchmarks changes in business value.

Concentrating your effort today on growing business value either as a discrete project or as part of a comprehensive Exit Plan—affects both your ability to sell your company and the price you will be paid. In fact, your value-building plan will be inseparable from your Exit Plan.

Bottom line, the process of planning is what we mean by working *on*, not just *in*, your business. Only the planning process sets up the best opportunity to exit your business in style *despite* the glut of sellers, dearth of buyers, vagaries of the market and investment world, and the myriad of known and unknown influences on your business.

One of the most successful entrepreneurs and planners in American history, John Pierpoint Morgan, said, “The wise man bridges the gap by laying out the path by means of which he can get from where he is to where he wants to go.”

In the next issue of this newsletter we’ll begin to describe the elements of that path—your Exit Plan.

The examples provided are hypothetical and for illustrative purposes only and do not represent actual client experiences. Subsequent issues of The Exit Planning Review™ provide balanced and advertising-free information about all aspects of Exit Planning. We have newsletter articles and detailed White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us.