



Would you give your business away?

7 Key Strategies For Exiting Your Business

By Greg Tomkins, Business Coach, Superb Coaching

Superb Coaching is a coaching practice that primarily services small to medium business (SMB) owners. Superb Coaching focuses on preparing SMB owners for "finding their way through the business jungle". Working with our clients we develop strategies and assist them in implementation of the plans to deliver business success. A key area of focus is working with clients in developing Business Exit Plans.

Typically our clients have up to 50 staff. The business has been operating from its Gold Coast base since 2004 servicing clients on the Gold Coast and in Brisbane as well as the SE Queensland region

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A Business Exit Plan can have a number of different connotations. You may hear it referred to as a Succession Plan.

At Superb Coaching we have taken a deliberate stance in focussing on the 'EXIT' because we are dealing with the business owner's plan to remove themselves from the business. Yes, there are issues around succession management that we address however we feel that the Exit Plan needs to address more than just succession.

Your Business Exit Plan should deliver the following objectives:

- 1) To maximising the capital realisation from the transfer of ownership
- 2) To achieve this realisation in a reasonable time frame
- 3) To minimise the risks as consequence of change or during the period of change

In a survey conducted by the Australian CPA in 2004, it was found of business owners gave the following reasons for undertaking a plan.

Age	21%
New business opportunities	11%
Forward planning/looking to the future	11%
Good business practice/logic/common sense	9%
Succession/business for children/need it to continue	8%
Wanted to make more money / opportunity to grow	7%
View to retirement	6%
Wanted to sell out/been in it too long	5%
Wanted to get it right this time/needed direction	3%
Need time with family/death in family	2%
Low business performance	2%
The work overload	2%
Family break-up	2%
GST too much/taxation purposes	1%
Illness	1%
No real reason	5%

In other research conducted in the UK, a number of leading factors were identified as contributing to SMB exit failure. These included.

- Businesses with lifestyle and personal rather than strategic goals
- Poor business performance
- Managerial dependence on owner
- Ignoring the need to make arrangements for exiting

In Australia we have some 40% of SMB's totally dependent on the owner.

So what are your options for exiting the business?

The following were found as being the most appealing by SMB owners themselves.

Sell or pass on to a child or another family member	25%
A trade sale to someone in the industry	19%
Sell to management or staff	7%
Advertise the business for sale without identifying a buyer	26%
Close the business and sell the assets	17%
Don't know	5%

Most interestingly, if we compare the above same list where the business owner was advised by a professional we observe the following preferences.

Advertise the business for sale without identifying a buyer	43%
Sell or pass on to a child or another family member	30%
A trade sale to someone in the industry	17%
Sell to management or staff	3%
Close the business and sell the assets	3%
Don't know	4%



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Of significance is the fact that 43% of owners surveyed planned for an on-going income stream from the business after exit. This is a double-edged sword.

Not only do owners want to maximise the value of the sale value, but they are also looking for an income stream to support their future lifestyle.

It becomes apparent that apart from the broad range of matters that need to be addressed, maximising the value of the business is paramount to anyone considering exiting from their business.

The experience of Australian CPA's has found that the barriers to SMB's maximising business valuation included:

- The business is too dependent on the owner
- The business costs are too high
- Out-of-date technology
- Processes are not documented
- The business owner is not prepared to commit time preparing for a sale
- A lack of potential buyers
- The business does not achieve a reasonable return
- The owner has unrealistic expectations about the value of the business

So what can **You** do to maximise the value of your business and any on-going income stream you might be looking for?

You need to develop your Business Exit Plan ensuring that it is integrated into your business' strategic plans. You need to involve yourself, your family and your staff. Most importantly, you need to plan ahead.

At Superb Coaching we focus on implementing 7 Key Strategies for our clients.

1. **PLANNING**
We firstly ensure that our clients have a current Business Plan that is being actioned. We then address the matter of the Business Exit Plan.
2. **STRUCTURE**
Does your business have the right structure supported by a culture of leadership and team development fostering the business objectives?
3. **FUNCTIONALITY**
Do you have the right people sitting in the right seats on the right bus? Are lines of responsibility clearly defined and followed? Does the business have points of individual dependence?
4. **SYSTEMS**
Are the business systems supporting the operations? Are they effectively utilised and do they work in with the business processes? Are there effective performance measurement systems in place?
5. **PROCESSES**
Are the systems and processes appropriately documented? Are the business policies and procedures up to date and understood by the staff?
6. **DISTRIBUTION**
Does your business effectively apply relationship management to select partner businesses for building your customer base? Are there opportunities to attract better qualified customers and increase turnover?
7. **POSITIONING**
Your success in the market will be driven by the market's perception of what your business is really about. Acknowledgement of your

position can only be achieved by ensuring that your business is totally aligned to this position in everything it does.

Yes, profit, turnover, financial ratios and asset value are critical as well, but these generally are what are referred to as "*lagging indicators*". They only tell you about what has happened in the past, the history of the business.

To maximise your business value, you should also pay attention to demonstrating the "*future*" potential of the business. This is achieved by measuring "*leading indicators*".

Adopt the **7 Key Strategies** and you can be assured that you will be delivering to the future potential of your business.

Now your business is really appealing to a potential investor or buyer. They have assurance over past performance and confidence in future capacity.

Greg Tomkins is a qualified Behavioural Business Coach and has spent 30 years working with some of Australia's largest corporate organisations in management and senior consultancy roles. He has worked extensively with SMB's defining their business systems requirements.

What he brings to his clients is the culmination of this experience combined with coaching models and tools. Greg adopts a wholistic business coaching approach addressing the specific objectives of each client.

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