PRIVATE EQUITIES Y2Marketing™
Multiplying Business Value Through Marketing Strategies

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Business Development Ideas to Help You:

- **Make $1,000,000 to $5,000,000 Every Year**
- **Dominate a Market/Eliminate Competition**
- **Triple the Value of Your Business**

Begin With The End In Mind – Exit Planning

Steven Covey makes the point in his book "The Seven Habits of Highly Effective People" that you need to begin with the end in mind. It's certainly applicable in the context of business ownership. **You need to have an exit strategy**.

Everyone leaves their company someday, one way or another. However, it's rare that we see an entrepreneur deliberately preparing for a successful exit.

Here's what usually happens:

- Burnout, leading to a desire to sell quickly and move on.

- Financial problems, either caused by the external environment, or by operational weaknesses, leading to a need to sell quickly and move on.

- Illness on the part of the owner, leading to a need to sell quickly.

- Death of an owner, leading to a desire or a need by the survivors to sell.

- Attractive alternate business or personal opportunity arrives, leading to a desire to sell.

- Competitive pressures, key customer changes, critical vendor problems or employee issues leading to concern about future viability of the Business and thus a desire to sell.

- The "slow leak" syndrome, in which an owner coasts along, without making a decision either to grow or to prepare for an exit, consequently leading to a downward spiral and a languishing business.

- A buyer shows up and makes an offer, so why not sell?

There is a better approach, and that is to develop a plan for exiting your company ("Exit Plan"). The steps to developing an Exit Plan are not difficult to understand, and many of them are not difficult to implement. What is needed is a commitment to the process and a systematic approach. The basic elements to preparing an Exit Plan are:

Exit Plan Steps

The Exit Planning steps are not difficult to understand. Some steps are easier to do than others, but commitment and deliberate attention are the most essential elements to bring the Plan to fruition.

Set A Date Certain. Establish a date when you want to Exit your business ("Exit Date"). Unless you do this, the rest of the Plan will not come together. A deadline is necessary to build the rest of the Plan. Of course you can change your mind later, and revise the Plan, but for now, set a date.

How Much Money Do You Want From A Sale? I ask that question of entrepreneurs regularly and surprisingly, usually hear, "I don't know," or "As much as I can get," or "A lot, so I can retire." You need a specific target amount (a "Strike Price"), however, otherwise you will likely end up with a less than satisfying result.

Business Valuation. Have your business conservatively valued by an independent third party ("Current Value").

Project The Valuation. Using the same valuation methodology, how would your Company have to change to have a reasonable probability of obtaining the Strike Price (the "Required Changes")? Talk to an experienced CPA, attorney and a mergers and acquisitions specialist in addition to the business valuator about what the Required Changes should be.

Revisit The Exit Date. Now, circle back to your Exit Date. Consider the Current Value, the Strike Price, the Required Changes and your Exit Date (the "Key Factors"). There are four possible results:

1. **The Key Factors Are Congruent.** If so, you can commence designing a systematic Exit Plan.

2. **The Time Frame Seems Unrealistic.** Given the Current Value, the Required Changes and the Strike Price, your Exit Date is too close (or too far away, sometimes). Adjust your Exit Date or juggle the other factors. When all Key Factors are congruent, you can commence designing a systematic Exit Plan.

3. **The Strike Price Seems Unrealistic.** Given the Current Value, the Required Changes and the Exit Date, your Strike Price seems unrealistically high (or occasionally, too low). Adjust your expectations on Strike Price (and evaluate your other assets and desires), or focus

intensely on how to configure the Company between now and the Exit Date in order to reach the Strike Price. When all Key Factors are congruent, you can commence designing a systematic Exit Plan.

4. **The Required Changes Seem Unrealistic.** Given the Current Value, the Strike Price and the Exit Date, the Required Changes are more than you want to sign up for. Making changes requires an investment of time, energy and money. If you are not willing to make the required investment, either the Exit Date or the Strike Price will have to give. <u>Out of all the steps, this is the one which most requires entrepreneurs to tell themselves the truth</u>. Self delusion in regard to what levels of investment and change you will really commit to leads only to frustration and disappointment. Decide what you will actually do, and adjust the other three factors accordingly. When all Key Factors are congruent, you can commence designing a systematic Exit Plan.

Commit to the Key Factors. Once the Key Factors are in balance, commit to them, so they can form a sound basis for the planning to come. Involve your family in this decision and in the planning process to come.

Evaluate the Required Changes. Discuss the Key Factors and especially the Required Changes with your family, partners, trusted advisors and employees as appropriate. Brainstorm on how best to achieve them with the most creativity, efficiency, least investment and lowest level of stress.

Set Specific Goals. Establish a series of written goals within the timeframe leading up to your Exit Date.

Develop Strategies. Establish concrete, time-specific written strategies for reaching each of the goals.

Execute. Simple, right? Designing an Exit Plan is just like setting a goal to achieve anything else. The key is in reflecting, deciding and acting. Your business does not just have to “happen” to you. Equity is developed by design and by deliberate action according to a plan. The alternate approach is not much different than hoping to hit it big in the lottery.

Modify the Plan as Necessary. Get an annual valuation and assessment of the business so you can track your progress. Modify your Exit Plan as appropriate along the way. In short, the specific Plan is not as important as the practice of regular Planning.

This Value Building Strategy was brought to you by…

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