

It Pays to Think About the End of Your Business When You Start

By Victoria Munro

Most small businesses owners don't think about an exit strategy until it's too late. As a result, most small businesses don't have happy endings. When you start a business, it's wise to have the end you want clearly in mind. How you plan to leave your business will affect both how you set it up and how you manage it on a daily basis.

Too often, owners don't address this issue until circumstances such as ill health, death, divorce, or the dissolution of a partnership force them to consider it. Bill Frank had invested time, energy and money into his storage business and worked hard in it for over 17 years. He had never taken the time to think about an exit strategy until he became ill and needed to retire. Bill ended up liquidating the business and netting very little for his years of hard work. If he'd made plans earlier, he could probably have sold the business and retired comfortably.

If you intend to build up a business for *your* retirement nest egg, start thinking about it several years before and plan accordingly. Even if you're 30 years old and in tiptop health, **considering now how you intend to recoup the money you've invested in the business makes good sense.**

Possible Ways to Leave a Business

Selling a business requires building something that someone will want to buy. Make sure that the business isn't too dependent on you to be there every day running it.

Selling or passing it on to family members can be tricky and frequently results in family dissension, therefore very careful planning is needed. Be sure that they not only *want* to run the business, but also have the qualifications, aptitude and skills to do so.

There are tax advantages in **selling to your employees** in an ESOP (Employee Stock Ownership Plan), but this can be expensive to set up, and works best for companies with 100 or more employees. Selling to a manager or to several managers has worked well for some. Plan for a smooth transition and continued success by gradually handing off more leadership and responsibility as you phase yourself out.

You can **liquidate the business – just walk away.** This often happens when someone hasn't planned an exit strategy and is faced with an unexpected need to leave the business. You can sell the saleable assets, but remember that the proceeds will first go to pay any creditors.

Find a **larger company** that will benefit from **acquiring your company.** This might expand their market by increasing their product line, or provide software or systems that would have taken significant time and money to develop. If you choose this route, you may be required to sign a non-compete agreement.

Ten Things You Can do Now to Build Value into Your Business

- Establish your brand presence in the marketplace
- Develop your operations manual, putting systems in place that will enable someone else to step in and run the business
- Keep your books in good order, showing accurate, clear and consistent records
- Build up your client lists, your reputation and your networks
- Take care of intellectual property: trademarks, patents, etc.
- Deal with any outstanding tax issues
- Give a good first impression - the business should look clean, businesslike and attractive to anyone visiting

- Ensure that your legal paperwork in order
- Write a business plan that projects into the future
- Obtain a realistic picture of the *value of your company, noting specific actions you could take to increase its value

Set time aside soon to think about your future and the future of your business. What plans will you need to put in place? What will you do next? If your plan is to retire, sail off into the sunset and buy your dream home on the ocean, **you need to start planning your exit strategy and put plans in place *now!***

*Determining the value of a business will depend on several things, including company assets, such as inventory and equipment, the price other businesses in that industry have recently sold for, and net profits the business is showing. You can hire a business valuation expert or a business broker to help.

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