



S T R A T E G I E S

Management & Performance

7 Steps to Secure Your Exit Strategy in Uncertain Times

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Economic and market changes, legislative changes and personal developments can all lead to the disruption of any business; therefore, it's important for business owners to play the long-game. By long-game, we are referring to the owner's ultimate objectives, which may be solely for the business but often are also deeply personal. If owners focus too much on the fluctuations that affect day-to-day operations, they may miss key opportunities to keep the business on track toward meeting their objectives.

Following these seven steps can help business owners clarify and communicate these important objectives for themselves and their key advisors.



Step 1 Begin with the end in mind.

Decisions regarding how the business will be funded and compensation expectations play a major role in one's ability to realize sufficient proceeds upon their exit from the business, as well as the timing of that exit.

Step 2 Get personal.

Defining one's personal goals in terms of life goals and timing expectations aids the owner in understanding the value or compensation they will need to receive from the business and when they will need it.

Step 3 Know how the business is valued.

Businesses are generally valued using a valuation multiple. Understanding one's valuation multiple allows the integration of that multiple into earnings forecasts, operational budgeting and timing expectations. A valuation service provider can help the business owner identify the best valuation approach for their business.

Step 4 Understand to whom the business owner cannot afford to sell the business.

Selling the business to a current employee or family member will generally result in a lower sale price. Sales to strategic buyers generally result in a higher price. These factors must be taken into consideration when targeting a set valuation and timeframe.

Step 5 Run the business with the goal of leaving it in mind.

The target value and exit plan provide the goals that the business owner can integrate into their performance management and incentive systems. Performance targets can help businesses meet the value target within the desired time frame.

Step 6 Protect enterprise value.

Annual reviews of business risk areas help the business owner segregate, insulate or insure against both known and unknown risks that can jeopardize the value of the business.

Step 7 Don't plan for the exit alone.

Value creation and risk management are complicated. Owners can ensure they have the decision-making expertise they need by enlisting internal and external resources to be part of planning and strategy sessions. Having one key individual to assist ownership in the capacity of quarterback or personal CFO can help ensure that planning and execution stay on track.

Plans help with uncertainty.

When the seven-step plan is well-executed, it can be the guide business owners use to achieve their ultimate objectives, in the time frame they choose. 📌



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