PAC

PREPARE A COMPANY

EXIT SCIENCE

Business owners who achieve desirable results when exiting their company do so by exercising a process very much like the scientific method. By moving through exit planning step-by-step and following a very logical process that has been around since Aristotle, conclusions can be drawn with certainty. Let's start at the beginning:

STEP 1 – Ask a 'correct' question.

There are no wrong questions, right? When a business owner is at step one, a desire to exit has been determined. Asking the correct question sometimes means asking other questions first and typically is facilitated by a professional who is well versed in exit planning. However, for the majority of business owners, the correct question is typically one, a combination, or all of the following:
"How do I protect my employees after my exit?"
"How do I maximize the value of my exit?"
"How do I preserve my legacy / the legacy of my company after my exit?"

STEP 2 – Form a hypothesis.

Examine your question and make an educated guess on what answer you will find. There are so many possibilities, so it is very important to be realistic. At this stage, even a professional exit strategist cannot tell you an absolute answer because each business is different and unique. We can still look at a few examples:
"My employees will buy my company."
"I will pass the business down to my children."
"A buyer will be able to pay me the most."

STEP 3 – Predict consequences.

If a business owner has not completed a company exit yet, this stage might be difficult. Simply put, we do not know what we do not know. It is also important to point out that these predictions can be numerous and are to be tested. Business owners should not make predictions that they cannot test. An even stronger point to make here is that predictions made which could disrupt the company during testing may actually cause issues and decrease the ability to exit! Be smart here:

“I will need to finance the sale to my employees while I exit / following my exit for x years.”

“If I stay involved, then I can mentor my children until they are equipped.”

“My company will be attractive to many companies on the open market.”

“A perfect buyer will have funding in place and will align with my goals.”

STEP 4 – Test.

This is the fun part and varies from very simple to extremely difficult. For example, if a business owner wishes to sell to the company’s employees, it can be as quick as saying “How much can you pay me? I will fund the rest (of the agreed upon price)?.” On the opposite end of the spectrum, discovering the best buyer that will tick off all the boxes of ensuring quality legacy, protecting employees, and maximizing value would involve preparing company materials for presentation, determining methods of confidential approach, vetting out parties who are not the best fit, negotiating offers, carrying out due diligence, and closing a transaction. Business owners need to keep in mind that there are options which will always exist, and those who yield the best all-around results usually explore the open market first.

By exploring the open market, business owners can receive real feedback from other business owners, investors, professionals, and management from other companies. This feedback will allow them to inspect their company’s key attributes and decide if another test is necessary or if another option is the best to pursue.

STEP 5 – Conclusion.

A business owner now can decide if the chosen hypothesis is the best option: can the owner fund the purchase to employees? Are the owner's children equipped? Is there a buyer that can meet all the owner's needs? If so, then the business owner can move on to retirement! If not, ownership will need regroup and try again.