

5 Ingredients for a Successful Business Exit

Baby boomers will retire in droves over the next decade, and whether an owner wants to pass on the business to a family member or sell it to key employees or a third party, the process will be easier with planning.

Below are five elements for planning and executing a successful business exit. Valuation professionals should review these fundamental components with business owners periodically to ensure alignment of goals and timing as they [offer succession planning](#).

_____ **1. A written plan based on the owner's objectives.** A roadmap in writing addresses possible scenarios and aligns the process with the owner's goals.

_____ **2. An experienced team of advisors to design and implement the plan.** Accountants, brokers, other valuation professionals, lawyers, financial advisors and insurance advisors are among the professionals that provide exit-related services. Select one professional to "quarterback" the team and be the primary point of contact for the business owner.

_____ **3. Cash flow and a quantified business value.** Walk the owner through [how the business's value is determined](#) in a valuation. Identify which financials influence the number so the owner can begin working on improvements (such as lower inventory days and accounts receivable) that may boost the value.

_____ **4. A strong management team.** Having a strong team in place makes the business more attractive to buyers or smooths the transition to new employee or family owners.

_____ **5. Time.** The optimal timeframe for planning is three to five years before the exit. Anything less than 18 months can be problematic.

According to various [industry estimates](#) over the years, anywhere from 67 percent to 80 percent of businesses listed fail to get sold. Developing and following an exit plan using the elements above can improve the odds and make it more likely for business owners to avoid unnecessary or excessive taxes, minimize risk during transition and realize the full value of their hard work.

About Sageworks Valuation Solution

[Sageworks Valuation Solution](#) is a web-based platform that enables business valuation professionals to streamline workflow, increase realization rates and offer advisory services. Generate an accurate and defensible value using the income, market and asset approaches.

To learn more or request a live demo, please contact:
valuationsales@sageworks.com or 866.603.7029

Sources:

Business Enterprise Institute. "Guiding Business Owners to Successful Exits." Sageworks webinar, December 2015. Replay available [here](#).

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