

*TouchStone Nugget*

## **Planning a Strategic Exit**

### **Executive Summary**

#### **Command the Owner's Trust**

The subject of a Strategic Exit must be approached with tremendous care and diligence. Whether meeting the exit advisor for the first time or even if you are a long-term client, the exit advisor should immediately instill a level of trust that you only accord to a personal confidant. This trust level is of key importance in pursuing a strategic exit. Experienced advisors are expected to be quite knowledgeable about business operations that the confidence you, the owner, feels is so strong that know you will receive invaluable guidance. Professional advisors are well positioned to design and implement effective exit strategies for small and midsize companies.

#### **Facilitate the Exit Process**

The advisor begins a successful exit strategy by determining "What the owner really wants". Then he devises a strategy to realize the owner's business objectives and personal goals. Be prepared to answer precise, open-ended questions. Expect your answers to be challenged, which should help clarify the thought process and facilitate the planning process.

#### **Owner to Target Business Objectives**

Every successful exit strategy has three common objectives: 1) A clear, targeted result, 2) A consensus on the owner involvement, post-exit and 3) the timing to achieve the exit. These key objectives are vital to implementing an effective strategy to exit and establish a framework for the advisor.

#### **Owner's Personal Goals Identified**

No financial transaction carries greater monetary and emotional significance for an owner than planning a smooth exit from the company. For some owners, selling a company means a huge payday and the reward they have dreamed about for a long time. For others, it is an estate planning issue requiring reallocation of net worth and liquefying an asset. Many owners avoid planning their exits because they fear the implications of retirement and growing old.

#### **Plan for the Succession**

Owners don't always want to leave, because their role in the company after the transaction may be undecided. Many hope to cash out and still run the company, which isn't practical. The scope of post-closing owner involvement is an important aspect of the exit strategy and addressed early.

### Get to the Significant Part

When possible the owner should be prepared to name names, specify dates and quantify values. Owner's responsibilities should be detailed during the process and as well as after the sale, if that is the exit vehicle. The process will be monitored by the advisor from beginning to end.

### Reality Check

The feasibility of the strategy must be determined. The company's ability to satisfy the desired financial objectives that had been established early on in the exit planning process will be confirmed. Owners should anticipate mid-course changes to stay on track with the timeline.

### Identify the Best Exit Vehicle

The best vehicle meets the owner's requirements for 1) value of enterprise, 2) owner's involvement and 3) the timing of withdrawal and separation. Explore the eight common methods.

### Execute the Strategy or Plan

The strategy or plan represents a structured, disciplined program that may take between one to five years to accomplish. Regardless of its complexity, the timely execution of key events is critical to its success.

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