

## 10 Business Exit/Succession Planning

According to the MGI/RMIT University's *Australian Family and Private Business Survey 2006*, although 54% of Australia's family-owned business CEOs will retire over the next five years, 65% have not yet identified their successor and only 25% have a documented succession plan in place.

Whether your business is family-owned or a more widely owned enterprise, having a well thought-out and documented exit or succession plan should be part of your ongoing business planning process.

If you don't have a documented plan yet but would like to leave your business when you're ready and on your terms, realise its maximum value, or see the business carry on successfully into the future in someone else's hands, here are 10 tips to help you prepare your exit/succession plan:

### 1. **Set clear goals in relation to exiting your business:**

Decide how, when and at what price you'd be happy to exit your business. There are many possibilities. Consider which are options for you - such as transferring the business to your family members, a management buyout or selling to or merging with a current competitor. Would you like to have ongoing involvement and income from the business or to make a clean break? Include your retirement or lifestyle goals after exiting the business.

### 2. **Determine and groom your successor(s):**

If your participation is still critical to the day-to-day running of your business, determine what needs to happen to change your involvement from working in the business, to being in business and working on your business. If your successor is a current employee of your business, create and implement a program with them as soon as possible that will equip them with the skills and knowledge they'll need to succeed in their future role as leader. If you're the only person who knows how every part of your business functions, you're painting yourself into a corner! Ensure that you're constantly grooming your team members to be able to run your business effectively in your absence.

### 3. **Have well documented, effective systems in place:**

Ensure that you have created strong systems that support every aspect of your business operations, from financial to management, to marketing and HR and document these systems so they can be easily understood and followed by a third party. Checklists are a great place to start.

### 4. **Know what your business is worth:**

Consult your accountant, business adviser or even a professional valuer with relevant experience in your industry and ask them to produce a valuation for you so that you know where you stand currently. Once you have this information and knowledge about the specific factors that impact on the value of your business, you'll be able to create an action plan for maximising the value of your business before you exit.

### 5. **Learn how to tax-effectively exit your business:**

Speak to your accountant again, this time to get advice about all the tax implications of exiting your business, from income tax to capital gains tax, GST to stamp duty. Your accountant will be able to tell you if you're eligible for any of the tax concessions available to small business owners. With careful planning you should be able to eliminate or at least minimise the tax consequences of the disposal of your business.

*For more business, executive or life coaching tips and strategies to help you achieve your goals and create and live the life you've always wanted, as well as information on one-to-one coaching to help you get there, visit [www.blueskycoaching.com.au](http://www.blueskycoaching.com.au) or contact Tania below:*

## **6. Insurance Cover:**

Ensure that you're adequately covered insurance-wise in case you are either permanently unable to continue to work or unable to work for an extended period of time. Do you have sickness and accident cover? Trauma cover? Are you in business on your own? Do you have life cover? Consult your insurance agent or financial advisor for advice in this area.

## **7. Buy-sell agreements:**

If you're in business with a non-family business partner, ensure that you have written plans for what will happen if one of you decides that you'd like to exit the business before the other. Your solicitor can help you prepare an appropriate buy-sell agreement that will document what you've agreed upon.

## **8. Determine how you'll find investors/buyers and how you'll market your business for sale:**

In the same way as you would prepare marketing plans for your business's products and services, it's important to determine a marketing strategy for the sale of your business and to identify potential investors/buyers. These people will want to undertake a due diligence of your business. Will your business stack up?

## **9. Plan for an unplanned exit, too!:**

Even with the best-laid plans, unfortunately, events such as the unexpected death of one of the business's owners can occur. Be sure that you and your business partners or associates have all made provision for this in your wills with clear instructions of your intentions of how you'd like your business assets and debts to be dealt with.

## **10. Determine how you are going to action your exit/succession plans:**

It's also important to determine strategies to ensure that your plan is successfully actioned, keeping in mind the stakeholders it will impact on, the timeframes involved for each part of your plan and communication of your plan.

If you'd like any help in creating or successfully implementing your business exit/succession plan, please call me on (08) 8338 3134 or 0411 471 941 . I can assist you either in person or by telephone.

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