

The Two Problems that Come with Not Having an Exit Plan

Most owners do not lack an exit plan because they don't care about their exit outcomes, or don't believe in planning for the future. They lack an exit plan for two reasons. One, they are busy growing their companies. Two, they don't know that waiting to start exit planning causes problems.

Specifically, there are two problems which immediately (they happen right away), universally (they happen to every owner), and incontrovertibly (it is inescapably true that they occur) impact every business owner who lacks a clear exit plan. The two problems are:

First, it is impossible to know if the decisions a business owner makes today will help or hurt success at exit. If I don't know my destination until later, then I won't learn until later if turning left, right, or going straight now will take me anywhere desirable—and I might learn too late that it didn't. What should my leadership team look like? Should we emphasize top line revenue growth or profitability? Should I invest in developing our brand? How scalable do our key systems need to be? How should we reward and motivate key employees? How big should we let our biggest customers get? These are a few examples of the countless questions that owners answer every day. Without an exit plan, owners have no way of knowing what answers will drive exit success. To paraphrase, if I don't know where I want to go, then I don't know if I am headed the right way.

Second, most of the tools and tactics that fuel exit success take years to fully implement, and/or compound with time. The less time an owner allocates to preparing for exit, likely the fewer the options and the lower the return on investment. Building a company that can grow without the owner, pulling money out of the company prior to exit, creating employee incentive plans tied to growth, preparing financial reports consistent with buyer expectations, creating alignment among co-owners—these are a few of countless examples of tools and tactics that the sooner they are implemented, the greater the potential return. To paraphrase, less time to prepare produces less results.

Once a business owner understands these two problems, and sees how they are impacting his or her situation, then developing the exit plan becomes a strategic imperative.



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