



Start Your Exit Planning Today (Part 3 of 3)

By Ryan Jorden, VR Business Brokers - Managing Partner

When it comes to exiting from your small business, there is great truth in the adage of 'failing to plan is planning to fail'. So, what can you do today to get started on this crucial process so you can plan for a successful departure from your business?

I'd recommend that the number one thing you need to do is look at what a buyer needs to replace in your absence, and then craft your business in a way to make it attractive and accessible from that perspective. Take a good look at your role and what hole a buyer would have to fill in after you're gone. That affects what ends up in your pocket at the end of a sale far more than spending all of your time trying to get your sales up 5% or cutting costs that could have unintended consequences.



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A buyer sees the most value in a business like yours when there's a manager or small team of key employees that are taking care of most of the day-to-day operations. This informs the potential purchaser that they can step directly into an owner role, and not an operational role. This allows them to devote their energy and planning to growing the business when they know that the pieces are already in place to handle it.

Do not fall into the trap of working 50-70 hours a week and then expecting a buyer to pay top dollar to take on your 3 different roles. Chances are slim that your trusted broker will be able to find a potential purchaser that is an exact fit for the skill sets of all the roles you've taken on. They will look at the situation as requiring additional hires to free up their time, and they will translate these additional expenses to a lower offer price for your business. Simply put, the business will be worth less to them than it is to you.

If I can recommend just one thing to work on over the course of the next year, it would be to craft your business into being less dependent upon you personally. There are several things you can do immediately, such as dividing up the many roles and responsibilities you have right now and hiring a full or part-time employee to fill part of your current responsibilities. This allows a prospective buyer to have a clearer expectation of the role they need to fill in your absence. They will also not be intimidated by a situation they feel may create little time for them to learn and grow your business.

If you plan on selling your business sometime in the next 5 years, then you need to get started on a plan immediately. Reach out to your trusted VR Business Broker today!



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