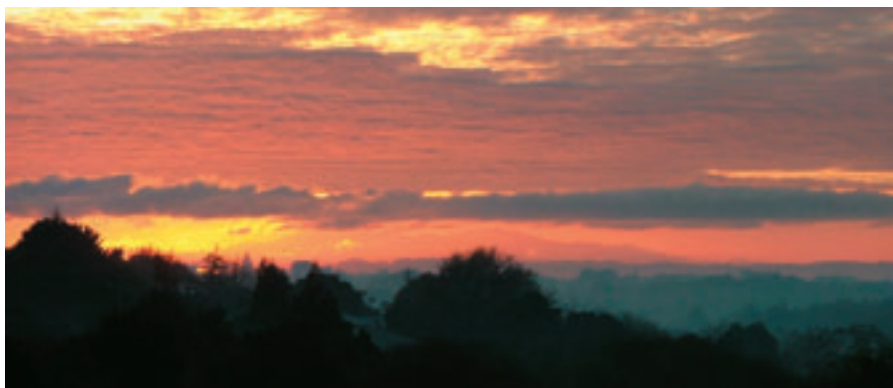




Ride off into the sunset



Have a strategy; exit your business in style, advises Ray Schofield.

Many of New Zealand's 'baby boomer' entrepreneurs are approaching retirement. According to business brokerage Tabak 40 percent of business owners aged 50 to 60, owning around 300,000 businesses, will be looking to sell within the next five to ten years. Amazingly, very few of these individuals have any formal plans to get out of their business.

Most business owners have a vague idea of how they would like the relationship with their business to end. Many dream of heading up the company until retirement age before riding off into the sunset to enjoy the fruits of their labour. However, the prospect of other more complex and unexpected situations has to be taken into consideration. Ill health, divorce or the death or departure of a business partner may all necessitate the sale of a business. Whatever the reason for selling, it is vital that business owners have a solid exit or succession plan in place well before the prospect of a sale is anywhere near the table.

"Business owners should be planning an exit strategy as soon as they have set up their business. It should be a part of the initial business plan," says Bruce Taylor, a director

at Advantage Business, an Auckland based business advisory group.

"Unfortunately, not many New Zealand business owners actually do this."

According to Taylor, planning an exit strategy in advance means that business owners can be prepared for any eventuality. They can be flexible and take advantage of any golden purchase opportunities that may arise.

"You need to give yourself enough time to groom the business to the point where options are available. If you just go along with the flow you may only be left with one or very few options."

Taylor also revealed that there are a lot more choices for business owners than may be apparent initially. For instance, it may not even be necessary for a retiring business owner to give up their company entirely.

"Most business owners assume that they will have to sell the company. Once they have gone through the options with a business consultant they realise that there are many different possibilities and avenues to go down. "These options might include: hiring a manager and staying on at a director level, bringing in an active investor partner, selling parts of the business to key staff or getting family members involved."

If you do decide that selling is the only option there are a number of things that you can do to make sure that you get the best price for your company.

"Preparation is the key to getting the best price for your business," advises Taylor.

"Prepare your business very carefully. Make sure that all the requirements are in place and that you have access to all the information that a buyer might need. Amongst other things, you will need a business overview, information on the market place and market potential, your advertising and marketing plan, any legal information, your financial history and insurance information. All of these details should be presented in a tidy and easily accessible format."

If this information is not available it makes potential buyers suspicious, warns Taylor.

"They will assume that you are hiding something. You should be as open and transparent as possible as this makes it much easier for a buyer to make a decision." Unsurprisingly, preparing a business for sale involves a huge amount of hard work and Taylor recommends bringing somebody in to help you work through the process. "Bear in mind that you will have to continue running your business while you are preparing it for sale."

The key to devising an effective exit strategy is a great deal of planning and an awareness of all possible scenarios. If you are thinking of selling your business in the next few years make sure that you are organised and prepared for any eventuality. Regularly monitor the market and the health of your business to ensure that you are in the best position possible should you decide to sell. If you follow this advice then you will be able to ride off into the sunset content in the knowledge that you made the right choices and achieved the best possible end result for both you and your business.

For more information on selling your business visit: www.advantagebusiness.co or contact an advisor at 09 414 1115. Ray Schofield is CEO of Business Mentors New Zealand. Visit: www.businessmentor.org.nz or phone 0800 103 400.