



EVERGREEN® EXITS

A DIVISION OF EVERGREEN WEALTH SOLUTIONS

CREATING A TRANSFERABLE BUSINESS™ OVERVIEW OF THE FIVE (5) STEP PROCESS



Running a privately held business is a very large challenge. On a daily basis, owners are confronted with a countless series of interdependent issues that require their decision-making abilities. One of these issues is the future ownership of the business by someone else. More succinctly stated, the issue is whether or not, you the owner of the business, are taking actions today with the decisions that are being made in the business that will increase or decrease the



likelihood of having success in finding someone else who will be able to run your business in the future.

Owners who are thinking about the future and are asking the question “who will own my business next?” need to consider two (2) very important questions in preparation for a future transition. The first question is “Is My Company Transferable? The next question is “how do I go about Creating A Transferable Business™?” This newsletter provides five (5) steps that owners can take in Creating a Transferable Business™. It is written with the intention of having



you think through the transferability of your business and what decisions you can make today that will make your business easier to transition to a new owner in the future.

The Five (5) Steps in Creating a Transferable Business™

The following five (5) steps can assist you in Creating a Transferable Business™. They are:

- 1 Adopt an Exit Planning Process and Mindset**
- 2 Measure and Manage your Company's Owner Dependence**
- 3 Assess Your Current Management and Support Team**

4 Understand and Evaluate Your Industry Transfer Statistics

5 Review and Act Upon Your Company's Relative Performance

This newsletter will introduce these five (5) steps so that you, the owner of your business, can, today, begin to take action in the specific direction of Creating a Transferable Business™.

Recent Studies Show that 80% of Owners are 'Stay and Grow'

The reason that we are focused on the steps involved in Creating a Transferable Business™ is because in a recent, national, survey conducted by The International Exit Planning Association, approximately 80% of business owner respondents indicated that they are not ready to leave / exit their businesses.

In short, business owners across America are mostly categorized as 'Stay and Grow' owners - which means



that they want to stay with the business (i.e. not exit) and they are pre-disposed to towards learning about the process of Creating a Transferable Business™ in lieu of simply exiting the business today. As such, we present the process for Creating a Transferable Business™ for your review consideration for your own business.

1 Adopt an Exit Planning Process and Mindset

The first key to Creating a Transferable Business™ is to adopt an exit planning process and a mindset towards taking action in this direction. An exit planning process is one that helps owners understand their goals, measure their readiness

to meet their goals, and then discover the exit option and the relative valuation that will produce the overall best result for each individual owner. Every owner and every company are different in their goals. The most important part of an exit planning process is that a business owner gains clarity around what they want to achieve and begin to think through the manner in which they are going to achieve that goal.

When you commit to an exit planning process, you should begin to develop an exit mindset. This simply means that the exit planning process is an educational process that assists each owner in considering not only what is going to happen in the future, but also what each owner can do today to begin to make that vision a reality.

2 Measure and Manage your Company's Owner Dependence

The next step in Creating a Transferable Business™ is to measure and manage the amount of dependence that your company has on you. A transferable business is one that can be owned and run by

someone other than you (and/or your partners) today. Many privately-held business owners do not have transferable businesses because they are indispensable to the successful running of the company. So the first key to Creating a Transferable Business™ is measuring and managing your level of involvement in the running of your business.

Issues to consider include:

- Who makes major decisions?
- Are excess personal expenses paid by the business?
- Are systems established so that the business runs independent of your individual efforts?
- Is there a reliable and empowered management and support team in place?

The answers to these questions will begin to help you see the amount of dependence that your business has on your personal involvement. And, if that dependence is high, then, all things begin equal, your company may not be transferable to someone else.

3 Assess Your Current Management and Support Team

The third step in Creating a Transferable Business™ is the evaluation of your current management team. The quality and depth of your management team goes hand-in-glove with your owner dependence ranking.

Are you an owner who has hired and empowered managers with key roles in your company? Or are you an owner who sees the hiring of managers as an expensive exercise that has failed in the past and you've concluded that it is easier, cheaper and more personally profitable for you to do the heavy lifting yourself?

A transferable business is one that has the right people in the right places, along with incentive plans to keep them focused on achieving successful results for the company.

4 Adopt an Exit Planning Process and Mindset

The fourth step in Creating a Transferable Business™ is gaining an understanding of how businesses typically transfer ownership in your industry. You see, you can develop an exit mindset, reduce your company dependency on you and hire great managers but this does not necessarily mean that your company is transferable. Until someone is identified as having the financial and business acumen to run your company, it may not be transferable. And, if you are in an outdated industry, you may have a tough time finding investors (or, at some level individuals) who are interested in entering your space.

Knowing how companies in your industry transfer will not only answer the question of whether or not there is demand for your business, it will also point you in the direction of understanding the value that you may receive for your business.

This leads us to the fifth and final step in Creating a Transferable Business™ which is to review and act upon your company's relative performance.

5 Measure and Manage your Company's Owner Dependence

Do you understand the profitability of your company relative to others that are in the same business as you? After all, it is profitability that drives value in a business transfer. The key is knowing whether or not your profit margins and overall company performance is above or below market expectations.

A company that has profit margins below others in your industry may be difficult to transfer because owners should assume that when it comes time to transition ownership of the company, other, like-kind businesses will be available for purchase. If an investor or a future owner sizes up your company versus another and your profit margins are lower than the others, then that buyer is likely to purchase your competitor's business instead of yours. Of course the opposite is true of companies that have superior profits.

Concluding Thoughts

Creating a Transferable Business™ is a topic that many business owners have a natural interest in learning more about. We hope that this newsletter helps to provide a roadmap for understanding the core components of having a transferable business and gets you thinking about analyzing your company to understand whether or not your business is actually transferable to someone else and which areas you need to improve to have a higher total 'transferability score'.

[Are you ready for next steps?](#)

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