

## **A GROWTH PLAN CAN HELP YOU WITH YOUR EXIT PLAN**

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This newsletter is written for business owners who are considering and / or executing upon a plan to exit their privately-held business. As you decide upon the optimal exit option to meet your personal and business goals, as well as the path that works best for you and all involved, we want to highlight the importance of developing a growth plan as you prepare for your exit. The reason why a growth plan is needed for a

successful exit is because the exit plan that you have is the start of a growth plan for the next owner.

### **What are you Selling with Your Exit?**

It is helpful to ask the question – what am I selling with my business? In some respects, you are selling your past performance along with the notion that some part of it will continue into the future. When your next owner takes over your business, it will be the future that is their primary focus, not the past. Therefore, it can accurately be said that your exit is someone else's beginning of running and growing your business. And, the more you can align your thinking with that future owner's thinking, the higher your chances of success.

Wise owners realize that buyers follow the WIIFM policy – What’s In It For Me? If you help your next owner answer their WIIMF, then you get to support the idea that you understand that you, as the exiting owner, are not going to get the very last dollar in this deal, leaving behind a business stripped of all opportunity. Rather, you have the opportunity to speak to the buyer in terms that they understand, and on issues that are critically important to their decision to come into ownership of your business.

### **The ‘Courtesy’ of Preparing the Company for its Next Owner**

If we compare preparing a business for sale with comparing a home to sell, we see some interesting parallels. If you do not fix up your house for your next owner, it will likely sell for less than you desire, or worse yet, it

may not sell at all. You want to create curb appeal. Typical advice from real estate brokers is that bathrooms and kitchens provide a return on investment to a home seller – but installing a pool likely does not. If you think about your next owner and their needs, then the market will typically reward you for that alignment of thinking. The same is true for a growth plan before as a part of your exit plan.

### **Who Is Responsible for Defining the Next Level of Growth for Your Business? You or Your Next Owner?**

If you are thinking that your exit does not include any kind of growth planning, then you likely believe that the future owner of your business will bring all of the ‘fixes’ to your business and that you do not need to prepare your company for sale because it is the buyer’s responsibility to repair the business. This way of thinking is no different than believing that the buyer of your home can

simply replace the kitchens and bathrooms after they buy the home from you. Well, unless an exception applies, that home buyer will simply reduce the price they will pay for your home to account for those post-acquisition expenses. The same is very true for business exits – but it is even more pronounced when you consider that a bathroom or kitchen is a definable task to fix, but a neglected business may be a lot harder to fix for a new owner.

No future owner wants to begin their new journey with a business badly in need of repair (at least not the type of future owner that you want to attract, i.e. one who pays a fair price for the business). Help your future owner begin their stewardship of your business by preparing the company to be owned by someone else – in other words, develop the growth plan that the new owner can use as a blueprint for increased business.

**Your Exit Plan ends Where Your Next Owner's Growth Plan Begins**

The person coming into your business will be thinking about growth – that is likely the reason that they are taking over your company. Few business buyers pursue a company acquisition with a plan for growth. And, because your next owner will now know your business as well as you, it is in your best interest to develop the growth plan that the buyer can embrace and understand.

Think of a growth plan as the blueprint, or architecture, for the expansion of your home. If you could hand a home buyer a solid house and also an architectural blueprint for what the house could be in the future, then you are helping that buyer to see what is possible for your asset once a commitment is made to take it to the next level.

A Growth Plan is an architectural design for the next level that the

business can reach. And, the more you can let your next owner see that your planning ends where theirs' is able to begin, then the more likely you are to experience success with your exit plans.

### **What is Included in a Growth Plan?**

In preparing a growth plan, an exiting owner wants to outline the opportunities that lie ahead for the business, focusing on the areas where the business can expand in the future. The growth plan not only paints a picture of a rosy future for the business but also designs a blueprint for the build out to that next level. The Growth Plan highlights areas that the next owner can improve upon as well as opportunities that are not being pursued by you, the current owner, today. The Growth Plan is a comprehensive document that touches on all areas of the business so that

the next owner's concerns are addressed and where they see opportunity can be reinforced.

### **Concluding Thoughts**

Whether you are looking to grow your company to the next level before your exit, or you are ready to exit today, a Growth Plan can assist you with realizing success. The reason is that a Growth Plan can be the catalyst to a successful exit plan, either today or sometime in the future.

*The growth and exit planning process are both complex. We are here to assist you in deciding upon which plan should come first and in helping navigate the complexity of both processes.*





A DIVISION OF EVERGREEN WEALTH SOLUTIONS

[www.egexits.com](http://www.egexits.com) [Ed@EGWealth.com](mailto:Ed@EGWealth.com)

1000 Commerce Park Drive, Suite 416

Williamsport, PA 17701

Phone: 570.601.6960 | Fax: 570.651.9032