

Will Your Future Look Like Today?

An economic downturn can force many owners to postpone their plans to exit their companies. We look at the several actions owners could take to respond to that delay:

- Ride out the storm doing one's best to protect value.
- Use the time to build business value.
- Avoid the delay altogether by selling as soon as possible for whatever one could get.

If you are one of those owners who face staying in your company longer than you planned, there is both good news and bad news. The good news is that you are not alone: According to a 2005 PricewaterhouseCoopers' survey of 364 CEOs of privately held, fast-growing companies, "nearly two-thirds ... plan to move on within a decade or less: 42 percent within five years, and 23 percent in five to ten years." ("Wide Majority of Fast-Growth CEOs Likely to Move On Within Ten Years, PwC Finds." January 31, 2005.)

The bad news is that you are far from alone. On that golden day when the economy shows signs of recovery, all those Boomers (who were planning to leave in the next few years anyway) *and* all those owners whose exits were preempted by the recession will be clamoring for the exits. Selling a company in a buyer's market is about as desirable as selling your company during a recession.

Today's reality is that many owners find staying in their companies to be more palatable than attempting to sell for today's prices. If those owners, however, do nothing to prepare for the day they'll be able to sell, they will find themselves (three to five years from now) in a worse position than they are today: trying to sell a not-quite-ready-for-primetime company in a market flooded with other (aging) sellers. That's really unpalatable.

So, what can you do today?

Begin with the end in mind. Create written goals and a timeline to accomplish those goals. For example, do you know how much cash you will need from the sale or transfer of your company to support a



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comfortable life after the sale? Most owners think they know the number, but haven't carefully examined the assumptions supporting their guesstimate — especially given today's new financial realities.

Create a company that attracts deep-pocketed buyers (third parties or insiders). Today, buyers demand a well-run company with an experienced management team that enjoys a “competitive advantage” when compared to others in the industry.

Time. Use the time afforded you by a flat economy (and by your inability or unwillingness to sell your company for what you want or need today) to develop your management team and create a superior performing company. It simply takes time to implement the changes necessary – within any business – that lead to the creation of more business value. You need time to figure out how to restructure the business to create additional value, time to make mistakes and time to correct and adjust course.

Get help. Use others — ideally advisors trained to help owners plan and implement your Exit Plan. You will need someone who can help chart the path to more value and who will facilitate the full implementation of your plan. Let's be candid, most owners – however aware they are of the need to develop and implement a plan to grow value – *never do so*. When they do exit, they and their businesses are as unprepared as your business is right now.

The final element is not as much a mark of preparation as it is context: the M&A market must be more robust than it is today. Today, only the best of the best companies – and only those that are in niche industries – are selling.

Your goal as an owner who has postponed selling should be to use the time that the recession has given all of us to create a company that is the “best of the best.”

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