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July 2021

Past Issues

How to Exit or Transfer a Business Successfully!

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According to a recent study by BDC, approximately 80% of business owners have not considered an exit strategy. Of those that have prepared a plan, many were developed without the assistance of third-party expertise. Business owners should start planning for their exit 3 to 5 to 7 years in advance. This often requires "critical path" thinking, coupled with a long-term business plan. Looking at the company the way an outsider (i.e. a buyer) would, to ensure that the company is prepared for sale well before the transition occurs.

A Team of Experts is required for "Effective Decision Making"

Business owners should engage a team of "Experienced Advisors" (Personal Advisory Board) with knowledge and experience in your business sector. The advisory board should be comprised of a financial advisor, business attorney, certified public accountant a business person and a professional Intermediary so they can begin working on a consultative basis in preparing your business for that "knock on the door" (is your business for sale?)

It is imperative to have your business "Assessed"

Having a professional valuation (assessment) of your company as part of your planning process is essential to a successful outcome of any transition. The proper assessment will also identify opportunities as well as impediments to the value of the company and provide a guideline to improving value. An annual codicil to that valuation will provide insight as to how the business is improving in terms of growing its value.

There are 14 alternatives to selling a business

These should be reviewed thoroughly, early in your exit plan. This will assist business owners in analyzing exit options, and/or help select and execute whatever option is most applicable. There may be a potential for value enhancements, business opportunities, improved operations and profitability etc., which if implemented, could effectively increase the value of your business. You may find you should restructure to save taxes, eliminate any obstacles or impediments to eliminate any due diligence concerns, which would impede the sale of the business or effectively lower the value you sell for. It's important to make some decisions as to who will purchase your business and how the sale will work (Share versus Asset).

Decide who may purchase your business

If the business is being transitioned to a family member or a key employee, a "TAIS" (The Attentional and Interpersonal Style Inventory) psychological assessment should be conducted to ensure they have the key psychological capabilities required to run the business effectively. With the data provided by the TAIS, the business owner will be in a better position to make the right decision regarding transitioning to the next generation or a key employee.

Company Financials

Excellent record-keeping and an effective internal up to date accounting system are critical. Prospective buyers will utilize due diligence over the financial records to ensure that there are no serious undisclosed issues.

Transferring the "Good Will"

Many small business owners do everything. They are involved in all aspects of the business including internal operations, marketing efforts, online and external sales. As part of the sale or transfer of a business, the owner should expect to stay involved in the business for 6 months to a year as part of the sale. In addition to preparing your company internally, it's also wise to ensure steps are taken so that customer relationships can be transferred to the new owner to ensure revenue platforms stay viable.

The structure of the sale will have an impact on the availability of retirement funds. For example, you might retain ownership of the business's facilities and receive rent from those facilities from the new owner, as they had no interest in purchasing real estate as part of the transaction.

These types of decisions have to be made through discussion with your team of professionals.

Bottom Line

After careful review of the "various alternatives" deemed important to you and your family, your Personal Advisory Board will assist you to make, the right decision, at the right time for the right reasons, utilizing experienced-based knowledge.

About the Author

Donald A Forrest, Vice President Business Development – Robbinex Inc.
Don graduated in 1969 Metallurgical Engineering, worked in research with INCO. He joined Bell Canada in 1971 and was awarded with an early pension in 1997 retiring as an Acting Director of Sales.

Don began work with Robbinex in December 1997, assisting with field sales work, training, conducting Robbinex workshops becoming Vice President, Business Development in 2001, he retired after 20+ years in 2017. In 2020 Don came out of retirement to assist with Robbinex growth and business development.

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The Robbinex Mission

To assist clients who are considering transition to make

…the right decision at
…the right time for
…the right reasons™

by providing experience-based knowledge