

Succession - Exit

Succession is more than selling

Key Points

- Succession planning allows you to be in a position to make an informed choice about your exit and not having that choice imposed on you.
- Choosing the right exit option for your business is a crucial part of the succession planning process.

Useful Websites

www.bstar.com.au

It is critical that business owners have a succession strategy. However, there are a variety of succession strategies available that are not widely considered by business owners. Many people are led to believe that succession means selling. This is not necessarily this case. Market trends show that strategies including business transition and syndication are becoming more popular with Business owners planning for their succession.

Succession planning allows you to be in a position to make an informed choice about your exit and not having that choice imposed on you. Choosing the right exit option for your business is a crucial part of the succession planning process.

When determining your exit strategy it is also important to consider your life balance goals, as your life balance position will influence your choice of exit option. For example, if you are experiencing high business dissatisfaction or stress, selling your business may be the best option and would afford you the opportunity to pursue other interests.

The major issues for business owners considering their exit options are; retention and extraction of capital and to what level they are extracted from the business. By maximising the value of your business, you will be in a far better position to choose among the many different exit options.

The challenge lies in commencing the succession process early and choosing the right exit option to suit your circumstances.

Some of the exit options for you to consider include:

1. Sell the business as a going concern – this is the most common. By selling the business you are able to translate the value of the business into dollars and no longer have to worry about the business. However, there may be an opportunity to stay on in the practice if you wish to do so.
2. Partial sale to a key staff member – this involves a staged exit from the business through a partial sale to an internal successor/s. This option will allow you to realise some value upfront, then over a period of time, enables you to retain control whilst having the time to enjoy other things. This can be a very attractive exit option for principals not yet ready to retire. Current and future owners can work together to increase the value of the business.
3. Merge with a business of similar size – this creates economies of scale. Make sure that the business being merged with is a strong business in its own right and has similar values to your business. Some of the control over your business will be lost.
4. Sell part of your book/client register – you may consider selling off your less profitable clients. This will allow you to spend more time concentrating on your high value clients whilst realising some capital.
5. Sell shares – this is a exit option for Business owners looking to realise some capital upfront and still remain heavily involved in the day to day operations of the firm.
6. Form or join a syndicate – smaller businesses are looking to larger firms to provide them with more services and better service quality. This creates economies of scale and allows you to focus on what you do best.
7. Create strategic alliances to transition your business – new networks and associations can be a valuable source of business growth. Such associations often provide financial services and product capabilities, marketing and other shared functions.
8. Close down the business – Realising the market price for the entire book / client register, providing there is a buyer. This is the option when you don't have a succession plan.

Ensure that you are aware of all alternatives and the benefits available from each alternative, before deciding on your exit strategy. Succession does not just mean selling your business. By assessing all options you will know that the decision you make is the right one for you and your business.

For further information regarding the above topic, please contact Ian Sweet or Duncan Miles on (03) 5221 6399.