



Step 2 – “Begin with the end in mind “

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Steve Coveys' second habit is to “begin with the end in mind” – this is simple but not often followed by business owners who are so entrenched running their business day to day – they don't allocate the time and energy to planning that might see them better focus on habit number 2.

This rule simply means that every decision we make in our business can then be mapped back to our exit plan – why are we building this business in the first place – businesses have two components the owner should be concerned about – income and equity. “The proper man understands equity, the small man profits.” Whilst all businesses and their owners need income / profits the real value – the big money - is in the equity build.

Business owners that are able to focus on building the equity by having an exit strategy mapped out are able to maximise the value of their business and importantly extract that value when they come to exit. In terms of our decision making we can then match every decision we make back to our exit strategy – why is this important – well for example the advice you

would get in relation to how best to structure your business would be completely different if you told me that you wanted to pass your business onto the kids and retire compared to wanting to list your business on the ASX. The structure cannot be the same for both exit options and therefore how can we provide the correct advice if we don't know which exit option we are aiming for?

Business owners who have mapped out their exit plan can then make decisions that will get them closer to that plan. If I am going to list my business it would be great to engage people who have worked for and led successful listed companies – this gives potential investors more comfort and you are therefore more likely to successfully achieve your exit through the listing.

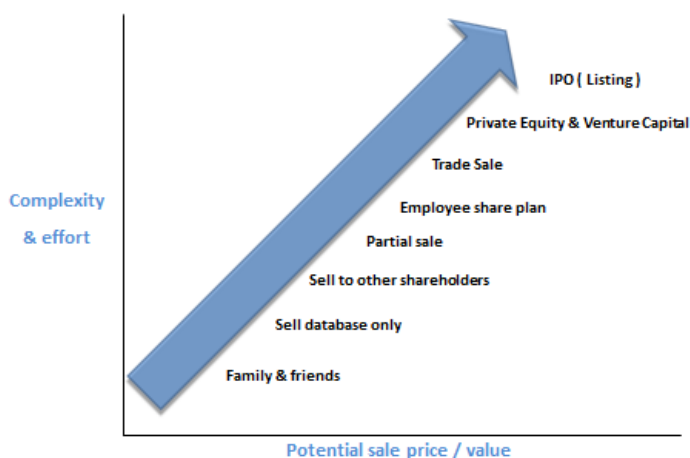
“The proper man understands equity the small man profits.” Confucius

Once we have an exit option we can match every aspect of our business to that exit plan – for example how big does our business need to be to exit successfully – ensuring our business goals match our personal wealth and retirement planning needs. Many businesses grow for growths sake not to deliver a specific target upon exit – I have worked with two clients in the last few

months who have simply outgrown the buyers capability to pay for their business and they therefore have large vendor finance arrangements in place – a risky way to secure your retirement wealth!

Exit options

Beginning with the end in mind means reviewing the various exit options and choosing the most appropriate option for your business:



Importantly not all options are suitable for all businesses – and even more importantly several of these options can be utilised & combined as part of an overall exit strategy – many businesses successfully raise capital to expand or make an acquisition ,then as the next stage they lock key employees in with an employee share plan (both de-risking the business by linking the financial performance to key people engaged within

the business and also unlocking some capital and introducing new equity holders). And finally, the ultimate exit for the founding shareholders might be a strategic sale to a small listed company (much more detail on that particular strategy next month). The key issue is simply to identify what strategy is most suited to your personal financial situation and what strategy suits your business.

No matter what option suits - the key is to “begin with the end in mind” and ensure this strategy is closely matched to every decision you make in the business – constantly ask yourselves is this decisions getting me closer to my exit or not ?

Importantly, an exit strategy needs an action plan – in the words of Napoelon “take time to deliberate ... but when the time for action has arrived, stop thinking and go in “– a detailed implementation plan that ensures each and every step of the exit plan is managed and we are not left high and dry as we turn 65 without anything in place.

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Napoleon**