4 Go-To Moves to Help Start Your Exit Strategy Now

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Scrambling belongs in egg-making. It produces far less appealing results when it comes to selling a business. Sadly, far too many founders find themselves in scramble mode when offloading their business. The reason is simple: They didn't set up an exit strategy early enough.

The lack of a business exit strategy is anything but rare. A study by the Exit Planning Institute notes that about half of business owners have no exit plans. Though it might be tempting to assume that they're all just avoiding the reality of one day leaving, that's not always true. As someone who lives and breathes exit strategies, I've discovered that many founders don't realize the numerous benefits of mapping an exit strategy sooner rather than later.

In fact, 60% of owners believe exit strategies are beneficial for not only the future of the business but for the owner as well, according to the Exit Planning Institute survey. Those benefits include getting the most out of the sale. Consequently, they may wind up accepting a bid that's far lower than the one they might have gotten if they'd done their research years ahead of time.

Another advantage to beginning a business with an expected exit in place is that the exit will likely go more smoothly. After all, the journey's been "in the making" for years. This facilitates a streamlined transition that doesn't leave anyone with a feeling of whiplash.

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It's worth mentioning that having a better understanding of the exit process also avoids frustration related to time frames. It can take years for a business to go through all stages of the mergers and acquisitions process. Plenty of founders are surprised and stressed when they find out that exiting within a year is unlikely. If they'd done their homework sooner, they would have known what to expect.

Don't feel worried if you count yourself among the founders who've focused on pouring your heart into your company, not on developing an exit strategy. There's still time to get yourself and your business on track by implementing a few strategies:

1. Learn the ins and outs of exit strategies

Unless you've undergone an exit strategy process before, spend time getting up to speed on how it works. Read articles on everything from handling partner disputes to determining how often to undergo the valuable process.

The more you learn about exit strategies, the better you'll feel once you launch yours. Ideally, you should have at least a half-decade to go before you plan to step aside, since SVA figures estimate that exits can take five to 10 years. Use this runway time to familiarize yourself and potentially start working with a firm that helps businesses in your industry choose the best business exit strategy options.

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2. Project what future you will be doing in five years

What does the future look like for you when you think about a post-exit world? Jot down your hopes and dreams. Be sure to include your financial objectives, too. Yes, life can change quickly. Nevertheless, having your goals in a readable format can drive your founder's exit strategy toward a satisfying conclusion.

Remember that you don't have to say goodbye to your company just because you are selling it. Many founders' business exit strategies involve them staying on. I work with many owners who settle into roles ranging from consultants to board members. At the same time, other clients want to flex their professional muscles elsewhere and are okay with leaving the brand they've built. Just be certain that you know what you need to be fulfilled.

3. Undergo a business valuation

Maybe you think you won't pull the lever on your business plan exit strategy for years and years. You should still undergo a professional valuation. Here's why: Your current valuation will give you a more realistic understanding of what you would likely get if you sold your company this year. Seeing a number you don't like today is much better, because you have time to improve your valuation.

Many founders have a starry-eyed view of what they assume the market will pay for their business – yet they've never done the legwork to back their assumptions with real data. You may not feel good about what you hear, but it's an opportunity to make changes. Just be sure to consider all variables if you try to gauge your business value solo. Insurance company, The Hartford, recommends that your valuation include more than

financial formulas. For instance, think about the impact of your geographic location.

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4. Treat your exit strategy for the business as a living document

It’s safe to say that lots of businesses’ exit plans had to be revised after the pandemic. Looking at 2020 figures from the U.S. Census Bureau, overall business sales decreased somewhat or significantly during the year. And though no one wants a return to Covid days, anything can happen in a dynamic, global marketplace.

This means you must stay adaptable when writing and executing your exit strategy. It’s better to bend a little than to be so rigid that you end up turning off potential buyers or causing undue tension. Keeping an open mind to all possibilities puts you on a stronger footing and may result in an even better outcome than you initially imagined.

Exit strategy planning deserves to be front-loaded. It’s not a can to be kicked down the road. Instead, it’s a vital part of any business. And it’s a good way to prevent those “egg on your face” moments that all founders want to avoid.

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