How To Create An Exit Strategy For Your Business

Dynasty Business
Consulting

There are many stages to owning a business. The first stage is inspiration and motivation. You have a great idea and you're thinking about doing something with it. Then comes the planning stage.

You begin taking steps to turn your business idea into a reality. You research your competition, learn more about your audience, and start the business plan creation process. Then you open your doors. This is a great time in the life of an entrepreneur. It's incredibly rewarding. It's also a bit stressful but in a good way.

Then you go through the process of building your business, introducing more products or services, and taking strategic steps to grow your business. You can roll along at this stage of business ownership for a few months or for several decades. It all depends on the surprises that life throws at you and your personal priorities and goals.

Eventually, due to a planned life change or an unexpected event, it becomes time for the final phase of entrepreneurship - exiting your business. If you haven't planned for this moment, then it can take you quite by surprise. It's not something you want to be unprepared for.

If you don't have an exit strategy you put yourself at the risk of undervaluing your company, losing control over the exit process or not meeting your personal, financial or business goals.

What Exactly Is An Exit Strategy and Why Should You Have One?

An exit strategy is actually part of your business plan. In the sequence of documents within a business plan, the exit strategy is the last portion of the plan. It outlines how you want to leave or let go of your company.

While it may feel too soon to start planning for the end, planning your exit strategy early on is essential. An exit plan allows you to build a stronger business.

An exit strategy gives you the ability to build your business to achieve your long-term goals. For example, let's say that you decide that your exit will be to sell your business and use the money to start an early retirement.

You can then take measures to focus on growth areas that will provide you with the highest sales price. You can position your business and your systems to be highly competitive and easy to acquire.

An exit strategy also helps you control how and when you exit. Life is full of surprises and events like death, divorce and disability can impact your ability to do business. If you have an exit plan, you don't have to worry about losing control.
There is more than one way to exit your business. Next, let's take a look at your options so you can choose the path that is best for your personal and professional goals.

Three Ways to Exit Your Business

When you start thinking about how you might want to leave your business, a few possibilities may come up. You might think about selling it and making some extra money. You might consider simply closing the doors and liquidating all of your assets.

There's also the possibility that you could leave the business to someone else or merge the business with a new venture.

Another option if you have a partner is to sell your portion of the company to them or to another person. Let's take a closer look at these options.

1. Selling your business

At first, this may sound like the most appealing option. After all, who doesn't want one last influx of cash? However, this exit strategy actually takes quite a lot of work. In addition to positioning your business for a nice sales price, you may also want to make sure you're customers are well taken care of.

This can require a substantial amount of documentation for the new owner along with a transition period where you hand over the business. And it may take longer than you imagine finding a buyer. There are definitely pros and cons to selling your business.

2. Liquidating your business

On the flip side of the coin is the somewhat easier approach of selling off your assets. Before you begin the closing process you can start paying yourself a larger salary and deplete your business savings.

You can sell off your content, your domain, and your other assets. Of course the downside to this is that you may not make as much money as selling your entire business and your customers may be left to fend for themselves.

3. Merging and repurposing your business

If you plan on moving on and starting a different business, there may be a way to merge your existing business into a new one. You may be able to repurpose the content and to use your existing systems and technologies.

For example, if you already have an account with AWeber, you wouldn't need to get a new account and you may be able to transition your old email list to your new business.

This approach takes some careful thought. You want to make sure you're making the most of your assets while keeping your new audience and customers in mind.

No single plan is the best answer for everyone. You'll want to think about what your life might look like after your business and what your goals are for your business. No single plan is a breeze either. They require some strategic planning and action. It’s not uncommon for people to hire a team to help them pull their exit strategy together and to put it into action.

We’ll talk about that concept next. It’s most important when you’re selling your business to someone and want the process to go as smoothly as possible.

Hiring Someone to Implement Your Exit Plan

There are many uses for a virtual assistant. Some assistants are skilled managers. They can take a large project, for example planning and implementing an exit strategy, and manage the process with relative ease.

If you’re considering selling your business to another person or you are going to merge the existing business into a new one, a skilled virtual assistant may be your biggest asset. Let’s take a look at what they can do for you and how to maximize their skills and knowledge.

Step one: Information

The first step is to sit down with your virtual assistant and let them know what your plan is. For example, let’s assume you’re going to sell your business. You’d want the assistant to know everything that there is to know about your business, including your systems and processes. Where are all the documents located for using your autoresponder? What does your sales funnel look like? Where is your content marketing plan?

Step two: Documentation and filling in the gaps

Your virtual assistant should be able to move through all of the processes and determine where documentation is needed, where it should be updated, and where there are any potential gaps. You may need to implement new systems and use updated technologies to make the sale of your business more profitable and to make the transition go more smoothly.

Keep in mind that your assistant should look at the processes from the customers' point of view as well as an administrative and managerial look at the behind-the-scenes systems. If you’re repurposing an old business and merging it with a new one, your virtual assistant can manage the process. They can oversee any content repurposing, technology updates, and other projects to help migrate your old business over.

Step three: An action plan

You, the buyer, and your assistant can come up with an action plan for transitioning the business. You may need to let customers know about the change in ownership which can require a bit of extra customer service work. Your VA can take care of that for you.

Hiring a skilled virtual assistant can take the burden off of selling your business. Often when a business is sold, the original owner stays on for some time to help smooth the transition. You’re there to answer questions from both the new owner and the customers.

With a virtual assistant, you don't need to spend your new-found time holding anyone's hand. Additionally, your buyer may greatly appreciate the third party help as they take over your business. It can be a win-win for everyone.

Because an exit plan can be overwhelming and time consuming, it's important to create a series of logical and organized steps. That way you ensure that no steps are missed and that your goals and objectives are met. Let's take a look at that next; creating your exit plan steps.

Creating Your Exit Plan Step by Step

It may seem simple; however, creating an exit plan can take some time, research, and careful consideration. There's a lot to take care of and it can be overwhelming. A step-by-step plan can help organize the planning process.

Your goals

The first step for your exit plan is to decide what your goals for your business are. These goals may tie directly into your own personal finance goals as well. For example, if you plan to sell your business you may plan to use the income as a way to pay for your child's college or to fund a new business venture.

Decide what you want your exit plan to accomplish first and understand the reasoning behind your goals. Why do you want to sell your business? Why do you want to liquidate your business and close it down?

Your next steps depend largely on what you decide to do. What type of exit plan will help you achieve your goals?

Selling your business

If you decide to sell your business then you'll want to research the sales of similar businesses. What did they sell for? Why did the owner buy them? What changes did they make and why? How are similar businesses valued in the industry? There are websites that serve as business brokers. You may be able to do some research there.

Closing your business down

If this is your decision, you'll want to take a look at how you can profit from your assets. You'll also want to plan the timing of your exit. For example, if you know that you're closing your business in two years, you can increase your salary and stop saving money. You can cut back or eliminate marketing expenses and make other changes that allow you to pull as much cash out of your business as possible.

A checklist of documents

Also consider creating a checklist of documents. For example, you'll need to legally dissolve your company and cancel registrations, permits, licenses, and business names. Make a list of these documents and where they're located so that you, or your virtual assistant, can take the necessary steps. By the way, you'll want to keep all documents related to your business for seven years or longer depending on your region's tax laws. Taxes and debts will also need to be managed.

Checklists are just one tool that can help you plan and implement your exit strategy. Let's take a look at some other tools you can use to make exiting your business easier.

Tools to Create Your Exit Plan

There are a myriad of different tools you can use to plan and implement your business exit strategy. Let's start at the beginning and look at a simple vision board.

Vision board

A vision board is a collection of images that represent an idea that you're considering. For example, if you want to pursue a new career you might create a vision board to help you determine what career is right for you and get clear on why you want to pursue it.

You can use a vision board to get clear on what you want your life to look like after your business and what type of exit strategy might be right for you. Keep in mind that a vision board is a brainstorming tool. It's not an action plan. That's the next step once you've determined what type of exit plan is right for you.

Mind map

A mind map is another tool that creates a visual representation. However, instead of using it to brainstorm an idea, you can use it to brainstorm a process. Mind maps generally have a central theme. From that central theme you create spokes. Each spoke is a different idea or task.

From that new spoke you can create more spokes or thoughts. It helps you brainstorm and remember all of the elements of your business that will need to be addressed in your exit strategy. It also outlines your goals for your exit plan so you can create strategies to achieve success.

Flow chart

Flow charts can be used to document your processes. For example, what happens when someone visits your website? What happens when a customer makes a purchase? You can also document your behind-the-scenes processes. This information will become part of your exit strategy if you sell your business or merge it into another business.

Checklists

Checklists help you make sure that you don't miss a step. You might create a checklist of records and documents that need to be transferred when you sell your business. Another checklist might include the systems and technologies that need to be cancelled when you close your business.

Finally, consider getting some type of document sharing system to store and organize your business documents. When it's time to sell your business, if you chose that exit strategy, you can simply share the relevant documents with the new owner. And it's useful for sharing documents and information with virtual assistants too.

One of the biggest reasons people choose to sell their business, rather than close it down, is that they feel some loyalty to their customers. Next, we'll look at how you can help your customers adjust to a new owner.

How to Help Customers Adjust to New Ownership

Should you choose to sell your business, one of the considerations you'll want to make well in advance of exiting your business is whether you're going to help your customers through the transition.

For some business owners, how their customers respond to the sale isn't a priority. If you're going into a different industry or you're getting out of business altogether and retiring, then your customers may not be a significant concern. That's the new owner's problem.

However, if you've become attached to your customers or if you want to maintain a good reputation in your industry, then what your customers experience may impact you. Assuming you want to take care of your customers through the transfer of ownership, there are a few things you can do.

1. Introduce the potential new owner

If you know the prospective owner, you might ask them to get involved in the business before the final sale. Introduce them on your social media pages. Partner with them to create an information product that you give away for free. Invite them to become a guest bigger on your site. In short, allow your customers to get to know their new owner before the announcement.

2. Send a personal message

Another step you can take is to draft a personal email or two, announcing your sale of the company. You can use the time to thank your customers for their contributions and to introduce the new owner in a positive and productive way. It might also be a great time to introduce a special promotional offer or giveaway. This helps customers feel positive about the pending changes.

3. Stick around

If your new owner is amenable to it, you might slowly wean yourself from the business and the customer interactions. Let customers know that you'll be around for a few months and gradually reduce your workload. Let the new owner take over and be there to answer any questions that they have.

Remember that you don't have to take these extra steps when you sell your business. However, it's a nice way to help the new owner transition successfully and to make sure your customers are well taken care of.

But what if you want to close your business? How do you bow out gracefully?

How to End Your Business and Gracefully Walk Away

Walking away from your business is often the choice of someone who is either moving into an entirely new field or someone who is just done with the business. Maybe it's not doing as well as you'd hoped or perhaps you've lost your passion for it.

Regardless, you know it's time to walk away. So how do you manage the process without stepping on anyone's toes? How do you walk away knowing you've done your best?

Think about your customers

The first step to walking away from your business gracefully is to put your customers first. What do they want and need? How can they benefit from you closing your business?

For instance, can you sell off your inventory at a reduced price? Can you create packages that offer tremendous value? If you're a service provider, can you partner with someone who may eventually take over some of your clients?

For example, if you're a coach and you're closing your doors, you might partner with another coach for a year or so and then slowly transition away from the business, letting the partner take the clients. Your clients win and you get to walk away.

If you sell digital products, you might consider lowering the price or changing the way you sell them. For example, you might make them available as private label rights material and allow people to buy and republish them.

You can also begin referring people to your competition. Of course, make sure you've established a relationship with your competition and are sure you're sending your customers to a quality provider.

Think about your finances

Stop spending money on things that don't matter. Once you've decided when you're going to walk away, stop paying for marketing, advertising, and referrals. Cease your affiliate marketing program if you have one and stop paying money for clicks. You're closing your business; the last thing you want to do is spend money to attract new customers.

Pay off your debts. Slash your budget so that you can pay off all of your debts and walk away with as much cash as possible. Many people start paying themselves a higher salary during the last year or two of their business.

Finally, give a heads up. Let people know what's going on. You don't have to send them ten different emails announcing the closing of your business. You can but you don't have to. Simply give your customers enough fair warning that they aren't surprised to learn that you're gone. Consider also leaving your website up for a few months with a notice that you've closed. You might even offer recommendations for other providers.

Closing the doors on your business is a way to let go of the past and move toward the future. Once you've exited your business, it's over. However, it can be important to leave your business gracefully and with your head held high.

One asset that many business owners don't know what to do with is the content they've created and published. We're talking about blog posts, social media posts, emails, reports, eBooks and more. The list can be quite extensive. What do you do with all that content?

Closing Your Business? What Do You Do with All That Content?

When you decide to close your business rather than sell it or merge it with another business, you're left with a content trail that may be several decades long. Everything you've published and created is still online. It's still driving traffic to an empty website. What do you do with that content?

Blog posts, social media posts, and digital content you've created all present a potential opportunity. Let's take a look at a few of the options.

Information product

One potential option is to gather relevant blog posts, reports, and documents and to pull them together to create an information product. You can do this before your doors close to help make some additional money.

You can also do this after you've shut down your business and the content is no longer available to your audience. If you still have your email list active, you can promote the information products via email and sell them on Amazon, Barnes & Noble, Smashwords and other online digital distributors.

With years of content you may have several potential information products' worth of material. You can use a ghostwriter or a virtual assistant to pull everything together into a cohesive and professional-looking product.

Sell it as PLR, Private Label Rights

Another option is to create PLR from all of your content. Once you've shut down your website you can remove the content and repurpose it, make it original. You can then sell it as PLR.

Another option is to reach out to a PLR distributor and forge a partnership. They can pay you for the content. That way you don't have to deal with sales and marketing if you're not interested in that. They can pay you a flat fee or they can pay you for each sale of your PLR.

If you're not inclined to repurpose all of your old content, you can hire a virtual assistant or a ghostwriter to manage the process.

Give it away to another business owner

If you have a friend or associate in your industry, you might consider giving them the content to use for their website. You could also sell it to them. If you want to continue making money from the content, you could add affiliate links to it and then earn commissions on any purchases your links generate.

Affiliate links

You can leave your website up and add affiliate links to the content. Your website will continue to get traffic and visitors. By adding affiliate links to your site you can continue to earn money even when the business has been shut down.

Repurpose it and merge it with your new business

If you're starting a new business and it makes sense, you can repurpose the content to be relevant for your new business. You'll want to take great care to make sure that the content is timely, relevant, and original.

Finally, you can do nothing with your old content. It's perfectly okay to shut down your website and let go of your old content. It has served its purpose. Keep in mind that what you do with your content and your business can impact your reputation. If you're moving onto a new business endeavor, it is something to consider.

How Your Exit Strategy Impacts Your Online Reputation

When you leave your business for retirement, you may not have much to worry about. Your online reputation doesn't matter because you're not depending on it for income. However, if you are exiting your business to move onto a new venture or opportunity, it can be important to make sure your online reputation is protected.

1. Selling your business

If you're selling your business, take the time to make both the customers and the new owner feel safe and secure with the change. Take an active role in the transition. It's also important to make sure that you're selling the business to someone who will continue to put the customers first and grow the business in a positive way. Like it or not, your reputation may be attached to the new owner for a little while.

2. Merging the business

If you decide to merge the business with a new venture, it's important to make sure you're honoring your agreements. For example, if you have a partner you'll want to make sure they're compensated for their portion of the business. If you have affiliates, you'll want to give them the opportunity to move with you to the new business and still pay commissions on sales from the old business.

3. Customers matter

Whether you close the business outright or sell it, put the customer first. During this time customer service is critically important. Unhappy customers can take to social media and destroy your reputation. This makes it incredibly difficult to start anything new.

Finally, a word on content. Make sure that any content you repurpose or sell retains a high level of integrity and quality. Your name is still attached to the content and inaccuracies or infringements can negatively impact your reputation.

Last but certainly not least, let's take a look at the legal and tax considerations of closing a business. There are some required steps to closing or selling a business and they should be part of your exit strategy.

Legal and Tax Considerations of Exiting a Business

Regardless of your chosen exit strategy, there will be some legal and financial hoops to jump through. Let's take a quick look at some of the steps you may need to take.

1. Financial considerations

* Capital gains tax if you sell your business
* Close bank accounts
* Pay all business debts including investors and secured debt
* Pay all contractors and employees
* Income reporting to IRS

2. Legal considerations

* Create a buy/sell agreement if selling your business
* Cancel all permits, licenses, and registrations
* Dissolve your business with state agencies

When closing or selling a business the IRS actually has a forms checklist. It's a handy resource that provides much of the information you'll need to exit your business completely and correctly. http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Closing-a-Business-Checklist

Exiting your business isn't easy. It can be a lengthy process. This is why it's critical to have a plan in place well before you need to. Make your exit strategy part of your business plan. You'll be prepared for any potential changes in your life and you'll be in a better position to build a business that meets your personal and professional goals.