

1.3 Steps for Succession Success

Step 1 – Start planning your exit strategy

Considering how long you want to remain in your business will give you a good idea of the time available to create and implement a succession plan. Starting to plan is a simple step, but sometimes the hardest. In a spare twenty minutes, piece of paper and pen in hand, think about how long you expect to own your business.

Think about how you want to exit the business, for example

- Pass the business to children
- Sell the business or
- Liquidate the business

Now think about how much money you have put into the business, how much work you have dedicated to the business since you have owned it, and based on these two criteria, how much you want to get back from the business.

If you can write an answer to these questions, you are a long way to starting a business succession plan.

Step 2 – Consider a Plan A and a Plan B

Once you have thought about how you want to exit your business, you should consider a Plan A, your first choice whether that is to pass the business to children or selling the business. As a business owner, you know things don't always go as planned, and so you should also have a Plan B in the back of your mind just in case your first plan goes pear shaped.

Step 3 – Look at your business like a buyer

You may have an emotional attachment to your business, but the buyer doesn't, so your business has to sell itself. Planning to sell the business starts long before the actual decision to sell, sometimes years before. A person looking to buy your business will judge the value of the business, and so the price they are willing to pay is based on your books. This is particularly important for those businesses that may be doing 'jobs for cash'.

Remember you only pay tax on profits, and a good accountant may be able to reduce your profits legitimately, while the income going through your books makes the sale price significantly more. It is definitely worth thinking about. Other than financials, if you consider whether your processes are documented, customer relationships are in place, and supplying relationships organised, you have already contributed to the selling price of your business. If you haven't, these are easy things you can do.

The most important thing to consider is what your business looks like to somebody considering buying it. Better still, why not get a business valuer to tell you what your business is worth, and perhaps some advice on how to improve the value of your business.

Step 4 – Talk to professionals

The thought of paying money to an accountant, business valuer, solicitor etc, may make many business owners balk, but think of it as an investment that could either save you, or make you many thousands of dollars you may not otherwise have had.

An accountant can suggest way to minimise tax and effectively set up the sale of your business. A business valuer can give you a realistic price for your business, saving you from spending advertising and other selling expenses without any chance of selling the business. In other words this gives you a realistic starting point for planning your business exit. You could even speak to a business coach who could guide you through the processes required to add value to your business.

Step 5 – Don't procrastinate

You've done the hard work, you've got a plan. All you have to do is follow it. Don't think of succession planning as something you do outside your business, it is as much a part of the business as selling something, providing a service or manufacturing your product. It is possibly more profitable as well.

For more information:

How are you placed for business succession? This link takes you to an [Assessment Tool](#) developed by Ernst and Young and funding by the Australian Government's Building Entrepreneurship in Small Business program.

The Queensland Government also offer a very good [Business Succession quiz](#) which they state will take about 10 minutes to complete. The wizard then gives you feedback on you Business Succession position.

Related Links:

Fact Sheet – Business Succession Planning

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