

Poised *for* **EXIT**

A Woman Entrepreneur's
Guide to Business Transition



Julie Keyes

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Chapter 1

How Many Chances Do You Have?

What is it about the prospect of being an entrepreneur that wired you to take more risk than a normal person? Where did that fire within come from to start and run your own business? Do you remember how you felt in those early days? Is it different from the way you feel now about your business? Let's explore these questions as we start to unwrap the process of transition planning. It's important to look back on where you've been before you choose your transition path for the future, if for no other reason than to pat yourself on the back for staying with the struggle!

When Deb bought her business from the founder in 1998, she was ecstatic about becoming a business owner. After the closing, she started finding issue after issue with the business and the honeymoon ended. From learning of antiquated software systems that didn't interface, to an inaccurate inventory report,

to the sudden termination of a key person, she had her hands full right out of the gate. The former owner was long gone, and she was left to clean up a mess. Unfortunately, none of these matters came up in due diligence, or she could have had help finding a remedy before signing on the dotted line.

Over a period of ten years, Deb did the best she could on her own to improve operations and profitability but being, as the saying goes, the chief cook and bottle washer, made it tough for her to wear all the hats well. When we met, sales were flat, and she was quickly losing the desire for growing her empire. We put a growth and improvement plan together and after a couple of years, operations and profits were humming along better than ever. Sales were up due to a rock star-like new hire and Deb had more time to think and plan. That's when we started talking about a timeline for exit. It took us three years, but we grew her lifestyle business into an asset she could sell and sell she did. She now lives near the sunny beaches of the Gulf Coast and is living a life she only dreamed could come true.

Here's a story that didn't end as well and illustrates how a company's demise can be tied back to something as simple and preventable as the owner's personal stubbornness. Lois founded and operated a small business for over twenty years before we met. Her business never grew because she had a hard time

giving up control of every detail. Her philosophy: delegation was for people who had a team they could trust, yet she lacked what it took to revive or replace the underperforming team members she'd hired and for whatever reason chose to retain. She knew she needed outside help to find the right people, but was afraid to make the investment, so she attempted to grow and manage her business without competent help. Her inability to delegate finds her in basically the same spot after twenty-seven years: still trying to do it all herself and still can't turn a decent profit and all the while trying to save her team from their habitual underperformance. Her business is so dependent upon her, that if she left for more than two weeks, it would suffer severely. If she were absent for more than a month, she'd be looking at a fire sale. All those years of decisions made without the help of competent advisers resulted in Lois owning a job rather than an asset. At sixty-six, she's stuck and must keep working to support her lifestyle. A sad story, yet it was preventable.

You may be one of the many woman business owners who fears the inevitable, bittersweet day that you will have to exit from your business. You may be asking yourself, "Who am I without my business?" or "What will become of my employees?" or "Who could run this business better than I can?" If any of those questions resonate with you, you're not alone. On the flip side, you may also be wondering how the process

of exit planning works. Who's involved and when should you start planning and implementing your own exit strategy? You may even be asking yourself what life after business will be like, or *is there life after business?*

This book is intended to raise the consciousness of women who own and run their own companies but are unclear what a successful exit entails, who's involved, and what exit options might be available to them.

Let's face it: the likelihood of you finding a buyer or successor who would or could run the company just as you have is impossible. Why? Because we're all different. That doesn't mean that the company culture, brand, and market focus would necessarily change; but the way any person leads and grows a business and manages its employees varies. That realization can be tough to wrap your arms around. (You may even be afraid of being bested; if you are, you're not alone.)

If I know you as well as I know other female entrepreneurs (myself included), you do it all, and most often at a dead-run: you run a successful company, you run the kids, run the household, run to Target, run to the gym or the salon; but one thing you may not be good at is stillness. How could you be when you're always on task? Becoming a human being, as opposed to a human doing, will be an

adjustment. Some of you are still raising kids, trying to build a marriage, and volunteering to boot. As born leaders both on and off the field, leading is something you naturally do; but leadership can be exhausting, especially if you have a hard time saying “no.” This book is meant to help you stop the madness and breathe, and to take the time you need to think through the process of exit planning. In order to reach the light at the end of the tunnel, you need a guide. Someone who can walk the journey with you that is typically longer and more complicated than you think; you don’t want to go it alone.

Jen owned a reputable commercial construction company—not an industry where you find many women. She learned most of what she knew about her industry and running a business the hard way, so she learned to make changes with great caution. Her employees were some of the most loyal I’d ever met, and she returned their loyalty with the same amount or even more. She worked long hours for many years because delegation did not come easy to her. When I became her adviser, one of my earliest recommendations was to replace two of her four department managers, because after working with them myself to try and redeem their performance, I determined they weren’t a strong fit and did not align with the company values. It was doing neither they nor the company’s core values any good to retain them and Jen knew she needed to find replacements,

but terminations came hard for her. She had become like an office mother to many of her staff and they treated her as such. She was more of a confidante than a boss in some ways. Unfortunately, she had to learn the downside to playing a maternal role in her own company the hard way several times over before she finally stopped giving so many second chances. Yet, aside from all this confusion about her roles, her hard work and reputation within the industry truly preceded her, and she was still the owner of a successful, woman-owned construction company. Over the years, she and her company won many awards for industry leadership and innovation and gained a strong reputation as a great company to work for.

As we worked together, Jen allowed me to introduce other advisers who helped her plan a future transition from the business. The first was a financial adviser. Jen and her husband, who also owned a business, had holdings and investments in several places, so they needed an advisory firm who could help them organize their financial house as well as help them plan for their future. Andy, the financial adviser, did a great job of explaining things so the average person could understand their options. He also helped Jen get her corporate assets organized and created a corporate investment account as a method for key employee retention. In addition, he worked on a long-term plan with future income projections, so she and

her husband would know how and whether they could maintain their current lifestyle after they exited their companies. Once her finances were organized with plans in place for her business and her personal life, Jen said she felt a great burden lifted as her fear of financial unknowns went away.

Jen and I then met with a couple of attorneys: one to help draft employee retention agreements and to update the company's maintenance contracts with key customers and another to update her family estate plan. With her legal and financial houses in order, we moved on to obtain a baseline valuation of the business from her accounting firm. In order for her financial house to be in complete order, she needed to know the value of her company, so as to determine whether a gap existed between the company's worth and what her financial adviser deemed she and her husband needed to maintain their current lifestyle.

Jen now feels like she's got more control over her own destiny and that feeling of security helps her sleep at night. Her company is running well, integrated systems are in place, and she has the right people in the right leadership seats. With her personal financial plan dialed in, she's ready for an exit whenever the time is right. She currently has a few options for this and is determining if she wants to pursue an internal sale like a management buyout with some key people who have expressed a strong interest or to entertain

offers from the external solicitors who keep calling to see if she's ready to sell. She's still got a few years left at the helm, but the best part is that she's got options she didn't have before and she understands them. When she's ready to take her shot at exit, she'll likely hit a bullseye, because both she and her business are prepared. Jen's decided that once she retires she's going to freelance as a volunteer adviser for her industry, sit on a few Boards, and spend a lot more time at the family lake house with her grandkids.

CHAPTER 1 CHECKLIST

- Make a list of all the things you'd love to do but don't have the time.
- Prioritize the above.
- Begin looking at your company as if you were the buyer; would you buy it? If not, why not?
- Engage in, plan, and implement one of the items you listed in #2 and #3.
- Check out the Lincoln Financial Group Tool in the Appendix that refers to personal financial preparedness.
- Do some journaling: Identify and write about the differences in how you feel about your business right now versus how you felt when you first launched.

CHAPTER 1
QUOTES BY FAMOUS WOMEN

*"I never dreamed about success,
I worked for it."*

—ESTÉE LAUDER



*"We need to accept that
we won't always make the
right decisions, that we'll
screw up royally sometimes—
understanding that failure is not
the opposite of success, it's part
of success."*

—ARIANNA HUFFINGTON



*"I have learned over the years
that when one's mind is made up,
this diminishes fear; knowing
what must be done does away
with fear."*

—ROSA PARKS

STATISTIC

"As of 2017, more than 11.6 million firms are owned by women in the United States, which generate over \$1.7 trillion in annual sales." *The 2017 State of Women-Owned Businesses Report*

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"There will be six designated yawning breaks during your presentation. Please pace your boredom accordingly."