

Smart Ideas from Baltimore's Brightest Minds

BIG IDEA BOOK

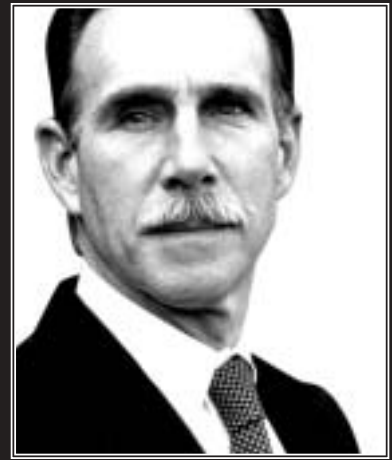
Baltimore
smart CEO
Required Reading for Growing Companies



FORECAST STRATEGIC ADVISORS

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THE ULTIMATE BUSINESS OWNER EVENT

Every owner will exit his or her business some day. It represents the crowning moment in the business owner's life. Yet for a lifetime's worth of work, the financial event accompanying the exit is usually not what the owner expected. There are many reasons for this, but the primary underlying cause is the lack of a well-executed strategy in the form of a written roadmap prepared many years in advance.

Look back to when you were first starting in business. It required a significant amount of planning. Even the bank, investors or both made certain that you presented a well-written plan that had the strategies for making the business successful. The fact is that no one started out in business without a "written" plan to follow and execute. Getting into the business required vision, money, talent and a plan for execution. This made perfect sense: it was a roadmap to success.

For some mystifying reason, exiting from the business never gets the treatment that starting the business did. Yet leaving the business represents the most significant financial event an owner has in his or her life. Leaving the business is usually "event" driven, such as loosing several key employees, having a major industry shake up or loosing key account; whatever the underlying reason, it usually is not based on the owner acting, but instead "reacting."

The one thing we know for sure is that business owners do not like surprises. Owners like to "act," not "react." Why do owners do this to themselves? The underlying reason is that no one is "requiring" them to prepare a well thought out written strategy on how to successfully exit the business. No one is forcing them to document a written roadmap, which, implemented over a period of years, assures without a doubt that the owner exits when and how he or she desires, and on the best financial terms available. In other words, a successful exit – where an owner is in control and acting, not reacting.

THE SEVEN-STEP PROCESS

If an owner wants to leave the business in an orderly and well-orchestrated fashion, then following this seven-step process will assure them of just that:

1. Determine your personal and business goals. Integrating these is important because so much of the owner's wealth is in the busi-

ness, and taxes are a major consideration.

2. Determine the value of the business. If you don't know what the true market value of the business is today, how can the owner know what the value needs to be to successfully exit?

3. Promote, protect and preserve the value of the business. Placing value drivers, such as key employee compensation, that reward growth will assure that what value has been built will not be diluted. It also lays the groundwork for measured growth.

4. Sell to insiders, as is the case with family businesses and businesses with solid key employees; or

5. Sell to outsiders

6. Ensure business continuity. Make sure all the necessary documents and funding are in place in the event the owner dies, gets disabled, becomes disinterested, or

divorced by other partners to assure the business will not fail and the heirs are compensated fairly.

7. Estate plan. After all the time invested building the business and finally exiting, the largest tax ever paid is the one levied the year the owner is not here to defend against the estate levy by

the IRS – due in nine months and only cash.

THE FACT IS, NO ONE STARTED OUT IN BUSINESS WITHOUT A 'WRITTEN' PLAN TO FOLLOW. FOR SOME MYSTIFYING REASON, EXITING FROM THE BUSINESS NEVER GETS THE TREATMENT THAT STARTING THE BUSINESS DID. YET, EXITING REPRESENTS THE 'ULTIMATE' EVENT FOR THE BUSINESS OWNER.

FOLLOW THE ROADMAP

We have been building exit plans for owners following this proven seven-step process for many years. The owner has a roadmap to follow. If along the way toward the exit the owner chooses to change any of those items, it is much easier for them to continue toward their goal as opposed to not having a written plan to follow and change.

When it is all said and done, no owner wants to see the ultimate event result in disappointment, both financially and psychologically. Following this proven process brings together all the current advisors who, with the owner, will know and understand the roadmap to follow, resulting in a successful exit.

So if you are one who takes risks – and all business owners do during their lives – why gamble against the odds and move toward the ultimate event without a written roadmap versus with one? It is like being in Vegas: what are the chances of a successful exit with a written exit plan compared to one without? You had to have one to get started, so it would be wise to have one to exit.