

Exit/Transition Readiness Scorecard



A business can be among the greatest assets of a business owner. Owners depend on their businesses to support them today, and more importantly, they depend on them to support their families, their retirement, and their way of life in the future. What assurances do you have that this will happen as planned? Reports have shown that 8 out of 10 business owners do not know what they need to do today in order to have a successful business transition in the future. **Because of this, only 2 out of 10 will get the amount they expect to receive when they transition their companies.** Why is the percentage of successful transitions so low?

The lack of knowledge about the exit/transition process, which is not a one-time event, prevents business owners from profiting on all those years of hard work, and ultimately diminishes their plans for retirement. We cannot stress enough the importance of **PLANNING** and **IMPLEMENTING** the necessary steps in advance, to help ensure that an owner's value will be enough to meet their personal financial objectives, Will you, as an owner, and your company be ready?

An effective way for business owners to view their current business situation is by reviewing their **Exit/Transition Readiness Scorecard**. The scorecard highlights the degree of readiness in a number of key areas that if addressed ahead of time, can enable a smooth and successful exit and transition from the business. This evaluative process drives an accurate perspective of a company's readiness, and helps owners and their advisors identify the areas that need improvement, to help ensure they successfully reach their financial goals and other personal objectives.

The **Exit/Transition Readiness Scorecard** on the next page is a visual representation of a company's readiness based on the information you have provided.

Our scorecard calculates an overall score, and assesses each of 14 areas with an individual readiness indication, while providing an owner the following:

Areas that need to be addressed and could be value inhibitors or potential impediments to an owner's exit and transition, are shown as **RED**.



Areas that are partially addressed for an owner's exit and transition, are shown as **YELLOW**.



Areas that are currently in "good shape" and adequately "in process" for an owner's exit and transition, are shown as **GREEN**.



YOUR BUSINESS EXIT READINESS SCORECARD



Financial Reliance on the Business

This measures how much of an owner's financial goals depend on monetizing the value they built in the business. Red indicates over-reliance and green indicates proper financial diversification.



Desired Control Post Transition

A desire to maintain control post transition will reduce the number of exit options available to an owner.



Clearly Defined Goals

Having clear goals is one of the critical indicators to determine an owner's personal readiness to exit or transition the business.



Company Size

Often times the size of the company determines the risks associated with the business, and the likelihood of buyers' interest.



Profitability

Buyers not only measure the level of profitability but also look carefully at the consistent level of profit and growth over time.



Business Valuation

This measures whether or not owners took the first step to understand their business value.



Value Drivers

This measures the value drivers already existing in the business.



Business Weaknesses

This measures critical weaknesses existing in the business.



Vision

Buyers seek businesses with a clear future vision & direction, which helps ready the business for transition.



Strategy

Execution of the strategy based on a clear vision, indicates whether the business can remain sustainable through transition.



Management Team

The ability to develop a management team that can run the business without an owner, is a key indicator to the business readiness.



Customers

This measures a company's focus on its' customer relationships. Having strategies that are updated and monitored regularly, will ensure customers remain throughout the sale/transition process.



Contingency Plan

This measures how well owners have prepared a contingency plan in case something happens to them prior to a planned exit.



Time to Implement

Generally the more time owners have before exiting their business, the more time they will have to achieve their goals and financial objectives.

OWNER OVERALL READINESS SCORE



68%

This represents an overall score on a scale of 1 to 100. In order to ensure a successful exit or transition from the business, one should strive to achieve a score of at least 75%. We also offer a full page in-depth assessment including action steps needed to improve the readiness scores.

You've taken the initial steps by completing this questionnaire in order to understand your readiness to exit your business. As business exit and transition specialists, we would be happy to answer any questions you may have and/or work with you to build from this initial analysis, in order to create a more comprehensive exit plan based on all of your personal exit objectives, and assist you with the critical steps of implementing it successfully.

As you begin to prepare the company for an eventual exit or monetizing event, regardless of the exit strategy, the goal should be to maximize the positive impact of "Value Drivers" on the business, in order to increase business value, and to help ensure the long-term sustainability of the business post exit. To assist owners with this, we offer a full EXIT/TRANSITION READINESS ASSESSEMENT that will address in depth, value drivers such as having:

- Management depth and adequate capabilities within a solid organizational structure
- Operating systems that are measured, monitored, and adjusted regularly to improve efficiencies
- Customer relations and business development strategies
- A vision and culture with strategic actions being implemented to maintain and enhance it
- Effective financial management and monitoring
- Processes that minimize or eliminate owner dependency issues

The alternative to successful Exit & Transition planning is to do nothing, or to work on only one or two areas that are not part of a comprehensive plan, where each action step builds on each other. Some of the more frequently mentioned unintended consequences are:

- Risk of insufficient funds to support an owner and his/her family through retirement
- Risk of selling the business for less than it's worth and not knowing the business value
- Transitioning and exiting at the wrong time
- Family and stakeholders who are unclear as to what an owner's goals are
- Risk of not realizing an owner's business and personal goals
- Not having the chance to enjoy life or letting the business work for the owner
- Creating issues of continuity, which could affect employees, customers and suppliers

To take control over the exit plan ahead of time, and avoid being another unsuccessful statistic, feel free to contact one of our exit and transition specialists, or take the next step of requesting a complete a full version of the EXIT/TRANSITION READINESS ASSESSEMENT. This more in-depth report will address each of the gauges individually, and how they could impact one's unique transition planning and implementation. We have also included additional space in each section to write notes, and/or to describe initial action steps an owner might want to begin working on.

Business owners invest countless hours, lots of energy, and risk their money hoping that one day when they retire, their company might provide them sufficient value for a comfortable and enjoyable lifestyle. **NOW** is the time to educate oneself on the exit and transition process, and to begin implementing steps to create a valuable company that will support your future dreams, and a successful business transition.

