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Is Your Company Ready for Your Transition? A Pre-Due Diligence Exercise

Fact: You will leave your business one day

It is a fact that every privately-held business owner will leave their business at some point in time. Because there is no strategy that factors immortality into your transition equation, you need to be aware that transitioning out of your business and protecting your wealth is a task that is solely your responsibility. The better prepared your company is for your transition, the higher the degree of success you will achieve for you and your family.

Personal, Business & Market Readiness

Transitioning from a successful private business is a multi-layered task that can be more challenging than the growth of that business. After all, a truly determined entrepreneur can build a business in nearly any market cycle or economic environment. However, to be effective with your transition, you need to have the timing more aligned with external forces, making sure that the pieces you can control are in place.

You have control over your personal planning, which includes how you will spend time away from your business and whether or not you can afford your transition. You also have some control over the company's readiness. These factors include how aligned the resources of your company are to handle your future absence.

The third leg of this stool is the economy, which you do not have control over. However, if you can manage to have your business ready for a transition and the personal aspects of your transition are addressed, then you can be ready to transition when the market provides the opportunity.

Your People and Your Cash Flow

Most privately-held businesses have two 'corporate' components that are most important to them; the company's cash flow and the people who help to create it. When you consider your transition, you need to look to this cash flow and determine the risks that are inherently present

in preserving your business profits into the future. The more risk factors that you can identify, reduce or eliminate, the better prepared your business will be for a successful transition and the more business value can be created.

Preparing Your Business for Your Transition

Technically, due diligence is a process by which a new owner of a business will want to see all financial statements and other key agreements and contracts that are gathered and organized for the new owner. Your future owner will want to see these agreements as they will be part of a future purchase and sale agreement. There are two (2) components to being ready for your future buyer:

1. Having agreements current and in writing
2. Have important documents organized and accessible

First, the timing of your transition is something that you hope to manage effectively but can never really control. This means that a future buyer can surface at any time, leaving you unprepared to transition. For example, you may have business agreements that are not in writing but have been based on a handshake and oral conversations for many years. A future owner may want to see this business arrangement formalized in writing.

The potential buyer may require you to get a written agreement pursuant to a potential sale of your business. This could create disruption in your relationship with this vendor or customer. If, however, you are prepared in advance, you can navigate this situation much more effectively and from a better position of strength.

Second, the more organized you are, the more comfortable your future owner will be with the true risks of the business, including how it is run. This can also protect you from liabilities due to the disclosure requirements needed at the time of transition.

The more comfortable the future owner is, the lower the risk they will perceive. Lower risk should equate to a higher price they will be willing to pay. The math is rather straightforward and argues for preparing today for your future transition.

A Clean-Up Process Helps You Run A Better Business

Remember that no matter how you choose to transition your business, it is advisable to go through the clean-up process described above because this type of process will help you run a better business better, seeing what the future owner will see.

As mentioned earlier, whether you are looking to time the market or you are preparing for a sale to a specific buyer, or even planning to transition your family business to the next

generation, the better prepared you are, the more you will benefit at the time of the transition or transaction.

Concluding Thoughts

Remember these somewhat simple tips . . . don't let things pile up without addressing them. The small amount of time, money and effort that you invest today will pay off down the road when your future owner wants to see the evidence of what they are buying. The better prepared your business is to answer these questions, the more successful your transition value and overall process will be. Owner's Edge can help you through the process. We are specialists in preparing a business to be sustainable and transferable to new internal or external owners. We understand the transition process and our focus on operational excellence will help you prepare your business and reduce your business risk.

And remember that a proactive approach to transition planning is the best approach. Working with a professional exit planner such as Owner's Edge along with your team of trusted advisors can help ensure your transition from your business is structured and executed for you to leave your business on your terms.

Regards,



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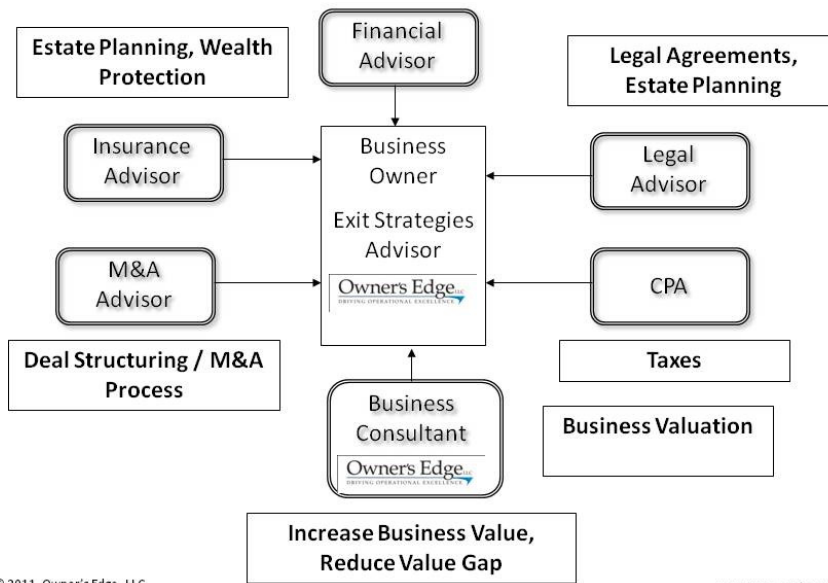
Our Commitment to our Customers

Owner's Edge uses our client-owners' vision to create solid strategies to capitalize on opportunities and address systemic problems to make their profits sustainable and their business transferable. This creates true and meaningful value.

About Owner’s Edge

Owner’s Edge is a business advisory and consulting firm specializing in helping business owners work *on* their businesses by devising and implementing strategies to drive operational excellence every day. We are one of the few advisor firms that can provide a formal and comprehensive Transition Planning service for business owners. Call us for a no-obligation consultation today.

Your Transition Advisory Team



A professional exit planner such as Owner’s Edge can lead your trusted Transition Advisory Team already in place. Don’t try to go it alone! Turn to the professionals at Owner’s Edge to ensure your transition plan is structured and executed to leave your business on your terms.

Do you find it more convenient to use email? To receive our “The Edge Transition Planning Newsletter” by email instead of US Mail, please drop us an email. We will be happy to convert your delivery to our electronic version.