

**Six (6) Key Metrics to Help You Plan Your Exit**

There is an old saying that ‘you cannot manage what you cannot measure’. Therefore, most businesses run on metrics. As business owners, we want to know how much, how soon, how efficient, how productive, how intelligent, and how to measure all of the aspects of our businesses. This newsletter is focused on some exit metrics that you should not only be measuring but also monitoring as you make plans for yourself and your business. Over time, by thinking about these six (6) key exit metrics, you will find your eventual exit should become more clear as you take steps towards a successful exit.

**Exit Metric #1 – How is My Relationship with My Future Owner?**

In order to answer the question, ‘how is my relationship with my future owner?’, one must first know who that future owner is likely to be. If you have no idea who your future owner will be, then this is the first metric that you need to focus on. Let’s begin with a simple question – who would want to own your business after you? If a number of companies and/or people jump to mind that is a good thing. If you have no solid answers today, then this is the first area that you need to focus on (assuming of course that you want your business to continue on after your active involvement in the business). Without knowing who would want to own your

business after you, it is difficult to design your business with any kind of intention as to who will own and run it after you.

**Exit Metric #2 – Do I Know the Range of Values for My Business and Can I Afford My Desired Exit?**

Most privately-held business owners are dependent upon their businesses to fund their lifestyles. This includes not only W-2, salaried income and distributions, but also perquisites that owners take for being the boss. If you do not know whether the value of your business – once sold to your future owner – will be enough to fund your continued lifestyle, it is very difficult to plan your exit because you are stuck in your business (at least from a financial perspective). This situation is made more complex by the notion that a privately-held business has a number of potential exit values depending upon who will own your business after you. Knowing these numbers is a key metric to a successful exit.

Of course there is also the option of continuing to work and generate income after your business exit. But many owners spend a lifetime creating their businesses – they don’t feel that ‘needing to work’ is a solid outcome after their business exit. See Exit Metric #5 for more thoughts on this topic.

### **Exit Metric #3 – Have I Prepared My Key People for the Transition?**

Let's face it, you are where you are because you found, hired, trained and retained good people. No man is an island – and this is true for your exit as well. Now many owners fear the consequences of telling their key people that a change in ownership is occurring. However, there are two (2) reasons and ways to have this conversation. First, recognize and discuss the fact that you are getting older and won't be around forever and that your key people's careers are tied to your decisions. Second, recognize and discuss the fact that some new energy (and perhaps some new capital and management) may help the business reach its potential. Both of these conversation starters help open the discussion about a future transition (note that you do not need to be specific about the timing to begin the conversation). What you want to avoid is losing your key people as a result of your transition and exit. On this point note carefully that money alone (i.e. retention bonuses) is usually not enough to keep good people with your company after your exit. It is far better to have some honest, open-ended conversation so that your future owner will be in a trusting position to retain these key folks.

### **Exit Metric #4 – Is My Personal, Company and Market Timing Aligned?**

This is not an easy thing to do, but ideally you want to have three (3) points of interest aligned – (1) your company performance, (2) your personal timeline, and (3) the proper external market conditions that support your exit. Alignment of these three (3) key areas will provide the optimal exit value and transaction timing (irrespective of who your future owner will be). A key to making this timing work is to understand when market cycles occur, as well as to have enough time to plan, both personally and within your business. Knowing and monitoring this

metric on a regular basis will give you greater confidence and traction with your exit planning. While you fight the day-to-day battles that are required to run your business effectively, it is important to look ahead as well as within to find answers to your timing issues.

### **Exit Metric #5 – Do I Know What I'm Going to Do Next?**

This metric is all about avoiding seller remorse. If you do not have an answer to the question 'what am I going to do next?', you are overlooking a major part of all exit planning and assuming that you will feel happy and fulfilled once you no longer own your business. Do not underestimate what your business means to you by keeping you active and productive. Try this: create a blank calendar and begin filling in what you would be doing all day with the free time that you have achieved with the exit from your business. Once you can get past the 'recreational' activities that you enjoy and into some meaningful pursuits that you look forward to engaging in, then you will be well on your way towards knowing what you are going to do next. Build on this metric by returning to this exercise every few months. Find meaning and purpose in productive activities outside of work. Monitor this closely so that you enjoy the fruits of your exit transaction without the pain and remorse of letting go.

### **Exit Metric #6 – Have I Assembled a Team to Help Me Through My Exit?**

Going it alone can be hazardous to your wealth. There is so much complexity involved with an exit plan that even the experienced professionals (i.e. those who have bought and sold many, many businesses) never try to do it by themselves. A team of trusted, trained and competent advisors is key to your success. Begin assembling that team today. And remember

that the time and money that you spend on your planning today is nothing more than an investment in the protection of your wealth for yours and future generations. Executing on a long-term plan with a team of professional advisors is the essence of accomplishing your exit transaction and personal goals – begin finding those who can help you today.

### **Concluding Thoughts**

By following these six (6) exit metrics, you will track your progress and begin to focus on the key aspects of your exit as well as to the achievement of your personal goals. Like all types of goal setting and metrics, get these in writing and refer to them often. Over time you will see that the measuring and managing of these exit metrics empowers you with a process that produces ‘exit thinking’, leading to solution for your unique needs and goals. We hope that this newsletter has achieved the objective of providing metrics to follow that help you further think about your business exit planning.

[Cathey Paine is a registered representative of Lincoln Financial Advisors Corp.](#)

Securities offered through Lincoln Financial Advisors Corp., a broker/dealer (member SIPC). Investment advisory services offered through Sagemark Consulting, a division of Lincoln Financial Advisors Corp., a registered investment advisor. Insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies.

Please do not send any trading or transaction instructions through this email. They will not be executed. Please call the Lincoln Financial Advisors trade desk at 1-800-237-3815.

If you do not wish to receive future e-mails from me, please call me at 818-540-6945, fax me at 818-540-6991, or e-mail me at [Cathey.Paine@lfg.com](mailto:Cathey.Paine@lfg.com). We will comply with your request within 30 days.

Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances.

[CRN-1837535-063017](#)