

Saying goodbye hard to do

Few entrepreneurs plan their exit route when starting up a business

By Donna Bozzo

Special to the Tribune

When starting a new business, getting out of the business is usually the last thing on most entrepreneurs' minds.

At least that was the case eight years ago when Bill Rancic, 32, of Chicago, started his own business, Cigars Around the World.

"I never really thought about getting out of the business. I was just hoping to get the business going," he said. "I guess I thought I'd be in it for a few years and flip it, or the trend would just die. But I definitely didn't have a formal exit plan. I was just 24 years old, so I was feeling my way in the dark when it came to running a business."

Experts say he's not alone.

"Most people don't go into business thinking about getting out," said Denise O'Berry, a small-business consultant and owner of The Small Business Edge Corp. in Tampa. "They don't even begin to think about how to exit their business until they are close to doing so."

"The business books tell you it's the first thing you should do, but no one does it," agreed John Fox, a small-business consultant and founder of Venture Marketing in Downers Grove.

But there comes a day when most entrepreneurs begin to think about moving on.

"It tends to come up when people are at milestones in their lives," Fox said. "For example, I have a client who is becoming an empty-nester. That's a time you start to think about selling your business and moving on. You begin to think about how you can get back the money and sweat equity that you put in your business."

For Rancic, it was the itch to start something new, specifically, real estate development.

"I was ready for a new challenge," he said. "It's a thriving business, so I didn't want to just fold it. I just thought it was time, but I wanted to have the right buyer, and I wanted to find an arrangement where I

could still be active in the business."

Like many, Rancic wouldn't sell his business to just anybody.

"You want to make sure the next owner is as successful as you were," O'Berry said. "It would break your heart to see your business go down the tubes."

And you want to make sure it is a good fit, Rancic said.

"You take it very personally," he said. "My business is part of me as a person. It's something you put your life into. It's like a part of you that's going away."

Rancic said he sold his company when he found the right buyer--Synergy Brands Inc., based in Melville, N.Y.

Buyer has online cigar store

"I found this company and let them know I was interested in selling my business," he said. "They own lots of businesses, including an online cigar store. I flew out to meet them. We had a great meeting. We hit it off right away, and our lawyers took over from there."

Like many small-business owners, Rancic agreed to stay with his former business to help the new owners get a handle on how to run it. He plans to stay for at least two years, although his role is somewhat limited.

"I'm still technically the president of the company," he said. "They've kept me on for two years and enticed me to stay on even longer with more stock options."

"And since the new owners handle a lot of the major tasks, like purchasing, it frees up my workday and allows me to pursue my real estate ventures."

A handoff at goal time

Some say allowing a former owner to stay on board

can provide new owners a great opportunity to learn the business before running it on their own.

"It's a know-how agreement. The other party wants them to stay on to teach them the business and how to run it," said Ray Silverstein, founder of President's Resource Organization, a Chicago-based advisory board for entrepreneurs and business owners.

"The main goal you have to accomplish at that time is a handoff," Fox said. "It's really no different that a franchiser teaching a franchisee. The new owner wants to understand how to make money. They want to learn how you generate the revenue you generate."

But although Rancic says the situation is ideal, Silverstein warns that sometimes two heads are not better than one.

"Can it be effective? Yes," he said. "Can it be ineffective? Yes. It's only going to work if the new buyer is receptive."

Rancic said the personalities of those involved are key.

"If I was going to buy a company, and as a buyer if I didn't feel there was a chemistry, or there was an interest in really sharing information, I wouldn't do it," he said. "But if there is chemistry, then one plus one can equal three."

O'Berry says it's sometimes hard for a former owner to check his or her ego and work alongside a new chief.

"It's tough to go from being in charge to not being in charge," O'Berry said.

Although it took some adjusting, Rancic says working with his buyer works--because he remains the expert.

"In the beginning, it was an unusual adjustment. As an entrepreneur, you're used to being your own man. It's unusual to have other people at the top rung with you, sharing your space," he said.

Rancic said he's been fortunate to have good synergy with his company's buyer. "They look at me as the big brother, not the little brother."

Although Rancic plans a longer stay, Fox says most sellers stay on for one year. Leaving is painful

"It's only effective up until the point when the new owner is up and running and can make his own decisions," Fox said. "The idea behind a year is you go through all the business cycles in a year."

But, he said, turning your back on the business you built can be hard.

"It's a little bit on the painful side to them," Fox said. "I have one client who has been through it a couple times. It's your baby, and you're moving on. You're the one who is graduating from the family."

Getting the most when getting out of your business

Denise O'Berry, a small-business consultant and owner of The Small Business Edge Corp., offers the following tips for small-business owners who want to have something valuable to sell at the end of their run.

- 1. Identify your vision for the future**
Decide what you want your business to look like when you're ready to sell. Be specific. Create a picture with words. If you can't articulate what your success looks like, how do you expect to get there?
- 2. Document your business processes**
Identify your inputs, actions and outputs for each process in your company. Identify how all of your processes fit together to make up your business systems. Create a system for quality control.
- 3. Define company roles and procedures**
Job descriptions are useful, but they don't go far enough. Identify every role in your company, from telephone greeter to bathroom cleaner. Develop procedures that identify when these roles require action and how it is accomplished.
- 4. Make your business dependent on process, not people.**
People can come and go, but your processes will work effectively as long as you have key inputs, actions and outputs documented. This helps your business run smoothly no matter who is at the helm.
- 5. Practice open-book management**
Inform your employees of your goals, hopes and dreams. Involve them in creating the success of your company. Let them know how their piece of the pie fits into the whole and listen to their feedback.