

# Transitioning Your Business

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If you're a typical small business owner, you spend more of your time working on today's issues rather than tomorrow's potential. That may keep the doors open for now, but what about when you're ready to retire, or no longer have the will or energy to run your business?

"As mid to large businesses grow owners typically realize they'll need to find a way out," explains Denise O'Berry, president of the Tampa, Florida-based business consulting firm, Small Business Edge. "But most small business owners do not have an exit strategy."

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Rather than simply selling inventory and closing the doors, O'Berry suggests that small business owners can increase their wealth by capitalizing on the goodwill or customer base they've built up. Here are five basic business practices that many entrepreneurs overlook, but that O'Berry claims can help keep the company buffed up and ready for the marketplace.

## Five Key Business Practices

### 1. Write down the business processes

"You can't sell a business that is in your head," claims O'Berry. "You need to write it down."

Entrepreneurs don't typically like fussing with the fine points, but you must document how everything works in your organization. For example, spell out the roles of management and employees, not titles, but their actual responsibilities. Or describe a typical customer visit. Franchise companies list these types of details, and a small business owner can use the

same tactics to show the value of their company to a potential buyer.

### 2. Set financial goals

"You cannot sell a business that is not making money," explains O'Berry. "Also, how do you know if you're growing if you don't know where you started and where you're going?"

Once you've set some target goals, measure them on a regular basis. Look at the internal processes of your business and make sure it's still working for customers and company alike. You may be pleasing customers, but are you making money? Know what your return on investment is, so you can explain it to those interested in buying your company.

### 3. Have a marketing budget and plan

Many small business owners don't allocate money for marketing. A marketing plan, with a corresponding budget, is key to attracting and keeping customers. One rule of thumb is to spend the equivalent of one staff salary on your marketing and advertising. Think of it as your "silent" employee working 24/7. Market awareness of your brand and demonstrated customer loyalty can dramatically increase the value to potential purchasers.

"Marketing is the last thing you cut even if times are bad," says O'Berry.

### 4. Keep track of customer information

Often, the most valuable aspect of a business to a potential buyer is your customer list. Especially, if your potential buyer is a competitor.

Keeping track of customer contact information like name, address, phone number and email (along with permission to contact them electronically) is a must. Being able to deliver customer profiles and buying habits to a new owner demonstrates how

well your business is run and makes your customer list invaluable.

"If business owners don't have customer data, they'll be in trouble," claims O'Berry.

### **5. Keep employees in the loop**

Your staff represents your company to customers and buyers alike. Make sure they know your goals. Communicate with your employees and ask for ideas. They can help you dress the business up for sale.

If you've decided to sell because the business is in trouble, let them know. It is unlikely to be a surprise and few things demoralize a staff more than having to rely on water cooler rumors. Try to avoid staff salary cuts if possible. "Your people are the face of your business and a salary cut may backfire," warns O'Berry. "Try looking at your business processes and finding ways to save money instead."

So, don't ignore one of the most vital elements of your business plan, the exit strategy. With careful planning and monitoring from day one, your last days of business can bring rich rewards.