

PROFIT MOTIVE: YOUR COMPASS TO FINANCIAL SUCCESS

What route are you taking?

Develop a plan for your business exit strategy so you don't get lost in transition

BY **TOM MCGEE** | CONTRIBUTING EDITOR

Remember when you went on a trip and you used a paper map to plan the route you were going to take? Today we enter where we want to go into our phone or GPS, and we are provided with verbal instructions on how to get to our desired location.

So where are you on your route to retirement? Do you have a clear route and know at which exit to get off? Maybe you don't have a route at all.

Many owners do not have an exit strategy for their business. They do not have a plan for retirement, such as succession or transfer of ownership, or in the case of something unexpected, such as financial hardship, injury, disability or death.

Current industry position

Approximately 85 percent of collision repair facilities are family-owned businesses. Not only are the majority family owned, but they have also been in business an average of 30-plus years and the majority of owners are between 50 and 64 years old.

Multiple routes

Many owners, as they begin to look at where they want to go, will find that there are multiple routes they can take. For example, since the majority of businesses are family owned, one route may be to transfer ownership to one or more children. Other routes could include selling the business and property, selling the business and becoming a landlord or becoming an absentee owner. Each of these routes is an option and will

get you to the desired destination, but not necessarily at the same time.

Who's going to drive next?

If you are not going to just sell the business and property, you will need to identify your successor and have a plan to evaluate their skills and their desire to own the business. It is not uncommon that the person you believe should take over the business turns out to not have the desire or skills you thought. Always have a back-up driver in case you need to change drivers.

Operational knowledge

Some businesses are like driving a car with an automatic transmission; others are a stick shift. A key part of your plan is to have a training plan that allows you to train and coach your candidate for success on every aspect of your business. The plan should outline all critical functions of the company. This may sound simple, but it's really not. You need to transition aspects of the business that only you controlled up until the training started. You also need to allow him or her to learn, grow and make mistakes while you are there as a coach. But remember that your successor can't succeed if you overrule decisions routinely.

Are we there yet?

The training and transition plan needs to have a timeline. You need to be able to measure progress or adjust if there is a detour along the way. If succession is to have a favorable outcome, you, your successor and your management team also need to know who is in charge of what and when. You need to provide a clear understanding of what the coming roles and responsibilities are going to be when you move out of day-to-day operations.

You lost your license

As you take the succession trip, you also need a plan for what you are going to do with the free time. As your successor takes on more responsibilities, spend time planning how you will continue to be involved in other activities away from the business.

As you work on your succession plan, be sure to seek the assistance of outside advisers such as your accountant, attorney and your investment or insurance professionals, since your succession plan will have far-reaching consequences from a tax, investment and legal perspective.

Not all trips are the same

There is no one plan fits all when developing a succession plan for your business. While succession planning is a challenge, it is worth the reward of watching your business grow and succeed in the next generation. We have created a workbook for you that can provide you with a start for a succession plan. Try it free for a limited time by going to www.atonlinetraining.com/abrn1410.

SEARCH THESE & HUNDREDS OF OTHER ARTICLES

▶▶ ABRN.COM/ProfitMotive ◀◀

\$ Doing the parts profit math

\$ Technology equals opportunity

\$ Adding a sales rep to your team