

Who will Buy your Business?



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Is Your Business 'Sellable'?

It is forecast that up to 7 out of 10 business owners will look to retire or exit their business over the next ten years. The question is what will happen to these businesses? Some will be passed through to the next generation leaving many to be sold externally or via employee buyouts. With the expectation of an oversupply of businesses on the market, how can your business stand out from the crowd? The key is to start planning and implementing changes now to have a 'sellable business'.

If you are relying on the business sale proceeds to form part of your retirement funds having a 'sellable business' is critical.

A business value will be determined by a number of things, but the two key criteria are profitability and the reliability of profit continuing. To achieve the best return on your investment there needs to be a focus to continually improve the financial performance and minimise the associated risks of running your business. This can include such things as the reliance on owners to complete the day to day work, how well the internal systems and processes operate and the level of re-occurring revenue.

In terms of your overall financial and retirement plan the business value is about the only asset you can directly influence. You have the ability to make the business more valuable if you invest the time and effort to unlock the full potential.

Think about some of the successful franchise models that exist. McDonalds, Bakers Delight and Jim's Mowing are a few examples. Initially these were 'mum and dad' type businesses. The owners identified a need in the market place and then developed comprehensive systems and processes so that from start to finish the product or service could be rolled out consistently and as efficiently as possible. Once established these systems and processes were then duplicated in multiple locations providing consistent quality and results. This consistency reduced the risk associated and made the businesses more valuable.

We are not suggesting a franchise model is the way to maximise the value of your business. However we can learn a lot from how a franchise is developed. Simply investing the time to document systems and processes so the lowest level employee can follow instructions and complete certain tasks with a consistent outcome is a great start. This will free the owner or more experienced team members to invest time working on the business rather than in the business.

An important first step is to complete a valuation of your business and critically determine how 'sellable' the business is. This is a starting point to then plan and implement ways to improve how your business 'works'.

It normally takes 3 to 5 years to fully implement and see the consistent improvements to your business. This time frame depends on how much time the owner can invest in working on the business. The recommended course of action is:

1. Complete a 'sellability' calculation, What's the business worth today?
2. Determine what areas of the business need to improve?
3. What changes can be implemented quickly with minimal cost?
4. Prioritise and schedule other changes to be implemented.

This is an ongoing process and it is important not to lose sight of what you are aiming to achieve, a business that functions (without the owner), improved profitability, lower risk and greater value.

Refer to our other information on this topic including 'What makes a great business'

Please contact us to help you get started on creating a 'sellable' business.

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