

## Principle 36

### The Exit Strategy

*Understand the importance  
of an Exit Strategy*

Every business owner should have an exit strategy. Unfortunately for many, the reality is to be found slumped over the desk having had a fatal heart attack.

The main purpose of the business should be to sell it at a tremendous windfall profit. If you're a business owners you should create a three year exit plan. In other words, in three years time you are either going to sell it, float it or franchise it. If you don't wish to do any of those then you must pretend that you will.



Why? Because in the process of making it ready to sell, the business gets streamlined, making it more efficient, systemised and with proper processes, policies and procedures in place.

Remember, that the definition of a business is an entity that runs itself. You shouldn't have to be at the premises all the time for the business to work. Think about it, if you have to be in your business all the time for it to run, you probably don't really have a business – what you have is a job.

For the exit strategy... Buyers or investors want to buy a business that can seemingly run itself. They want a going concern – not necessarily a job.

The problem with many business owners is that they try to sell a business that isn't finished and therefore end up getting a only a fraction of its true value.

You must make the business ready to sell by spending some time in revamping, or in many cases creating a Policies and Procedures Manual. This manual will be viewed by the astute buyer as the 'instruction' book to run the company – and so it is!

Finally, there are two kinds of money; income and capital. Very few people get rich from income – The way to wealth is capital and the realisation of capital can be achieved through either selling, floating or franchising the business.