

Your Business, Your Options

The Owner's Transition Guide: what every owner should know long before they're ready to step away

Why I do this

I grew up in my family's automotive manufacturing business. It started in a small rented warehouse and grew, over decades, into a real manufacturer, making parts for Detroit's automakers and for people who loved their cars and trucks. It was being handed down to the next generation when overseas competition and the 2008 collapse of the auto industry took it, and by 2011 it was gone. If anything could have saved it, it would have taken preparation years earlier. I started Dont Shut Down to help owners get ready, so when it's time to step away, they get to choose how. Mark Kreuz, CEPA®

Every owner leaves. The question is how.

Every owner steps away from their business someday. Some plan it. Some have it decided for them by health, family, a partner, or the market. Most owners think there are two ways out: sell it or close it. There are more than that, and each one asks something different of you and your business.

Way out	What it looks like	What it usually needs
Sell to an outside buyer	An individual buyer, a competitor, a larger company in your industry, or an investment firm buys the business.	Clean financials, a business that runs without you, and enough earnings for a buyer to finance the purchase.
Pass it to family	A son, daughter, or other relative takes over, by gift, sale, or a mix of both.	A successor who wants it and is ready for it, a plan the rest of the family understands, and good tax and estate advice.
Sell to your managers or employees	Your key people buy you out over time, or employees buy in through a structured plan such as an employee stock ownership plan.	Strong managers, a business that can support the payments, and specialist legal and financial help.
Step back gradually	You stay as owner but hand off the day-to-day, or sell part now and the rest later.	People you trust to run it and a clear agreement about your role.
Close on your own terms	You close on your own schedule, sell the assets, and take care of customers and employees as you go.	Time, a plan, and attention to obligations like leases and contracts.

None of these is the right answer for everyone. What they share is that every one of them goes better when it's planned, and the planning takes longer than most owners expect, often two to three years or more.

What buyers actually pay for

Most businesses your size are priced as a multiple of earnings. A business earning \$500,000 a year might sell for three times that, or for six times that. The difference between those two numbers is not luck. It's risk.

A buyer pays more when they believe the earnings will keep coming after you leave, and less when they doubt it. So the question behind every price is the same: how much of this depends on things that might not stay?

Buyers look hardest at four things:

- **Your people.** Is there a team that can run the business, or does everything run through you?
- **Your systems.** Are the important processes written down and repeatable, or do they live in people's heads?
- **Your customers.** Are they spread across many accounts, or is a large share of your revenue with one or two?
- **Your reputation and relationships.** Will customers, suppliers, and employees stay when the owner changes?

These four ideas come from the Exit Planning Institute's Value Acceleration framework, where they're called human, structural, customer, and social capital. Most of what makes one business worth more than another lives here, not on the balance sheet.

The question that matters most

Could your business run without you? Here's a simple test: could you take two weeks off without a single call or decision?

For most owners, honestly, the answer is no. The customers call you. The big decisions wait for you. The quotes, the pricing, the problem accounts all come back to your desk. That's how a lot of good businesses are built, and it's also the single biggest thing that lowers what a buyer will pay or what a successor can take on.

Your Owner Dependence Score. In the workshop you score yourself on twelve questions across five areas: management depth, customer relationships, sales, key people, and processes and records. You can also take it free at dontshutdown.com. The score isn't a grade. It's a map of where the business leans on you most, which is where the work starts.

The personal side nobody talks about

Owners spend years thinking about the business and almost no time thinking about themselves after it. These questions matter as much as the numbers:

- What will you do on the first Monday morning after?
- How much income do you need, and for how long?
- Does your spouse or family see the next chapter the way you do?
- If a family member is involved, do they actually want it, and are they ready?
- Who are you when you're not the owner?

Owners who have answers to these questions make better decisions about the business, and are much happier with how it ends.

The money question

There's one number every owner should know: what you need from the business to fund the life you want after it, compared with what the business could bring you today. If the business is worth more than you need, you have choices. If it's worth less, you have work to do, and it's far better to find that out with years to spare than months.

This is a conversation to have with your CPA and your financial advisor. They know your full financial picture, and they can help you work out what you actually need.

The team you'll need

No single advisor covers all of this. Most good transitions involve several, each in their own lane:

- **Your CPA:** your numbers, your taxes, and how different ways out are taxed.
- **Your attorney:** your agreements, your entity, and the legal side of any transfer.
- **Your financial advisor:** what you need personally, and how to invest what you receive.
- **Your insurance advisor:** protecting the business and your family along the way.
- **An exit planner:** helping you see the whole picture, set priorities, and keep the work moving.
- **A business broker or M&A advisor:** when it's time to sell to an outside buyer, finding buyers and running the sale.
- **Your banker:** financing, and what a buyer's lender will look for.

The best results come when these people talk to each other, early, about one plan.

Questions to ask your advisors

Start with your CPA. Your numbers and your paperwork take the longest to get ready, and your CPA is the right person to start that work.

Your CPA

- Are my financial statements and tax returns in shape for a buyer or a lender to review? What needs cleaning up?
- What personal or one-time expenses run through the business, and do we have documents for each?
- Is my entity and ownership set up the way it should be before any transfer?
- How would the different ways out be taxed, and what should we be doing now to reduce taxes later?
- Can we start producing monthly financial statements I can use to run the business?

Your financial advisor

- What number do I need, after taxes, to fund the life I want after the business?
- What should I be doing now with my savings and investments outside the business?
- How do I protect my family if something happens to me before I step away?

Your attorney

- Are my operating or partnership agreements current, and what do they say happens if I leave, become disabled, die, or sell?
- Do my partners and I have a buy-sell agreement, and is it funded?
- Does my estate plan account for the business?
- Can my key contracts, leases, and licenses be transferred to a new owner?

Your first 90 days

You don't need to hire anyone to start. These five steps cost nothing but time:

1. **Write down what only you do.** For two weeks, keep a list of every decision and task that comes back to you. That list is your owner dependence, on paper.
2. **Hand off one thing.** Pick one item from the list, teach someone else to do it, and let them own it.
3. **Look at your customer list.** Find out what share of your revenue comes from your top one, three, and five customers.
4. **Gather your documents.** Three years of tax returns and financial statements, your key contracts and leases, and your entity and ownership papers, in one place.
5. **Talk to your CPA first.** Use the questions above, then your financial advisor and attorney. And talk with your family about the personal questions.

About Dont Shut Down

Dont Shut Down helps owners of businesses from about \$500,000 to \$10 million in revenue get ready, so when it's time to step away, they get to choose how. We're fee-only: we earn nothing from a sale of your business, a referral, or any product, and we don't buy the businesses we advise.

Mark Kreuz is a Certified Exit Planning Advisor and a certified Project Management Professional. He spent ten years in ALDI's national IT organization during its largest U.S. expansion, when the company grew from about 1,300 stores to more than 2,400. He was cutover lead for the first seven divisions of a national technology transformation, and he ran the technology launch for more than 1,200 new, remodeled, and replacement stores and training centers. Every system had to work on opening day, and every team and vendor with a piece of it answered to his team until it did.

Take the free Owner Dependence Score at dontshutdown.com, or call Mark at (312) 815-7999.

This guide is general education, not legal, tax, or financial advice. Talk with your own advisors about your situation. The Value Acceleration framework referenced here belongs to the Exit Planning Institute.