Four Common Mistakes by Exiting Business Owners

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Most owners fail to invest enough time developing and executing an exit strategy for the sale or transfer of their business. But for seasoned owners, maximizing equity value and realizing a successful transition is a top priority rather than an "unplanned potential eventuality."

Here are the four most common mistakes business owners make when it comes to their exit plans:

1. **Delay due to misreading the market:** The biggest mistake is waiting too long. The most successful exits at the highest valuations tend to occur during periods of high growth, because growing businesses in expanding markets command valuation premiums. Unfortunately, many business owners begin to consider an exit only *after* an expansion period has passed – or worse, when their own business is in decline.

   Business owners often fail to view healthy economies and high M&A multiples as positive signals that it may be time to exit. Those who plan their exit strategies early are more likely to recognize a strong market as an excellent time to maximize transaction value. They also recognize that a weakening market can erode this valuation premium even if their own business continues to thrive.

2. **Passivity:** Many business owners simply wait until an interested party comes along and expresses an interest to acquire their business, which undercuts negotiating leverage. A potential buyer under no pressure to move quickly may avoid making a serious proposal or make a lower bid with less favorable terms. A controlled, confidential, competitive M&A process lets an owner avoid these issues by maintaining multiple bidders until a winning bid is accepted.

3. **Failure to seek expert advice:** Neglecting to engage professional advisors is another costly mistake made by exiting business owners. The service of CPAs, business attorneys, and financial advisors with M&A experience helps maximize transaction value by assisting in all phases of the process.

4. **Control issues:** Finally, many business owners have a difficult time delegating authority. Aside from the risk to the business in the event of the loss of key management, valuation can be impaired by failing to develop successor management teams. Business owners considering a future sale should begin by asking themselves, "How well could my current team run the business in my absence?" Then they should develop, communicate, and implement a sensible succession plan.

Business owners mired in day-to-day operations are easily overwhelmed by the task of exit planning. Working with advisors to identify available exit options and current market value is a great place to start. Those advisors can help owners avoid the other three costly mistakes set out above, and put many business owners ahead of their competition when formulating and executing an exit strategy.

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