Phil D'Rozario

Succession plans and exit strategies are vastly undervalued, often due to the shape that the business is in prior to an exit strategy being contemplated and also because there hasn't been a long-term plan implemented that prepares the business for this change.

"A succession plan should prepare the business, staff and stakeholders and allow plenty of time to encourage a positive transition."

When presenting a business to a prospective buyer, there are a number of things to consider. Does the business have proper infrastructure and foundations? Is it compatible or complementary to interested parties' existing business, skills and expertise? How important is it for the exiting key person to remain while the transition occurs? How do you reassure staff and clients that this is a positive change?

When considering risk management, such things as run-off cover insurance when selling an accounting practice, for example, are critical to ensure you are not exposed personally post the sale of the practice. Buy/sell agreements should clearly demonstrate what is being bought in terms of the assets and liabilities, and proper insurances arranged where required to avoid any exposure or gaps in cover.

A succession plan should prepare the business, staff and stakeholders and allow plenty of time to encourage a positive transition.

Phil D'Rozario is the managing director at AXS Insurance.

Ron Dolan

Many organisation leaders underestimate the importance of both strategies in building and/or retaining the confidence and trust of the organisation's various stakeholders, including investors and employees. In times of transition, maintaining the confidence and trust of stakeholders is a key factor in reducing the organisation's vulnerability.

Vulnerability in either of these circumstances could create challenging trading conditions, potentially resulting in the risk of a reduced share or exit price.

Reducing this risk can be effectively managed by developing and regularly reviewing the succession/exit strategies and making timely adjustments as required. Just as annual budgets and forecasts are reviewed regularly, succession and/or exit planning reviews could be subjected to a similar process to reduce potential future risk.

"In times of transition, maintaining the confidence and trust of stakeholders is a key factor in reducing the organisation's vulnerability."

In family-owned businesses, effective succession planning can minimise the potential risk of business, tax and estate-related issues. Similarly, an effective exit strategy can potentially increase the number of buyers/investors, allow the timely development of a successor/s, optimise the sale price and allow the timing of the exit.

Ron Dolan is CEO and founder of Pendulum Pathways.

Andrew Griffiths

The sad reality here is that we don't always get the chance to decide exactly when we will leave our business.

Sometimes, through no fault of our own, such as sickness or the end of a relationship, we can find ourselves realising that the time has come to move on. If we don't have a good plan in place, we have to make one up on the fly. Or even worse, someone else may end up making the decisions for you.

"Just as it is extremely foolish to go through life without a will and power of attorney, it is equally foolish not having a succession plan or exit strategy."

One big consideration regarding exiting the business is working out how whoever is left behind will pay for your share. If the business will be sold to family, you may need to finance them, and this needs to be factored into your retirement plans.

Likewise, deciding that it is time to sell the business doesn't mean that it will sell immediately or that you will get the price you are asking. So while we need a plan, we need to be realistic about the outcomes.

Just as it is extremely foolish to go through life without a will and power of attorney, it is equally foolish not having a succession plan or exit strategy.

A business that has been built over a lifetime can fall apart in a matter of weeks if there is no succession plan or exit strategy for the key people involved.

Andrew Griffiths is a best-selling author, adviser and presenter on small business and entrepreneurialism.