

# Exiting with grace – a seller’s guide

BY LEIGH RILEY

A WHOPPING 41% of manufacturing businesses are expected to change hands in the next five years as most owners near retirement age – the largest shift of ownership in Australia’s history.

As a result, you will find yourself in a very competitive environment when selling your business. The financial capacity of would-be buyers is hindered by strict parameters imposed by financial institutions on borrowers since the Global Financial Crisis (GFC). Most financiers are insisting on a formal succession strategy not only for you as a business owner, but for the potential purchaser, which means there is a lot more criteria required when selling your business to release you to financial freedom.

Whether you are considering your handover to be to staff, family or strangers, preparation will be the key.

The government has allocated a significant grant to assist qualifying manufacturing companies with implementation costs. You can access this grant via business succession consultancy firm, The Exit Experts.

I have developed the following ‘PROFITS Keys’ system to help you prepare for your exit.

**1. Proceed with the end in mind by thinking like a buyer.**

that more than 70% of these cases occur within the first year.

“The new competency-based Advanced Safety Awareness (ASA) course targets human error by developing and enhancing individual safety thinking and responsibility,” Reams said.

“This course is there to support skills training, and is suitable for application in a wide range of enterprises, regardless of size.

“In fact, the smaller the employer, the more exposed they are to not following procedures.”

## Significant benefits

SPCArdmona (SPCA), which processes fruit and vegetable



With more business-owners reaching retirement age, outgoing managers need a formal succession strategy to make sure their company is attractive to buyers.

They’re looking for a quality management team, not reliant on owners, in a well-honed organisation.

They want loyal, diversified customers, acceptable plant conditions, and equipment and protected intellectual property.

**2. Reduce tax by being structured to capitalise on available capital gains tax exemptions.** This will allow you to keep more of the sale proceeds.

**3. Organise your business to be free from debt and guarantee commitments.** These do not retire or die when you leave your

business. Commitments you’ve made can linger on for many years to come, so strategise to release yourself from these.

**4. Flag potential funding sources.** Willing buyers will not always have access to capital and borrowings to fund the entire value of your business, which will impact how freely you may leave your business.

**5. Identify ideal buyers and implement the selling process.** Most business-owners think they will hang out a ‘for sale’ sign and the most ideal buyer at the desired price will appear. This is

products in the Victorian regional towns of Shepparton and Kyabram, has over 500 permanent employees.

In 2009, the company offered a training program to 420 permanent production and distribution employees.

According to SPCA’s employee engagement and training manager, Nick Bartholomew, these workers were skilled in how to do their jobs but lacking in the knowledge and theory underpinning their competency.

Basically, they knew ‘how’, but didn’t know ‘why,’” he said.

“An initial step was to develop a strategy linking training with employee classifications and pay

rates, and then a training plan and training bonus was written into a new Enterprise Bargaining Agreement negotiated with union support. Advice from Skills Victoria was obtained in relation to eligibility and the training process, and the National Food Institute was selected as the registered training organisation to provide the training.

“149 of the original 162 employees that commenced the Certificate of Food Processing or Transport and Logistics training program are continuing on in 2011 as they see the benefits for the business and themselves.

“The Standard Operating

less likely, especially as many competing businesses are about to change hands.

Discretion may be required to retain valuable customers, staff and suppliers to maintain your business valuation. Think outside the square.

**6. Take control of your business sale price.** You won’t always have the privilege of choosing when you will leave your business (51% leave due to unplanned circumstances such as dispute, disability or death).

Don’t wait until you’re in a situation or just before you wish to sell to consider your options. Take control by boosting the value, finding a suitable candidate to succeed you, and enter into an agreement to lock in your business sale price.

**7. Seek guidance from a team of qualified specialists.** The worst thing you can do is rest on your laurels without seeking professional help. Avoid specialists working in silos, because the outcome may be different from the water-tight result you’re chasing. Choose industry leaders who are working collaboratively for your greater good to ensure you receive the best possible outcome when you sell your firm.

*[Leigh Riley is founding owner of The Exit Experts and author of Your Business Succession.]*

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Procedures that were formally written during the training programs means that knowledge from the heads of SPCA’s mature workforce has been captured in written documents.

“Other benefits include improved communication between workers and a decrease in the lost time injury frequency rate from 21 to 13.

“The program has also contributed to a 50% reduction in manufacturing variances.”

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