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A monthly column from an industry expert about ways to increase your company's value.

75% of Owners Don't Plan for an Exit . . . Have You?

Chuck was a successful businessman — or at least he thought he was. He owned a print distributorship for 25 years that peaked at $6 million in revenue and over $2 million in gross margin. He built great rapport with his customers. They loved him, they trusted him and they referred him. Chuck was well-known in the printing industry and definitely well-liked.

You see, Chuck was originally planning on retiring when he reached 65 years old. His top sales guy, James, was writing $3 million per year. Chuck was doing $2 million, and the other three reps covered the other $1 million.

The problem was, Chuck was so busy servicing all his customers that he never made time to plan. For instance, he was thinking about maybe selling his business to James someday, but he never wrote up a buy/sell agreement.

He also thought about taking out a life insurance policy with James as the benefactor, so James could buy Chuck out if he suddenly passed on. It would also provide a great family protection and financial plan to his lovely wife Angelina.

Well, that never happened either.

When Chuck reached 68, nothing changed. Age 70 came and went … same old Chuck.

When Chuck turned 72, he had a sudden heart attack and died.

Then James, his top sales rep, knowing he could not afford to buy Chuck's business, left and took his business. Chuck's customers caught wind of James leaving and became concerned the business once managed by Chuck would not be serviced properly. Many customers started to take their business elsewhere.

At its peak, Chuck's business was worth about $2 million and could have been worth $3-4 million had he planned and improved his business' value drivers, but he didn't!

After struggling for one year, Angelina ended up selling the business to another local broker for $500,000.

One must think, "What could have Chuck done differently?"

First, he should have planned for his exit and got his house in order many years ago. Perhaps he should have sold his company when he was 65 years old, when it peaked.

Or perhaps he should have hired a vice president of sales that could have taken some of the sales load off of Chuck, improved the performance of the sales team and then hired a couple of additional salespeople. This would have allowed Chuck more time to plan.

With proper planning, his revenue could have soared to over $10 million within a few years. But that didn't happen either. See, Chuck was a procrastinator about retirement. He thought he'd just plan for it "later down the road."