Whether you’re seeking a sale or family succession, here’s 5 steps for owners to exit

It may seem like a glimmer on the horizon but, one day, every owner will step away from their business. With that certain fact in mind, it makes sense for owners to plan ahead to ensure their exit sets everyone up for success – including their family, their business, their colleagues, their successors and themselves.

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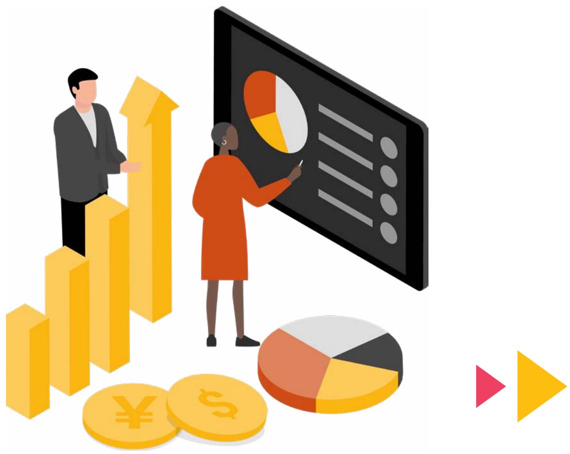
If you knew that one of the biggest financial transactions in your entire life was going to happen in the next few years, what would you do now? When we put this question to private business owners, they invariably say, “I would do everything in my power to make that transaction as successful as possible”. Or words to that effect.

Which brings us to the landmark transaction that every owner will, inevitably, reach one day: their exit from the business. While that departure could take various forms (from selling all or part of the business or transitioning to the next generation) the sooner an owner starts preparing, the more influence they’ll have over the process.

A planned, phased approach to the exit allows the owner (and their executive team) to focus on keeping day-to-day business ticking over, too. The longer everyone has to prepare increases the ability to improve the outcome along with less disruption to business-as-usual.



Many possible paths towards the exit

Most business owners have a rough idea of how they think they’ll leave their business one day, even if it’s only at the back of their minds. But it’s worth pausing to consider all the alternatives before committing to your chosen path.

The options we typically discuss with owners include a partial or full sale to another corporate or private equity. Or offering shares on the ASX via an IPO. Or a transition to new management. Or a succession where family members take on management and/or ownership. (So the list of options is longer than you might think.)

The option that’s right for you will depend on your personal circumstances and aspirations. For example, if you’re dreaming of travelling the world in retirement then your exit might look very different from a life in semi-retirement (e.g. remaining involved in the business on a part time basis or on the board but stepping away from day-to-day management).

Whatever your hopes and dreams might be, an exit readiness assessment can help you develop a roadmap to make these a reality.

Reading the exit signs

An exit readiness assessment is a tailored review of all aspects of a business' current state. It helps identify and prioritise the areas to develop to maximise the business value, productivity, durability and transaction proposition.

The assessment starts with identifying the owner's family/personal priorities — which may include understanding the reasons for the exit, exploring options for their preferred type of exit, and what life looks like after the exit. We then address a multitude of topics including market analysis, strategic and value positioning, **governance**, financial reporting, personnel and remuneration, shareholder objectives, and tax structuring. At the end of the assessment, a gap analysis provides owners with clear recommendations to prepare the business for the transition.

Ready, steady, exit

Having carefully mapped out the path to exit, owners can embark on the journey with confidence. We recommend allowing at least 12–24 months for this process to give the owner and senior management sufficient time to focus on day-to-day operations and the exit strategy simultaneously. While every exit route is unique, successful transitions typically share several things in common:

1. **Prioritise family:** When preparing for their own exit, prudent owners consider (and consult with) family to mitigate risk, preserve relationships, provide certainty, and avoid post-exit conflict. Asking an impartial third party to listen to family members can help manage emotions, test assumptions, and prevent surprises later on.

2. **Get the business in shape:** Proactive owners and CFOs address financial reporting, accounting and key operational issues to ensure continuity for the future leaders of the business, whoever those leaders may be. If you're planning to sell, focus on profit-making initiatives and demonstrate sustainability. Note too that your profits from any sale will be 'after tax', so **ensure you have the right tax structure in place**.

3. **Take an 'outside in' view of the business:** To maximise the market value, owners who are hoping to sell part/all of the business should consider what potential buyers or investors will be looking for. For example, a well-prepared business with clear, documented governance processes is more attractive. As is a business that has proactively resolved any customer disputes, legal issues, and operational risks.

4. **Build a potent management team:** To ensure a smooth transition, proactive owners nurture a strong management team. Owners should step back and allow senior management to prove themselves for at least a year before exit to make certain the business can thrive without the owner.

5. **Future growth:** Owners seeking to secure external investment often succeed when they can demonstrate future growth opportunities (e.g. new products, channels, or **geographic expansion**) and, ideally, partially execute these (with the necessary governance in place).

Ultimately, you only get one opportunity to exit your business and it may well be the biggest financial transaction of your life. In our many decades working with private businesses, we've never met a business owner or CFO who — post-exit — has ever regretted planning ahead. If plans and timelines are delayed or circumstances change this work is evergreen or can be refreshed with minimum exertion. So, whatever your aspirations beyond the business, it's never too early to start preparing.

Ensure your business is future fit

Part of leaving a business in good shape is ensuring it can thrive in the future – and much of that hinges upon **an organisation's ability to harness technology**. **Our latest global research** showed 70% of business leaders believe generative AI will significantly change their business, but almost half of family businesses (49%) have not yet started to explore AI and only 7% have implemented it anywhere in the business.

To maximise market value and ensure business continuity, owners need to assess the potential of generative AI for their business – positive and negative, direct and indirect – including the consequences of doing nothing. Many family business owners won't have to look far to find a willing project leader for this. Our survey of more than 900 of the next generation of family business leaders found 73% believe that generative AI is a powerful force for transformation and 87% of under-27s are personally interested in generative AI.

Read the PwC NextGen Survey 2024 for more details.

Wherever you are on your business journey, we can help you. To find out more, visit our **Private Business Life Cycle hub**.

For a more detailed discussion, please get in touch with your PwC advisor or contact:

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