

Business Transition Planning FAQs

Why do I need a formal business transition plan?

A formal business transition plan puts the goals, priorities and strategies in place for a successful transition. Without a clearly defined plan, business owners are leaving their personal and financial future to chance.

I'm not sure I'm ready to transition out of my business. How do I know when the time is right?

Transitioning out of your business is all about setting and reaching goals. Have you accomplished what you set out to do with your business? Do you have dreams of scaling up / diversification/entering other geographies for your current business? Do you have dreams of doing things other than running your current business?

I know my business better than anyone else. Why shouldn't I handle the transition plan and process myself?

This is a complex and personally challenging process. It's very difficult to do it alone and get it right. If you have legal, tax or risk management issues, you must use professionals familiar with these areas to take care of them.

Who are the experts on a transition team?

Depending on what phase you are currently in, any of the following may be involved: Business Advisors, CA, Company Secretary, Insolvency Practitioners and banker.

Why do I need a transition team?

In start up stage, it can help you to cut down learning curve.

If it is growth stage, you will be moving out of comfort zone, as such likelihood of wrong move may hound you and having right advisors on your side helps to save from slipping to distress. Further execution of projects of expansion requires specialised skill which will not be found in your regular operating team on the present business. For such execution specialised experts bring in lot of value in terms of low cost and or lesser timeline.

If you are transitioning out of your business otherwise exit by sale, you need experts in relevant areas to help you get the most cash for your business. Using experts will cut down the enormous amount of time you would otherwise have to spend planning, marketing, talking, negotiating and working to find a potential buyer-who might end up walking away. Unless you have been through a merger, acquisition or divestiture, transition planning and execution are unlike anything you've ever done before.

Likewise in all transition stages it is highly desirable to get experts with proven credentials on board.

Where can I find these experts?

Even if you have an accountant, or broker, they may not be uniquely qualified to assist you with the transition. You need experts from your field. To find experts who deal extensively with business transitions, seek recommendations from your accountant, or investment banker or your industry peers.

It is always desirable to study their background and clearly identify role for them before onboarding.

What information do I need to prepare for my transition?

It depends upon the context of transition. For instance it is start up stage, it is more on entrepreneurs personal information matters, in growth stage the emphasis on business and future growth opportunities whereas in exit stage emphasis on disclosures & compliances is high.

A SNAPSHOT OF DOCUMENTATION FOR EXIT TRANSITION

- Financial documents:
 - ✓ A minimum of five years of financial documents
 - ✓ Audited financials for three years
 - ✓ Pro-forma sales and cash flows for two years
 - ✓ Three years of tax returns-IT, sales tax, service tax
 - ✓ Company insurance details
 - ✓ Personal financial information (account statements, complete copies of tax returns, estate documents)
- Customer lists (shows history of longevity)
- Vendor lists and relationships
- Operational systems and procedures for everyone and every part of your business
- Legal corporate documents
- Contracts with vendors, suppliers, customers and clients
- Intellectual property rights and assets if any
- Value statements on competitive position and key strengths

What if I have already completed some parts of the process?

Experts can become involved at any point of your transition. These experts can review the work you have completed, provide recommendations and take the necessary actions to get you on the right track. Even if you have completed your transition, a financial planner can help with wealth management.

How do I get started?

The four phases of proper business exit planning are:

1. Pre-Sale Phase
2. Positioning for Sale
3. Transaction Phase
4. Wealth Management

Following the above Four Phases of a Successful Business Transition, use the following process to guide you through your transition.

