EXIT STRATEGY & SUCCESSION PLANNING GUIDE

Build the business with the end in mind - even when the end is years away

Most owners spend far more time thinking about how to get into a business than how they will eventually step away from it. But an exit is not simply the last transaction. The decisions you make while building the business can determine how many choices you have later.

The best exit strategy isn't about leaving. It's about building something worth having - and worth transferring when the time is right.

Exit Planning vs. Succession Planning

They are related, but they are not the same.

- Exit planning asks: How will I eventually transition out of ownership?
- Succession planning asks: Who - or what - will allow the business to continue without me?

A strong plan considers both. You may eventually sell, transfer ownership to family, bring in a partner, install management and step back, or choose another path. The point is not to predict the future perfectly. It is to build options.

1. Know What You Are Building Toward

- Do you want to sell the business eventually?
- Would you like a family member or key employee to succeed you?
- Is your goal to build multiple territories or locations before exiting?
- Would you prefer to reduce your day-to-day role while retaining ownership?
- What would financial freedom from the business look like to you?

THINK AHEAD

You do not need to know exactly how you will exit before you buy. You should understand whether the business you are building can support the future you imagine.

2. Understand the Major Exit Paths

Third-party sale: Transfer the business to an outside buyer who meets the requirements of the transaction and, in a franchise system, the franchisor.

Family succession: Transfer ownership or leadership to a family member who genuinely wants and is prepared for the role.

Internal succession: Develop a manager, employee, or partner who can assume increasing responsibility and potentially ownership.

Management transition: Build leadership and systems that allow you to step back from daily operations while retaining ownership.

Strategic wind-down: In some circumstances, an orderly closure may be the appropriate exit. Planning still matters because obligations, assets, employees, customers, leases, and franchise terms must be addressed.

3. Ask the 90-Day Question

If you disappeared from your business for 90 days tomorrow, what would break?

The answer is a useful way to identify owner dependence. If sales stop, customer relationships disappear, approvals bottleneck, employees cannot make decisions, or key knowledge lives only in your head, those dependencies can limit your choices later.

The goal is not to make the owner irrelevant. It is to make the business capable of operating without requiring the owner's constant presence.

4. Build Transferability

A future buyer or successor is not simply acquiring revenue. They are evaluating whether the business can continue producing value after the current owner leaves.

- Document repeatable operating processes and key responsibilities.
- Build a management structure appropriate to the size of the business.
- Reduce dependence on one customer, one employee, one referral source, or the owner's personal relationships where possible.
- Maintain clear, accurate financial records that allow someone else to understand the economics of the business.
- Track the drivers that matter: customer retention, recurring or repeat revenue, unit economics, staffing, sales pipeline, and other model-specific measures.
- Keep important contracts, licenses, leases, vendor relationships, and operating records organized and current.

Revenue creates income. Profit creates options. Transferability helps create value.

5. Plan for Franchise-Specific Transfer Requirements

A franchise owner cannot assume the business can be transferred on the same terms as an independent company. The FDD and franchise agreement may contain requirements that affect a future sale or succession.

- Franchisor approval of the buyer or successor
- Transfer fees and required training
- Conditions the seller must satisfy before transfer
- Rights of first refusal or other franchisor rights
- Required upgrades, remodels, equipment, or compliance items
- The term remaining on the franchise agreement and any renewal implications
- Personal guarantees, leases, financing, and other obligations that may need to be released or reassigned

Review the actual agreements with qualified legal, tax, financial, and valuation professionals before making an exit or succession decision.

6. Family Succession: Ask the Question People Avoid

Does the next generation actually want the business?

A family business is not automatically a family legacy. Successful succession requires interest, capability, preparation, clear expectations, and an agreed transition of authority - not simply a shared last name.

- Who wants to lead the business?
- Who is qualified today, and what development is still needed?
- How will ownership and management be separated, if necessary?
- How will family members who are not involved in the business be treated?
- When and how will decision-making authority transfer?

7. Make the Business Easier to Evaluate

Well before an intended exit, begin organizing the information a buyer, lender, advisor, or successor would need to understand the business.

- Historical financial statements and tax returns
- Current balance sheet and debt obligations
- Normalized owner compensation and discretionary expenses, when appropriate
- Customer and revenue concentration

- Staffing structure and compensation
- Key contracts, leases, licenses, and insurance
- Franchise agreements, amendments, renewal dates, and transfer provisions
- Operating procedures, technology, vendor relationships, and major assets

8. Your 1-, 3-, 5-, and 10-Year Exercise

Time Horizon	What I Want My Role to Be	What Must Be True of the Business
1 year	_____	_____
3 years	_____	_____
5 years	_____	_____
10 years	_____	_____

Start Earlier Than You Think

Exit planning is not a sign that you are less committed to the business. It is part of responsible ownership. The earlier you understand what could make the business transferable, less owner-dependent, and easier to evaluate, the more choices you may preserve for yourself later.

Build a business that serves your life now - and gives you choices about what comes next.

This guide is educational and is not legal, tax, accounting, investment, or valuation advice. Franchise agreements and individual circumstances vary. Consult qualified professionals when planning or executing a transfer, succession, sale, or other exit.