



The value of business

MORE than half of Australian small businesses do not realise the value they've built in their businesses, according to a new report by Commonwealth Bank Local Business Banking.

The Commonwealth Bank/Investment Trends Local Business Owner Report shows that 53 per cent of small business owners do not have an exit strategy. Of those with an exit plan, 22 per cent intend to close their doors and walk away. Even more surprisingly, 60 per cent of business owners planning to close their doors are still actively reinvesting profits back into their businesses. Half are also working more than 50 hours each week — 13 hours more than the national average of 36.9 hours.

General manager of Commonwealth Bank Local Business Banking Arnie Selvarajah, says the problem is at its worst among business owners aged 60 plus, with one in four planning to close the business. At the opposite end of the scale, two thirds of Generation Y owners have already made plans to sell their businesses outright.

"It's alarming that so many small business owners are prepared to walk away from the businesses they've worked so hard to create — especially when they're still ploughing a significant amount of time and money back into them," says Selvarajah.

"An issue for many owners is that their businesses are dependent on their personal presence, making them difficult to sell. Small business owners should plan ahead if they want to build a saleable business and capitalise on their hard work."

Selvarajah says simply making a profit is 'not enough' and that owners should be putting systems in place so that others can reproduce their success and new owners can easily step into their shoes.



TIPS FOR A SUCCESSFUL EXIT

Plan ahead

Plan to make your business saleable right from the start. Look at other businesses for sale, then think about what potential buyers might want.

Build systems

Put processes in place so that everything works smoothly, even when you're not around. Your business will be more efficient and a new owner will find it easier to step into your shoes.

Document everything

Keep detailed records of your systems, your plans, your marketing strategy and your customers. It's all valuable intellectual property that could be worth real money to you one day.

Dig a moat

Carve out a unique niche for your business with a distinct competitive advantage — what Warren Buffet calls an 'economic moat' to guard you from your competitors.

Have a unique selling proposition

Your unique selling proposition is what differentiates you from your competitors — and makes your business unique.

Recruit outstanding people

Invest in key staff who can keep the business desirable to a buyer running without you. Then, having recruited them, share the knowledge around.

Get advice

Professional advisers, such as your accountant, your business banker, or a business broker can help you get the most out of a sale.