

SUCCESSION PLANNING: KEY PRE-SALE STRATEGIES FOR OPTIMAL RETURNS

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Selling a business involves meticulous planning and strategic actions long before the “For Sale” sign goes up. Accountants play a pivotal role in guiding clients on initiatives that can significantly boost the value of their company over several years.

The following strategies aim to maximize the business’s value years before the sale.

✓ **Establish a vision for the endgame.**

Five years before considering a sale, it’s crucial to envision the future state of the business. Define the company’s goals and aspirations to shape subsequent decisions. Aligning short-term actions with long-term objectives becomes fundamental in augmenting a business’s marketability and worth. Start by deciding how much money the owner wants for the business, and work to make it a reality.

✓ **Strengthen the financial foundation.**

Accountants play a pivotal role in enhancing a business’s financial health, directly influencing its overall value. Working with clients on meticulous record-keeping, maintaining transparent financial statements and implementing tax strategies helps cut costs and boost profits, elevating the business’s worth in the eyes of potential buyers.

✓ **Explore new avenues for revenue generation.**

Urge clients to seek to increase revenue by tapping into new markets, identifying niches through research and expanding into underserved areas. Diversifying lessens reliance on one customer base, which lowers risk, supports steady growth and increases value.

✓ **Diversify products and services to mitigate risk and showcase adaptability.** Encourage clients to

expand their product or service range, meet evolving consumer needs, and demonstrate adaptability and innovation. A varied revenue base mitigates risk, making the business less vulnerable to market fluctuations or economic downturns. This showcases adaptability and forward-thinking and positions the company for sustained success, appealing to potential buyers.

✓ **Establish strategic partnerships and alliances.** Propose seeking partnerships with other businesses to unlock synergies. Collaborations offer shared resources, expertise and access to new markets, which can reduce costs, diversify revenue and increase profitability and value.

✓ **Promote leadership development and delegation.** Encourage clients to identify and invest in future leaders within their organization. Grooming individuals to take on more responsibility, make informed decisions and confidently handle day-to-day operations helps decentralize decision-making and operational control. This lessens reliance on the owner’s direct involvement, strengthening the business’s autonomy, fostering growth and increasing value.

✓ **Build a competent and self-sustaining team.** Suggest resources to cultivate talent across various levels of the organization. By providing training, mentorship and opportunities for skill development, businesses can ensure that there’s a pool of individuals capable of stepping up when needed.



✓ **Document processes for seamless transition.** Help clients understand the significance of documenting their business processes. Create a procedural handbook that acts as a go-to resource for employees, providing clear instructions on how to carry out various tasks and procedures. A well-documented system facilitates a smoother transition.

✓ **Enhance operational efficiency.** Streamlining operations and optimizing efficiencies are vital for maximizing business value. Encourage clients to conduct operational audits to identify inefficiencies and implement best practices.

✓ **Build a strong brand and customer base.** Suggest prioritizing brand strength and customer loyalty to elevate the business's perceived value. Advise clients to enhance brand equity by investing in targeted marketing, delivering exceptional customer service and leveraging technology for stronger customer relationships.

✓ **Cultivate relationships and network.** Recommend that clients actively network and cultivate industry relationships, as that can profoundly influence brand equity. Encourage clients to connect with potential buyers, industry peers and influencers to build trusted relationships and foster referrals, references and positive reviews.

✓ **Invest in technology and innovation.** In today's rapidly evolving business landscape, technological prowess is a

critical determinant of value. Encourage clients to invest in cutting-edge technology, embrace digital transformation and stay ahead of industry trends. Innovative solutions drive efficiency and showcase the business's readiness to adapt to evolving market demands.

✓ **Mitigate risks and ensure compliance.** Addressing potential liabilities and adhering strictly to legal and regulatory requirements is vital. Conduct risk assessments and implement robust compliance frameworks to minimize uncertainties for potential buyers, enhancing the business's attractiveness and value.

✓ **Establish scalability and growth potential.** Buyers seek businesses with scalability and growth potential. Assist clients in demonstrating the potential for sustained growth post-sale by securing intellectual property rights, expanding into untapped markets or developing innovative revenue streams.

✓ **Recommend tax planning strategies.** Look for tax planning opportunities that will benefit the seller and buyer. Sellers aiming for higher capital gains want to structure deals to leverage exemptions and reduce tax burdens. On the other hand, buyers wish to have assets that allow for rapid expensing, enabling them to conserve cash through deductions and other tax advantages.

✓ **Prepare to work with the new owners after the sale.** Prepare clients

to engage with the new owners post-sale, recognizing the value buyers place on seller involvement during transitions. Collaborate with lawyers to craft comprehensive agreements outlining roles, responsibilities, duration of collaboration and specific expectations. These agreements ensure a smooth transition and mutual understanding between parties.

✓ **Create a transition plan.** Support clients in crafting a comprehensive transition plan to retain customers and employees after the sale. Facilitate clear communication between stakeholders and potential buyers to align strategies focused on maintaining customer loyalty and a stable workforce during the transition phase.

✓ **Promote clients' expertise and guidance.** Advise clients that their experience and insights are invaluable assets. Encourage clients to offer guidance on business intricacies, industry nuances and best practices to support new owners, regardless of their involvement in the business post-sale.

Increasing the value of a business five years before a potential sale involves a multifaceted approach encompassing financial fortitude, operational excellence, strategic foresight and market positioning. Accountants serving as trusted advisors can guide their clients through these strategic initiatives, ultimately maximizing the value of their businesses when it is time to sell. Carefully executing these steps sets the stage for a lucrative business transaction commanding the highest value for your client's business. 🧩

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