

# Does Your Business Have Transferable Value?

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Business owners may have different goals, long and short term, but often these include the sale of a business, going public or other steps that permit the owner to reap the rewards of building the enterprise by cashing out in some manner, whether the owner intends to stay active in managing the business or not.

Planning for these types of events is commonly referred to as an exit strategy. This type of planning is crucial in order to prepare a business so it is ready to be offered or sold in a manner that is consistent with the owner's desires.

But many businesses, especially small businesses, fail to prepare an exit strategy, or do so only to discover that, notwithstanding years of effort, what they've built may not be of great value to others.

In order to achieve a successful and financially rewarding exit, the business must have what is commonly referred to as "transferable value". Even successful businesses with significant revenue may lack transferable value if there are few assets, or the business depends on certain employees or clients whose continued employment or loyalty could vanish overnight, either because they are not bound by contracts for a reasonable period of time or the nature of the business and the relationships makes such commitments unrealistic.

That's why business owners should constantly be thinking about ways in which they can create transferable value.

An intellectual property portfolio that consists of the business methods, inventions, marks and other creative works of the enterprise, in the form of intellectual property rights (patents/trademarks/etc.) is one possibility.

But transferable value can be literally anything that makes the business meaningful to a potential buyer. That's why transferable value may arise in a variety of circumstances, such as access to specific suppliers or markets, control of a valuable retail location, or products that can be re-purposed for other uses.

The important thing is to analyze your business and its potential buyers, then be creative and diligent in efforts to create transferable value, or transform existing assets or advantages into opportunities that will attract third parties and allow you to successfully execute your preferred exit.

Tharpe & Howell can help you build transferrable value, plan your exit strategy and help you prepare for the sale of your business or other key corporate events. <http://bit.ly/Qudbob>

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