

Small Business Insights: Exit Strategies

Starting a small business is a well-worn path to the American dream, but setting an exit strategy is critical to maximizing that success.

Small business owners understand the importance of an exit plan but face challenges building their plan, setting a timeline, and seeing it through.

Only 15% of small business owners have an exit plan for their business, but half have an idea of how they would like to exit.

Top 5 most appealing exit plans

1. Sell to a Strategic Buyer (32%)
2. Transfer Ownership within Family (24%)
3. Sell to Financial Buyer (11%)
4. Implement Employee Stock Ownership Plan (10%)
5. Buy-out or Buy-In from Management (9%)

While there's significant variability, **most small business owners want to transition out of owning their business in 5+ years.**

- As Soon as Possible (2%)
- In Fewer than 5 Years (10%)
- Within 5-10 Years (32%)
- In More than 10 Years (35%)
- Never (14%)
- Don't Know or Prefer Not to Say (7%)

Among family-owned businesses, 62% of small business owners feel it is important to keep their business in the family.

- “The motivations for starting a business and exiting often differ, but one constant remains: business owners have the power to shape their exit. By strategically planning, you can build a business that not only funds your retirement but also creates a lasting family legacy, employing future generations. The key to unlocking this potential is to plan for it.”
– Rod Dauphin, *10,000 Small Businesses* Faculty Member

Getting Started on Exit Planning

What holds small business owners back from exit planning?

1. Don't know how to start the process (43%)
2. Believe the business is too young to consider exit planning (32%)
3. Don't have time to consider exit planning (27%)
4. Believe they are too young to consider exit planning (14%)

- “The first steps to developing and executing an exit strategy is to “become a CEO” — it's hard to consider an exit strategy when you are behind the counter. A business is

worth more when it has systems, procedures and staff in place to run without the business owner.”

- Kent Snyder, *10,000 Small Businesses* Faculty Member

Exiting starts with knowing your business’ value, but most small business owners aren’t sure what their business is worth.

- 63% of small business owners are not sure what their business is worth
- 9% of small business owners have had their business formally valued in the last three years
- “Periodically valuing your business can be one of the most satisfying and motivating exercises a business owner can take. It can validate your reason for being in business and encourages you to take steps to increase its value to satisfy future goals.”
– Sam Deal, *10,000 Small Businesses* Faculty Member

10,000 Small Businesses directly addresses these challenges through our proprietary curriculum on business management. By the end of the program, entrepreneurs create an exit strategy that is unique to their business based on knowledge they have gained about their business and the operating environment.

Data were drawn from a survey of 263 Goldman Sachs *10,000 Small Businesses* participants conducted by Babson College. The survey was administered during in-class instruction across 12 cities from May 15, 2024 to May 20, 2024.