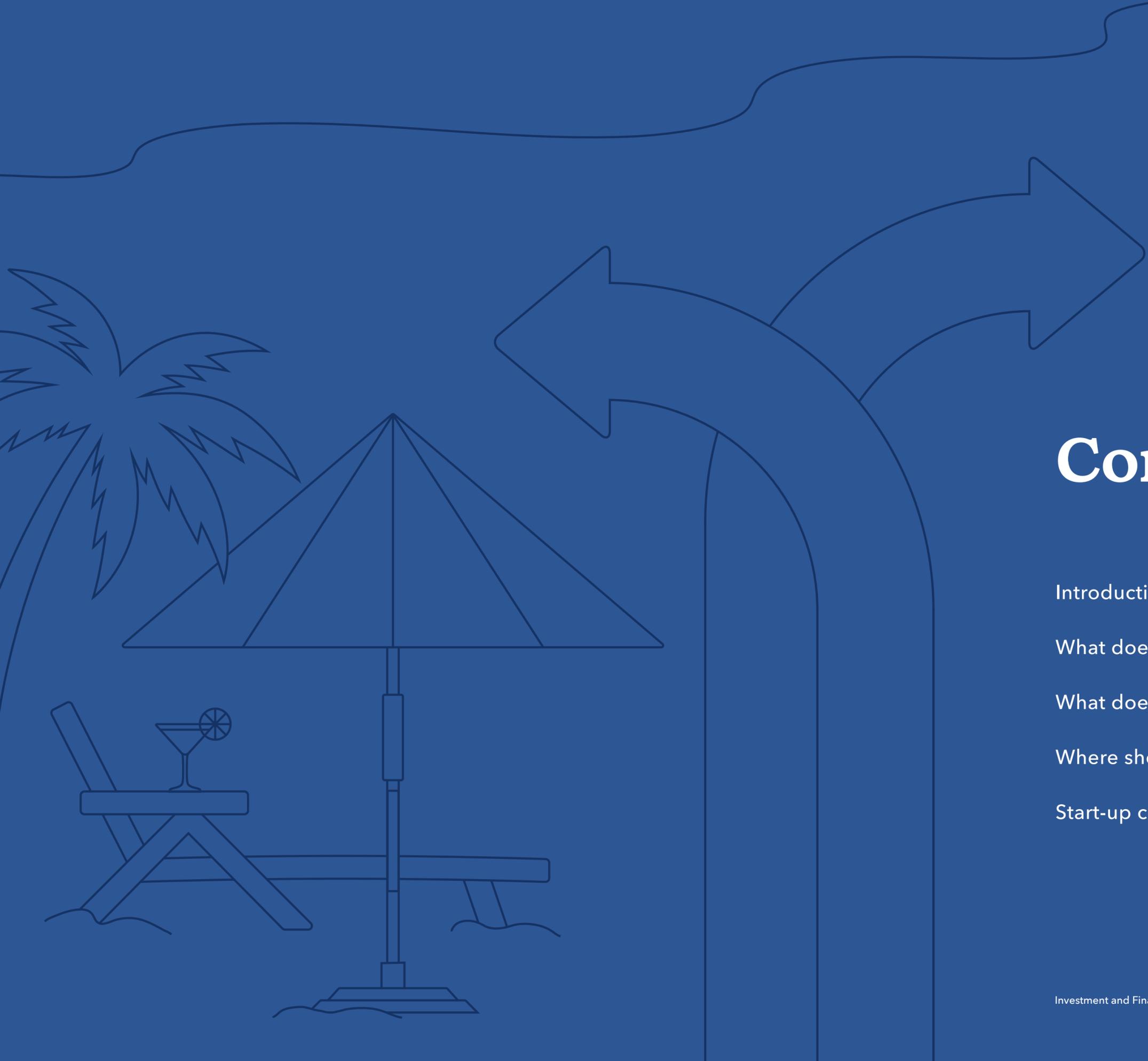




BUSINESS OR FANCY JOB?

Growing and Selling a Business



Contents

- Introduction 3
- What does a real business look like? 4
- What does the life of a business look like? 6
- Where should I begin? 8
- Start-up checklist 12

INTRODUCTION

A Real-World Guide to Building, Growing, and Exiting a Business

Welcome to Synergy Business Valuation & Consulting's entrepreneurial guide to building, growing, and selling a business. This is the first installment in a series designed to help entrepreneurs and business owners better understand what drives long-term success.

With fresh, useful information, SBVC's business series will cover the business lifecycle from beginning to end. Along the way, as you are introduced to each new installment, please look in the mirror and ask yourself the tough questions so you can be ready for the answers.

The topic of this SBVC business installment is "Do you own a business or a fancy job?" It starts with a

discussion about our definition of a business, and then explains the business life cycle so you can get started now with planning your business.

Every business owner reaches a point where these questions matter.

What does a real business look like?

How does a business evolve over time?

Where should I begin?

A Fancy job

Operates the business day to day

OR

A Business

Builds value beyond the owner

What does a real business look like?

Over the past 25 years of advising entrepreneurs, I have heard many reasons why people start businesses. Some are motivated by financial opportunity, others by the challenge, and some by the desire to work for themselves. Regardless of the reason, a successful business can deliver many of the traditional milestones by which success is measured, including income, wealth, identity, and pride of ownership.

The problem is that most entrepreneurs start a business without fully understanding what a business truly is. In reality, many end up with a fancy job they call a business.

A real business is one that operates, grows, and produces value without requiring the owner's constant presence.

If the owner can step away for a long period and return to a company that is still thriving, generating cash flow, and serving customers, then they own a business.

If the company stops when the owner stops, what they really own is a fancy job.

This definition sets a clear standard, but it is not rigid. Due to the unique traits of each business, this definition may need to be tailored to a particular industry or an owner's personal circumstances. Regardless of the timeline you choose for achieving your goals, a business must begin with the end in mind.

Starting with the end in mind gives you time on your side. It allows you to build your business in a way that maximizes value when it is time to sell or exit. One day, you will leave your business, whether by choice



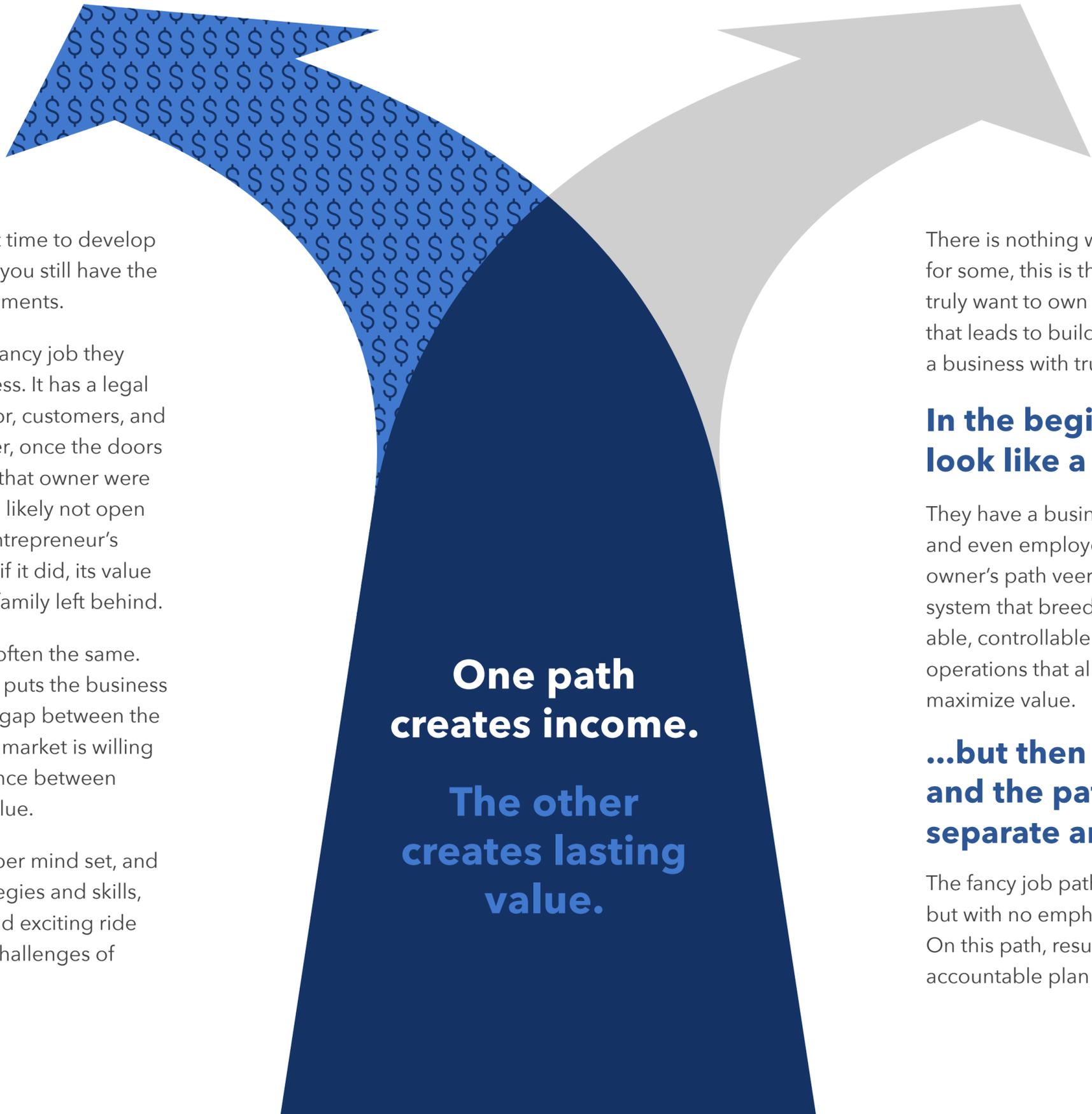
The true definition of a business is whether the owner can step away for six months, sit on a beach in Maui, and return to a company that's still thriving.

or by circumstance. Now is the best time to develop strategies that increase value while you still have the ability to make meaningful improvements.

Most entrepreneurs end up with a fancy job they call a business. It looks like a business. It has a legal structure, a name, a sign on the door, customers, and regular hours of operation. However, once the doors close and the owner goes home, if that owner were suddenly gone, the business would likely not open the next morning. If they did, the entrepreneur's dream might not survive, and even if it did, its value would rarely be maximized for the family left behind.

Even in retirement, the outcome is often the same. After years of hard work, the owner puts the business up for sale, only to discover a wide gap between the price they expect and the price the market is willing to pay. That gap reflects the difference between perceived value and true market value.

The good news is that with the proper mind set, and equipped with the right set of strategies and skills, you can experience the dynamic and exciting ride of navigating and negotiating the challenges of entrepreneurship.



**One path
creates income.**

**The other
creates lasting
value.**

There is nothing wrong with having a fancy job and, for some, this is the right decision. However, if you truly want to own a business, you must take the path that leads to building a business with staying power – a business with true value!

In the beginning, both paths look like a business...

They have a business entity, a name, a website, and even employee benefits. Then the business owner's path veers off and focuses on creating a system that breeds success including duplicating able, controllable and predictable procedures for operations that all drive toward the exit plan and maximize value.

...but then the road veers and the paths become separate and distinct.

The fancy job path veers toward a good livable wage, but with no emphasis placed on extracting value. On this path, results achieved without a clear and accountable plan are largely based on luck.

What does the life of a business really look like?

The life cycle of a business is actually very simple and is often described using three or four phases, depending on how explicitly the exit is defined.

4 PHASES

Start-up phase
Growth phase
Maturity phase
Exit phase

3 PHASES

Start-up phase
Growth phase
Maturity phase
Exit phase

Each phase poses its own unique challenges and rewards, and as an entrepreneur you will most likely gravitate toward enjoying one or two of the phases over the others. Many entrepreneurs prefer the start-up and growth phases, where momentum is visible and progress feels immediate.

They start businesses, build them, exit them, and allow others with refined management skills to guide the company forward.

Just because you start a business doesn't mean you're the best person to run it. Don't be afraid to

hire people who possess different skills than you, and keep in mind that bigger is not always better. Some businesses start fast and grow fast, and others start small and are best when they remain small.

The Start-up Phase

After you have identified The Next Big Idea, it's time to put your thoughts on paper, perform your due diligence, and create your business. This phase is often marked by optimism, uncertainty, and a strong belief in what the business could become.

You will select a legal entity, a bank, an office location, assemble your team of advisers, hire an employee or two, raise some capital, finalize your business plan and open the doors. The complete details of the start-up phase are beyond this article and require more consideration than permitted here.

During this phase, it is important to allow as much time as necessary to develop a prudent and well thought-out plan that will drive your success.

SAMPLE START-UP BUDGET

Personnel <i>costs prior to opening</i>	Supplies
Legal or professional fees	Advertising and promotions
Occupancy	Salaries / wages
Licenses and permits	Accounting
Equipment	Utilities
Insurance	Payroll expenses

SAMPLE OPERATING BUDGET

Personnel	Misc. expenses
Insurance	Supplies
Rent	Payroll expenses
Depreciation	Salaries / wages
Loan payments	Utilities
Advertising/Promotions	Dues / subscriptions
Legal /accounting	Taxes
	Repairs / maintenance

The Growth Phase

Creating revenue and driving profits should be one of your most important goals, yet sometimes growing too fast is worse than growing at a steady and controllable pace. Growing too fast can actually put you out of business if you don't have a well-organized plan to serve all your new customers. This is the phase in which you need to identify the key value drivers for your particular business, industry, and sector, and capitalize on them by executing the business plan you've spent so much time preparing.

This is the phase in which you must identify the primary value drivers for your business, industry, and market, and execute the plan you have developed. Growth involves many moving parts, including staffing, facilities, capital, and customer relationships. True value is created by focusing on the activities that generate sustainable cash flow or other relevant measures of profitability. Over time, these efforts contribute directly to higher exit value.

POSSIBLE VALUE DRIVERS:

- ✓ Positive earnings before interest, taxes, depreciation, and amortization (EBITDA)
- ✓ Strong and loyal customer base
- ✓ Product differentiation
- ✓ Defensible market positioning

- ✓ Dominant market share
- ✓ Technology and proprietary processes
- ✓ Location
- ✓ Franchise or dealership structure

Maturity Phase

The maturity phase is when a business shifts its focus from growth to stability, efficiency, and value refinement. Revenue and cash flow are consistent, operations are predictable, and the business is no longer dependent on constant intervention from the owner.

In this phase, systems, controls, and leadership are firmly in place. Responsibilities are delegated, processes are documented, and the owner moves from managing daily activity to overseeing strategy. This transition reduces risk and increases the business's attractiveness as a transferable asset.

Many businesses never reach this phase because the owner remains the primary driver of operations, decision-making, and relationships. Without intentional delegation and systemization, growth plateaus and the business remains a "fancy job" rather than evolving into a scalable, transferable enterprise. Maturity is not automatic—it must be deliberately built.

The Exit Phase

This is the phase you have planned and worked so hard to achieve. Here is where you will be rewarded for executing your business plan with some type of liquidity event, whether it is a sale or merger. In this phase, it is very important to put together your exit team, which usually consists of a valuation expert, business broker, your attorney, and your accountant. Your team will provide you with invaluable advice in negotiating the pitfalls of a business transaction. Regardless of whether it is a sale to one or more of your employees or to an outside party, your exit team will pay dividends because of their expertise as they guide you to make the best decisions.

VARIOUS METHODS OF SALE:

- ✓ Sale of the entire business to an unrelated third party
- ✓ Sale of a portion of the business
- ✓ Asset liquidation
- ✓ Sale of a fractional ownership interest to a co-owner
- ✓ Sale of ownership interest back to the company
- ✓ Sale of all or part of the owner's interest to an employee benefit plan

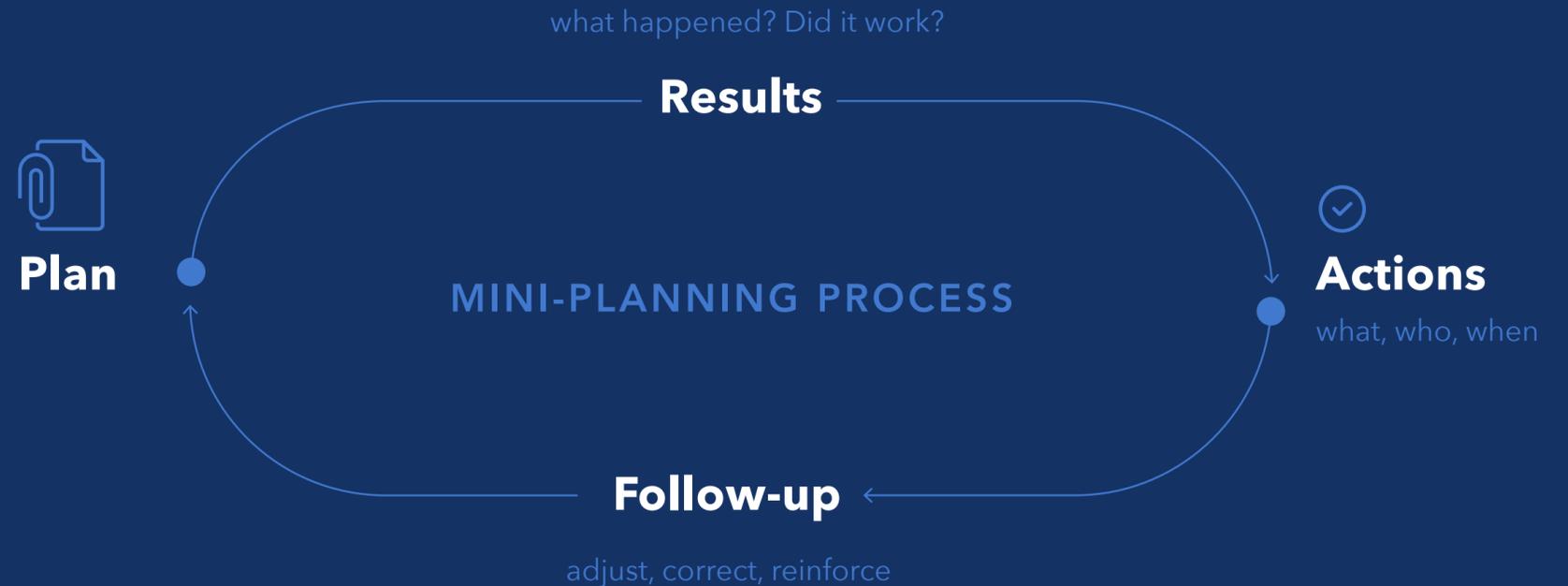
Where should I begin?

If you ask a group of students in high school if they planned to fail in life, the answer would be a resounding “No way!” However, if you followed the same group of students over the next 40 years of their lives, you would most likely see a recurring pattern of failing to plan.

This is the same pattern many entrepreneurs fall prey to, failing to plan the successful life of their business. Why? In my experience, it is due to the complexity of their circumstances and the lack of a proven system, or plan, to guide them.

They are too busy working in their business and do not spend enough time on working on their business.

The following is what I call a mini-plan and, of course, it can be expanded to suit the individual needs of your business. Following the mini-planning process are my concluding thoughts on formal business plans.



Is the plan...

Simple

Is the plan simple? Is it easy to understand and take action? Does it communicate its contents easily and practically?

Specific

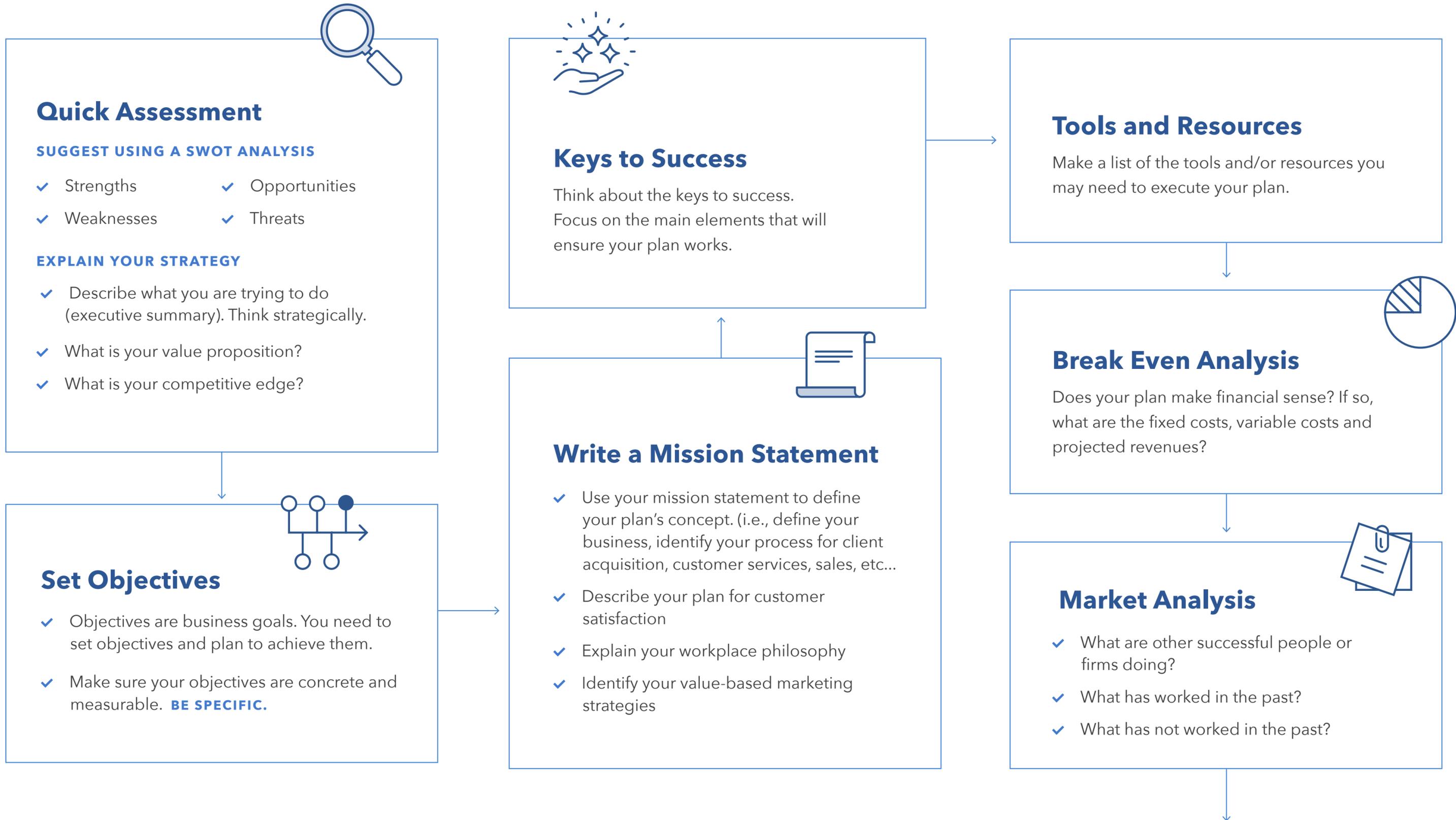
Is the plan specific? Are objectives concrete and measurable? Include specific actions and activities, each with specific dates of completion, specific persons responsible, and specific budgets if necessary.

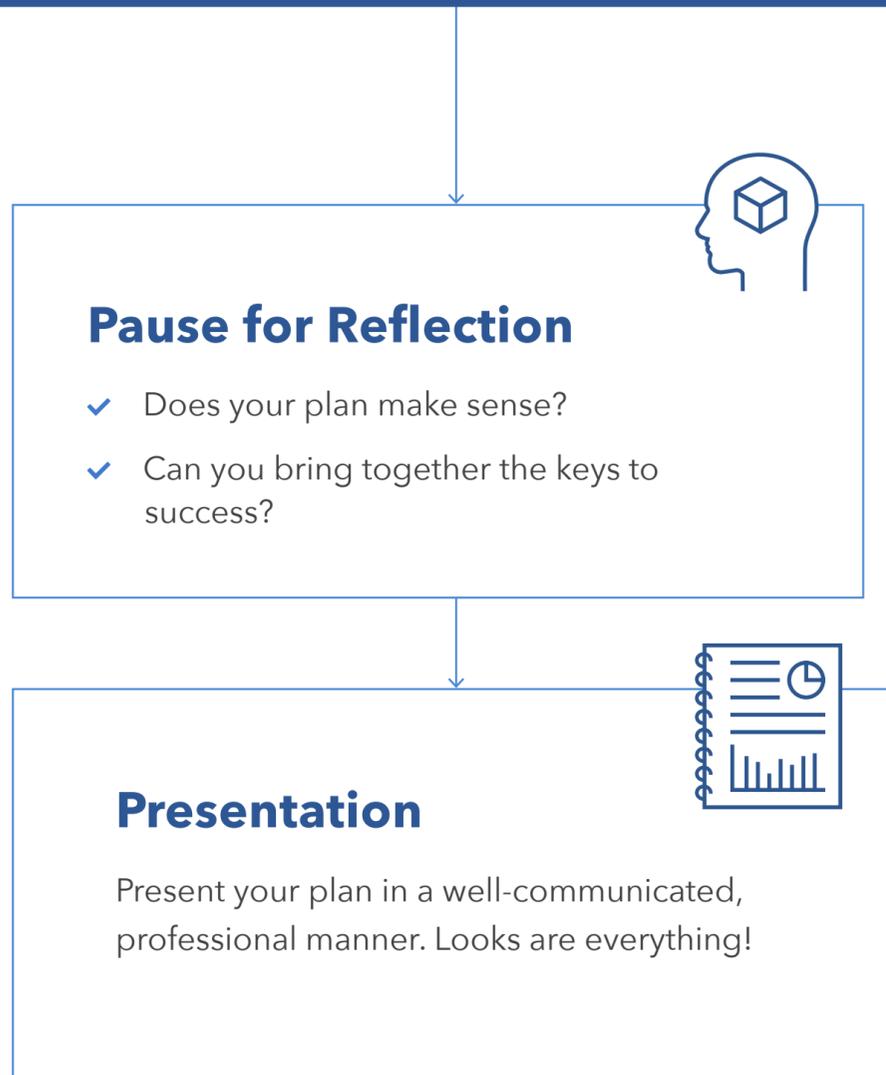
Realistic

Is the plan realistic? Are sales goals, expense budgets, and milestone dates realistic? Nothing stifles implementation like unrealistic goals.

Complete

Is the plan complete? Does it include all the necessary elements? Requirements of a good plan vary, depending on the context. It must cover at least the basics.





Formal Business Plan Process

Business plans are a business's blueprints for success and should be logical and well-thought out, easy to read, accurate, and reflect the founder's passion while still maintaining a professional tone. They can range in length from a few pages to several hundreds of pages, but most importantly, they should appropriately address the strategic needs of the business.

Another way to think of this planning process is from the perspective of a GAP analysis. A GAP analysis assesses the value of the business today, identifies the elements and the desired financial value of the business in the future, and measures the distance between the two, known as the GAP. Then a plan is written that closes this GAP and moves the business from today into tomorrow in an efficient and successful manner.

There is no one right way to write a business plan; however, there is a wrong way! You must make sure your plan accurately and honestly describes your idea, the market you are serving, your company's profile, its competitive advantage, and its projected financial statements.

Another consideration is the audience. For whom are you writing the business plan? Yourself, investors, the bank, your organization's management team, or a combination of people? Many people will write a different plan for each individual audience so they can tailor the plan to address the questions and concerns each group may have. This might at times be an advantage, but I would suggest that if the business plan is properly written, one plan will do. However, you could consider creating a few different presentations in order to better communicate or highlight certain aspects of your plan for different audiences.

COMMON TOPICS IN A BUSINESS PLAN*

* each plan should be customized to fit its specific purpose.

- ✓ Short summary of the business
- ✓ History of the business
- ✓ Products and services and how they will meet the client's needs
- ✓ Your sustainable competitive advantage
- ✓ How operations will work
- ✓ Strategic alliances
- ✓ Market information, size, growth rate, government regulations, etc.
- ✓ Marketing information, distribution channels, promotions, pricing etc.
- ✓ Rivalry from the competition
- ✓ Management team and their bios
- ✓ Ownership structure
- ✓ Financial plans, balance sheet, income projections, cash flow statements, budgets, pricing and distribution models
- ✓ Capital required, debt, equity, preferred
- ✓ Exit strategy

SYNERGY ASSET MANAGEMENT

Let's Build Your Wealth Together

In conclusion, the question "Do you own a business or a fancy job?" can be a fresh way to look at starting a business or to evaluate your current business. Understanding which path you are on and where it leads will help you take control of growing your business.

First, you need to identify your goal. Is it to own a business or to have a really good job? Focus on the path that leads you to your intended goal.

Second, identify where in the business life cycle your business is currently operating. Use this internal business audit to understand where your business is and where it is heading.

Finally, based on the first two steps, create a plan that is appropriate for your audience. Keep it simple. Be specific and realistic with your planning, and as complete as necessary for your particular objective.

It all starts with a conversation.

Give us a call and let's schedule a complimentary meeting.

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Start-up checklist

- Describe your business, its services and its products.
- Identify your market.
- Analyze your competition.
- Assess your skills.
- Name your business.
- Determine your financial requirements (budget) and your pricing structure.
- Identify start-up costs.
- Select an accountant.
- Determine your business structure.
- Check on zoning laws, licenses and taxes.
- Select your location.
- Apply for a fictitious name (called a DBA for “doing business as”).
- Develop a business plan that includes:
 - Business description
 - Marketing plan
 - Management plan
 - Financial plan
 - Obtain a tax ID number from the IRS.
 - Apply for a city business license or home occupation permit if necessary.
 - Select a banker, attorney, accountant, and insurance agent.
 - Open a business banking account.
 - Arrange for financing (or set aside capital for a worst-case scenario).
 - Obtain business insurance.
 - File legal documents to register your business.
 - Set up your financial records.
 - Create a brand to include logo design, ordering business cards and stationery, etc.



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