



Changing Lanes

Transition planning for entrepreneurs and family businesses

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with compliments from



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Add Another Perspective



The above image is a classic representation of two completely different shape interpretations, each of which is entirely valid, but only one of which can be kept in perspective at any given moment. When presented with this image for the first time, most people clearly see one of the two pictures but have to be prompted to find the other.

Purportedly devised by Danish psychologist Edgar Rubin in 1915, this simple illusion can be perceived as both a vase and as two human faces gazing at one another. Focusing on the white shape identifies the vase with its broad base, narrow stem and wide mouth. Training the eye on the picture's black sides will reveal the identical profiles of the two faces.

Psychologists tell us that the brain cannot hold onto two perceptual experiences at the same time, but rather shifts from one focus to the other. Yet the ability to see two perspectives at once would certainly provide valuable new insights when it comes to understanding what a prospective buyer would value most about your business!

The objective of this edition of Changing Lanes is to show you how seeing things differently and gaining fresh insights is not only possible, but also an essential part of the process for preparing your business for sale. In our last newsletter we advised that, just like the Olympic athletes, you will need help to reach your goal. Read on to explore how you can use the team approach to gain an additional perspective, and at the same time ensure the project is well-scoped and stays on track. 

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Don't Go It Alone

If you have been following the timeline, it is now 5 o'clock and time to tackle the improvements required to maximize the selling price of your business.

With the help of a business valuator, you have identified the key value drivers — those areas of your business that are most likely to increase business value in the shortest time possible.

You now need to commit to making these changes with a series of action plans specifically designed to deliver the required level of operational improvement. But planning in itself is not enough; you want to ensure there is a consistent effort in implementing the action items. That includes setting and committing to targets, implementing the improvements, monitoring the changes, and measuring the results.

At the same time, you need to be careful that you aren't so focused on the future sale that your core operation suffers. The secret is to treat this as a separate project.

Such a project is likely not something you can accomplish alone, especially if you are still overseeing most of the day-to-day activities of the business, or if you will have to navigate unfamiliar territory. For example, your plans may well involve areas outside your core strengths such as technology, financial controls, quality control systems, developing executive leadership, or even research and development.

To sustain this value enhancement process, we recommend three strategies:

- 1 Using an Advisory Board to provide you with the additional perspective that will help you identify both the vase and the people.
- 2 Appointing a Project Manager to oversee the changes and at the same time keep the project on track.
- 3 Engaging the people that can supply the expertise relevant to your key value drivers. As an example, this team might require people with strength in:

Financial management (with a mandate to improve cash flow, implement financial controls and manage potential tax liabilities etc.).

Organizational development (to improve business processes and performance within the organization with an overall goal to reduce costs and increase profits).

Human Resources (to work with your team and boost the intellectual and social capital including the communication, leadership capabilities and internal culture of the firm).

Systems consulting (to maximize the strength of your products and services, and secure customer and supplier relationships that are key to the sustainability of the firm).

Read on for ideas on how a Project Manager and an Advisory Board can help get you to a successful outcome. 

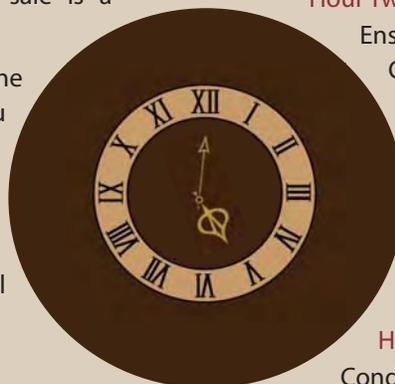
The Clock is Ticking

Preparing your business for its eventual sale is a valuable but time-sensitive process.

The ideas outlined for each hour on the countdown clock are designed to help you plan ahead and take advantage of proven strategies for selling your business under your terms. The goal is to give you the choice for either an internal sale to your family or management team, or an external sale to a strategic or financial buyer.

Hour One

Begin a process to formalize the business structure so that another owner or manager can step into your shoes. Start the transition of knowledge, wisdom, and decision-making to the potential internal successor.



Hour Two

Ensure you have a purpose for life after the sale. Consider your overall vision, the legacy you want to create, personal goals, and financial needs.

Hour Three

Consider what needs to be done to attract a buyer. Look at your business through the eyes of an outsider. Is there a clear business model and long-term vision that is sustainable?

Hour Four

Conduct a business valuation to identify the key value drivers. From this information, determine the priority steps that will enhance the value of your company.

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The Power of an Advisory Board

While engaging a team of experts is an essential step in enhancing the key value drivers, there is more you can do to ensure you bring great ideas to the table. Forward-thinking entrepreneurs now recognize the value of an Advisory Board for increasing the chances of a successful outcome.

An Advisory Board is essentially a think-tank with a mandate to challenge the status quo, prevent tunnel vision, and conduct due diligence. When implementing strategies to enhance the saleable value of the business, these same objectives apply.

Consider for a moment the people whose opinions you seek on a myriad of business issues. Also think of those people with whom you can have candid conversations and voice your fears and concerns - concerns that you can't always discuss with family members, employees or your lenders! These people are your "think-tank" and you receive incredible value when they give advice or challenge your thinking.

Now consider the benefit of having some of these sages available and in the same room at the same time. Imagine adding to that group a veteran entrepreneur who has past experience in selling their business. This is the premise for an Advisory Board that can keep you focused and confident as you work through the steps in the countdown clock.

When you plan on your own, it is so easy to procrastinate, to get sidetracked, so your business doesn't grow the way it could.

The Advisory Board gave me someone to be accountable to. I couldn't risk losing credibility in the eyes of people I really respected.

Kathleen Godfrey

Traditionally founders or leaders, of both large and small companies, have relied too much on their own specific abilities and strengths and failed to embed some of this out-of-the-box thinking and objectivity into their decision-making. Unfortunately, this strategy can greatly limit the potential for success, both in terms of business profitability in the immediate future, but more specifically in maximizing the future selling price of a business.

So give some serious thought to setting up regular meetings with a chosen few who can support you through the detailed process of preparing your business for sale. To enhance communication further, you might find it beneficial to include your project manager in this group. 

The Clock is Ticking *continued*

Hour Five

Establish an Advisory Board to create a team approach to planning the sale. This will provide an additional perspective and play the role of project manager.

Hour Six

Enhance the culture within the organization to ensure the team, especially middle management, is engaged.

Hour Seven

Ensure the business isn't being used as a family office. This will negate the need to recast the financial statements prior to the sale.

Hour Eight

Cultivate relationships with potential buyers. These might be competitors in the industry, someone in the supply chain or private investors.

Hour Nine

Put tax management strategies in place and structure the ownership for the impending sale or transfer.

Hour Ten

Develop a 3-year strategic growth plan that is sustainable and will spark interest from potential buyers.

Hour Eleven

Ensure there is ongoing product development with a pipeline of new products to launch at the time of the sale.

Hour Twelve ~ Decision Time

Either develop a Confidential Business Report to share with potential buyers and create competition, or for an inside sale, draft the terms of the sale agreement. 

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Managing the Project

Maximizing the selling price of a business fits the definition of a “project” - *a temporary endeavour with a defined beginning and end, that is usually constrained by time and budget, but with the ability to bring about beneficial change or added value.* So we recommend you assign the role of Project Manager to an individual who will have a clear and specific mandate to bring about this *beneficial change*.

To paraphrase Tim Blixseth, great ideas can go unexecuted if not married with great executioners. A Project Manager brings these two factors together to ensure the changes that are required to increase the saleable value are implemented.

Managing large or intricate projects requires a great deal of time and skill, specifically the skills for **planning, organizing, executing, monitoring** and **completing** the activities required to realize the new initiative or change.

1. Planning

The first step is to clearly define the critical components or success factors that will ultimately determine the entire structure of the project and at the same time communicate and manage expectations.

- The What: the scope and objectives. The “What” can be determined by conducting a gap analysis between what needs to be achieved and what the situation is currently.
- The Why: the benefits or return on investment.
- The How: the process and key phases along with costs and budget. Itemizing the phases and subsequent tasks in the “How” will provide the criteria for the “Who”.
- The Who: the participants and their respective roles and responsibilities.
- The When: the timeline from beginning to end including major milestones or checkpoints along the way.

2. Organizing

The second step is to organize the project into key phases with specific deliverables and sign-off for each. Each phase should include detailed tasks or action items along with related costs and budgets, due diligence requirements, testing, controls, and/or contingency plans.

3. Executing

Step 3 is the implementation of the action plans developed in each phase within Step 2. Managing both the experts and the implementation team while communicating and coordinating their differing activities is also a key element of this step.

4. Monitoring

During this stage, controlling the implementation to ensure there are no scope, time or cost overruns is essential to a successful outcome. Testing and evaluation of each new initiative or action ensures that the changes are understood and effective before they are launched.

5. Completion

Also referred to as the Closing stage, this is when the changes are integrated into existing systems and processes. In addition to assignment, or possible reassignment, of roles or duties to support these changes, this step should include a post-project review and filing of all documentation related to the value enhancement actions.

While the process for maximizing the selling price of your business may seem long and involved, the payoff or rewards can significantly outweigh the costs. Remember, it is a worthwhile investment in the future. 

Many great ideas go unexecuted and many great executioners are without ideas. One without the other is worthless.

Tim Blixseth

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