

# Staging your Business for Sale

Maximize Marketability and Selling Price



The diagram illustrates a business staging process. It features a central white square with a black star. To the left is a white diamond, and to the right is a green star. White arrows indicate a flow from the diamond to the central square, and from the central square to the green star. Another white arrow points down from the central square towards the SatiStar logo. The background is a light gray with faint geometric shapes.

***Sati★Star***

For Sustainable Business Performance Improvement

# Business Performance Improvement Consulting and Training



# Background

- 1 in 4 business owners plan to exit within the next 5 years<sup>1</sup>
- Your business is only worth what someone will pay for it
- Buyers want to minimize their risk
- It takes between 2 and 5 years to properly stage a business

<sup>1</sup>RBC March 2007

# Case Study

- Situation:
  - Silicon Valley manufacturer of high tech connectors
  - Good products, good customers, good growth
  - No systems / procedures in place
  - Entirely dependent on key employee knowledge
  - Approached to sell – lowball offer
  - Implemented ISO9000
  - Second offer increased 9x
- Lessons:
  - Professionalism in operations
  - Documented systems
  - Transfer of value from key employees to the business

# Barriers to Sale

- Too dependent on the owner
- Knowledge equity resides in owner not the business
- Getting the owner to let go
- No reliable financials or KPIs
- Management team is not capable
- Business relationships not transferrable
- No documentation, no defined processes
- Financing the sale
- Valuing the business

# Case Study

- Situation:
  - A manufacturer of metal products
  - Extremely successful, profitable and growing
  - Founder retired and handed business to son
  - Systems poorly defined
  - No succession planning
  - Weak management team
  - Business in decline since transfer
  - Founder forced to come out of retirement
  - Sold company for much less than desired
- Lessons:
  - Plan for succession
  - Position company for continued success

# Sell vs Transfer

## Sell

- Stage for sale
- Focus on medium-term
- Identify operational improvement potential
- Implement improvements that deliver increased 3 – 5 yr returns
- Short/Med-term strategies
  - Defer expenses
  - Maximize revenues
- “Fresh coat of paint”

## Transfer

- Position for success
- Focus on long-term (20 yr)
- Identify operational improvement potential
- Implement improvement that provides sustainable viability
- Short/Med/Longer-term strategies
  - Knowledge transfer
  - Visioning
  - Processes
- “Correct structural issues”

# Why Stage Your Business?

- Improve marketability
  - Improve current and future performance
  - Improve business “optics”
  - Command a premium price
  - Reduce the time for sale transaction
  - Minimize holdbacks and guarantees



# Approach



# Operational Assessment

- Rapid examination of your business' operational characteristics
- Develop a profound understanding of the current situation
- Identify areas for improvement
- Create a fully quantified, prioritized and comprehensive roadmap for improvement and succession

# Business Assessment - Inputs

- Vision / Strategy
- Structure & organizational capability
- Key performance indicators and trends
- Leadership & management practices
- Current state processes
- Customers / Suppliers
- IT infrastructure
- Distribution & logistics
- Environment, health & safety
- Financial performance
- Potential obstacles & barriers
- Benchmarks

# Business Assessment - Outputs

- Current state process maps
- Future state vision, including equipment, layout, systems, personnel, partnerships, management controls, etc.
- Future state process maps
- Quantify cycle time reduction potential
- Quick hits
- Findings
- Recommendations
- Benefits
- Costs
- Roadmap and timeline for implementation

# Implement Improvements

- Consider the assessment recommendations
- Decide
- Develop measures of success
- Implement the improvement plan
  - Improve operational processes
  - Knowledge transfer / retention
  - Quick hits
- Monitor results

# Monitoring & Control

- Management control systems
  - Objectives and targets
  - Key performance indicators
  - Reporting and communication
- Ensures that the plan is on track
- Know what's going on without having to be there

# Case Study

- Situation:
  - A duct cleaning company
  - Founders “professionalized” their business
  - Ensured that all company employees understand the business systems
  - Implemented ISO9001
  - Expanded internationally
  - Business thriving
  - Sold at a premium price – now sailing in Bora Bora
- Lessons:
  - Professionalism
  - Operational excellence

# Benefits

- Position for sale or transfer
- Transform non-marketable into a marketable business
- Seize opportunities to entertain unsolicited offers
- Command a premium price for your business
- Improve current profitability
- Maintain viability if you should suddenly leave the business
- Improve future viability, preserve your legacy
- Enjoy greater independence and improved quality of life
- Take care of the people that depend on you



# Case Study

- Situation:
  - Recycler of metals
  - Processes improved and standardized
  - Implemented ISO9000
  - Excellent sales growth
  - Sold for 55x earnings!!!
- Lessons:
  - Knowledge transfer through standardization
  - World-class processes
  - Made themselves extremely attractive to a buyer
  - Staged for sale

# Outcomes

- Improve processes & workflow
- Reduce waste, duplication, and rework
- Increase focus on value-added steps
- Increase productivity
- Clear alignment on a long-term vision
- Retain knowledge within the company
- Buyer can operate company comfortably
- Ensure sustainable viability



# What's Next?

- Engage an outstanding team of advisors
- Conduct an Assessment
- Develop improvement plan
- Stage your business for sale