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## Make An Exit On Your Own Terms

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Aaron Lynett/National Post

At the age of 28, Wayne Gatien, president and chief executive of PowerTel, a high-voltage electrical contracting firm in Whitefish, Ont., attended retirement lessons with his father and younger brother. Twenty-five years later, he is making his plans to pass on the reins to partners or family members when the time is right.

"Building value for shareholders or myself is on my mind every day, and I have three [succession] options on the table at any given time," he says.

Entrepreneurs like Mr. Gatien are a rare breed when it comes to succession planning. In fact, experts say many owners are hard pressed to put the wheels in motion even two years ahead of time. The longer you prepare for your exit, however, the better it is for all concerned.

When it comes to succession planning, procrastinating is a common problem given the emotional ties that come with owning your own business, Michael Epstein, president and managing partner for Fuller Landau LLP in Toronto says. "The term 'succession plan' seems to have connotations of death and estate planning for some business owners. Actually, business transition planning has to do with ownership, management and leadership. And each of those three things could happen at different times."

Rather than seeing succession as the end of the road, Mr. Epstein says, "Focus on building and enhancing the value of your business. Ask yourself how long it will take to grow the business to the value you want to achieve. If you don't have the right management to help you get there, allow yourself the time, go out and find the talent or professional help you need.

"My first advice to anyone wanting to leave their business is to pick your exit timing," says Bruce McConnell, vice-president at Business Development Bank of Canada, consulting in Montreal. "Once you have done that, backtrack the [succession] plan a minimum of two to five years. Then start building your value creation plan."

A value creation plan should include strategies for building on core business strengths, maximizing profitability and cash flow, and liquidation options. "You also need to ensure any risk elements are managed to show your acquirer that your business is sustainable and profitable," Mr. McConnell says. "For example, if there is a potential weakness with your raw material suppliers, or you have a concentrated customer base, take steps to secure firm contracts or diversify."

If the transition is a family affair, that doesn't negate the need for a formalized planning approach, says Grant Walsh, director and co-founder of KPMG's Centre for Family Business in Ottawa. "Families that develop guiding principles for succession typically succeed. All active members should meet on a regular basis to work through management succession and ownership issues and establish formal written rules that outline employment criteria, spousal or in-law involvement policies, and compensation."

If you don't have family members waiting in the wings, there are flexible alternatives that allow business owners or partners to exit gradually and take equity with them piece by piece. "For most entrepreneurs, a gradual exit is far better than going cold turkey," says Eric Klein, corporate finance partner for Farber Financial Group in Toronto.

Many business owners don't realize that there are some more "creative" options besides the outright selling of your business or transitioning to a family member that can help you reduce the personal trauma of the whole experience, he adds.

"You can seek out an equity investor who will take part of the value of your business while you continue to run it. Basically it takes the risk off the table and allows you to phase yourself out of the business, while putting the measures in place to strengthen its market value."

Another nice option is a management buyout. "That's a really natural extension, since you have so much intelligence and goodwill that will stay with the business," Mr. Klein says. "You can even do it progressively to allow the buyers time to secure the financial resources they need."

Given his early introduction to retirement planning, it comes as no surprise Mr. Gatien has been working on phasing out his involvement for some time. "By the time I'm 60 I should have delegated 100% of my job, and be able to continue to work if I want to ... or not. If I haven't delegated my responsibilities by then, I'd have to say I wasn't successful."

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