NewsFlash *by Linda Swerling*

November 27, 2012 *– What is the endgame? A sometimes difficult and always complicated question every business owner faces at some point. Sell? Close? Move to the next generation? Whether it's been 5 years or 30, the business status quo may have to change to make that transition successful.*

The Endgame

Situation

The owner of a custom machine parts manufacturer founded the company 30 years ago and had grown it to $19 million in sales. Succession planning never seemed important – he focused on keeping the company growing and profitable. That changed dramatically when an out-of-state competitor called with interest in discussing an acquisition.

Problem

Elated by this unexpected opportunity, the owner jumped right in, not realizing how his company would look to outsiders.

- **Non-disclosure agreement** – Discussions began without a non-disclosure agreement (NDA) to protect the company being acquired.
- **Financial information** – The owner had a good relationship with the company's accountant, but neither one had analyzed the numbers from an acquirer's perspective. So, while they knew the business was profitable and secure for the owner's personal goals, they had never positioned the business to be attractive to a buyer.
- **Owner's involvement** – The owner kept very tight control over sales, design, and production, which is unrealistic for a company this size. As a result, he had created an infrastructure that did not work independent of him.
- **Technology** – The owner had established the business workflow without the benefit of technology and had adapted minimally and only as necessary. The website was rudimentary and focused on local business, neglecting a national audience. They cobbled together manufacturing information by running individual reports and using spreadsheets.

Solution

The resulting low offer shocked the owner into realizing that he needed help to make his company viable for sale. He engaged Level II Solutions to help identify and correct the company's shortcomings.

After a thorough assessment, including analysis of the financial reports to uncover weaknesses that affected the business value, we made the following recommendations:

- **Management** – Hire a new chief operations officer (COO) with industry experience to allow the owner to step back from the daily operations.
- **Workflow –** Restructure workflow so day-to-day functions are delegated to staff independent of the owner.
- **Finances** – Even though the company supported the owner's lifestyle quite well, sales and profits needed to demonstrate steady growth to make the business attractive to a buyer.
- **Technology** – Upgrade systems and support workflow with industry-specific software.
- **Sales Growth**
  - Work with a marketing consultant to establish a strategy and tactical plan.
  - Build sales from current customers through personal outreach and a new e-newsletter.
  - Redesign the website and optimize for SEO to attract more new business.
- **Acquisition discussions** – Write a well-defined NDA that protects both sides' confidentiality and execute it before sharing any information – verbal or written.

Results

- The COO created processes and procedures that were not dependent on any individuals.
- The SEO resulted in a strong increase of incoming inquiries – nationally as well as locally.
- Sales and referrals from current customers also increased, usually tied to the e-newsletter publication.

All of which resulted in stronger financial statements, making the company attractive to potential buyers.

Need help figuring out your endgame? Please contact us at 617-277-0222 or linda@level2solutions.com