

Features

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Visualizing Where You Want to Be

Bill McCurry



You've decided to buy or sell your business. Wait! Before you sign that document, visualize how you want things to be a year—or five years—from today. Ignoring the law of unintended consequences, as humans we want our lives to stay the same while getting better. As you visualize the future, consider where you are today. Write down the things that must change for you to get from your current position to where you want to be.

Scenario 1

If you're selling the business to be happily retired, what steps must you take to get there?

One unintended consequence of selling a business is your “circle of friends” might actually be business colleagues. When you're no longer running the business, you'll be less current in the industry and of less value to former colleagues. You'll uncover true friends vs. business associates.

What about your former business? If the buyer wants to keep your name on the door, how will you respond when friends report the business has changed? Possibly they'll say you ran it better. Worse, they'll ask you to intervene in an issue they have with the new owner. Are you prepared to handle this?

Your buyer said they want you to “stay involved” during the transition. What does that really mean? At team meetings can you respect the new owner and only offer suggestions in private? Will you seek the support/approval of your former team, thereby undermining the buyer's authority? How will you respond when your buyer outright rejects your suggestions? Can you quit referring to the business as “my business”?

You may be thinking of travel, golf or myriad other potential hobbies. How will you transition from heavily involved in the business to a full-time retiree? What new interest will get you up in the morning?

Scenario 2

If you're buying the business, what will keep you from reaching your vision of a profitable business?

Many buyers complain they miss the seller's “institutional knowledge.” You might use as your model the positive experience Chris and Andrew Freitag had when they bought Wallace's Davenport, Iowa, location. Kate Terrell and Doug Nelson, the former operators, gave them over-the-top support and coaching, both in the uniqueness of that specific location and in all aspects of the business.

Support from sellers like Kate and Doug isn't universal. For many sellers, the transition resembles putting their baby up for adoption—it's more emotional than financial. The astute buyer will "interview" the seller in an attempt to understand how helpful (or possibly antagonistic) the seller will be after the deal closes. For many sellers the business is their life. Occasionally, sellers turn against the buyers when they realize "their baby" is no longer part of their lives. Have multiple in-depth conversations with your seller—before the deal is signed—about your individual expectations.

The smallest things cause the greatest pain. After the seller leaves, who knows where the insurance policies are kept and their renewal dates? Where are the emergency water, gas and electrical shut-offs? Where's the key to the rear gate padlock? These are all "trivial" issues until they aren't.

The best practice is a video tour of the facility with the seller. Have a good microphone on your video camera and a pocketful of batteries. This might take a day or more to complete. As the buyer, you'll want the seller to take you over every inch of the operation. What's in this room? What equipment is here? What are the resources when this equipment malfunctions? What are these light switches? Where's the breaker box for them? Where do you get the specialized bulbs for this area? No question is too trivial.

You'll end up with hours of information you may need, plus much information you won't. Often when you're in the growing area, the seller will say, "I forgot to mention back in the garden center where the special circuit is for the POS system ..." It's very hard to retrieve information from a video. Have it transcribed into a searchable document that shows approximate video time codes. This allows you to find the relevant picture and sound. The transcription must allow you to search by key words.

The Human Element

Perhaps the most critical institutional knowledge concerns the employees, customers and vendors. Who can you trust? Who has good intentions, but might do things not in your best interest?

Not every experienced business buyer agrees this is the best approach, but most wish they'd used it. Have the seller terminate all employees. This clearly defines what's now the seller's responsibility and what's yours. Things like accrued vacation and sick leave can create a problem downstream. The employee says they're owed, but the seller didn't list them as liabilities. A clean break is best. Confirm with your benefits providers that you can add the terminated employees to a new plan based on seniority with the old plans.

Don't agree to hire any employees who haven't formally applied and had an interview with you and/or your team. Ask what they liked and didn't like about their job. Going forward, what do they see themselves doing? Do they have any unresolved issues with back pay, vacation, sick leave, workers' comp, etc.? Did the previous owner make promises about raises, promotions or schedule changes that you're expected to fulfill?

Ask your attorney how to use this information to protect you from claims arising down the road. Will your state allow you to hire back employees, requiring a written guarantee by each that they won't assert any claims against you for promises made before you took over?

Many buyers want to buy the company's assets, not the company itself. This approach may limit the prior owner's liabilities carrying over to the new owner. If you can't do this, have frank discussions with your attorney and the seller on how to seek indemnification from the seller. Don't let unpleasant surprises keep you from realizing your vision.

Have you realistically estimated the cash needed to launch the business and have it operate as you envision? Do you have enforceable commitments for the funding to accomplish this or are you hoping maybe you could get funding? While no one wants a repeat of the coronavirus shutdown, we can assume there'll be droughts, hurricanes, tornadoes or other incidents that will severely impact cash flow. What's your plan for these challenging

situations?

Whether buyer or seller, you're facing a new and exciting future after you close the deal. Congratulations! Invest time now visualizing what that future will look like. Outline the steps you must take to make that vision a reality.



Lunch with a Serving of Family

Here's an example of multiple generations in one business: Monday through Friday, year-round, an outside chef makes lunch at Kuhlmann's Greenhouse Garden Market (Edmonton, Alberta). The family lunches together for fantastic food and interaction, including quiet reflection, raised voices or passionate debate. When everyone's had their say, issues don't fester. Usually there's consensus, if not unanimity. Other growers/retailers have family lunches, but they consume family time (usually of the women) to prepare, serve and clean-up. This gives the entire family less

time to share ideas/concerns, while building trust and communication. The Kuhlmanns ensure everyone is present and part of the conversation. **GP**

Pictured: Starting bottom left are the second through four generations of the Kuhlmann family: Dale and Angela Kruk (G3), Elizabeth and Dietrich Kuhlmann (G2), Doug McDonald (G3), Curtis and Linda McDonald (G4) and Anita McDonald (G3).