

## CASE STUDY

### Transferring the Business When You are the Biggest Asset

#### Overview

- **Business:** Multi-location, family-owned lumber dealer with a storied history run by an involved owner with decades of experience leading the company.
- **Challenge:** The current owner would like to transfer the business to either a key employee or a strategic regional competitor. Before making the transfer, he must address two concerns: 1) He is essential to the operations of the business, and 2) He is concerned how ongoing economic uncertainty will impact profitability.
- **Goal:** Remove the owner from day-to-day operations through putting the right people in place and developing a detailed planning process that streamlines business functions, improves efficiency, and increases profitability.

#### The Opportunity

- The owner is nearing retirement and looking to transfer the business to either a key employee or a strategic regional competitor. Since he is deeply involved in the day-to-day operations of the business, the owner realizes that he will need help with this transition. He has spoken with his peers and understands he will need to move responsibilities to others within the organization and begin working on the business as opposed to working in the business.

#### The Solution

The first step is identifying and quantifying roles and responsibilities within the company. The owner worked with Stratus Business Advisors to find and transfer easily defined roles, like insurance reviews and payroll.

Once we addressed those concerns to free up some of his capacity, we explained that businesses with solid processes and procedures have a much greater probability of transitioning successfully to a new owner. We worked with the owner to determine his key departments and the vital employees within those areas. After identifying those future leaders, we arranged a mentoring plan for the owner to impart knowledge gained over his years running the business. Further, it allowed us to help him build processes that were transparent, consistent, and repeatable.

We also shared that during times of economic turmoil, an internal sale can produce a value as good or better than an external sale. Therefore, we structured a partial internal sale to a key employee, with future transfers (whether internal or external) determined by the performance of the new leaders and the business.

#### The Result

- **Maintained Control:** The owner still controls the operations of the company and has the final say in all major decisions.
- **Reduced Risk:** By reducing ownership in the company, the owner reduced his risk while still benefitting from future growth in profitability and value as the economy recovers.
- **Better Operations:** With the business running more efficiently with better operations and procedures, we were able to develop and implement a solid succession plan, setting the stage for a smooth ownership transition that will secure the owner's legacy.