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*People Smart. Results Driven.*TM

Baby Boomers Want Out

Within the next 10 years Canadian business owners of small and medium-sized companies will exit from ownership. The transaction value of these private companies is approximately \$1.3 trillion. In other words this is over \$100 billion every year until 2019. The number of companies this represents is over 125,000 or 12,500 companies a year.

The reason for this incredible ownership transition is that the baby boomers who started their businesses 10 to 20 years ago are now approaching the age of where quality of life issues are surfacing. Many of these owners are deciding that having achieved business success they now have either personal or legacy goals that they want to pursue.

These transition decisions can be due to negative issues such as illness, personal loss, lack of motivation, burnout or positive issues such as desire for personal growth, philanthropic attainments, life commitments etc.

Whatever the reason, there are three major areas of business concerns expressed by each owner. These are financing, valuation and leadership. For many owners their net worth is tied up in the investment in their company. It is not unusual for the owner to have up to 90% of his or her net worth tied up in the assets and goodwill of the company.

It is also important for owners to know what the value of the company is for purposes of personal financial planning. Values for privately held companies can vary substantially dependent upon the market demand and company size and potential.

Of equal significance is the identification of the owner's successor. This is important for two reasons. First if the company is to be sold to a third party, a strong leadership team that survives the owner leaving is important to both increase the value and the saleability of the company.

The second reason is if the company is sold to its employees then the next leader is critical to obtain the financing needed to do the transaction.

ESOP Builders Inc. is the leading provider of Employee Share Ownership Plans for private business owners in Canada. In every case that we have worked on over the last 15 years the issue of leadership and succession was front and center.

The benefit of using the PI survey is that it highlights this issue and gives a scientific basis to evaluate the next leader and other senior positions in the company in the context of an owner's transition. Too often these issues are resolved on the basis of friendship, intuition or past performance which may not be best for the future of the company.

In our practice we now introduce the concept of PI as part of our process either pre or post ESOP. In our opinion, it is a necessary step so that the owners can implement his or her transition planning program in a manner that is effective and long lasting.

predictive  success™


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Perry Phillips, President, ESOP Builders Inc.