

Succession Planning

Issue 4

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Business survival exceeding 300 years

Benefits of Gambit

- A team of highly experienced specialists
- Commercial attitude
- Dedicated research function
- International reach through partner network
- Deal and risk minimisation
- 24/7 availability

Added Value

- Prevents management time being distracted from running business
- Positioning the opportunity
- Profit preservation
- Competitive tension

Services

- Succession Planning
- Management Buy-Outs/ Buy-Ins
- Mergers and Acquisitions
- Company Disposals
- Fundraising
- Private Equity Portfolio Advisory
- Development Capital
- Refinancing
- Value Maximisation Review
- Stressed and Distressed Situations
- Research and Deal Creation

Client Testimonial

“Gambit’s commitment, commercial judgement and ability to resolve issues throughout the process allowed the shareholders to achieve a very successful outcome.”

Sam Lloyd

Executive Director

7Side Limited

The Need to Make Yourself Dispensable

One of the most common succession planning questions raised by owner managers is “Why does succession planning feel like a waste of time?”

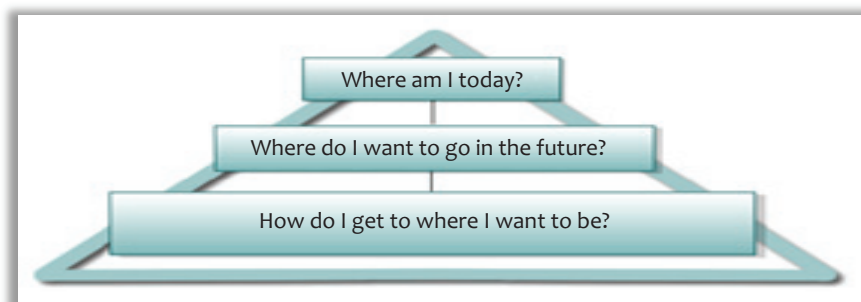
We would suggest that to make succession planning more relevant, it should be considered as less of a plan, but more of a development process. A plan will direct succession, whereas development will ensure the process is successful.

Even the mighty Berkshire Hathaway’s Warren Buffett has anointed two protégés whose investment performance in 2012, by his own admission, outshone his.

Making yourself dispensable involves developing the key people around you in order to secure your independence.

Firstly, analyse the extent of your actual involvement and identify those key operations really performed by you. Your judgement as to how critical you are to the business is not based on attendance, but by your influence on key operational decisions, maintaining customer loyalties, overseeing strategic direction and corporate governance. Ask yourself three simple questions:

- Can day-to-day decisions be delegated to management or do they still require your authorisation and direction?
- Can customer relationships be devolved whilst you remain involved fulfilling an ambassadorial role?
- Can strategic instructions be converted and implemented without your hands-on intervention?



With your extensive knowledge of the business, seek to develop key managers to adopt these responsibilities.

If you can become dispensable, any day-to-day management reliance will dissipate and transitional ownership options are broadened.

Deciding when to appoint successors is fundamental and these individuals must be assessed without conflicting emotions or favouritism.

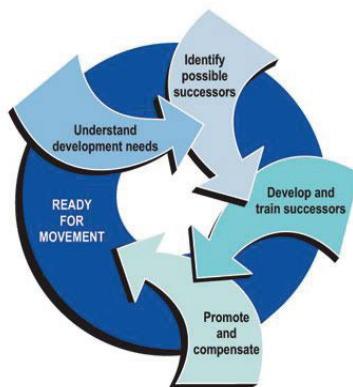
“Essential to enable owner managers to accumulate choices and protect and realise their many years of investment.”

Consider obtaining an external or independent perspective to provide unclouded judgement, as well as highlighting liquidity options for your personal benefit, preserving your family's interests and the longevity of the business.

Key processes to consider:

- Identify the skill set required for successors to run the business
- Factor simplicity and realism into your development process, setting achievable goals and timescales
- Provide your successors with sufficient training to support continued business growth
- Consider establishing a reward scheme (including shareholder participation) for the successors, managers and employees, rewarding performance and loyalty
- Communicate the roles and responsibilities of your successor to your stakeholders
- Start now

In summary, succession development and planning is both wise and essential to enable owner managers to accumulate choices and protect and realise their many years of personal investment.



Keeping it in the Family or Team?

- Confirm feasibility of holding onto the business
- Identify and engage the successors
- Develop a formal, written succession plan
- Train the successors
- Delegate leadership and authority
- Introduce compensation and distribution policies
- Don't forget Plan B, the alternative exit strategy

The Safety Letterbox Company Ltd

Gambit Corporate Finance LLP has advised The Safety Letterbox Company Ltd (SLB), the UK's leading manufacturer of secure mailing systems, in its sale to German business RENZ Group.

During the assessment of its succession options, SLB's board thoroughly investigated whether to sell or remain independent, to the point where retaining the business was an acceptable Plan A. Alternatively, Plan B had the attraction of securing the business' future with some substantial customers, as well as pre-empting the inevitable privatisation of the mail delivery industry. The ultimate decision to sell came down to the level of consideration offered and terms of ongoing involvement.

SLB will continue as an independent subsidiary of RENZ Group, whilst former Chairman, Ian Brown, is retained as a technical consultant and his daughter, Alison Orrells, will continue as managing director.

Mr Brown said: "The future of SLB will be further enhanced by the RENZ Group, allowing both parties to share knowledge, products and expertise to provide customers with the total mail delivery package in the future. Together we can push the boundaries in mail delivery and product design to provide customers with secure, high quality products for any site profile and budget worldwide."

RENZ Group chief executive Armin Renz added: "SLB has a successful history and has become a strong UK brand with great international potential. RENZ is also a family-owned company so our business philosophies and approach fit well together, in turn creating a solid platform from which to develop new growth strategies for the future."

The Safety Letterbox Company was founded in 1986. RENZ Group was founded more than 80 years ago and has more than 700 employees.

"After thoroughly investigating the options... the decision to sell came down to the level of consideration offered and terms of ongoing involvement."

THE SAFETY
LETTERBOX
COMPANY LTD



The Tercentenary Club

Around the world there are many remarkable and exclusive 'clubs', but perhaps there is no group more sporadic and astonishing than the Tercentenary Club. It would not be a surprise if you have not heard of this elite ensemble. It has barely a dozen members since, to become a member, you need to have run a business which has survived for more than 300 years and is still owned by the family with which it began.

The member companies boast unparalleled staying power, surviving 47 recessions. What is the secret? It could lie within the common characteristics that all these businesses possess:

- Reputation and quality
- Shunning all debts
- Diversification and moving with the times

A more prevalent scenario is the grandfather / father / son situation which sees around 8% of businesses passing down to the third generation. Statistically, there is only a one in ten thousandth chance of surviving more than four generations due to many influencing factors, not least the prevailing economy, quality of management and the need to adapt to new technologies and market changes.

We conjecture that the emergence of financial buyers has widened the range of exit options for owners without a family successor but with demonstrably talented management teams.

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Future Topics

- Maximising value: Eroders and Enhancers
- Zombies: Can some be resuscitated?
- A retrospective survey of sellers

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CFI Network

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(www.cfi-network.com)

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