

Phases of business transfer 1

Awareness

”Memento mori”

- Awareness concerning the need to find successor, due to age, accident or for some other reason, wakes up.
- It is good to prepare what-if –plans for all kind of situations early enough, the sooner after founding / acquiring the enterprise, the better

Brainstorm

Realizing the situation may be big shock

- Time to adapt to the situation is needed, particularly, if no plans has been made before
- Latest at this phase, the plans should be made

Seeking the successor

Do not forget the most likely alternatives

- If there is no potential successor in the family, a willing and capable one can be found inside the company
 - Management buy out, personnel buy out, coop buy out or mix of these
- Also the former competitor, customer or deliver might be interested in continuing the business

Finding potential candidate

”Welcome, my dearest son/daughter”

- Giving the successor candidate time to get known with the business e.g. by working in the firm before the final decision can strengthen the commitment
- Is there any need for training? If, what should be learned, how the training should be arranged, by whom etc.

Phases of business transfer 2

Valuation and Negotiations Terms of the transfer including the value of the business are defined and discussed

- No matter how mathematic model is used, the value of the business is always a compromise of different valuations
- It is easier to find a consensus concerning the value of business if the retiring entrepreneur has taken care of the proper pension

Agreements

Si vic pacem, para bellum!

- Although it is in no one's interests to contest agreement he/she has agreed, the disputes concerning the agreements are one of the most common reasons why the business transfers fail.
- Use attorneys, legal advisors, auditors and consultants to check the details of agreements before signing them.

Transition phase

Smooth transition of business benefits every participant.

- Give the responsibility and power to the successor at the same time. Walk with him/her, but let him/her make his/her own decisions. Give advices only if asked. Be available but not on successor's way.
- Inform every stakeholder clearly and uniformly, listen the questions and answer them honestly and directly.

Exit from business

"Et animalis cognoscunt quando ire..."

- After you have signed the agreement, worked parallel with new entrepreneur as agreed and given him / her all the visible and tacit knowledge you have, your part has been done.
- The longer you are tagging along, the harder is the grief work.

New life

It is time to start it.

To be highlighted in the training

- Each generational business transfer process is unique and individual
 - All the figures describing the process and phases are rough generalizations
 - Trainer and consultant should always consider the personal characteristics of each party of the process, the nature of just this business, local circumstances (e.g. market situation) and national legislation.
- The best moment to start the planning and preparation of next generational transfer is just after acquiring the business.
 - The more time we have to plan the transfer and to realize it, the more probably it will success
 - Not only the transfer process but also the training, and induction and orientation of the successor should be planned and prepared.
- An important part of the planning is to assure a proper livelihood to transferor of the business
 - Taking out a realistic pension insurance policy is an essential part of planning.

Mentor



Image by Morris Sneor from Pixabay

Mentor

- Each entrepreneur should have an trusted outsider with whom it is possible to discuss issues that bother one's mind, a mentor.
 - Although a mentor can also give advices (that he/she shouldn't do), the best mentoring is asking and challenging, bringing up alternatives and new ideas.
 - Mentor should not be too close to the mentee. Otherwise there is a risk of agreeing with mentee instead of giving constructive critique and alternative ways.
 - Mentor does not need to be an expert, but he/she should know the company and business, and he/she should have experience as entrepreneur or leader to be able to understand the problems and issues arising.
 - Mentor is not a consultant who charges every minut, but abusing mentor's time and role (e.g. using him/her as a free consultant) is lethal for fruitful mentor-mentee –relationship.
- Confidentiality is absolutely important part of mentoring.
 - Mentor must not abuse in any way the information got in the mentor's role. Even if the information were not classified as business secret, the trusted nature of the relationship requires absolute secrecy.
 - On the other hand, any information mentor gives to mentee should be unbiased, impartial and as correct and true as possible.
 - E.g. one should not recommend an attorney or auditor who is one's relative or close friend or in other way close connected to mentor. In cases where such person is recommended, these connections should be informed.

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Compiled by Dr Kari Lilja and Dr Sirpa Sandelin

Mentor in (generational) business transfer process

- Each party should have a mentor of his / her own.
- Mentor is an interlocutor, with whom both predecessor and successor can discuss their fears, wishes, plans and visions.
- Mentor's main task is to listen and let the mentee to find solutions of his/her own.
 - If needed, mentor can ask questions and conduct what-if type discussions
 - Sometimes mentor is bound to "give a shoulder to cry against".
 - The grieving may run through all the process or attend just when it is time to leave the company into other hands.
 - Successor on his/her part may need a lot of encouragement and support in the beginning of the career.
- If a mentor has an experience of his/her own, he understand better what is going on
 - Both the predecessor's and successor's feelings should be understood and considered but not overplayed or underestimated.



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Mentoring as a process



Need to have a mentor arises

- New situation, e.g. task, job...
- New environment



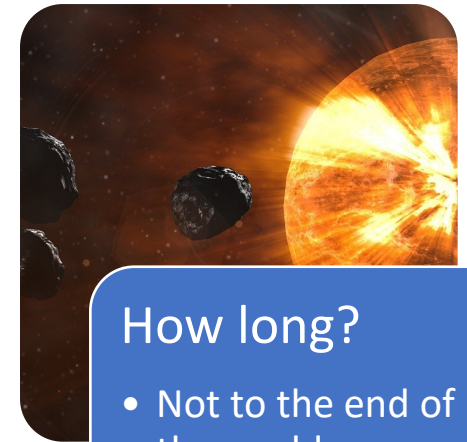
Find a mentor

- Who would be suitable?
- Experienced in situations on hand
- Reliable



Mentoring

- Informal
- Discussion
- Listening
- Present



How long?

- Not to the end of the world
- Should be stopped when one of the participants finds it unnecessary.

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Mentoring during the business transfer...

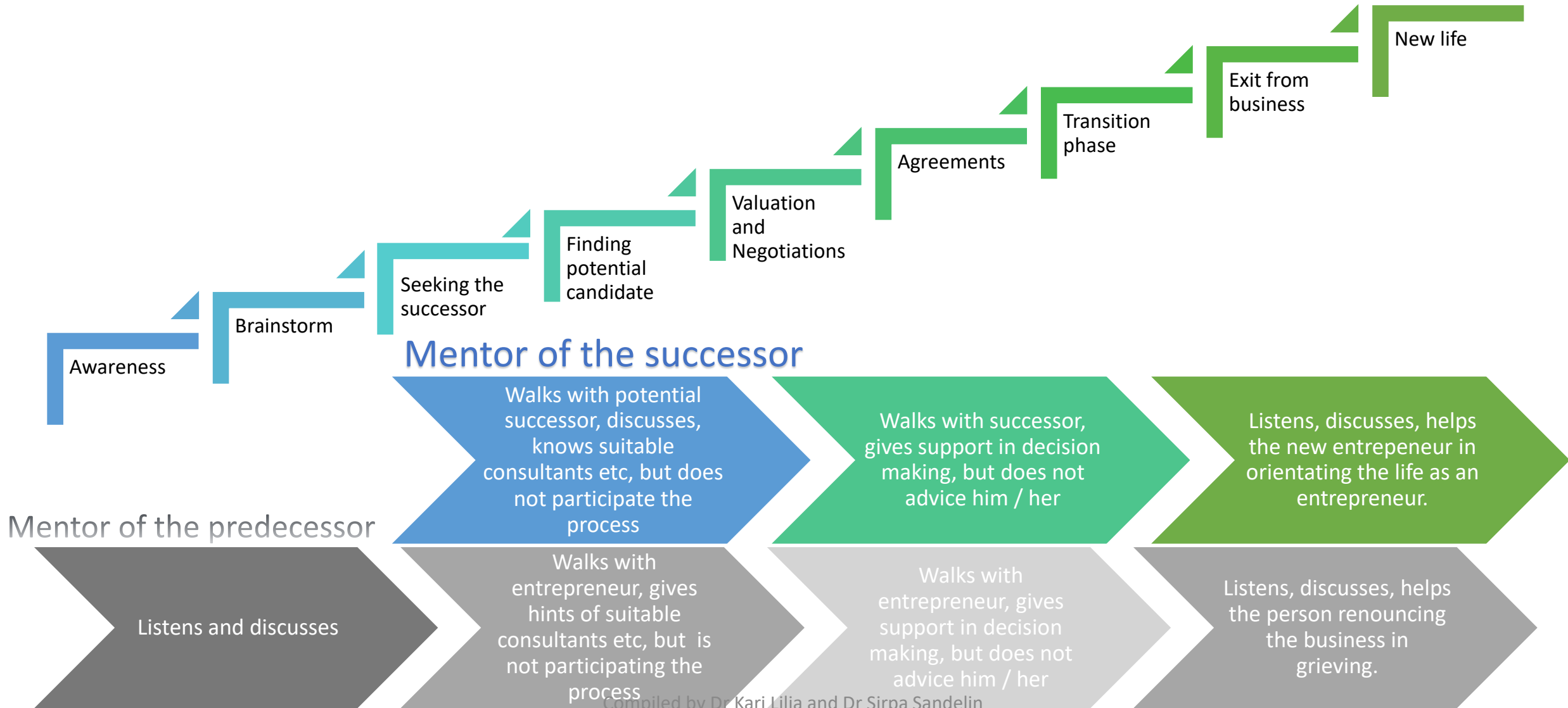
...is

- Voluntary, altruistic and sincere
- Discussing
- Listening
- Living with
- Supporting
- Giving constructive feedback
- Presenting alternative ways
- Confidential
- Active, conscious and committed full-duplex communication
- Interactive activities

...is not

- Consulting against payment
- Coaching (by using the carrot and stick approach)
- Training
- Advising
- Passive endeavour
- Supporting ones own career
- Penetrating mentee's life
- Rejecting the ideas out of hand
- Therapy
- One-way communication without interaction.

Phases of business transfer and mentor's role



To be highlighted in the training

- The juridical status of mentor is not necessary established in your country, thus, at least following country-specific issues should be checked
 - The rights and duties of the mentor, particularly related to third parties
 - E.g. has the mentor right to be present in the negotiations without approval of each participants, has the mentee right to discuss with mentor or give confidential material to mentor etc.
 - In unclear situations it is recommend that the status of mentor is defined in specific document or in Letter of Intent if this is made.
 - The insurance policy of mentor – Liabilities between mentor and mentee as well as the third party liabilities
 - In some countries it may be difficult to get insurance policy if mentor does not have certain qualification or if mentor is on voluntary basis i.e. not as paid or hired professional.
- Too close relationships between mentor and mentee endanger the sense of mentoring.
 - This is the main dilemma in mentorship. Mentor should be such trusted, that mentee dares to tell everything that bothers his/her mind, but at the same time mentor should be able to consider business as business without mixing the feelings into mentoring.

To be highlighted in the training

- Both seller (predecessor) and acquirer (successor) should have mentors of their own
 - The phases and schedule of mentoring differs from each other
 - It is often seen that the former entrepreneur remains to the business as a mentor for successor.
 - This solution has both benefits, e.g. mentor knows the business, and disadvantages, e.g. developing and renewing the business might be endangered, and it may be difficult for successor to discuss the most intimate issues with mentor if this is too close to mentee, for ex. family member or other relative.
- Consultant / Trainer should be extremely discreet if the predecessor and successor are members of the same family and they are going to use the same mentor or if predecessor is going to mentor the successor.
 - The underlying feelings and prejudices may endanger the whole business transfer
 - Sometimes a spade must be called a spade