One process

Transferring a company is accepting to enter into a planning process whose objective is to prepare and put into place the next generation of leaders and owners. This new person or new team will be responsible for the future of the company.

A process is a grouping of steps that requires ***personal reflection***, recourse to ***professional skills***, access to ***human and financial resources***, and putting in place ***structures*** to make good decisions. Caution, moving forward in an orderly fashion and precision are called for.

**The more time and dedication you devote to succession planning,
the more satisfying the result will be.**

Transferring your company is not an everyday event. Few owner-managers have experience in this area, except perhaps those who have succeeded a parent. As such, they have already walked in the successor's shoes. But you have never been in the position of the one handing over the company.

Think about getting assistance. Experienced and qualified people can be there for you at each step of the process.

A ***consultant specialized in business transfers*** will be able to help you throughout the process, beginning with when you start thinking about it, then in the planning stage, and finally when it is time to take action. This person is not specialized in a specific domain, but knows enough about each of the elements of a transfer to guide you, as needed, toward the required experts.

The assistance of a ***consultant specialized in strategic planning and in human resource management*** will be valuable for everything touching on preparing the successor: evaluating the human resource needs of the company management, evaluating the skills of hopeful successors, establishing a training plan for them and following up. Among other things, this person will be able to determine the complementary nature of the profiles of the management team.

The ***chartered accountant*** will be able to perform a realistic valuation of the company. Using the financial diagnostic he will perform, he will evaluate the company's growth potential and its future prospects, which are two indispensable areas for determining the fair market value of the company. To better value the company in the eyes of future successors, he will advise the current owner-manager on improving the company's performance and maximizing its value.

The chartered accountant will also discuss with the owner-manager or the successor the different transfer scenarios available. The discussions will take into consideration the personal objectives of the owner-manager, whether or not the successor is a member of the family and the financial needs of the owner-manager for his retirement. The chartered accountant will evaluate the tax consequences of each of the scenarios and will evaluate the relevance of using an estate freeze or establishing a family trust.

The ***legal advisor*** will work in close collaboration with the chartered accounted and the tax advisor. The legal advisor is responsible for the legal aspects of the acquisition strategy. Even the best looking scenarios aiming to reduce the taxes to be paid at the time of the transfer will not work it if they are not accompanied by appropriate legal structures (e.g. creating a new class of shares or a management company). He will help the owner-manager make good decisions, which will give him the flexibility necessary to face unexpected changes in how the process unfolds.

Whether a notary or a lawyer, this is the person who will draft the numerous documents necessary throughout the process (e.g. confidentiality agreement, intention letter, offer letter, sales contract, subscription agreement, shareholders agreement). It is also the person who will protect the rights of the seller and the buyer. He will also work with the assignor and the successor so that the transaction follows industry standards. Finally, he will be able to help the owner-manager and the successor put their personal affairs in order.

The ***banker*** will help you come up with a financing package, which means bringing together various sources of funds needed to finance the transaction, all tailored to your situation. He will not only be able to offer you traditional financial products, but will also tell you about other complementary products existing on the market. He will help you choose a financial structure that is both realistic and balanced for the company and that respects its financial capacity and the needs associated with its future growth. His ability to put you in touch with venture capital companies, to work with them and to advise you is not negligible.

Since he has a lot of contacts in the business world, the banker might be aware of potential successors and therefore help them get in touch with eventual sellers. Finally, some banks have trained and sensitized their advisors to be good partners to both the owner-manager and the successor throughout the succession process.

The ***venture capitalist*** works together with the banker to develop the financing package. He will offer financial products other than those traditionally offered by the banks. Among these, the debenture is a *tailored* unsecured debt with repayment terms that are more flexible than a traditional loan. A venture capital company could also become a minority shareholder in the company.

Combined with the security offered by the banker, these financial products allow future owners, whether they are members of the family, company executives, or outside successors, to acquire the company, even if their financial contribution seems insufficient at the beginning. The combination also allows maintaining the company's debt load within reasonable limits. They also have the advantage of allowing the owner-manager to cash in some of the value of the company and for successors to progressively buy back the shares. Finally, the new owners will be able to profit from the advice of the venture capitalist and his management experience.