

# The Divestiture

*Your company may be worth \$10 million or \$100 million - so getting a deal done has great value.  
But, if everyone involved can cross the finish line smiling - that is a legacy of unending value!*

Brian Hamilton, CA, CFA

Winter 2008

---

When it comes to selling your corporation, there are times when the phrase “happy ending” can be an oxymoron. For instance, you may have spent decades building up your company. No doubt there were difficulties, but at the same time, a lot of fun and satisfaction were enjoyed as part of the process. And that’s the point - when you sell your company, the process comes to an end, so where is the happy ending?

Nevertheless, sooner or later you will make a decision to sell your company, or a non-core division of your overall corporate group. How do you maximize the benefits with your exit plans? What advice is there for avoiding the pitfalls? What is the secret for having a happy ending with your divestiture transaction? There are so many stakeholders involved: the employees, customers, plus a host of prospective buyers. How do you treat all parties fairly and yet maximize the transaction value?

A good starting point is to establish a divestiture transition team. In view of the intense concentrated effort required for a divestiture transaction, the transition team is frequently led by an outside divestitures expert firm. Other members of the team include the company’s CEO, CFO and tax & legal advisors.

The next step would be to prepare a clear divestiture plan, not unlike a business plan. It is here that the detailed process for the divestiture is laid out and the plans to fairly treat the employees and customers are set out. In some cases, years in advance of a planned divestiture, the company will have invited employees to buy shares in the company as part of a succession plan. In other cases it may be appropriate to plan for transition services agreements with the employees to ensure their commitment is maintained.

Implementing the divestiture plan is often the time when things get messy. Breaches of confidentiality. A disorganized approach to seeking prospective buyers. Conflicts with prospective buyers. Lack of trust. Poor communication. Polarized arguments and stalemates over the company’s value. Regulatory hurdles. Lack of audited financial statements. Legal disputes. Culture differences between the seller and buyer organizations. Any one of these can derail the process.

The secret to a happy ending with your divestiture plan may remain elusive. But you can make the best of it by having a competent transition team, with excellent people skills, creativity, a focus on fairness and the perseverance to communicate with and lead all of the varied stakeholders across the finish line. If the job is well done, the proof will be in the smiling faces.

-----

*Brian Hamilton is the CEO of Corplan Advisors Inc, a Calgary-based firm dedicated to helping Owners and CEOs of mid-size companies in Western Canada cross the finish line smiling with their Divestiture transactions.*