

How to Tell Your Team

You're Selling Your Business



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SUCCESSION PLANNING BEST PRACTICES

Effective Employee Communication Strategies

Honesty is the best policy – particularly when discussing your plans for a potential sale of your practice. However, when and how to tell your employees is a personal decision and one that must be given the attention and time it deserves. Everyone is inherently averse to change – you have likely seen this in both personal and professional settings, and likely have experienced it yourself. Most people have an immediate resistance to changing the known to an unknown. Understanding this as you consider how and when to position this to your staff is important since you will likely need them until closing, and likely the buyer will need/want them post-sale. There is an entire field of study dedicated to Change Management and understanding how to deal with this issue; the following is a brief primer on best practices employed by your peers to create “buy-in” during times of change:

When to Tell Them

You will want to ensure you tell your staff at the proper time. This is not an exact science and the best time is different for each practice and deal. In most cases, you will need to inform your staff well before a deal is complete, as you will need their assistance and involvement during due diligence, gathering data, generating reports for prospective buyers, etc. and both you and your buyer may rely heavily on employee(s) to complete this.

For most advisors, you will sell your business because you are retiring, which means you have spent many years in the business. Your staff and clients have probably been wondering how much longer you plan to keep working – some may have even asked you. As you think about when to tell your team, know that you finally telling your staff that you are starting the process of finding a buyer/successor may not come as shock to them. Owners are often surprised at how well staff and clients take the news.

You may be tempted to keep this close-to-the-vest until you are further along, but you are going to have to tell the team and its best to do it early so they feel they are participating in some way versus being told what is coming. There are numerous studies to support this strategy – making the staff feel they are participating in the decision will support a positive atmosphere in your office, maintain productivity, and reduce/eliminate staff leaving.

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When to Tell Them (Cont'd)

Divide your employees into two groups:

- Senior level employees, employees who are part of the decision-making process, or employees who you believe should be retained will likely be notified earlier in the process – often told before you even start considering potential buyers. Your key staff are critical to “get on board” and involved early as employees will often talk amongst themselves and you want your senior level employees to support the messaging when talk with the rest of the team.
- “Rank-and-file” employees may be notified during the due diligence period.
- All staff should know before potential buyers show up in your office for due diligence – the goal is to control the message and avoid surprises.

Make sure the staff knows how sensitive this subject matter is and ask for their discretion – keeping the possible sale confidential for now so you/they can control the message with stakeholders when the time is right. This is mission critical in small communities.

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What to Say

- Explain why you are selling – this may seem obvious, but it is worth sharing your motivations.
- Share how the sale will impact and benefit the business long term, and most importantly from their perspective – how they will be impacted. Their immediate assumption will be they are out of a job and should start looking now – that might be the case, but you still need them until the deal closes. And, if they aren't going to be out of a job – this is equally important to communicate.
- Describe that you wanted to be the one to share the news at the right time and didn't want them to hear the news from someone else. If you prefer to share the news when you are further along in the process, tell them why. The most common explanation/reason is you wanting to be sure you knew what you wanted and had planned, since this impacts everyone.
- Share, but do not overshare. Employees do not need to know all of the intricacies in the deal. Your sale price, terms, or other elements are not their concern.
- Express what you are/were looking for in a potential buyer to alleviate fears/concerns. If they support the selection criteria for their future boss, or can help contribute to the criteria, they are more likely to contribute to a positive result before and after closing.
- Explain what will likely stay the same
 - » Location
 - » Employees, their roles, and employee compensation/benefits
 - » Client service model and workflows

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What to Say (Cont'd)

- Expected timeline of events
 - » Meeting(s) with potential buyer(s)
 - » Offer letter
 - » Due diligence – important for them to understand this is going to happen and you will have a stranger in your office for a while getting to know everyone. This will often be uncomfortable at first, so its important to plan for it
 - » Completion of the sale and what will follow
- Upon selecting a buyer (usually after accepting an offer, but possibly even before that), have the employee(s) meet the buyer:
 - » Use buyers name and have the buyer create a dossier on themselves if they haven't already, sharing information about buyer's background (family, background, education, etc.), and current business (employees, location, type of practice)
- Explain your plans post-closing and your goal to help transition the clients and integrate the employees.

How to Say It

It is most common to talk with the team members each individually, then again as a group. This allows each team member to have a private conversation with you and not feel blind-sided in a group setting. This also gives each team member time to "digest" what is being said privately. Then, talk with your team a group, acknowledge that you've had individual conversations and want to provide a forum to talk about what this means for them, the business, and clients. This enables a free flow of communication and ensures that you provide the same message to all employees.

Special Note:

When communicating this for the first time with your team, do not use email, a phone call, instant messaging, or text. It can be an uncomfortable conversation sometimes, but it must be communicated face-to-face.

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Best Practices

- Talk with the buyer about retention bonuses for key employees.
- Provide employees with financial incentive for helping you get the deal to closing. You are likely going to need their assistance and putting their best foot forward during the due diligence process – and this is all in addition to the normal workload they are paid for. Lack of buy-in by the staff can prove toxic to buyers and the deal.
- Don't forget about telling your team, and be sure everyone knows.
- You and your employees will have emotions. Its ok!
 - » Employees will generally always be upset and concerned about you leaving the business, and it is reasonable to expect your staff to have some skepticism regarding the new advisor. However, most employees will be excited for the change and embrace it if you can help them feel they are part of the decision/process.
 - » Encourage employees to have an open-mind during the process and acknowledge their own uncertainty about the situation. It's real and its normal – deal with it together.
 - » Focus on the positives, just like you will when you communicate to your clients.
- Be yourself.
- Answer employee(s) questions honestly.
- Employees can be your biggest asset in this process, they can also be the biggest impediment.

Special Note:

If you do not have employment agreements with non-compete, non-solicitation, and no-serve provisions, this becomes even more important for any client facing team members.



About Succession Resource Group

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With decades of combined industry experience, SRG possesses a unique combination of skills, resources, and expertise to help advisors understand the value of their business, develop strategies to improve that value, protect it with comprehensive contingency and succession plans, and grow through acquisition.

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