



Carlo De Rose



Jerry Cytryn



Dejan Ristic



Margot E. Uson



Michael Hiles



Vince Santaguida



Paul Gagné



Chris Murray



OFFICEspaceMONTREAL.com

Marco Della Rocca



Morrie Weinberg



Comptable agréé Inc. / Chartered Accountant Inc.

Robin Whitrod, CA

Learn more about our members at: psnetwork.ca

Business Transitions Growth & Exit Strategies

by

J.R. Paquette

Dejan Ristic

Business Transition, Growth & Exit Strategies



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What is Succession Planning?

At some point every business owner steps down.

Succession planning: an exit strategy for handing your business over to someone else – a family member, employee or another business person.



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Why Most Family Businesses Fail

- 45% of Canada's national growth comes from family businesses.
- 2/3 fail in transitioning to first generation family members
- Of 1/3 remaining, 2/3 fail when passed to the second generation.
- **Why? Lack of planning.**



Is planning only for businesses passed over to family members?

NO! It's for every business owner.

At some point all business owners retire, or stop working due to changes in the economy or to pursue other interests.



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Other Common Business Transfers

- Management buyout – ensures smoother transition
- Selling to outside interests- most popular because less emotion plus fair market value



Why Plan for Business Succession?

Just as everyone buys an insurance policy or prepares a will, a succession plan assures:

- Protection of value
- Successful transition
- Retention of key employees
- Continuity of your business and legacy
- Smooth transition
- Good business opportunities



Common Succession Planning Mistakes

Many business owners:

- Don't look at situation realistically
- Not psychologically prepared to sell business
- Don't know what business is truly worth
- Haven't planned for taxes to be paid
- Don't objectively evaluate which family members are best suited to take over



When Should You Start Succession Planning?

Start *now*, while things are running smoothly.

In life, things happen when we least expect them.



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When Should You Start Succession Planning?

With a succession plan you know who will take over and under what circumstances.

Plan ahead 18 months – 2 years

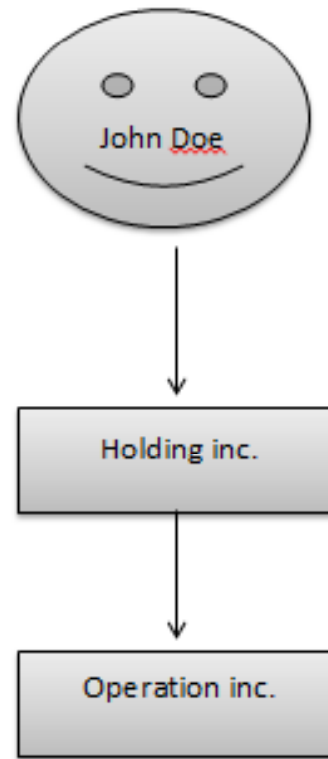


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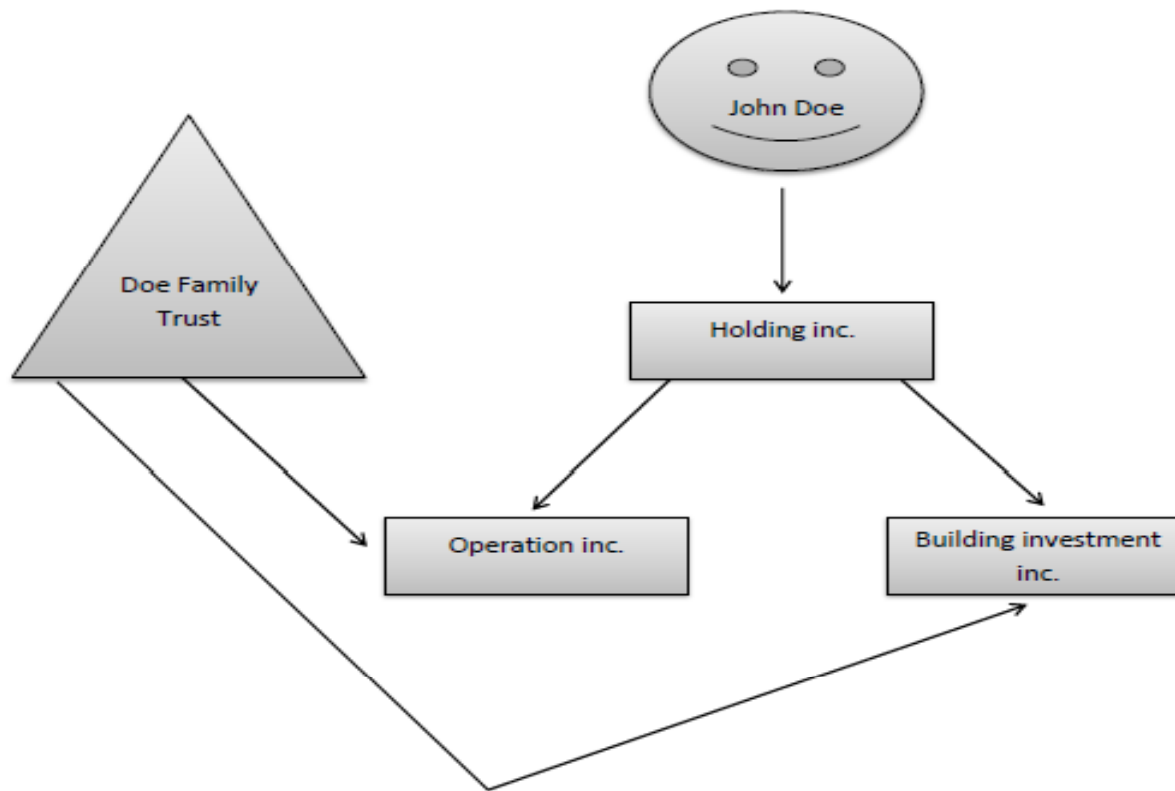


Example of Tax Planning

Initial structure:



Revised Corporate Structure and Inclusion of Family Trust



What's Your Business Worth?

- You need a business valuation that establishes a realistic, fair price.
- Not a simple task; Specialist will look at your assets, liabilities and goodwill with clear detachment



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Business Valuation Methods

- Methods used alone or in combination:
- Asset based approach
- Business comparison
- Company's past earnings



Determining Market Value By Yourself

First, determine what will you sell or pass on:

- Significant physical assets?
- Equipment and machinery – how much equity?



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Determining Market Value By Yourself

Determine what will you sell or pass on (continued):

- Good clients & client list? (Can you charge a premium?)
- Business name, logo, reputation?
- Or is it mostly good will?



Determining Market Value By Yourself

Then, look at your liabilities. These include:

- All outstanding company debts
- Variables such as unresolved lawsuits
- Employment obligations
- Etc...



Improving Your Numbers

Once you have a realistic number, how can you improve it?

- Increase sales (top line)
- Reduce expenses (bottom line)
- Settle liabilities (eg. outstanding lawsuits)
- Give more responsibilities to employees (so You are not the business)
- Sell in pieces (eg. real estate holdings)



Improve Your Legal

Review contracts with:

- Suppliers
- Customers/clients
- Landlord (lease)
- Document: loans, securities, and guarantees



Improve Your Legal

For Employees:

- Review or create employment contracts
- Protect confidential & proprietary info
- Provide proper guidelines
- Assess work environment to reduce sick leave, injuries



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Improve Your Legal

For employees:

- Create employee handbooks
- Maintain employee files
- Insurance



Organization & Good Standing

- Maintain minute book
- Fully execute resolutions
- Update bylaws
- Share certificates
- Review registration of company



Where Can You Get Help with Succession Planning?

These professionals can evaluate your business and create a succession plan:

- Attorney
- Accountant
- Business broker
- Banker
- Business consultant



Getting Professional Help

Business valuation takes research & legwork. Do you have the time, tools and ability?

Find a specialist who can look at your assets, liabilities and good will with an objective viewpoint.



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Get Your Lawyer Involved

BDC website, “One of the first steps in good planning is to get a lawyer involved at least 12 months in advance.

Get legal help as early as possible to avoid frustrations down the road such as delays, extra expenses and ultimately a deal that does not meet your expectations.”



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From Devastation to Succession

Arguments can tear a family apart & create dissatisfaction for key employees.

Succession planning helps you prevent these devastating consequences.



Business Transition, Growth & Exit Strategies - Conclusion

- Prevent devastating consequences.
- Be ready so good opportunities won't fly by.



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Business Transition, Growth & Exit Strategies
J.R. Paquette

Thank you

Questions?



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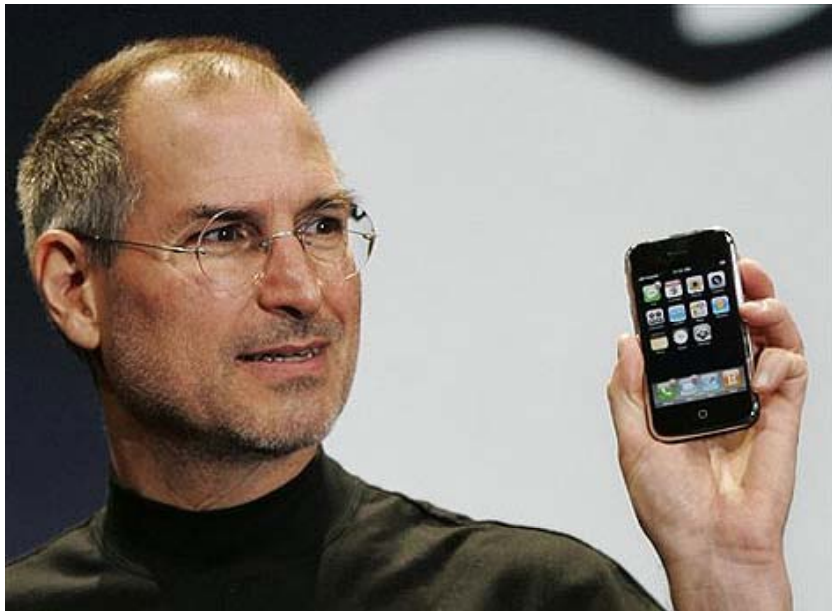
Recruiting & Retaining Key Talent
a recruiter perspective

Dejan Ristic

Placing people we know

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Can you replace these leaders?



Yes...



but there will be some heavy lifting...

Recruiting and retaining key personnel will be a key business challenge for the next two decades...

Why....?



For next 20 years, the number of people reaching 65 will surge.

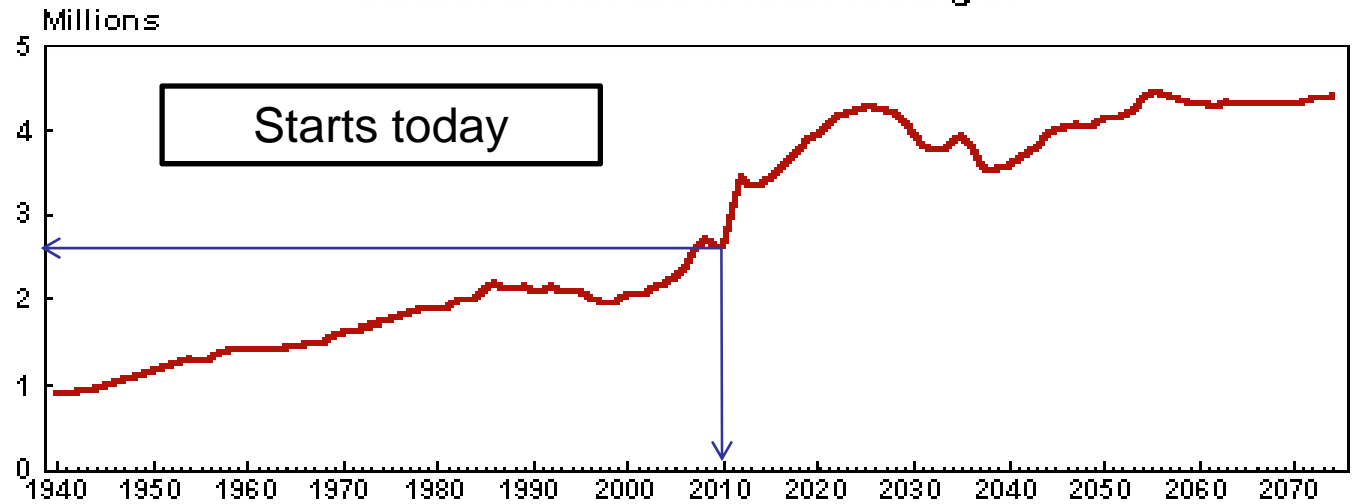
The oldest baby boomers, born in 1946, will reach 65 in 2011.



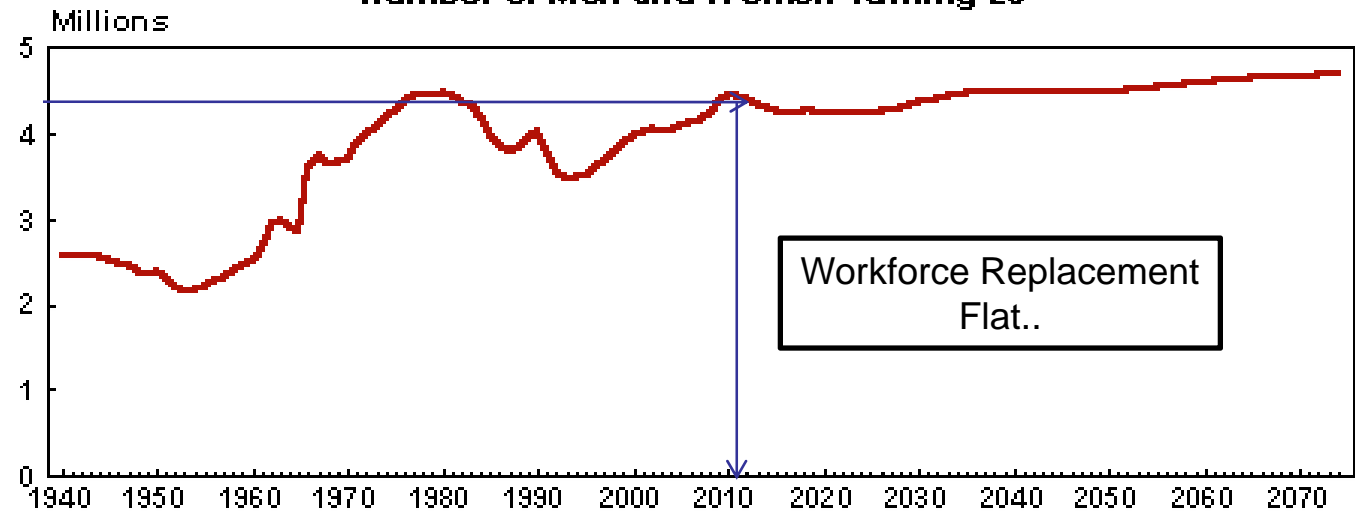
Declining workforce, not meeting replacement need [US statistics]



Number of Men and Women Turning 65

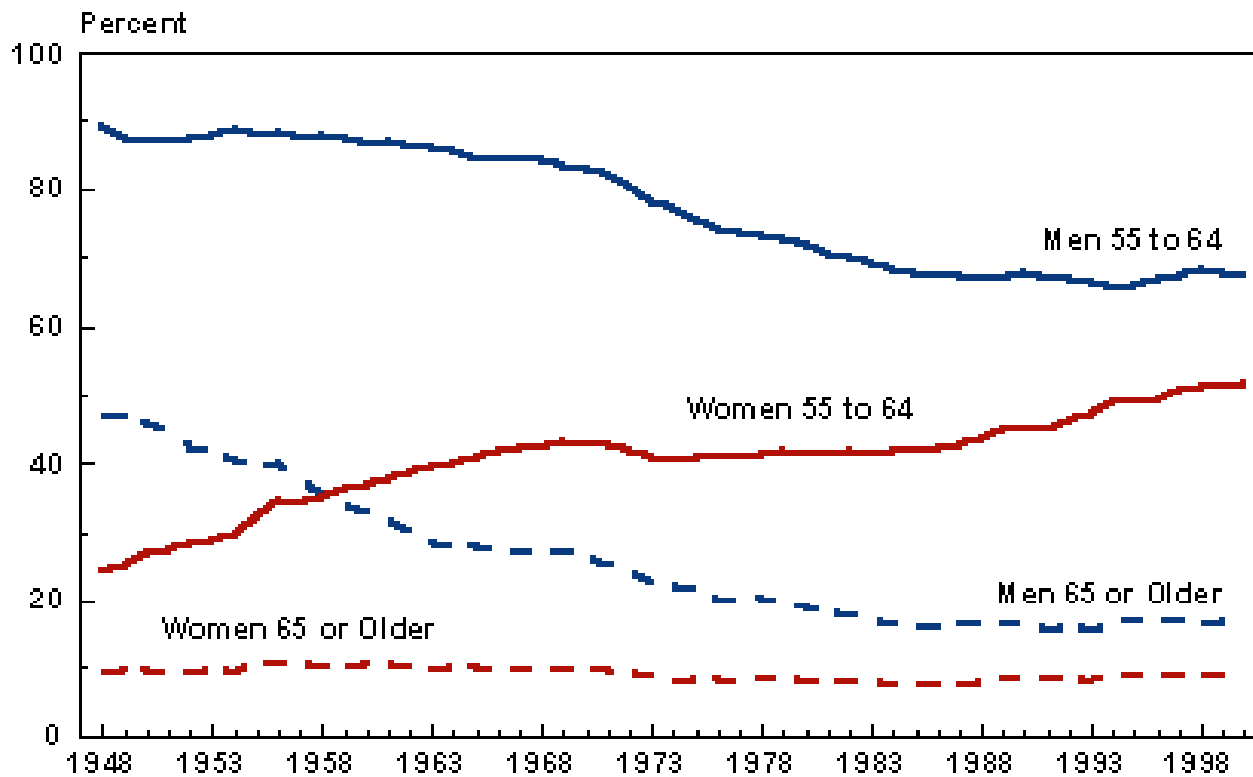


Number of Men and Women Turning 20



Placing people we know

Workforce Participation Rates of Men and Women, by Age Group, 1948-2000



*Reduced workforce participation rates will lead to
a further shortage*

Placing people we know

Time is of the essence....

- *Unlike the “Y2K” deadline, this is a slow trend*
- *Organisations are slowly starting to realize it and deal with this issue*
- *Most entrepreneurial/private businesses do not realize the urgency*

Challenge can become an opportunity



Risks

- *Companies with no action plan will face an external pressure as more active companies drain available resources with more attractive culture, environment and compensation, leading to:*
- **Increased:**
 - *Employee turnover*
 - *Payroll and benefit costs*
 - *Recruitment costs*
- **Decreased:**
 - *Employee and corporate moral*
 - *Lower productivity*
 - *Ability to meet corporate objectives*
 - *Profits...*

Executive Talent vs Key Talent

- ***Media spotlight is on Executive talent***
 - *Vision and strategy of the organization are critical*
 - *Difficult to recruit and retain, yes, but successful companies will attract this talent*
- ***Key talent is where the risk and opportunity are***
 - *Key talent = top management and key middle management*
 - *It is the operational/delivery branch of any company*
 - *Represents large part of the company culture and most of the time, irreplaceable “institutional memory”*
 - ***Very large in numbers*** *and much more difficult to replace*
 - *Risk and Opportunity to outperform competitors is here*

Recruiting & Retaining Key Success elements

- **Corporate culture (60%)**

Companies that have a good name, will recruit easier

Top 3 reasons for Key Talent leaving a company:

#1 Absence of corporate culture, vision, drive

#2 Lack of opportunity for career advancement

#3 Poor working relationships (boss/co-worker/manager) including environment and communication

- **The Package (30%)**

Key-management

\$\$\$ important, bonus, equity and long-term compensation

Mid-management:

“new” generation appreciates \$\$\$ as much as work life balance, gym and cafeteria

- **Other (10%)**

– Location, working hours, flexibility, telecommuting.

Recruitment challenges & myths

1. *The candidates will come on their own - we are an attractive employer*
2. *The best candidates will apply online*
3. *The job interview needs no preparation*
4. *The candidate will wait for our offer (almost forever)*
5. *The recruitment process has no impact on our image*
6. *Recruitment is not about time, quality and money*
7. *Pay and the candidates will come*



Action Plan

1. *Start now*

2. *Define as a strategic activity (challenge & opportunity)*

3. *Dedicate a team or resource*

4. *Outline and identify*

1. *Key departments and key people*
2. *ST and LT Timelines (1 to 5 year minimum)*
3. *Super-Stars (Keep them happy)*

5. *Define a recruitment/retention strategy and tools*

1. *Get help for HR function*
2. *Hire a recruiter specialist*
3. *Benchmark*

6. *Refine and revisit regularly – review success & failure*

7. *Start now*



Thank you Questions?

Dejan Ristic

C: 514.995.6036

dejan.ristic@exceleris.com

Linkedin: <http://ca.linkedin.com/in/dejanristicexceleris>

Lina Colalillo

C: 514.572.9601

lina.colalillo@exceleris.com

Linkedin: <http://ca.linkedin.com/in/linacolalillo>

Exceleris Inc.

1 avenue Holiday, East Tower,
Suite 501 Pointe-Claire, Quebec, H9R 5N3

T: 514.800.2552



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