

Considering an Exit Strategy? Pay Attention to the Human Factor

By Thomas E. Knauff

We all love our propane tanks, bobtails and other “hard” assets. But we also know, if we’ve been in the industry a while, that the No. 1 determinant of long-term success is *people*. The human factor affects near-term performance—sales of propane and services are influenced by each interaction your drivers, service technicians, and other employees have with customers.

And for the years to come, managing the “soft” side of operations also greatly influences the value of your business. This is important to understand if you are considering potential exit strategies. You need to pay attention to the people you hire and develop, their attitudes and collective culture, and the way they communicate among themselves and with your customers.

Owners who are considering a sale or merger often ponder the effects a transaction would have on employees and customers, and rightly so. But long before entering negotiations, considering the human side can benefit your business, and its eventual value, in a deal. Potential partners—at least those who buy well-managed propane distributors and retain the employees to build the business further—care a great deal about the human factor.

In managing propane businesses for more than 30 years, including involvement in more than 70 acquisitions, I’ve found some strategies on the human side of the business that can benefit you financially and safeguard your relationships for the future.

Invest in the Best Talent

Just as NFL teams draft the most talented players, your propane business should hire the most experienced and talented professionals you can find—managers, drivers, customer service reps, or other employees. These people are the face of your business, and their interactions with customers every day determine your success, so the hiring process is fundamental.

To keep your players motivated and performing, you should provide opportunities for development—training and a path toward promotions and higher compensation as your business grows. In addition to federally required hazmat training, consider courses and certifications from the National Propane Gas Association, Propane Education & Research Council (PERC), or your state association. For example, my company, Energy Distribution Partners, requires all field personnel to complete CETP I and II and has used PERC training services for field management and sales professionals. Activities like these enhance the quality and professionalism of your workforce.

Importantly, a propane business and its employees need regular and objectively based evaluations. Annual performance reviews are a must. If you haven’t insisted on systematic reviews, start now, and add to that a regular audit of managerial talent within your organization.

A potential buyer, at least one who plans to retain your employees, will want to see your hiring process, training, and development approach, and performance reviews for all. Implementing the disciplines (and documentation) for good management of human resources builds a sustainable business, which can have a positive impact on your profitability as well as on discussions with prospective acquirers.

In considering a possible transition in ownership, you also need to look forward: Will the people on your team thrive if the business becomes part of a larger, more complex organization? Can your employees step up to the opportunities in a regional or national company? Figure out who the key players will be when your company transitions and, if

you lack the talent to go to the next level, take the necessary steps now to recruit top-drawer talent.

Reward the Right Behaviors

We all recall Tom Cruise as sports agent Jerry McGuire screaming, “Show me the money!” And we all understand the importance of a good compensation plan to



Human resources create value

- Quality employees are hired *and* developed
- People and relationships drive success
- Buyers care about employees and culture
- A well-managed business has greater value

Source: Energy Distribution Partners

recruit and retain the best talent. But have you spelled out your expectations for that “right” behavior? Specific goals and behaviors should be communicated, and measured, as part of regular performance reviews.

Are your employees clear about your expectations? Do you have the right rewards to motivate them to perform? After all, most people don’t work out of loyalty to an institution, they work to benefit themselves and possibly their peer group. So most employees need to understand how the plan that you’re asking them to execute will improve their personal lot in life.

Behaviors that contribute to your company’s success can be rewarded in many ways, from the powerful personal motivation of a sincere “thank you” to ongoing systems of compensation. It’s important to align actions with objectives through job descriptions, training programs, performance evaluations and compensation, all focused on a well-defined set of competencies.

A key leadership responsibility is linking strategy to rewards, then holding people accountable, rewarding those who contribute the most. Unfortunately, the other side of accountability is the reality that if someone isn’t performing, they need to either be brought up to speed or let go.

Once again, a prospective buyer will be interested in a clear explanation and documentation of your compensation and rewards system and how it contributes to the success of your company.

Communicate in Meaningful Terms

Few people are natural born communicators. Good communication skills are honed over the years, and frankly some people never master it. But open communication is absolutely essential to a successful business—and it is also crucial to a successful transaction.

As you start to assess the “people issues” in your organization, ask yourself these questions:

- How do you currently communicate with your team? Through regular, structured business meetings, well-written employee materials, and ongoing open dialogue with everyone on your team?
- Have you regularly shared your vision for the company with your employees? Is everyone on your team aware of the periodic or annual goals you’ve identified for the business?
- Do your team members understand how their roles fit into the overall performance of the company? Do you keep them abreast of the company’s performance, and thank them for their contribution to the company’s success?

To ensure that your people “get” what you’re sharing with them, communicate early and often, and tailor the method to the information and audience. Broad goals and high-level strategy can be dispersed to all employees in emails or letters from you, supported by team meetings. The “translation to expected behavior”

will occur mainly through individualized talks.

Communicating takes time, but making it a priority will pay dividends in performance for your company as well as for your employees. A prospective buyer also will be interested in your communication practices as an essential element on the human side of a well-managed propane business.

People want and need a strong, consistent leader, especially during periods of change. In your years of building a propane business, you have been that leader for your team. And that doesn’t change as you consider a potential strategy to sell the business and exit at some point.

In the first article of this series for propane marketers considering a sale, “Thinking about Selling Your Business? Ask the Right Questions Upfront” (*BPN*, October 2015), I suggested that you make key decisions in advance based on your values and priorities. That includes how strongly you feel about retaining the employees, name, and culture of the business you have built.

Your personal role also will be a key topic in discussing a possible transaction with a buyer. So you need to evaluate your own goals to decide how you want the transition to work—continue to run the business for a period of months or years, exit immediately, or define some new role.

Long before culminating a transaction, you can take actions that will help your employees

post-sale. One is to push training, including cross-training among jobs, which improves your people’s value to any employer. Another is to find a buyer that does not have a local presence, since duplication and layoffs are more likely if you sell to a competitor with an overlapping footprint. Those buyers may be inclined to retain their own personnel versus employees they do not know.

Provide Leadership by Communicating

When the time comes to share your plans for an ownership change with your team, you should continue to provide leadership by communicating what the transition will mean to the business and the employees. Exhibiting consistent leadership and spelling out expectations in language that everyone understands will be crucial to the transaction’s success. Your team looks to you, therefore you should work closely with the acquiring organization to help your people understand expectations and the change process.

Just as the human factor is important to today’s business performance, connecting effectively with the people in your company is critical both to a potential sale of your propane business and to its future success as an ongoing part of your community.



Evaluate your ‘human factor’

- Does your hiring process find “the best?”
- Do you offer training and advancement?
- Are regular performance reviews in place?
- How will your employees fare after a sale?

Source: Energy Distribution Partners

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