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Planning to Sell the Business? Take Steps to Ensure a Successful Transition

By Thomas E. Knauff

You've worked hard to build a high-quality propane business. Over the years you have put the right team in place and grown the operation. The business meets your customers' needs and provides a rewarding career. When you get to the stage of considering a personal exit strategy, one of your top concerns is how to ensure a smooth transition for "your baby"—to effect an ordered hand-off to a new owner who will keep your legacy intact and treat your employees and customers fairly.

Networking with industry colleagues, you may hear horror stories from propane marketers who sold their businesses: The new owners came in and laid off employees; customer service declined and the complaints multiplied; workers who stayed saw their benefits cut; entrepreneurial, family-style management was replaced by bureaucratic decrees from headquarters.

Due Diligence on Potential Buyers

- Do they have a reputation for integrity?
- How well do they run their businesses?
- What are their customer service practices?
- How do they treat (and compensate) employees?
- What kind of culture do they cultivate?
- Do they engage and support their communities?

Source: Energy Distribution Partners

From first-hand experience with more than 70 acquisitions over the years, plus untold numbers of conversations, it's clear that a poorly handled transition sometimes leads to regrets, while a smooth integration can serve as a source of lasting pride for owners and their communities. The difference depends on the partner—and your actions. Here are some ideas for ensuring a successful transition.

Plan Your Own Due Diligence

Just as buyers of a business want to take a thorough look under the hood before writing a big check, you as the seller should also plan a process of due diligence. From the earliest stages, even before seeking a bid or starting negotiations, you can develop a process to help ensure that you find the right buyer.

Begin with a list of questions based on the priorities you hold dear:

- How do you define your legacy—the business name, operating philosophy, location or service area?
- What is most important in your customer relationships? What do you ***not*** want to see changed?
- How do you want your employees to be treated after a sale?
- How do you see your personal transition in a transfer of ownership?
- What do you want to see in future community relations, especially if you continue to live there?

Next you need to consider the universe of prospective buyers. With a list of possible buyers, whether it is a crosstown competitor or a national or regional powerhouse, you should be prepared to look into each one:

- Is the prospect a reputable company? Does it do what it says it is going to do?
- How is its customer service? Does it churn through customers or have long-term relationships?
- How are employees treated in the company's existing operations? Are there layoffs? Changes in pay or benefits? Opportunities for advancement?
- Does the company support active involvement in the local communities where it operates?

When you start having even a preliminary conversation with a possible buyer, strategize like it's a job interview. From the first contact, you are beginning to evaluate the potential buyer's way of doing business.

Get First-Hand Perspectives

Reaching out to industry colleagues you trust, and perhaps organizing a road trip or two, will help you gather first-hand perspectives on the experience of propane distributors who have sold their businesses.

Consider calling one or more former propane marketers you know who have sold. Ask them to share their transition experience with you. Are they pleased with their decision and with the company they selected? Have their employees been treated well since the transaction? Are their customers being cared for? Were there any surprises or "lessons learned" in their experiences?

In addition to talking to former business *owners*, consider

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taking your due diligence a step further and getting a different—perhaps even better—perspective from *employees* who have experienced a transaction. Ask them first-hand if their working conditions stayed the same or improved, if they are happy with the new company's culture, and if they believe that management is treating them fairly.

If uncovering post-sale experiences is important to you, consider getting in your car or hopping on a plane to visit an operation that is now owned by the company that wants to buy your business. Getting real-life, candid feedback from employees who have experienced a transaction can be extremely enlightening. Asking a prospective new owner about site visits may also reveal something else. See if they encourage you to drop by a location and let you hear first-hand how the transition has turned out.

A key goal is to select a buyer that will offer your employees and customers a culture that is the best fit. Whether the new owner is one of the majors, a large regional operator, or a rapidly growing company seeking well-run operations on the lookout for a good home, the business culture of the buyer you select will be instrumental for the ongoing success for your business and your community.

Get Ready to Help Your Employees

Confidentiality is the norm during negotiations, but once you have an agreement in place, you need to plan the best way to help your employees absorb the news and make the most of the change.

It's only natural that employees will be fearful about what the transaction means for them. The impact is intensely personal: Will they lose their jobs? Will their benefits be cut? Will their roles change? Will the new guys be difficult to work for? And will there be a lot more red tape and bureaucracy?

It's also natural that employees may be angry with you at first. After all, they joined the company to work for you…they didn't plan to work for someone else. Plus, you may have caught them by surprise with news of the sale, and change and uncertainty are unsettling.

Thinking ahead to how you will communicate that you sold your business and how the transition will play out will be extremely important. It helps for you to carefully plan your answers to questions like "Why are you selling?" or "What are the new owners like?" You'll want to plan both customer and employee communications—in close collaboration with the team you chose to buy your business.

One consideration for a smooth transition is to help the acquiring company identify the right person to manage the business going forward. If you've assessed the skill sets of your current team and recognize that no one has the leadership skills to take on the general manager position, ask to interview your buyer's potential candidates for that position. Knowing that the new leader is the right fit will give you enormous peace of mind, which you can pass along to employees and customers.

One Example

To illustrate a successful transition, and how to achieve it, let me share the story of WOC Energy. This is a retail and commercial propane distributor serving north-central Pennsylvania, a well-managed business that EDP acquired from its former owners in February 2015.

From the outset, we worked out a communications plan to reassure employees. We let them know we would retain them. They were the people who had made WOC a success. The change would bring employees the enhanced benefits of a larger company through participation in EDP's excellent employee benefits program, which includes a 401(k) retirement savings plan with matching contributions. We spelled out when paychecks would be issued and the specifics of vacation and personal days.

And we tried to communicate our culture, an environment that focuses on serving customers, ensuring safety, staying engaged in the community, and just plain enjoying each other's company as co-workers.

Not quite a year later, WOC Energy is thriving. The business is growing, and the company is reaching out, for example partnering with the American Breast Cancer Foundation (ABCF) to promote cancer research. Not only has WOC painted one of its bobtails pink, the company is also donating a portion of the proceeds from every gallon delivered by the bobtail to ABCF.

"We recently received recognition as The Best Heating Oil Supplier by a local newspaper, and people we do business with have commented on the positive feelings expressed by WOC's long-time employees. This is the outcome of a well-planned transition, with help from our former owners and support from the EDP team," said Jeff Brunner, general manager of WOC Energy.

Ask Employees to Give It Time

For employees, the hardest time in the transition to new ownership is the first 30 to 60 days. Emotions run rampant, rumors are inevitable as people go to "the grapevine" for answers, and employees who are most inclined to be negative are often the most vocal.

You may want to share a clear set of talking points with employees on day one, spelling out what you and your buyers know about the effects of the change on customers and employees.

Encourage all of your employees not to rush to judgment or make a major decision affecting their careers—at least for one or two months. In those first few weeks, employees will get to know the new owners and, if there is one, the new general manager. They will get specifics on their jobs, pay, and benefits. And they will get a feel for how the company does business. Having answers will be reassuring.

Seek Counsel on Your Decision

The people you are closest to—and sometimes even new acquaintances with the right experience and values—can offer sound counsel to guide you through the process of approaching an exit from the business you love. Relationships with fellow propane pros that you know from participation in industry associations or activities are an invaluable source of wisdom. Don't be afraid to ask for advice.

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