

# LEADERSHIP TRANSITION - A VIABLE EXIT STRATEGY

Leadership Transition is an exit strategy option available to SME business owners to assist them to realise the investment value of their business. Leadership Transition helps business owners identify and engage with potential future owners of their business with a formal partial sell down agreement reached to optimise return for the exiting owner, allow due diligence on both sides and reduce the risk for the incoming owner.

The New Zealand economy is made up of around 97% small and medium business owners which is the backbone of our economy. Most of these business owners are baby-boomers who are 50 years of age plus. Most of these owners do not have a succession plan, or if they do, their thoughts are around a trade sale that they think would realise the accumulated wealth in their business and enable them to retire. Leadership transition offers owners a unique and proactive option providing an alternative to selling New Zealand's economic engine room, creating a structure for a gradual exit and the potential to optimise the value in their business asset.

Leadership Transition enables business owners to change their thinking from their business being a job, to their business being an investment. Leadership transition is a viable exit strategy if you are a business owner:

- Of a privately owned SME business;
- Thinking of your medium or longer term options;
- Who does not have a natural successor;
- Who is sick of the day to day hassle or has run out of ideas or energy;
- Spending too much time doing the stuff they do not like or are not good at;
- That would favour a gradual sell down, rather than an outright sale;
- Concerned you will not realise the accumulated wealth in their business from a sale.

Leadership Transition introduces people capability to a business in the form of a potential future owner who initially comes in as a General Manager to assume day to day responsibilities for the business with their main objective being to grow the business and realise some of the untapped potential. The General Manager is offered the opportunity to purchase equity in the business after a period of time, a time that allows due diligence for both parties.

Businesses where Leadership Transition is a viable option:

- Privately owned SME businesses that are profitable;
- Businesses that have a fundamentally strong history;
- There is unrealised potential to grow, top or bottom line or both;
- Have shareholders seeking change (may not be retirement driven) but change is desirable - for them or the business;
- Have shareholders looking for alternatives to a sale.

Typically the business needs to have:

- Free funds or the ability to access funds to support new management as well as the current owner;
- Profitable growth potential.

This resource has been kindly provided by



If you have any questions, please call 0800 CHAMBER (0800 242 623).

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