



Waunakee Rotary Club

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Steve Royko spoke to the Waunakee Rotary Club Oct. 16 about the significant transition in wealth that is likely to occur over the next decade or so, in large part as baby boomers sell off their business.

The mergers and acquisitions director of the Madison office of Cornerstone Business Services, Inc., a company that specializes in the sale of ongoing businesses with revenues from \$1 million to \$30 million, Royko said the upcoming situation is really flying under the radar.

Royko said a lot of businesses just are not prepared for the eventual decision to sell, and there are a number of easy ways to prepare for that opportunity.

One study shows that 65 percent of business owners do not know what their business is worth, but Royko said in his experience, that percentage is actually even higher.

In addition, most business owners don't have an exit plan for the eventual sale or transfer of their company. They "treat the exit from their business almost like death," he said.

Many business owners treat the sale of their business like the sale of a home, underestimating the difficulty in the sale. The process is more difficult, there is more to it, and more preparation needs to be done, he said.

He recommends treating the exit from the business in the same manner as you run your business. He said part of the success of a business is listening to and meeting the needs of customers. In that same vein of thinking, sellers should listen to and be interested in what buyers are looking for.

A few steps to can take to make a business more attractive to potential

buyers include: having a strategic plan in place, having a diversified client base, keeping your financials clean, getting as much cash as possible to show up on the bottom line, updating your technology, cleaning up your building(s), organizing your records and hiring strong employees, Royko said.

Royko said a good strategic plan is a way to show the strengths and upside of the business and make it attractive to potential buyers.

Businesses with diverse client bases have less risk and more upside for buyers, he said.

Royko said keeping discretionary cash flow, such as cars, out of the financials may hurt short term in taxes. However, keeping those items out of the financials eliminates potential questions from buyers. It's also valuable to have a professional review your financials, as it eases doubt in the mind of the buyer. In addition, any mistake can bring about doubt, and "time kills all deals," Royko said.

Getting as much money as possible to the bottom line is important, he said, because even though you may pay more in taxes in the short run, your return on every dollar will in the sale will likely make up for any increased tax payments and then some.

Updating technology, cleaning up your building(s) and organizing records are just common sense steps to make your business look more attractive to potential buyers, Royko said.

Hiring strong employees is also important because responsibilities can be passed down the line, he said.

All these are steps business owners should be contemplating and incorporating two to three years out from a potential sale.

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Calendar of Events:

•Nov. 19, Service Club luncheon.

Other items:

•exchange student Marie Zorn presented the club with a flag from the Rotary Club from her hometown in Germany.

•Ray Statz was recognized and awarded his second Paul Harris Fellowship. President Dan Statz outlined a number of the projects and accomplishments Ray has helped with over the years, saying his contributions often slip under the radar.

Birthdays: Oct. 26, Betsy Flanagan; Oct. 29, Lori Derauf.

Anniversaries: Oct. 29, Tom and Joan Laufenberg.

Prayers: Oct. 23, Susan Vergeront; Oct. 30, Leonard Allen.

Programs: Oct. 23, Jim Raymond, Philippines book project; Oct. 30, ??; Nov. 6, Club Assembly.

Greeters: Oct. 23, Gordon Meicher and Jim Meyer; Oct. 30, Danny Miller and Shelley Moffatt.

Make up meetings online

It's easy to make up a meeting on the Internet. The site is www.rotaryclubone.org. Print out the form and give it to Phil Willems, the club secretary.