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**Executing a Timely Planned Business Transition:  
Enhance the Current/Future Valuation of a Family Business over the Long-Term**

**By Eugene O'Malley**

Family owned businesses often fail to maximize the value of their business when they wait too long to execute a sale or a partial sale. A well thought out and executed plan prior to the transition will bring a significantly more attractive valuation and, in most cases, will result in a less-risky long term involvement with the business and a higher return from the business.

Family managed businesses face the challenge of investing in the future of the business. When the future is uncertain - conservative and often destructive non-action can result in an under-performing business with a low valuation. The business may have reached a point where no investment has been made and a full commitment to the business is under review. This reaction to uncertainty can be the natural or right approach in some cases - but probably cannot last forever. When these dynamics occur, owner/managed businesses should select a qualified investor, and consider a partial sale to realize partial liquidity and help take the company to the next level.

Investor's who seek to acquire a position in the family business prefer to invest when the family owner/manager is still very active in the business and can work closely with the investor to expand the business through their intimate knowledge of the industry and its participants. Family owners must understand their position with regards to a new investor and the selection of the right partner.

One approach is to have a planned partial sale of a minority position with certain milestones of capital infusion by the investor to achieve a pre-agreed achievement level. Once that new level has been reached, then the family may have agreed to sell additional ownership to allow the investor to take majority ownership. The investor is then in control, but the family owner has benefited not only by selling when the company is strong with a good valuation, but the family owner/manager participates in the next expansion phase with reduced risk.

This approach is not for every family owned business, but serious consideration should be given to a timely and orderly partial transfer while the business is vibrant and the management has the vitality to proactively participate with the investor to maximize the return on investment for both parties.

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