Angels Invest With Their Exit In Mind:

How To Leverage A Company's Culture for Successful Exit

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Overview

- Begin with the End in Mind
- Exit Options
- What is culture
- How does culture impact results
- Exit strategies and cultural strengths
- Summary and discussion
- Questions
Every enterprise will eventually be sold, merge or go out of business
“Begin with the end in mind”

By defining your exit strategy when forming your business, you will be preparing your long-term future.
Exit Strategies

- Build and go public
- Merge
- Sell
- Let die
ORGANIZATION CULTURE

- The underlying values, beliefs and principles that serve as the foundation for an organization’s management system, along with the set of management practices and behaviors that both exemplify and reinforce those basic principles.

- The beliefs and behaviors that will enable you keep your job, stay out of trouble and get you a raise

- How we do things around here
Business cultures impact results

- Revenue
- Cost of sales
- Revenue per employee
- Profit per employee
- Return on investment
- Payback period for the exit
Business cultures impact results

To optimize results, the culture must be appropriate for the exit strategy
Exit Strategies

- Build and go public
- Merge
- Sell
- Let die
Why go public?

- Liquidity
- Access to capital for growth
- Ego
If the strategy is to build and go public, the culture must be strong in the following characteristics

- **Strategic Intent** Must have a proven market with a compelling differential advantage and large growth potential

- **Coordination and integration** Must optimize efficiency, effectiveness and profitability

- **Organization Learning** Must view mistakes as opportunities to learn that should be understood and shared

- **Team Orientation** Must optimize creativity, efficiency and creativity as a competitive advantage
Why Merge?

- Gain technologies or abilities
- Gain market share
- Eliminate a competitor
- Expand geographic market
- Vertically integrate
- Diversify revenue stream
If the strategy is to merge, the culture must be strong in the following characteristics

- **Vision**  How the organizations will integrate to become something more than the sum of their parts

- **Agreement**  Must be able to acknowledge and deal with conflict and build unity of purpose

- **Creating Change**  Must be able to accept what can’t be changed, change what must be changed and know the difference

- **Capability Development**  Must be nimble enough to develop people as needed by the new organization
Implications of Dissimilar Cultures in Mergers

- Inability to achieve the envisioned synergies
- Loss of the best and brightest people
- Extended payback period and higher cost of capital
- Loss of image and goodwill
- Issues related to quality, time-to-market, competitiveness
- Often leads to divestiture
Initiating Company Culture Analysis
Target A Culture Analysis
Target B Culture Analysis

Beliefs & Assumptions

Customer Focus: 78
Strategic Direction & Intent: 26
Organizational Learning: 69
Goals & Objectives: 62
Creating Change: 3
Vision: 31
Empowerment: 69
Empowerment: 32
Team Orientation: 72
Agreement: 43
Capability Development: 70
Core Values: 58
Target A Profile
Target B Profile
Why sell?

- Burnout
- Illness, disability, lack of succession options
- Cash flow or other financial/market challenges
- Cash out for re-investment
If the strategy is to sell, the culture must be strong in the following characteristics

- **Goals & Objectives**  What must be done to get the best deal relating to financials, marketing, production, operations, et al

- **Core Values**  What makes your business attractive and a good investment

- **Empowerment**  The value of the people including skills, decision making, productivity, etc must be evident to the acquirer

- **Customer Focus**  Must have a proven, loyal, expandable market that ensures value and growth to the acquirer
If the strategy is to let it die, the culture must be strong in the following characteristics

- Appreciation of relationships with employees, customers, suppliers, investors, community
Setting the Stage to Make Your Dreams Come True

- Clearly know who you are and what you want to achieve in your exit
- Objectively know your organization’s strengths and weaknesses and optimize them in preparation for the exit
- Understand the specific cultural needs for success in the exit strategy you select.
Questions?

Comments?
Thank you

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