

AMI's Comprehensive Succession Program

At Agency Management Institute, we have the privilege of serving hundreds of agencies and their owners every year. This gives us a unique vantage point when it comes to succession planning, particularly those involving an internal (employee) purchase.

We have been a part of many successful transactions over the years, but we've also witnessed rocky transitions that didn't serve the best interests of the owner, buyer, or agency.

When it does not go well, at the very best – everyone loses some money. And at the very worst – you lose trust, long-term relationships, and the future you've worked so hard to earn.

That's why we've put together a comprehensive program that will help an agency owner go from thinking about a potential succession all the way through the close of the sale. We lined up subject matter experts to help along the way so that we can be your one-stop shop.

We can join you in your journey, no matter how early or late in the process you are. But we believe we can deliver the most value and create the highest level of win/win for everyone if we walk along-side you from the beginning.

This overview is not meant to be all encompassing. Instead, it's meant to trigger questions, ideas, and conversation. As you can imagine, this is not a one size fits all pre-packaged offering. The work we do with you will be customized based on the needs of the owner, the buyer, and the agency.

Succession Stages:

Our program is built to be comprehensive because we've witnessed what happens when agency owners try to do this on their own, or they piecemeal it with several different vendors. In some cases, those other third parties benefit financially by making the succession transition more complicated or adversarial than it needs to be. They don't understand how to navigate an internal purchase, which should be much easier and cleaner with all the parties working together to create something wonderful for all concerned.

The following services are included in our offer. A little more detail about each stage is below the list.

Stages:

- Assessing the agency and stakeholder readiness (6-8 weeks including one two-day on-site visit)
- Developing a comprehensive Succession Plan (4 weeks including a one-day on-site visit)

- Executing the plan and transition (Could be 1-10 years based on your timetable and the readiness of all parties)
- Defining the deal (4-6 weeks including one two-day on-site visit)
- Securing the success of the transition (A minimum of a year post sale)

The five stages break down into these deliverables:

- Pre-planning
- Assessments/Readiness
 - Owner assessment
 - Owner personal financial assessment
 - Potential buyer leadership assessment
 - Potential buyer personal financial assessment
 - Current roles/responsibilities for both owner and buyers
 - Financial process and assessment
 - Production process assessment
 - Biz Dev assessment
 - Client portfolio
 - Marketing and sales plan
 - Cultural assessment
 - Talent (hiring, retention & growth) assessment
 - Innovation/Learning processes
- Valuation
- Comprehensive Succession and Transition Plan
- Deal Specifics Mediation
- Contract Development
- Deal Financing
- Support/coaching for new owners through the transition and 12 months post transition

Stage One Assessing the agency and stakeholder readiness

Pre-planning: This is where we work with the current owner to think through what they'd like to happen and when. This may take place years before any action is taken or it could be the catalyst to initial conversations with key employees. Beginning with the end in mind (even though we all know it's not going to play out perfectly to the plan) sets the stage for the owner to reap the rewards of all the blood, sweat, tears they poured into the agency.

This typically an initial phone or zoom call with everyone acknowledging that no matter what we decide at this stage, there will be shifts as we work through the process.

Assessment/Readiness: This is a series of assessments to gauge how ready the owner, buyers, and the agency itself is for a buy-out. You can do them all or cherry pick which ones make sense for you.

Current owner:

Owner assessment: How ready is the owner to walk out the door? And what are they walking towards? This is often a point of failure in the deal because if the seller can't exit or relinquish control during and after the sale – the buyer will walk.

Owner's personal finance assessment: Owners sometimes get themselves into trouble by setting the price of the agency based on what they personally need or want versus what the agency is worth. We'll get a clear picture (if you don't already have one) of your entire portfolio so you can set reasonable expectations.

Potential Buyer:

Potential buyer assessments: Do they have what it will take to run the agency successfully and where do they need some coaching/support to get ready?

Potential buyer's personal finance assessment: We find that the money part of the equation is often discussed too late and/or the potential buyers aren't adequately prepared to finance the down payment, even if they have ample resources. Most people just need help thinking this through and identifying the resources they need.

Agency:

Current roles/responsibilities assessment: This is vital. We need to understand everyone's day to day roles as they are today and where we need to get them to be in the future. This is also about identifying what the current owner does today that no one else understands, knows how to do, or has access to. Part of the plan will be to build a timeline to transition all those responsibilities and tasks to the new ownership. It's also equally about looking at the buyer's plate and what will need to be removed so they can effectively run the business.

Financial assessment: This is a comprehensive look at the agency's financial picture and some predictive modeling to show potential growth, cash flow issues, etc.

Process assessment: How efficient and effective is the agency running? Are you at a point where the existing systems that got you to where you are today won't support the weight of where you're going in the future?

Biz dev assessment: Historically, how has the agency earned new clients? Will that change with an ownership change? Which key clients are tied to the owner and how can we transfer that trust to the buyer?

Cultural assessment: In an internal purchase, it's critical that the employees will follow the new leaders into the next chapter with confidence. How does the agency culture and values exist today? Where are the opportunities to strengthen the culture with the new buyers front and center to gain the team's trust and smooth the transition?

Valuation: This valuation will determine what the agency is worth today, but also creates a framework for future valuations, if they're needed.

Stage Two: Comprehensive Succession and Transition Plan

The Plan: We will come back to you with a comprehensive plan and timeline, based on the assessments and our own decades of experience. The plan will be broken into work to be done with the current owner, the buyers and if necessary, within the agency itself.

It will include a change management/communication plan to ensure that the agency has a seamless transition between owner and buyer.

The plan will usually include on-going coaching for both the current owner and buyer. It will also include educational components for the buyer to get them ready to run the business of the business, as opposed to the client facing skills and offerings.

Stage Three: Executing the plan and transition

This is going to be very unique to your agency and both the buyer and seller. It will be driven by the comprehensive plan itself and the timeline.

Stage Four: Defining the deal

Deal Specifics Mediation: We believe that when the owner hand selects buyers from their own staff, everyone is very motivated for the deal to work well for everyone. We just have to work out the details!

Through a series of initial conversations, we can get the owner/buyers to a shared, common ground where everyone feels like they've been heard, honored, and that the deal is fair all around.

Contract: Once the mediation terms are agreed upon (price, payment terms, etc.) AMI's team of agency specialist attorneys will draft a contract based on those specifics. This alone will save you thousands of dollars in legal fees.

Financing the Deal: If we do this right, someone is going to owe someone some money! Our team of finance experts can source loans, get creative with financing options, and so much more. If the current owner is going to hold the note, we may need both our finance and our legal experts at the table.

Stage Five: Securing the success of the transition

Support/coaching for new owners: We know it is in everyone's best interest if the new owner/s gets off on the right foot to ensure the long-term success of the agency.

The seller wants the new owners to be successful so they can get paid. They also want to see their clients and team well cared for by the new leadership.

From the new buyer's perspective, this is daunting, even if they've been running the day-to-day business for a while. We will work out a plan but basically, we will continue our coaching with the new buyer, but we'll broaden the scope to include agency best practices around profitability, biz dev and other operational goals. Some new buyers move right into Traction or an AMI peer group as well.

We'd welcome the opportunity to walk this journey with you and your buyer/s to make sure that everyone feels like it was not only relatively painless but that we honored and protected all parties as we worked together to find a right fit solution for each of you.