The Gregory Group

The following article was published on YourBiz on August 10, 1998. YourBiz has since been purchased by The Journal of Financial Planning. Authored by Kip Gregory, this article maps out how to create franchise value for your firm, allowing your business to avoid death by acquisition, merger or no sale.

Will Your Practice Retire With You?

When the time comes, advisors wanting to sell their business usually encounter one of three alternatives: an outright acquisition offer, transitioning through some sort of merger or succession buyout agreement, or, finding no buyers, living off a steadily shrinking client base.

These options aren't unique to planners; almost small business owners face them. The "lucky" ones who've established clear franchise value have their choice of acquisition or succession; the rest are limited to transition buyout (usually at a bargain price to the buyer) or slow death.

Begin With the End in Mind

It's said that luck happens when preparation meets opportunity. Successful companies plant their seeds of luck early by knowing what they want to be and how they'll get there. Over time, this approach can result in a business developing greater intrinsic worth. To a buyer, that worth is tangible; it will convey with the business despite the owner's departure. There is something worth emulating that the buyer recognizes and willingly pays a premium for.

These firms demonstrate a track record of profitable performance and consistent improvement precisely because they understand their business, and have well-defined goals and processes for meeting those goals. In short, they have franchise value that transcends the value of any one person within the business, including the owner.

But building franchise value doesn't happen overnight. It takes thought, analysis, planning and steady execution. The luxury of choosing between one or more exit strategies is rarely the result of "bold strokes" thinking, but rather the cumulative effect of smart decisions made daily over th life of a business.

Are You Ready (and Able) to Sell?

Ask yourself:

- Do I have a reliable method for quantifying/benchmarking the firm's current worth?
- Who would be a qualified buyer?
- How do I want to transition out of the business?
- When?
- What does the business need to look like to allow that transition to happen?
- What systems are in place today that gives the firm franchise value?

- What changes are being initiated to enhance that value?
- Who needs to be involved in making those changes? How?

10 Steps for Building Franchise Value

1. Know your purpose -- why you're in business and what's unique about your firm.
2. View every activity as part of a process, and processes as part of a business system.
3. Understand how processes and systems help establish franchise value.
4. Make processes complete, as simple as possible and measurable against a specific standard.
5. Use technology to make processes more efficient and effective.
6. Recognize that marketing is a process-based activity just like administration or portfolio management, and strive to continuously improve the way you do it.
7. Conduct a marketing audit to set a measurement standard. Break the process down into its parts. Remember: product, price, place and promotion; don't forget people.
8. Brainstorm ways to improve your business. Judge every activity from the clients' perspective -- how does it make them feel about doing business with you? Ask them for their opinions.
9. Map the activities that enhance clients' relationships with the firm; use the map to create a [repeatable] methodology.
10. Finish implementing the plan you start, but not all at once. Be patient; be persistent.

If you'd like more information about building franchise value or want to share your own success stories, please contact Kip Gregory at kip@gregory-group. Kip is Principal of The Gregory Group, a Washington, DC consulting firm that provides marketing and technology coaching to financial professionals.

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