

# Incumbent – Planning the Management and Ownership Transfer

## \*\*\* *Transferring to a Third Party* \*\*\*

For a transfer to a third party, management and ownership are usually transferred at the same time. This is why these transfers

have to be planned together. Here are the main stages:

1. You establish the rules and the plan for the transfer of management and ownership in accordance with your needs and expectations:
  - ✓ You will **reflect on your needs and expectations** with respect to the transfer of your business.
  - ✓ You will also have to **reflect on the mode of operation** of the transfer, that is, on the appropriate rules and the right time frame for a successful transfer.
    - You will be able to consult experts about your different options.
  - ✓ **Due diligence** should be conducted in order to assess the value of your business and determine its strategic position, and all the corrective measures identified should be adopted so that the business can be sold under the best possible conditions.
2. You announce your intention and you target, search out, and then select the buyer in accordance with the offers received:
  - ✓ You will **announce your intention** to sell your business.
  - ✓ You will **target potential buyers** in accordance with the rules established in the first stage.
    - You can inform your network of contacts and your financial institution since they will be able to help you identify potential buyers.
  - ✓ You will **contact different potential buyers**.
    - Informal verbal negotiations can now begin.
    - Interested buyers will demonstrate their determination to buy your business by sending you a letter of intention.
  - ✓ You will then be able to **choose the buyer** that meets your expectations by following the rules established in the first stage.
3. You negotiate and sign the sales contract:
  - ✓ You will **negotiate the terms of the sale**, and they will be specified in the **sales agreement** with the chosen buyer.
    - You must establish the rules for the transfer of management (the schedule, the salaries, the benefits, etc.) and the rules for the transfer of ownership (the shareholder structure, the value of the shares, the conditions of sale) in concert with the buyer. These rules will determine how the future steps are conducted, and they will be sealed in a formal sales contract.
  - ✓ The **signing of the final bill of sale** results in the **immediate management and ownership transfer**.
    - The shares and assets are sold.
    - You will give up your role as managing director in order to make room for the new management team in accordance with the terms and conditions of the sales contract.



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For each step in the process, you must make a list of the elements that have to be considered and the actions that have to be taken, and you must indicate their respective time frames. Be as detailed and precise as possible. Indicate what you have accomplished so far, and then describe what remains to be done.

| Stages in the process                                | Elements in the plan  | Time frame | Already done | Still to do | Person responsible |
|--|---|------------|--------------|-------------|--------------------|
| Establishing the rules and the plan for the transfer | <ol style="list-style-type: none"> <li>1. Reflect on your needs and expectations.</li> <li>2. Reflect on, discuss, and establish the rules and the time frames governing the process.</li> <li>3. Conduct due diligence.</li> </ol> |            |              |             |                    |
| Selecting a buyer                                    | <ol style="list-style-type: none"> <li>1. Announce your intention to sell.</li> <li>2. Target potential buyers.</li> <li>3. Start informal negotiations.</li> <li>4. Select a buyer.</li> </ol>                                     |            |              |             |                    |
| Negotiating and signing the sales contract           | <ol style="list-style-type: none"> <li>1. Negotiate the terms of sale.</li> <li>2. Create a sales agreement.</li> <li>3. Sign the final bill of sale.</li> <li>4. Transfer management and ownership.</li> </ol>                     |            |              |             |                    |
| Providing support to the buyer (optional)            | <ol style="list-style-type: none"> <li>1. Transfer your knowledge and your network of contacts to the buyer.</li> </ol>   |            |              |             |                    |