



Taking Care of Employees After the Sale

A Case Study on How to Do it Right

When you're thinking about selling your manufacturing business after many years building up a successful enterprise, it's likely you have several goals in mind. Along with providing a solid financial future for your family, most manufacturing company founders want assurance their employees will be well taken care of after the sale closes. After all, if you're like most private business owners, your workforce is like a second family to you!

When employees learn that their employer is being sold, it's only natural they might feel anxious or worried. In fact, some business owners postpone selling the company because they're concerned about what will happen to their valued employees and how they'll respond to the news.

But selling to the right buyer—one that can accelerate the company's growth, and ideally one that shares your values and vision—often opens the door to new opportunities for your current staff. The [sale of IEQ Industries to Gallagher Fluid Seals](#) provides an excellent case study on how employees can succeed and thrive under new ownership.

By taking a best practices approach, the buyer and seller together ensured a smooth transition for employees—helping to allay any fears and ensuring continuity for the business's operations. These four approaches all played a role in a successful outcome.

1. Secure Key Leadership Continuity

Employees often find reassurance in knowing that some of the company's key leaders are staying on board post-acquisition.

"There is comfort in the fact that my role is the same," said Rich Garnaat, president and sales manager of IEQ. "My goal has always been to serve the owner and company in the best possible way, and I figured that mindset would come back to benefit me as well."

Of course, it's possible that some roles will change post-acquisition. But when key managers remain on board and display a genuine company-first mentality, it helps everyone else follow suit and adapt to the inevitable changes with less trepidation.

2. Communicate Openly and Thoughtfully

Garnaat believes transparent owner communication was a key component in alleviating employee stress about the sale of IEQ to Gallagher Fluid Seals.

"IEQ's owner kept me informed and involved in the steps of selling the business," he explained. "Talking about the potential sale wasn't surprising or scary; it was a welcomed opportunity for me to help the owner get the business ready to sell."

Garnaat believes it helped that he and the owner had a close personal relationship, based on trust. "That much early and open communication about selling may not make sense for another owner if the trust isn't as strong," he noted.

When you're in the process of selling your manufacturing company, be sure you're only confiding in key managers you've built a strong relationship with. Your close circle of confidants should only include people you trust not to disclose the information before you're ready or leave the company in the midst of the negotiations and due diligence.

3. Choose Your Timing Wisely

Deciding when to inform employees of a potential sale is just as critical as deciding who to confide in. If you share the news with a broad group of employees too early in the process, before the negotiations and due diligence are very far along, you could send some team members running for the door out of fear that their future is now uncertain. And since a small percentage of transactions never come to closure, you could end up losing valued employees for no good reason.

It's best to choose the timing of any communication wisely, to ensure your key managers stay on board throughout the successful completion of the sale and your entire staff stays focused on business as usual.

4. Develop and Communicate a Transition Plan

Once you've completed the negotiations and due diligence, it's important for your team to understand what will and won't change post-acquisition. Here again, your goal should be to ease any fears they may have about the upcoming transition.

Garnaat recommends engaging in clear and open communication with all staff. "When things are finalized and you know this is going to be the buyer, it's ideal to bring in the buyer and have an employee meeting or several meetings to map out what the process is going to look like after the sale," he said.

Ask the buyer to document a post-acquisition employee transition plan, with details on any planned changes to the organizational chart. This document can serve as your guide in having conversations with key employees about the transition. The better the buyer can paint and communicate the post-transition picture to the entire team, the more comfortable they will be going forward.

Even if you don't agree with every change the buyer plans post-sale, it's critical that you take an active role in helping key members of your management team prepare for what's to come, so they in turn can help the entire workforce feel good about the ownership change.

"Gallagher has been true to everything that was promised before the business sale closed," Garnaat said. "Things have gone very smoothly and I'm incredibly pleased with the new ownership."

While selling the business you've poured your heart and soul into is never an easy decision, if you follow a proven process to find and engage the right buyer, plan well, and engage in timely, transparent communication, you'll be assured your employees are in good hands. That's why it's critical to partner with an investment banker that understands what it takes to build and sell a manufacturing business successfully.

For owners of manufacturing businesses in Michigan and across the country, that trusted partner is The NuVescor Group. We're leaders in manufacturing mergers and acquisitions, helping founders find the right buyer, then guiding them through the process to achieve the optimal outcome, from start to finish. We have experience across the full spectrum of manufacturing business types, and we've successfully guided countless completed transactions.

NuVescor is the investment bank that middle market manufacturing companies turn to for business valuation services, financial analysis services, and the sage advice required to maximize their value and support the transaction process every step of the way.

If you're thinking about selling your manufacturing business, schedule a call to learn how our manufacturing M&A experts can help you achieve the best possible outcome!