



# Creative Exit Strategies



# Case Study: Slippery Slope Soap Company

## About the company

The Slippery Slope Soap Company was formed in 1987 by Jack Spratt (now 57 years old) and Jill Smith (now 55 years old). The Company is third nationally in specialty soap production. The company has always been very profitable, but recent trends caused by the popularity of shower gel, has caused a sharp reduction in the demand for specialty soaps.

The company has 120 employees; 25 in management and salaried positions and 95 in manufacturing. Currently, a retirement plan is in place but employee numbers have not reached to level requiring annual audits.

Jack and Jill have employment contracts for all key positions. However, having been best friends for 30+ years, they have never drawn up paperwork for themselves. Therefore, there is no buy-sell agreement and no employment contracts in place for Jack or Jill.

## About the owners

Jack and Jill met on the first day of their MBA program at the Wharton School of Business and became best friends. Jack's background is engineering; making him the perfect individual to head up manufacturing. Jill's background is marketing; making her the ideal person to head up product development and commercialization. Jack and Jill each own 50% of the company.

Jack is married with three children. Two of his three children work in the business. Jim, his eldest son works with Jill in Marketing. (Jim is task driven and Jill does not see him as a visionary. This creates a talent "void" if Jim is to take over marketing and development.) Chris, his youngest son, is responsible for production. Chris is excellent in his approach to production implementation and improvements. Chris has introduced many cost-saving ideas over the years. He is able to run this side of the business with little or no input from Jack. His third child is in medical school





to become a neurosurgeon. Jack's wife Amy was a stay-at-home mom and now occupies her time with local charities and social clubs.

Jill is married but has no children. Jill's husband John is an attorney. John is a criminal defense attorney, but sees no reason that he should not be corporate counsel for Slippery Slope. John does not like Jack, as he believes Jack and Jill are "too close."

## Today's Discussion

Having recently attended a conference, Jill believes that the industry is changing in a way that could impact the company's profitability. She believes that the company should be sold while it is at its maximum value. Jack has always seen the company as a "family" business, and envisioned his sons ultimately running/owning the company.

## Questions to consider:

If you were in this situation as the co-owner of a business, would you:

- know what action to take next?
- know the current value of your company, and how to potentially maximize its worth before sale?
- understand the pros and cons of selling the company or keeping it in the family?

If you own a business, changes in markets and trends could force you to consider this scenario sooner than you may have planned. Start getting creative about your exit strategy today, so that you'll be in the power position when selling in the future. Contact one of Clark Schaefer Hackett's experts to discuss strategies that will give you leverage at the negotiating table.

