Rick Williams

HELPING LEADERS **SUCCEED**

IT IS NOT JUST THE MONEY

By Rick Williams

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EXECUTIVE SUMMARY

Ralph Anderson founded a company, grew the company through a Joint Venture, and sold his company to a major competitor. How he did it and the lessons he learned are the topic of this story. It is not just the money.

It's not just the money. This was Ralph Anderson's bottom line takeaway.

I have interviewed many company owners and CEOs while writing my book, *Create the Future - for your company and yourself.* The owner of a property and casualty insurance agency told me about his experience founding, growing, and selling his company. Here is his story and the lessons he learned.

Credit Sergey Nivens

FOUNDING THE COMPANY

Ralph had a promising position with a large insurance agency managing their property and casualty (P&C) insurance sales for the Mid-Atlantic US. The company was owned by a Private Equity (PE) investor. Property and casualty insurance was a smaller part of their business.

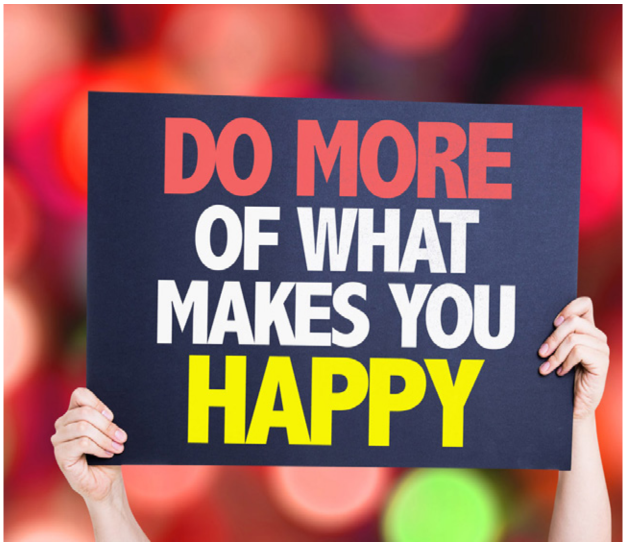
With no warning, Ralph learned that the PE firm was closing the P&C part of the agency's business. Ralph was out of a job with a good severance package. Not under immediate pressure to find his next job, Ralph thought about different businesses and jobs. Ralph's sister invited him to spend a Tuesday afternoon during the summer with two of her girlfriends and their kids. As he sat on the lounge chair and the kids were yelling and splashing in the pool, ***Ralph thought about how he wanted to be living his life.*** This was the moment he decided to start his new company.

Ralph remembered the advice of his uncle to "do what you know." Ralph knew the insurance companies and knew how to sell insurance. He thought about what Success would look like. His hope was to establish a sustainable business from which he could earn a reasonable income. From his family and close friends, he had his first P&C insurance customers. The lessons he shared with me for getting started are:

- *Focus on getting customers*
- *Build relationships*
- *The money and income will follow*

GROWING THE COMPANY

After six years, Ralph's agency had annual revenues of about $1 million. That put the agency in the top 20% for the state. To grow, Ralph needed access to funding to attract top sales staff. He decided to form a Joint Venture (JV) with a wealth management agency serving similar clients. The opportunity for Ralph was to grow his agency through access to a larger client base and



Credit Gustavo Frazao

access to capital to fund growth. Under the JV agreement, Ralph took over a small P&C practice working with the wealth management agency. The owners of that practice became minority owners of his practice. Ralph's concept of success when entering the JV agreement was growing his firm from a top 20% to a top 10% agency. And, he wanted to capture financial rewards from his energy and success in the ownership of a larger firm. ***Ralph's agency tripled in size over ten years.***

Ralph's agreement with the owners of the wealth management agency included an expectation that he would become a partial owner of the combined company owning both the wealth management and insurance practices. The JV agreement expressed an intention to combine the ownership but not a commitment. The family owners of the wealth management company did not bring Ralph in as a co-owner of the combined businesses as promised.

The lessons Ralph shared from his JV partnership and growing his agency were:

- *Giving up some control is part of funding a growing business.*
- *Your relationships with business partners and key staff must be built on trust.*
- *Put important agreements in writing.*
- *Your key business and team relationships become your life every day. Choosing those relationships is choosing the quality and character of your life.*

SELLING THE COMPANY

Ralph successfully grew his business. But, the potential he expected in ownership of the combined agencies had not happened. And his relationship with the minority owners of his company, a father and son, was strained. Ralph thought about options for capturing the value he had created. *He also wanted to improve the quality of the professional life he lives every day.*

Through a P&C industry association, Ralph knew the owners of agencies similar to his. Occasionally, other owners and PE investors talked to him about selling his firm. When he received a purchase offer, he engaged an investment banker and an attorney familiar with insurance agencies to help him understand his options and guide him through a possible sale.

As he thought about the possibility of selling the company he had built, Ralph thought about success and goals and about what he wanted and did not want in his life going forward.

- *Ralph liked the insurance business and had been successful.*
- *He had created value in the company and wanted to capture that value for himself and his family.*
- *He did not like the ongoing friction with the minority owner of his business.*
- *He wanted to have a high level of autonomy for running his business.*
- *If he was in a business partnership, he wanted to trust his partners to live up to their commitments.*
- *He wanted to be in a company with growth potential for himself.*

Ralph had a good income from the agency and had built a comfortable lifestyle. The negatives for him were the ceiling placed by the wealth management partners in the JV on his advancement and his participation in the value created by the combined businesses. He also did not want to continue the strained relationship with the minority owners of his business

When Ralph's P&C agency had revenues of $1 million, the value of an agency like his was approximately equal to its annual revenues. After he grew the agency to three times that size, the agency's value was four times its revenues.

Several agencies and PE firms made purchase proposals. The offers included different combinations of cash and equity today plus the opportunity to earn more by growing the business. Different roles for him in the agency going forward were also a consideration. Ralph thought about what his life would be like as an employee of the acquiring firm rather than as the owner of his own firm even if it was just for the earn-out period. The culture of the acquiring company became a factor to be considered. The cost of buying out the minority owners of his agency became an issue. That cost would be taken from his share of the total sale price.

The proposed purchase price for his company was certainly a factor to consider, but Ralph realized that the money was not the only important consideration for him. ***The character and quality of his life after the sale was also a choice he was making. It was not just the money.***

About the Author

Author | Corporate Leader | Board Member

Rick Williams is an inspiring writer and speaker sharing his experience as a company founder, CEO, scientist, management consultant, and board member. His new book *Create the Future* is a guidebook for making more creative and better decisions for your company and yourself.

Williams engages with an international audience through his newsletter, published thought leadership articles, and speaking engagements for leadership audiences.

He also brings his insights and experience to his service on boards of directors. He has served as board chair of a medical device company and a bank/VC firm. Williams started his career as a physicist followed by Harvard Business School, management consulting with Arthur D. Little, Inc., and then founding and leading a real estate investment and development company.

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Rick Williams brilliantly delivers a leadership compass for high-performing companies. With his wealth of experience, Williams provides a clear playbook that's indispensable for leaders seeking a practical approach to shaping their organization's destiny. Packed with structured team exercises, this book empowers leaders to make choices that resonate with their goals and values. Like an in-house management consultant, *Create the Future* is your invaluable resource for decision-making in turbulent times.

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