

WHEN IT'S TIME TO GO, WILL YOU

BE ABLE TO FIND THE EXIT ?

The key is not only knowing when to pack up the chisels, put away the insulated gear and call it a day. it's knowing when and even more importantly, knowing how. I am sure we all have friends and colleagues who have dropped out of the ice carving business and decided to take life a little easier. But it the 'how' we really have to identify !

A sound exit policy should be an integral part of running a successful small business and I am afraid not too many of us in the ice carving industry have really thought it through. We all seem to have taken a different route into the ice business and it seems very likely we will all take a different way out.

While preparing this article, it became very clear that it would be nearly impossible to create a template which works for everyone, so my answer to finding the best direction to take, was to talk directly to those who have actually managed to extricate themselves from their business successfully, and also hear from others who weren't so lucky, but might be willing to describe their experiences.

Many started their carving career as chefs and after a few years in the pressure cooker atmosphere of the kitchen fell back on ice carving which they had learned during their training at culinary school. There are others who started ice carving as a hobby and then developed a business. A few worked for a carving house and broke away to go it alone. And one or two came into the industry with no ice practical carving experience, but recognized a business opportunity.

So what is an exit policy ? Basically, it is a process for bringing family into the business or identifying and training internal staff to become new leaders and take over from those who were in control, or finding a buyer for the business. The reason for planning ahead is to be in a position to keep the company operating successfully should there be a sudden change in leadership. A well thought out strategy can guarantee a smooth take over and help eliminate the possibility of what could become a chaotic and unmanageable situation.

Some aging carvers have simply closed up shop and walked away, some worked out an arrangement with their staff to take over, some managed to attract a buyer and others with sons and daughters in the business initiated a succession plan. You can probably put names to each of these situations.

In the case of Iceculture, the Canada-based company, it was a family-owned and operated business, so the exit strategy was to develop succession plan; and it came with its own challenges. It's a story worth telling as it was a huge learning process for those involved. The problems encountered might help others dealing with the development of an exit policy. The folks at Iceculture acknowledge they are far better off for the experience.

In 2007, the company had just wrapped up its best year ever. The extended family included four girls and a boy. Three children and Julian Bayley's wife Ann were directly involved in the business. Two of the daughters, Peta and Leigh were not included – Peta was working in the UK as a 3-D animator with a movie company and Leigh was married to a doctor and living in Pittsburg, PA. It is important to mention this, as in any succession plan, children not in the business still have to be considered.

Julian and Ann Bayley felt it was an ideal time to step back and hand over the reins to the children, and then gradually phase themselves out.

The business was large and profitable enough to be able to divide responsibilities three ways – one daughter, Heidi, continued as General Manager of the company, a role she had played for a dozen years; Christine took responsibility for sales while Sam looked after production and spent time researching new products and techniques. Each member controlled a division of the company and then came together on a regular basis to discuss progress.

Over a period of two years, meetings were held with company lawyers, bankers and accountants and with their help, an official succession strategy was put together – everything went smoothly, a few hiccoughs here and there, but generally, it was felt a sound plan was in place and the company was well set to face the future. Then disaster struck !

First, the world recession hit big time, sales dropped by almost 60 % in 12 months and that had a domino effect on the sales and production departments. Secondly, Ann who was a vital part of the operation became severely ill and fought a losing battle with cancer. The well thought out plan for the future began to crumble, fast.

'We had to work quickly and immediately went into survival mode - no options – it was either that or failure' says Julian. We abandoned one of our major projects which at the time would have been the first, year-round, walk-through display of ice sculpture anywhere in the world. We had already invested heavily in a 10,000 sq ft freezer to house the display.

The intention was to launch a new revenue stream to help level out the peaks and valleys that exist in the ice carving industry and have something that contributed positively to the bottom line, all year round.

Some staff were laid off, a few positions were eliminated, expenditures were cut, travel reduced, wages were frozen, and management took a 10 % cut in salaries across the board. Drastic times called for drastic measures, but there was no other choice. It was a tough time.

Furthermore, Christine and Sam who were a key part of the succession plan left the business and took positions elsewhere. There were no hard feelings, and everyone accepted these steps were very necessary. The business was downsized and after almost 25 years of continuous growth, it was taken back to basics and then started up again from scratch, but with a much leaner and meaner operation.

So what lessons can be learned from that experience ?

- Experts say a succession plan should be put into place as early as possible. In Iceculture's case, it didn't work out so well. A lot of time and money was spent talking to lawyers, bankers and accountants in getting the plan on paper. All the work accomplished had defined exactly what was needed in a succession plan, but unfortunately, it all went out the window. There was no hint of the problems that loomed ahead. Julian's advice would be to certainly do the groundwork ahead of time and move forward quickly when you get closer to your departure. You cannot predict what the economy is going to do, nor can you know when someone is going to get ill, but you can be prepared.
- With any succession plan involving family, remember to take into account any children not directly involved in the business – they are still very much part of the family and there is a lot of emotion involved in any decision, as well.
- Be prepared to spend a lot of time on succession planning and this will include talking to others going through a similar process. Don't be afraid of bringing in an experienced businessman who can provide mentorship.
- Clearly identify the role each family or staff member will play in the company business and develop a clear job description for each one. This will eliminate squabbles down the road.
- If you personally decide to stay in the business for a while as the new management team settles in, be aware they will more than likely have a different style to your own. Be patient and bite your tongue. If the number in the bottom right corner of the invoice meets your expectations, the route to that figure is really not that important. The end result is the same.
- Ice carving is a niche business and individual personalities come into play. A customer you may have had for years might not see eye to eye with the new team and might well look for service elsewhere. You have to accept this – the ice business is all about

developing solid relationships, and again people have their own styles. This situation also applies to selling your business or handing it over to your employees.

- In any small business, there is no guarantee a client will stay with your company either. A change in management sometimes provides an opportunity for a client to move an account, as well. You are changing, and so might your customer.
- Selling a company is difficult and you are dealing with a seasonal business with profit hinging a lot on the prevailing economy. Establishing the worth of the business is complicated, too. The price has to work for you and at the same time appeal to the buyer. Your business is only worth what a buyer is willing to pay for it. Professionals say that a succession plan should be started after five years of profitable business.
- It is quite rare for a business to be sold and remain at the same location for long. Most are sold and are then amalgamated with the business at the buyer's headquarters and some are relocated to new premises. When real estate is part of a deal, this increases the financial burden and I have seen a number of potential takeovers fall apart over this issue.

I know of businesses that have been sold successfully, I have heard of companies that were taken over by employees and am aware of some that went the succession route. Others have failed. Then there are even more in our industry who would like to ease out of the ice carving industry, but don't know how to go about it.

Developing a template for a succession plan which suits everyone is just about impossible and when investigating how some carvers have left the business successfully, I kept finding I end up with more questions than answers

Ice carving is a tough business with long hours and a lot of heavy lifting. Technology is providing a positive assist in this area and coupled with having to keep abreast of latest trends and practices, along with mastering modern marketing methods such as social media, the business is perhaps better suited to the next generation. I know a number of carvers who planned to leave the industry, but decided to stay because new technology had re-energized them and they could see some exciting challenges ahead.

Oh, and how did the Iceculture situation turn out ? I am 80 now, and am still here which might indicate a failure in the plan. Not so. The company is more efficient than it ever was and my role is much reduced – still too early to be put out to grass !. The family has combined with key staff to form a new management team to keep everything running smoothly.

Finally, there is another factor that comes into play. There is something about the ice business that makes it difficult to simply walk away. We all have egos and are so passionate about what we do and turning your back on a career that has given so much pleasure is not easy – exit policy, or not !

Dennis Fitzgerald of Fitzgerald Ice in Spokane, Washington is pretty blunt when he speaks of exiting the business. 'Work until I die', was how he summed up the question of retiring. Fifteen years ago, Dennis was about to simply walk away from the ice business – too tired, loss of interest were a couple of reasons he quoted. He then ran into a friend who was enthusiastic about the new technology that was coming into the industry. He talked to Julian Bayley of Iceculture who was already using this new approach to the business and also did research as to what was available. He decided to stay in business and join the technology crusade.

A CNC router was just the shot in the arm that Dennis needed and it rekindled his enthusiasm for the business. Twelve years later, he had mastered CNC technology and had even designed and built his own router and other equipment to suit his operation, and his views on exiting the business have changed significantly, too.

'Don't quit the business unless you have something better to do and you have something worthwhile to sell', he says. 'With quality CNC equipment and files, and steady repeat business, it shouldn't be hard to find a buyer willing to pay a fair price.' Dennis wasn't in this position before and all he had to offer was his own carving talent, which is considerable, and what business he had established over the years. It is hard to put a price on that.

Dennis is now an expert in ice equipment and the available technology and in addition to the CNC machines, has built his own block makers incorporating water-cooled compressors which give him blocks in two days all year round, no matter what the prevailing temperature.

The Fitzgerald boys, Virgil and Nathan are both involved in the business, so Dennis can initiate a succession plan quite easily. Everything is in place for the business to continue smoothly and stay in the family.

Maurie Pearson's journey in the ice industry was a colorful one. He was a founding member of the National Ice Carving Association (NICA), was a multiple medal winner in competition, and contributed to the development of a format for judging competitions. He was affectionately known as The Norman Rockwell of ice carving and he was the first, or among the first to tell a story with his competition pieces.

Maurie's wife, Janet thinks it was Larry Malchik who bestowed that title on him at a time when winning competitions was all about height, fins and feathers !

Maurie passed on some excellent advice to others deciding how to exit their business. He has worked through a couple of major company changes, and by the time he retired had had the good fortune of being able to do what he loved and make a comfortable living doing it for 20 years.

'When we were thinking of opening Chicago Ice Works, we sought guidance from two mentors – Paul Lang of Lang Ice in Chicago and Steve Barnes, a retired executive with McDonalds, both gave us invaluable advice, says Maurie. 'And when I look back it seems funny to me that as we were starting out in business, we were also getting the lowdown on an exit strategy'.

Janet says of Maurie, 'He's a heck of an iceman, not so hot with office technology'. Many of us can relate to that situation !

Steve Barnes gave us the following counsel: First, who you are as an owner will not only affect your success, but the industry as a whole, as well as those that follow you. Secondly, always be in a position to close the door and walk away – you cannot control the business and it should not control you.

Paul Lang was more direct with his advice as he is a golfer. 'Keep your overhead down, keep your overhead down, keep your damn overhead down ' ! I got the message loud and clear and it proved helpful not only when we decided to retire, but also got us through the severe downturn of the economy in 2008 and 2009.'

Armed with these words of wisdom, we opted to lease space instead of buying a building. In La Crosse, WI, we bought an outdoor freezer which allowed us to rent space at a lower cost and then move it with us when we had to relocate.

We bought ice rather than make our own and let others invest time and money in the R&D of specialist tools and equipment. This enabled me to do what I did best – carve ice. The Lang Ice Company and later, Sculpture Ice of Minneapolis, MD supplied us with ice and Alice Connelly of Icecrafters in Chicago, the tools when we needed them which also contributed to keeping our overhead down.

When we left the Chicago area in 1998, we were able to sell the business to a valued employee at a price that worked for both of us. Jim Bringas and his wife, Lisett, bought Chicago Ice Works

and still operate the company successfully, today. I stayed on for a few months to help with the transition. If you have capable people in your organization that might have an interest and ability to run your business someday, I urge you to mentor them and help them grow.

We moved to La Crosse in 1999 and started Black River Ice Sculptures. From the very beginning, we recognized it would be difficult to find a buyer for this business as we were in a small market and the bulk of our clientele were located outside the La Crosse area.

When the time came to call it quits, we sold the equipment and tools to our son, Trevor, who had his own ice sculpture company, Metro Ice Sculptures in Minneapolis, MN. We also had a good working relationship with Max Zuleta's Art Below Zero company and offered him the opportunity of taking over the southern part of the market while Trevor took responsibility of the northern sector.

'Not only could we have afforded to close the doors and walk away into retirement, but we were also fortunate enough to be able to set up two, very talented ice sculptors in their own businesses which are operating successfully', says Maurie.

In January, 2018. Jim Nadeau will have been in the ice sculpture business for 38 years - an experience that became a passion almost on the day his company, Nadeau's Ice Sculptures in Chicago, IL was born. Being able to put a smile on someone's face every day provided the energy to power his success. And like every healthy seed that grows, there comes a desire to see the dream continue. 'I have given succession planning a great deal of thought for more than two decades', explains Jim.

'Ice carving has changed dramatically since the mid 70's' says Jim. 'When I started the tools of the trade were a six prong chipper, a couple of basic chisels and a manual hand saw. Swans, swans, swans and an occasional basket of fish were almost always our subject material.

'Now 40 years later, the ice carving business is for the most part, computer driven. With the advent of social media, new skill sets are needed in communications and marketing know-how and most importantly, with the equipment itself, namely, computer-controlled machinery such as CNC routers.

My first step in establishing a succession plan involved a long-time, primary employee. There was a silent understanding between us that there would be some form of acquisition of the company in the distant future.

Over time, our industry changed – there were new developments and other options became opportunities.

There was a rebirth of production processes which became an absolute necessity for survival, let alone considering succession planning versus company closure. New emotional intelligence to compliment artistry, along with automation became the wave of the future. Mostly gone are the antique tools of the manual trade of the skilled ice master in favor of the logic-driven world of electronics to produce efficiency and endless possibilities in design incorporating amazing detail.

During the last 10 years or so, things have become very clear. More sculptures are being produced by computer-generated and hybrid processes than by hand. Venues which use sculptures have kept pace with these changes and have expanded their activities to embrace special events, team building, divorces and yes, even funerals, in addition to their traditional functions.

Most important is the fact that all the manual skills once so vital to the ice carving business have, or are disappearing, and the dynamics of who is able to take on a new-look enterprise changes, too. So... who is willing to acquire a unique company that I have built from the ground up and has the capability to run it efficiently ? ‘Not the same person I originally thought had the right requirements for the job’, says Jim.

The new owner has to measure up creatively to meet the challenges of the new business, and has to master the managerial and communication skills that go with it. In addition, he or she must be fully aware of the customer’s new expectations of convenience of at-home, on-line ordering while being conscious of staying price and quality competitive.

New tools are less physical and more mentally driven, but it is abundantly clear – just like the ice I produce - they have certainly changed the approach I will be taking when I retire’, says Jim.

Now, here’s another angle - a story about someone who wanted to get into the ice business not out of it. **Dewey Beene** who had just sold a successful special event lighting business in Oklahoma was on the lookout for a new venture. Never one to pass up an opportunity when it presents itself, Dewey jumped at the chance of getting involved in the hospitality ice business when he heard Ken Burkemper, a well-known local ice carver had decided to retire.

Dewey did his homework and made a point of visiting others in the ice industry to get a basic grounding in the ice business and a better understanding of the processes involved, before he

made a move. He then bought the assets of Ken's company, Ideas in Ice, not the actual business itself. This was a strategy that had many advantages – it removed any debt obligation, tax issues and eliminated other unknowns that might have been acquired with a direct purchase.

'We also maintained the right to the client data base and included the past three years of business records', explains Dewey. Ken was ready to retire and was at a point where he just wanted to close the doors and liquidate everything piece by piece. They worked out a deal whereby Dewey took the business as a whole, Ken stayed for a six month period while Dewey found new talent. Ken would then become a consultant to the business for a further six months.

So how was a value established for the business? 'It was relatively simple', says Dewey. 'We valued the equipment, less depreciation and added on an amount that Ken was willing to accept and still feel comfortable about the deal', he said.

'Once we agreed on everything, we started to sell off equipment and items we didn't need, discussed what technical upgrades we wanted and traded some machinery that was well past its prime', says Dewey.

The business was operated as a prototype venture to test and determine a future direction for the new company. The plan called for a new business model to scale up and move to the next level.

Now, with three years under its belt during which the company's new building was levelled by a tornado and suffered all the setbacks that go with it, Vault Ice has become a new game in town. But the story doesn't end there.

Dewey spotted a trend emerging in the ice business, a fast-developing demand for cocktail ice – large 2 in square cubes and spheres and Dewey made a decision to concentrate on the cocktail market and sever off the sculpture side of the business. He could see a big opportunity for cocktail ice and felt it would quickly outstrip the demand for ice sculptures.

Walter Ross who had been hired as lead carver for Vault Ice became the head man and took over the sculpture side of the business. The original Ideas in Ice company was brought back and now operates from the same building, while Vault Ice will move to new premises and gear up to manufacture cocktail ice.

Mike Vosburg, formerly of Ice Sculptures Unlimited, Richmond, VA is now a Chaplain ministering Christ's Gospel to those living with life-controlling problems. He lives and breathes

his passion, every day. It was the same way when he was an Executive Chef and when he ran his ice company.

Mike never had a business plan. His ambition was to be a top class ice carver and that simply motivated him. As an Executive Chef he had been cutting ice for his employer and also as a sideline. He wanted his own business, so he saved money and invested in a used freezer and two block making machines. He felt if he could produce 10 sculptures a week he would be able to pay his bills and at least he would be his own boss.

After three years, a friend who had a successful produce distribution company asked Mike how his job was going. Mike was a little offended – ‘I have my own business’, he said. The friend then asked if he didn’t turn up for work would the business continue. ‘No’, said Mike, ‘It would not’. ‘Then’ said the friend, ‘You have only bought yourself a job !’

This discussion deflated Mike and he changed his strategy. He bought a CNC machine and hired Eric West, a nearby business neighbor to program the machine, become the designer, look after machine maintenance and generally run the company.

After five years the new arrangement had a staff of four, full-time and two, part-time employees. Furthermore, Mike did not have to turn up every day and the business operated quite successfully.

With Ice Sculptures Unlimited working well and growing for 10 years or so, Eric and his wife Viktoria decided to move to Hawaii. Mike thought this would probably be the end of the business. Not so. Eric and Mike made adjustments and Eric continued running the company remotely from a high-rise apartment in Honolulu ! He would return to Richmond at peak times, such as Christmas.

From that apartment many thousands of miles away, Eric controlled the CNC machine successfully – he could even spot and hear mechanical problems by means of cameras and microphones. It sounds an unlikely story, embellished a little more when Eric said he could read the date on a quarter if there was one lying around.

Mike had hoped Eric would take over the company. When this didn’t materialize, Mike faced a dilemma. Space at the plant was getting tight and he didn’t have anyone to take on the business. After a lot of thought, Mike made up his mind that he didn’t want the business to retire him and he would retire the business.

First step was to get an evaluation of the company and then put the business up for sale through that company. The agreement was that if Ice Sculptures unlimited didn’t sell within six months, the evaluation fee would be returned.

Mike received no offers. Then Mike found out that Ice Krystals in Washington DC who had been his main competitor had been sold. Mike felt he had the cream of the crop account-wise, so he approached the investor to see if he would be interested in taking on another ice company.

Things worked out well and after a few negotiating meetings, both Ice Krystals and Ice Sculpture Unlimited are now part of USA Ice. in

Mike's advice – make sure your business can run by itself, or it will not sell to an investor. Looking back over his business life, Mike points to a pattern firmly imprinted in his head that anything he undertakes has been driven from the desire in his heart. Even today, it continues as Chaplain Mike Vosburg goes about his daily routine.

Elegant Ice, Cleveland, OH is not for sale, nor is the owner, Aaron Costic even contemplating selling or considering retiring. It was Aaron's idea to put something together to help those in the industry thinking of retirement or exiting their business.

Creating a template for everyone to follow would be difficult. The ice industry comprises plenty of talented artists who each have strong opinions on how they should extricate themselves from their jobs and retire or move on to other challenges. In general, they also have huge egos and this often builds a barrier to accepting a one size-fits-all strategy.

We felt the way to go would be to speak to people who have left their business and done so successfully. We compiled a list of ice carvers who managed to succeed and in doing so, found we had more directions to follow than you could point a stick at. At the end of the day, we learned a lot from each person involved and thought it best to tell their story and let the reader take what was needed from each.

Aaron has thought about the approach he would take and favors assessing a selling situation from the buyer's perspective. This is a sensible position to take and it would also likely contribute to keeping the financial component of any transaction in sharp focus.

What is Aaron's plan ? First, I would want the seller to personally introduce me to key clients. Secondly, I would ask the seller to remain with the business for up to 12 months to ease the transition period. This could be staggered and involve several days a week, gradually reducing over the time of his / her involvement.

Thirdly, I would clearly define a non- competition document and would draw a circle on a map to indicate where the seller would never carve for money. Tools, equipment, inventory, vehicles, office equipment etc would be included in the sale.

Fourthly, I would list all the physical items that are to be included – tools, equipment, inventory, vehicles, office equipment and so on. I would want access to P&L statements for the

last five years to help in forecasting sales and determining if the asking price was within my expectations.

Finally, I would like to be able to use existing sales and marketing videos, contact information for suppliers and customers, the current web site, and have a standard operating manual for the company itself.

Financing a business sale is almost a separate subject. Few would be able or even want to finance a transaction and in most cases a lending institution would have to be involved. In any event, a discussion with the bank, Credit Union is recommended.

Gary Ross is enjoying life away from the ice business today, but back at the time of the 2008 recession, he had a successful company, Ice Sensations, that had built an enviable reputation throughout the Carolinas. He had also franchised his business – the first successful franchise operation in the hospitality ice industry - and had six independent operators under his wing.

It was the recession itself and the downturn in the business that persuaded Gary to move on with his life So how did he exit and take advantage of the many good years ice carving had given him ?

Gary sums up his exit strategy very simply. ‘Experts will tell you to aim for five times net income when establishing a price for your business, but frankly, that is not realistic in my view. I aimed that high knowing I would not likely top a figure of three times net’, he explained.

‘I had taken a lot of years to get where I was and having decided to get out of business, I wanted to do so quickly. I listed what I had going for me – first, was the goodwill I had built up for the company; secondly, I had a lot of equipment – CNC router, lathe and a welter of power tools and accessories; thirdly, I owned a building; and finally, I was willing to sign a non-complete agreement with whoever took over my business’, he added.

A couple of people in the ice industry showed interest, and neither had spare capital to throw at a new venture in a new territory. Gary kept the building and sold all the machinery and equipment on a lease-to-buy deal and now receives a monthly check.

‘It was absolutely key we arrived at a figure with which I was happy and more important, was attractive to the buyer. If I had pushed too hard, the deal would have never gone through’, says Gary. ‘Greed has killed many promising business ventures’.

‘I can keep an eye on what is happening on a regular basis and that too, is very important. The company ran well for a number of years under the name of Artisan Ice Sculptures and has since been sold again, to Nathan Moran – who at one time worked with me at Ice Sensations. And it

continues to do well', says Gary. 'Working this way and knowing I still have ownership of the building and the equipment is a very comfortable feeling'.

Summary

There's something to be learned in every one of these succession planning stories, except for one who was getting into the industry and not out of it. But even in that case, the considerations to be taken into account are as equally important as the factors for getting out of the business.

I don't see a one-size-fits-all template to follow in developing an exit strategy as every situation is different and there are so many influencing factors to bring about a switch in direction along the way. Whether or not it is a family or employee taking over, a straight sale or merger, there are a loads of details to be addressed and by following the journeys of the businesses covered, I am sure you can pick up a worthwhile tip or two to help you execute your way out.

If I might add a word of advice, it would be to try and set achievable targets where money is concerned. We all want to make a fortune, but be realistic, and remember the new guy wants to succeed, too.

A sincere thank you to all those who willingly gave of their time in what is likely the busiest month of the year to explain how they dealt with their own exit strategies.