THE VALUE OF DIVESTITURES

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VALUE OF DIVESTITURES:

Introduction: Value

- Financial
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- Team

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THE VALUE OF DIVESTITURES: INTRODUCTION – VALUE:

Divestitures are a great way to add value to a company that impacts both the company procuring the asset and the seller as they both restructure themselves in a variety of ways. Although the technical definition of a divestiture is the disposal of an asset, by beginning to rethink that a divestiture is an asset and an opportunity for growth, you can reframe the idea of a divestiture as a disposal and see it as a chance to add value.

As companies grow, expanding and changing their portfolios to include or remove additional assets can help them to develop further their strengths or hone-in on them, instead of wasting time and resources on weaker areas. The process of divestitures can help both companies to connect to their areas of success.

For the buyer, the asset might be an area that is missing from the company that will only reinforce the company going forward. The asset can provide the buyer with an opportunity to grow through a new department, technology, or product that can enhance the buyer to make them more efficient, valuable, or a stronger company, adding value to the company overall.

THE VALUE OF DIVESTITURES: **INTRODUCTION – VALUE:**

For the seller, the divestiture is not necessarily a failure, but an intuitive move to strengthen the company. Selling an asset reflects the fact that the company is an ever-shifting organism responding to changes in the world and that the company is actually growing by acknowledging the need for adjustment.

For both the buyer and the seller, a divestiture is an opportunity to add value to the teams and companies structurally, financially, and going forward.

THE VALUE OF DIVESTITURES:
FINANCIAL VALUE:

— Although divestitures involve extensive time, energy, and financial commitments, divestitures also create an opportunity to create financial security in a variety of ways. The capital required for a divestiture might not be nearly as extensive as an M&A and serve as a great way to strengthen both companies without stretching them. It will also provide an opportunity to build both the companies toward goals that will ensure that they are

For the seller, the company might be performing really strong in other areas, but the asset is a weak area. By selling the asset it provides a great opportunity to hone-in on the company's strengths instead of wasting time and resources that are not the focal point of the company. This does mean that the asset is a problem either.

The asset could be better repositioned within a new company that would allow it to excel within a different model that fits better with the asset itself. Also, for the seller, the additional funds procured from selling the asset will provide additional funds to strength the company. For the seller, a divestiture is a chance to recognize that your company has grown and shifted, and that the asset is either no longer viable or an integral part of the business, and the company is pivoting for future financial success.

THE VALUE OF DIVESTITURES:
FINANCIAL VALUE:

For the buyer, the new asset, whether technology or a department, can provide an opening for saving resources. If a company no longer has to work with another company for an essential service they use on a daily basis and can have it stored in-house, it may provide a great cost-cutting opportunity. For example, a third-party company might charge more for a service, such as, a management platform, than having your own and the platform might not provide as many options that fit your company's needs.

So, investing in management platform software that can be built around your company's needs will allow the company to have more control and flexibility of software that better fits its needs and is long-term more intuitive, effective, and efficient. Divestitures can provide an opportunity for more financial stability and success as you are not reliant on others for essential goods or services.

Finally, just because a divestiture is often smaller in scale, it doesn't mean that it should not be given as much time and attention as an M&A. A divestiture can financially upend both the buyer and the seller if a proper plan is not executed, due diligence is not performed, and integration is not considered. Additionally, both sides need to consider and recognize when to walk away from the deal to ensure future financial success that adds value to the company.

THE VALUE OF DIVESTITURES:
VALUE IN PROCESS:

— The divestiture process is a great way to add value to the team, a company, and finances, but also provide an opportunity for creativity to reimagine the vision and realign company goals.

Thoughtful evaluation and execution can ensure both companies create a strategy and plan that takes into account all of the buyer's and seller's needs and structures going forward.

The process provides the chance to look at current suppliers, the organizational structure, technology, company culture, and operations to either rethink how business can be conducted and focus in on the areas that the company is excelling at.

THE VALUE OF DIVESTITURES:
VALUE IN PROCESS:

For example, say you are re-evaluating your communications department. The department was originally created to release memos specifically about the company to their clients and was managed by one person; however, the department has grown to a large staff of 30 that has many clients separate from the product that are now hired out and no longer support only your company.

As you begin to think about a scenario where you divest the communications department you will have to consider how you will maintain communications going forward. For the seller, you may have procured a new communications department, but you will need to ensure that there is a carefully thought-out plan for how you communicate both internally and externally, as well as perhaps bring in a new team and their company culture.

The process of consolidating can open up both companies for future success, but it requires proper due diligence. Examine how the deal was initially set-up and take the time to analyze and see areas for growth and improvement, as well as areas that might be missing, but are needed. Both the buyer and the seller will need to consider aspects of what is and is not included in the deal and how to move forward.

THE VALUE OF DIVESTITURES:
VALUE IN PROCESS:

For the buyer, examine all aspects of the seller's deal or look at what is missing or is unintentionally unspoken because it is culturally embedded. For the seller, consider the way your company will have to shift financially, the structural changes, and the cultural impact to be successful going forward. Take the time to make sure both companies will be fruitful, both in the absence of the divestiture and in the acquiring of the deal.

Due diligence can allow both companies to assess where growth and value can occur, so the plan is not just about the immediate sale but the post-integration success. In the same way M&A requires attention to detail, clarity, leadership, and attention to burnout, divestitures require a thoroughly executed plan to prevent financial blunders and a secure financial deal that adds long-term value to both companies.

THE VALUE OF DIVESTITURES: TEAM VALUE:

Divestitures can be a great way to add value to the company by looking at the members of the team. The process of divestitures for both the buyer and the seller can be an opportunity to build the company teams in new ways as they work together in the process of both procuring the asset and evaluating the asset to sell. Divestitures provide a great prospect to evaluate and expand team members' capacity as they work together.

The process can help to envision new futures for both companies, as the process might reveal leadership possibilities, realize new talents, and a chance for members to develop skills for larger projects in the future. Divestitures can also help to see members' levels of commitment to their work and the company, as well as their work ethic. Team members' involvement in the divesture process can help them to feel more invested in the company and its future, adding value to the company as members are more committed to the company long term.

Finally, since divestitures might be smaller in scale, the transaction creates a great opportunity to work with new partners for future investments, expanding the concept of team to not only those within your company, but those who you might want to partner with going forward.

THE VALUE OF DIVESTITURES:
CONCLUSION:

— Divestitures provide both the buyer and seller with the opportunity to envision a different future and visualize new goals. As the world continues to shift in response to the pandemic divestitures may emerge as the smarter and more secure way for companies to expand and strengthen their core business. Divestitures allow companies to more safely pivot and grow in a structured capacity that does not involve as large scale of financial risks.

Additionally, divestitures provide the capacity to more securely know your company's assets and assess the company's overall value, as well as an opportunity to restructure and pivot for future success. The process helps to clearly frame not only the asset and why it matters, but the company and their teams going forward.

For the seller and buyer, the process can add value to the company in the employees themselves as their involvement can lead to discovering potential leadership, the development of new talents, and an increased commitment to the company. Divestitures allow people and companies to be creative in their day-to-day operations that can continue to expand the way businesses are conducted and develop acumen for future developments.

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