

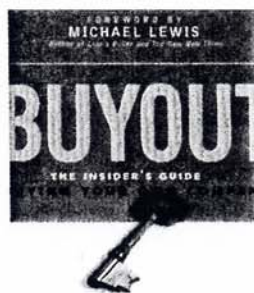
## BOOKS

## How to Lead Your Management Buyout

● **RICK RICKERTSEN LOVES HIS JOB. AN EXPERIENCED** venture capitalist, Rickertsen has led over 50 management buyouts (MBOs). With his book, *Buyout: An Insider's Guide to Buying Your Own Company*,

Rickertsen shares his knowledge, experience, insight, and especially his enthusiasm for the MBO process. And it's contagious.

Combining part personal anecdotes, part technical know-how, and part carpe diem pep talk, Rickertsen, with the help of Robert E. Gunther, leads us step-by-step through the MBO. With his focus primarily on managers and top executives who dream of taking their division out from under the unwieldy shadow of its parent corporation—a group Rickertsen credits with helping make him and his partners successful—the author wants every manager to realize his or her incredible potential and seize the



RICK RICKERTSEN  
with Robert E. Gunther

opportunity. The MBO has been very rewarding for Rickertsen and the managers he's worked with, and he wants to see others gain from it, too.

Each section of the book represents a major step in the buyout process. Rickertsen begins with how to find the right opportunity for your management background and skill set and ends with putting your exit strategy into action. But one of the most important sections of the book—and the most refreshing, considering the source—is how to work out the agreement with the equity partner. This is where the decision of who gets what is made. From management's point of view,

"this is the Holy Grail of the buyout." Though it is only a general agreement, it's the foundation of everything to come—including how much money or what share of ownership you will

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get in the end. Management being on board is a key component to the buyout, so use that leverage to ensure a good deal. ("Part of the reason it is so hard for managers to leap into a buyout is that they don't fully appreciate their considerable leverage," Rickertsen says.) Managers who don't know the process can end up at the beck and call of the buyout investor. As an equity investor, Rickertsen knows all the "tricks of the trade" that the buyout shop will try to use. It's like having a spy behind enemy lines. He reveals secrets, outlines the deals in explicit detail, and guarantees you won't go into this deal blind.

Rickertsen tries to keep the material from getting too technical—and warns when it can't be avoided. He keeps the tone light by mix-

ing in stories from deals he's been involved in, from Dan Gillis's buyout of the American division of Software AG and Roger Ballou's acquisitions that led to Global Vacation Group to the buyout of a ceramics company, one of Rickertsen's earlier deals, which ended in bankruptcy court. This not only changes the pace of the book, but the examples provide a management perspective and the reactions of managers to the buyout process. The author also includes partial samples of some of the actual documents involved in these buyouts and describes the purpose and benefit of each clause.

The second method Rickertsen uses to keep the book from getting mired down in technical aspects is also one its secret treasures. Rather than include all the details in the text itself, Rickertsen has

compiled a comprehensive appendix that has every bit of information you may need. From entire letters of intent and bank agreement letters to a directory of private investment equity firms, the appendix is a tremendous asset for any manager ready to begin the process.

Aside from the specifics of the deal—along with what to look for and what to avoid—there's also a lot of commonsense know-how that often makes or breaks a deal. And it's the small things that make the difference. From "If you learn nothing else from this book, credibility is everything," and "this is an idea-driven business," to "deal with the hard issues up front," Rickertsen tells where each of these has worked against the buyout team and where they have worked for them.—*Christopher Dowsett*