Building Value

What's your business worth?

Ex-worker leaves, taking the business with him

How many competitors have you set up in business? Twenty years ago I handed over the day-to-day administration and operation of my moving company to a new GM. Instead of behaving like an owner, I happily concentrated on what I liked best, which was selling. We made a great team; "You book 'em and I'll move 'em," he'd say. So while I unwittingly gave him the keys, he reved up to drive me out of business. The day he quit without notice and took half of my managers to start a competing company in my market, I learned a hard lesson. In the middle of a huge job, he just walked off.

He knew our operation well, and mirrored his company after mine. He lured away my customers by claiming to be just like Peachtree Movers but with a lower price. He sent stolen employees to recruit others in my own parking lot. He tried to steal my attorney, and I wish he had succeeded. When the outdated restrictive covenant signed by my ex-marketing rep, who left to work for him, proved worthless, poor legal representation added to the trauma.

The courts frown on restricting former employees from being able to earn a living, but also understand the vulnerability of unfair competition. You may not be able to stop an employee from leaving with your list of customers and pricing, your vendor contacts and costs, and knowledge of your networking activities, but you can tie them up until much of the information is old or obsolete.

The laws change constantly, but you can protect yourself from unfair competition by asking your attorney for restrictive covenants to prevent former employees from legally competing in your market. Properly done, a restrictive covenant guards against ex-employees contending in a specific geographic area for a limited period of time. Regular legal check-ups will help spot obsolete agreements in need of updating. Since the courts require very specific information, you will be naively relying on an unenforcable document if you copy an existing agreement just to avoid legal fees. What I saved in attorney fees by thinking trust was a proper substitute for restrictive covenants eventually cost a great deal more.

What happened to my rival? Bankrupcy was his comeuppance. □

Thirty-plus years of business experience has taught Ed Katz that if you ever intend to sell your business, you have to maintain it in saleable condition by building value.

When Katz moved to Atlanta in 1974 to lease commercial real estate, he began to see a need for a moving company that specialized in office relocation. Capitalizing on the opportunity, he founded Peachtree Movers in 1976.

By 1996, the company he started with $25,000 in borrowed capital generated revenues in excess of $3.5 million. That same year, the National Moving and Storage Association tapped Peachtree Movers as "Number 1" office mover in North America. In 1997, the *Wall Street Journal* featured both his company and his moving techniques.

Katz built value by maintaining Peachtree Movers in saleable condition. When ready to sell in 2000, he sought out a Certified Business Intermediary to find a buyer for his company. Despite the typical fallout that occurred during due diligence, the intermediary calmly and skillfully helped everyone focus on closing the deal.