

Interview *with* **LEANNE O'CONNOR**

Director: O'Connor Duffy Foundation
Founder and Managing Director, Systems and People

SECRET #6:

**Separating Personal
Identity From Your
Business To Secure
Future Saleability
And True Wealth
For Yourself**



Kerry: I'm really thrilled today to be talking to Leanne O'Connor, whose former business was Systems and People.

Leanne, can you give us a little bit of a background about Systems and People, how you started and about your inspiration?

Leanne O'Connor: Sure. I did an I.T. degree at university and started off working at BHP. They taught me how to use a program called ABAP which is a part of SAP, and 90% of the world's transactions now run through an SAP system.

Two years after that I started contracting, as an independent consultant. I found a niche, I guess, where I thought that a recruitment business run by someone who was actually in the industry, knowing what the client's needs were, and the candidate needs, was a bit of a gap. So I started the business in 1995 when I was 24 years old - so quite young. I had no idea what it would become almost 20 years later.

I stayed working as a consultant for about 8 years after that because it was a bit of a challenge when you're starting your business. Often financially it's very difficult to give up your full-time job and guaranteed earnings for something that is a bit pie in the sky and not guaranteed financially.

It took me until 2003 when we had 15 consultants working in the company to give up my full-time earnings and focus on the business. 10 years later we had a national recruitment, consulting, and contracting management business with offices in Melbourne and Sydney, and we employed over 230 consultants and 11 full-time staff.

Kerry: That is fantastic. It's a really good success story. Finding that niche, in particular recognising it and being able to take it to the next level is inspirational to a lot of people.

So what do you think that would be, say, the three things in particular that people should know about starting and growing a business?

Leanne O'Connor: I didn't realise this at the time but looking back, setting a structure up to start

with is really important. So speak to experts about how you should actually hold your shareholding because in the future, when you actually do exit your business and sell your business, there are some pretty significant taxation implications for holding the shares in your own name versus a superannuation fund or a family trust.

Not one of the things everyone gets passionate and excited about when starting a business but that's probably the thing they don't really think about. And I didn't think about that initially.

I think it's important to understand the market that you want to operate in. Your competitors, the legal and regulatory framework and rules and regulations around that. Some of the barriers to entry. So some of the more structural things about the industry that you're in.

With that as well, don't be afraid to get advice early on from the experts. You're not meant to know it all yourself.

I think another important thing is you need to love what you do. I've always been a pretty firm believer that money is a result of doing what you love really well. So you have to have lots and lots of passion. There are lots of ups and downs so you have to be prepared for a lot of hard work.

In terms of the business itself, you need to have a great brand. You need to be able to articulate and differentiate yourself, your point of difference for your business and to be able to differentiate yourself to your competitors.

Always deliver quality to your clients or the market you go into.

Don't be afraid. A wise person once told me, "Fearless is good."

Kerry: Absolutely right. I couldn't agree with you more. You know, there's a definition of fear I learned years ago... False Expectations Appearing Real.

Leanne O'Connor: That's right. And everything you want is on the other side of fear.

Kerry: Yes. Absolutely. Go for it. Now, those are very wise words indeed.

And did you think about the longer term when you started your business? Did you begin with the end in mind or was it a case of just go for it?

Leanne O'Connor: I think when I started my business I was really excited to get a letterhead and business cards printed and I just thought I'd made it, totally, for doing that.

So in hindsight now and in terms of the last couple of years in preparing to exit the business or sell my business, that's when I began to think about the end. The beginning of that thinking for me was a few years later but it is really at the forefront of what you should be doing. In hindsight, I think you should always be thinking about what the endgame is for you and that is different for lots of different people and it depends on what type of business you have as well.

But back at 24 years old, everything was an accident then, I guess, in terms of just being young and having lots of passion. So I think then I had a lot more passion and drive and less planning, less structure. Those sorts of things came later with maturity and as I met more people in the industry. I'm very lucky to have some great mentors who assisted me along the way.

Kerry: That's terrific. And did you actively seek those mentors or did you find they appeared almost when you needed them?

Leanne O'Connor: I think one appeared, one great person who's been my mentor for 5 years, he appeared by accident. It was great that he happened to appear within my own industry. So I think that really helped.

Early on, I did undertake some business coaching which was quite helpful to an extent. And I did that for a year or so. Again, I think it's more helpful if that coaching is within your own industry. I think they have a better understanding of the challenges you face and the general market. I suppose I didn't actively go out and seek a mentor.

In hindsight maybe that would have been better if I had. I think you get there in the end but certainly along the way there are some things that you could always have done better.

Kerry: Yes - which is often a reflection many people make at any time.

So just now maybe jumping forward a little bit in terms of the exit strategy, you mentioned you were thinking about it just really only a couple of years ago. Was that when it came to mind that you wanted to move out of the business?

Leanne O'Connor: For me, sometimes you could catch me every day wanting to exit out of the business but there's a lot of ups and downs. Sensibly, for me it was a number in my head - of my age. It wasn't I need to get to \$5 million EBIT or \$10 million EBIT or I have to have 500 consultants. It was never a financial number and it wasn't even so much a financial number of what I would get for the business. That's always a big consideration in terms of, okay, I'd like X amount to retire comfortably so it needs to be worth X++ and work your way up to that. You need to definitely think about that as well.

But for me, and particularly in large transactions, you're not paid a consideration for your business to walk away. You're actually paid for future earnings. So in fact, an exit date is not a sale date. A sale date is first and an exit date can be up to 3 to 5 years down the track. So not only do you need to be preparing for that 2 to 3 years beforehand, you also need to make a commitment to that business for 3 to 5 years. So you add the two together and you get your age. That's when I might like to move on. Take the foot off the pedal a little.

Still work, but a bit more on your own terms.

Kerry: In terms of your situation, did you strategically have in mind someone who might purchase your business? Was it a strategic decision?

Leanne O'Connor: I think it is always important to know what your business is worth at any time. Your business is one of your most important assets. It's probably your most valuable asset more than the shares that you own or the home that you own, etc.

It really needs to be managed the same way or more importantly than those assets. So I always made a conscious effort to understand what was happening out there in the market in terms of M & A activity.

I think that's very important to keep your eye on that. What do businesses sell for? How ARE they valued? What multiples are paid? Generally, businesses are bought on multiples. And what sort of things can affect the valuations of those businesses? Often that's down to market conditions.

It's very hard to sell a business in the GFC versus when the economy is going well. And even in economies that aren't going well some businesses still sell well because of the industry they're in. So it's important to understand those factors.

I think for any business there are always the right suitors who want to acquire those types of businesses. So you need to think about who those suitors would be and sit on their side of the fence and see what they would be after to prepare your business for sale.

Kerry: Correct. And sometimes, you can't predict the timing either, can you? If you've structured your business so that it's always ready to be sold, you'll be ready for a surprise that comes from left field.

Leanne O'Connor: That's right. Always prepare your business for sale, then when an opportunity does come along, you're ready for it. And you should always be open for opportunities because other people have certain strategic reasons for doing things, for paying more for things than they should at certain times. If you're lucky enough for that to happen to you then you probably should look seriously at it even if you might not have thought you're ready for it. But I generally think trust your gut and if it's right it will feel right.

Kerry: Absolutely. So now, you've had your business structured ready for sale for a few years now. And the opportunity is there. The deal is done. That there's still some time, isn't there, for you to be around before you can actually exit the business, as you said.

Leanne O'Connor: There is.

Kerry: What about the employees? How has it been received?

Leanne O'Connor: I've got quite an open management style. I've got a very loyal group of employees that I'm also quite good friends with. We've been through a lot of ups and downs. This industry is pretty tough. It brings out the best and worst in people a lot. I've always been quite honest with them as to what my plans are. I've tried to instill those types of behaviours in them about how you should go about things, etc. I want them to do the same thing as if they had a business and wanted to sell it, etc. They look at me every day and know that I'm not getting any younger either, that it's only a matter of time.

Kerry: Don't think you're over the hill yet.

Leanne O'Connor: I've always been quite transparent in trying to give them more responsibility and take myself out of the detail of the business, which is one of the most important things in terms of getting the most value for your business. I think that's provided them with some wonderful opportunities, (a) not to be micro-managed by me, (b) to actually do their own thing, make their own mistakes and (c) create their own achievements. So that's given them a lot of opportunity and confidence within the business. That's been a good thing.

We did not lose any staff as a direct result of the acquisition. I think you need to be honest with your staff. The main thing is if people get worried, there is fear and uncertainty. If you can allay any of those fears and uncertainty, I think that's a good thing.

Kerry: Absolutely. And do they see some progression with their own careers with the acquisition as well?

Leanne O'Connor: Absolutely. And I think many, many smaller business owners or single-director companies struggle with the fact that they're big but small. Being part of a wider group with more opportunity and now being an ASX-listed organisation, it's easier for those guys to run their individual business in terms of sales, having a bigger company behind them. There are more people in the office. They've met different people. So I think everyone is growing through this process. I think it's only really positive.

Kerry: And it's a win-win all around?

Leanne O'Connor: It is.

Kerry: The fact that you practice an open management style has no doubt made it a lot easier, rather than it being secretive and being hidden.

Leanne O'Connor: Yes. Dragging people into a boardroom at 9:00 a.m. and telling them what had happened would be awful. I've been quite open with them, as far as I could be, in terms of confidentiality with my clients as well. The great thing is they're being very supportive as well.

Kerry: So now from your experience, what would be some of the common problems you think people might face when they're thinking about exiting their businesses?

Thinking about it, I suppose, is one of the issues.

Leanne O'Connor: Well, that's true. You should always be thinking about it.

But I guess fear of the unknown, I think. And particularly with 1 or 2 directors or family-run businesses or a sole principal, I think it's an emotional thing. A lot of times these businesses are being run like mine, for 18 years. It's like you brought up a child. So I think there's a fear of loss. It's not financial. There might be a bit of ego involved. How do I let go of this baby?

So I think emotionally and internally there are a lot of issues to grapple with other than the structural ones and financial ones in business types of things. I think it will be "what will I..." I know I struggle with the "What will I do next? How will I have an identity outside of Systems and People?" Because it's just been all-consuming. And will I still be liked and will I still exist without this organisation? So I think that's probably it.

Kerry: That's such a valid point because it is who you are... Your identity is tied up in your business and that is the case with so many business owners. I faced it myself when I sold my business, which is 20 years ago now. So you do face that and it takes quite a while to make the adjustment.

Leanne O'Connor: There's a couple of other things, too. You always think that, and this is part of the reason a lot of people can't get the value out of their business they should, no-one can do it better than me. So that's a bit of a fear of having someone else come in or how will the new regime work, etc.

And another reason people might be apprehensive about selling their business is that they think their business is always worth more than it is. So again, like people selling houses, which is so common in that industry, is the owner having a realistic expectation of what their business is worth. I think it's really helpful, too.

Kerry: And do you think it's worthwhile using somebody who's an M&A expert or a business broker? Did that happen for you or did you strategically identify your buyer...?

Leanne O'Connor: Indirectly I did. I was approached, so I didn't have to go to market... I mean, I knew there were plenty of potential M & A firms around in the industry. I had been approached by a number of parties who could offer my business for sale which means you need to do an Information Memorandum, all that sort of thing. I didn't have to go through that process.

I think that's a more proactive process if you actually really do want to sell your business. So for me it was more yes, I'm open to selling my business. But they came to me so it was a bit different.

But I certainly did seek and pay for help in terms of negotiating the offer, the term sheet, the legal contracts, etc. And I think that's what a wise person once said to me, "Find the best lawyer and accountant money can buy when you're in business." And I really have done that over the years. It's very important because they are there to protect your interests.

And it is, for some people, a huge financial transaction and could be the last big payday some people ever get. It's also very important what you do with that money afterwards and very important to ensure your interests are protected during the process as well.

Kerry: You touched on a point before in that understanding and knowing how to actually extract the wealth from what you've created, as opposed to enjoying the cash flow from the business as you've grown it and enjoying the benefits along the way, is that the true wealth, the biggest payday you'll ever have is when you sell the business.

Leanne O'Connor: Yes. I've often thought there would be nothing worse... And you know, this happens to businesses all the time whether they're milk bars or corporations or family-run businesses, people retired, etc, financial advisors... there would be nothing worse than just working your whole life and putting everything into it with all the sacrifices you make into your business and then just letting it die a slow death or just shutting up shop.

I think you do want to be rewarded for what you've done at the end, as well as having the cash flow along the way - that's always great obviously - you really need to be thinking about a number of things that can maximise the value of your business.

Kerry: And not leaving it too late. That's the main thing. Something I read recently as well was that always leave something there for the next person. So you're far better off to be selling when you're in a growth phase rather than when you've just reached the top of the cycle and it's about to head into the other side of the curve.

Leanne O'Connor: Because the people who look through your books, you have to know, they're smarter than me. They're very smart people. People are in business to make money as well. I couldn't lie straight in bed if I thought I'd sold them a lemon or I wasn't committed to staying and assisting them because they paid for the future of that business.

So the right thing to do is to assist in the next person. As you say, leave something on the table for the next person and to get those rewards as well.

Kerry: Tell me, we've touched on this a little bit and that's about what's next in terms of the individual? So you're going to be in the business now for another 3 years, is it?

Leanne O'Connor: Yes, 3 years.

Kerry: You talked about it from a personal point of view about identity, being tied to the business. Have you given some thought to what's next?

Leanne O'Connor: Not really. Obviously, I'm in a different situation. I'm still quite young. I still have one primary school age child. So the difference for me as opposed to a baby boomer is that I still have to stay in one spot and raise children. I can't go gallivanting all around the world and the south of France. So for me I think it's a little bit of a different scenario and will differ for everyone depending on their personal situation.

I'd like to slow down and smell the roses, although I'll be bored in a week. And I think for a lot of business people that's why they have that fear of, "What will I do now? And will I be a worthy person in society?" because you're not busy all the time.

So I think the main thing I will do is not rush into anything just to be busy. I think just try and take a little bit of time out. Or keep working, which I'm more than happy to do but a bit more on my terms.

And in terms of succession planning, which is really, really important in order to sell your business, you need to make sure there's not one single point of failure in your business and you're not working in the detail of your business, that you're easily replaceable so you can get the most value out of your business.

Even now when I'm still in the business, always I need to be putting that structure underneath me so that if and when I do, when I'm contractually free, or unobligated, that structure is in place so that I can go in peace.

Kerry: What do you think people can do to stay on top of that process? That whole succession planning?

Leanne O'Connor: Put the right people, processes and strategy in place. And you should always be thinking about doing that.

The business shouldn't revolve around you. Again, no single point of failure. In lots of single-director or family businesses, that's always the case. A lot of business owners spend a lot of time doing everything. I've been everything from the cleaner to

the CIO, CFO, Admin, salesperson and everything in between in this business. Now, it's hard to let go of doing those sorts of things, but I probably think that's the most important thing.

Kerry: So the name of the business is Systems and People. Then there will be an underlying assumption that you've got systems in place for everything. Is that correct?

Leanne O'Connor: It would be correct. Even BHPs run on spreadsheets. I know this. Even up to a year ago we implemented new systems. I have an I.T. degree so you think that would be at the top of the priority list. And it is, but it's not always easy to do those things.

There's a fantastic array of products out there now in the market that are subscription-based. You don't have to pay for the technology up front. You can pay per week. We do that with the payroll system. There's some wonderful things out there which you can put in place to almost cookie-cut your business and automate it.

And that's the way the world's going - so that you can get someone who can be easily skilled in that position. They cost less and they can do a similar job as long as the processes are there.

Kerry: Yes, you've talked about it several times that it's crucial you extract yourself and automate as much as you can so the value lies in the real skills you're able to bring to the table with your people. It doesn't really matter what size your business is because you can have a system that's written down on a piece of paper or you can have a system that's on Google Drive, which is easy enough to do these days.

Leanne O'Connor: But anything you do, you should be thinking about the scalability of it and not how wildly successful you could be.

Kerry: Correct. So let me ask you what would be the key factors you'd pass on to people now to extract the wealth and get the highest possible price that they could for their business?

Leanne O'Connor: First of all, get your house in order. So pretty boring stuff but make sure you have

really clean accounts. In large transactions you'll have auditors for weeks and weeks. So if you've paid for your kid's school fees, if you've done things like that, they're going to be found out.

I've always run a very clean business, although I didn't have audited accounts. I mean, that's not a requirement in a private business. So that had to be done. I think start cleaning up the books 2 to 3 years beforehand. You do need 3 years' worth of historical earnings.

Again, as you mentioned before, it's very important to show a company in growth and not decline. Your numbers will be normalised and the auditors and accountants do all sorts of things to your books so you need to be able to really articulate reasons for growth or decline, etc., and really understand your business very well.

Always hire people better than you. I know this is very difficult, but I think this is Sir Richard Branson's philosophy. I've read a few of his books. And you need to keep trying to do that even if at first you fail. That's really important. That should always, always be the aim, to have good people behind you. I've been lucky to have some really good people in my business. And I think that's just the most important thing in any business.

So again, we've talked about removing yourself from the detail of your business, not having any one single point of failure. I think a lot of people don't really have a business. They have a job because without their personal impact, it doesn't function - it shouldn't be called a business. You bought yourself a job. So I think it's very important to think about what a business really means and a business runs without its principals. It has recurring revenue. It has growth. And again, be able to demonstrate that the business is more than you and that's how you get true wealth, I think, from your business.

Kerry: That's fantastic. So is there anything else you'd like to add given the thought processes we've been through?

Have we covered the points that you thought of?

Leanne O'Connor: I think we've covered everything.

I think it's a very personal decision. And maybe because I'm a woman, I'm a bit more emotional about these things than men who approach it. But I spent endless nights worrying about whether it's the right thing and were the people that were buying it the right people and could I work with them, etc., etc. I worry about all those sorts of things, the staff and was I getting the right money for it, etc., etc. There's no right or wrong answer. It's what really feels right for you in the end.

But again, don't be afraid. You don't have to do it alone. There's a lot of really smart people out there who will give you words of advice and most of them don't even charge you for it. So I think that's one of the things I've learnt. I've met some very successful people over this journey, people that I'd be too scared to talk to normally but everyone is more than happy to help people in a similar situation or add their views on things.

So I've been very blessed to do what I love for many years and get rewarded really well for it. And, I like to think I've helped a lot of people along the way, my clients, my candidates, internal staff, and that gives me a lot of satisfaction.

And again, I'd like to see the next group of entrepreneurs come through. I'd like them to be female. I employ a lot of good females. Like having children, it's important to leave a legacy so I hope I've left a legacy in some way or someone's been able to learn something from me in this process as well.

Kerry: It really is interesting, the thought processes that people go through. If I could just take you off on a slight tangent, which I have to apologise not forewarning you about, but it's basically come out of the conversation.

Leanne O'Connor: This could be dangerous. [laughs]

Kerry: Just from a woman's perspective. I know you have young children and the business obviously was there before the children and your husband has his own business as well. What are some of the real challenges that has created? Because it does create challenges and I think there'd be a lot of women out there who'd be really interested to hear how you

coped and managed that and the processes that you went through.

Leanne O'Connor: So when I actually worked in the business full-time, when I mentioned in 2003 I quit my job, I had just given birth to my second child. And I thought this will be great—Systems and People. I can spend so much time with my children because I'll be able to work from home. At first, I did. And that probably lasted about 2 months. And then I didn't see them for 12 years.

So that's always weighed quite heavily on me, as a mother and a woman. I think, men do this every day. They go to work every day and they don't see their kids for 60 hours a week.

But for me, I always felt very, very guilty about that and I did have a wonderful partner who supported me through that. I think that's really important where it makes sense. If you're the prime income earner, it shouldn't matter whether you're a male or a female. Then you really should be the one working. That just made sense to us. But it didn't come without its spousal arguments, kids are screaming and I'm in the hospital giving birth, phones are ringing and it's just all consuming.

And I think it is difficult, I've never weighed into the argument of "we can have it all", I actually don't really think we can – or, I think we can, but not without guilt. So I think that's probably one of the main things, looking back.

My mother-in-law has a poster in her toilet that says "You can always make more money but you can't buy more time." And I'm sure she put it in there for me (laughs) so that every time I go there I feel extra guilty. Because I think that's true.

But I like to think what I've created as well, for our family, and again one of my motivations for wanting to be young enough to exit this business, is so I can spend more time with them, spend time doing great things that we love that ordinarily we wouldn't be able to afford, and as a bit of a "payback" I guess, while they're still wanting to spend time with us as well.

In the business world, I've never felt disadvantaged because I'm a woman – it is a man's world, particularly

in I.T., in the industry that we're in. I think it's getting more and more important for equality in workplaces, etc., but certainly, I've never felt there's been a glass ceiling or anything like that on me, because I'm a woman. As every working mother does, whether they're working in the corner shop down the road or whether they're Gail Kelly from Westpac, I think we all have the same challenges.

Kerry: Absolutely right. Women have more challenges than men in the business world, mothers in particular...

Leanne O'Connor: And particularly if they have a partner who's working full-time. They're often still the primary care giver as well as the primary worker, housekeeper, etc. All those things. So it is a big challenge. But I wouldn't change it for anything, and it's those sorts of things that are very personal decisions and I'm not here to say the right or wrong way to do it. Because some days I'm crying in a ball in the corner (laughs) saying, "I should have done this" or "I should have made that."

I'd always encourage anyone to have their own business because the flip side of that is there is so much flexibility, as opposed to having a normal job with a boss. I've still always been able to go to the sports days, the school play, and everything else. In terms of what you do miss out on, maybe, being a

working mother, you do still get to go along to those things with your kids. You just might have to do your work at 10 or 11 o'clock at night when the kids are in bed. We all do that. We just do what it takes to get the job done.

Kerry: And we both want to encourage women entrepreneurs to get out there and go for it.

Leanne O'Connor: Absolutely. I'm living proof. It definitely can be done. But you have to be super organised. (Laughs)

Kerry: And therein lies a really good quality.

Leanne O'Connor: Absolutely right. It is going to be hard, so you need to be able to ride the bumps. And I think that resilience is one of the most important traits that anyone can have in business. So ride the bumps and the rewards will be there.

Kerry: Fantastic. Thank you, Leanne. Very inspirational, and I know a lot of people will get a great deal from what we've talked about today.

Footnote: In April 2016, Leanne exited her three-year earn-out term and is now involved in a number of other entrepreneurial and philanthropic ventures, including running her own foundation, The O'Connor Duffy Foundation.

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