The Art of the Deal
Four B.C. publishers – four different succession plans

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Succession planning is a hot topic in book circles these days. Linger at a publishing cocktail party and you'll hear plenty of whispering about rumoured deals and retirement goals. And given that a 2003 Heritage survey of Canadian publishers revealed that nearly 50% planned to retire by 2013, we could be halfway to a significant industry shift.

In B.C., the past year has seen a flurry of ownership changes among publishing houses of every size. There have been multiple sales, acquisitions, and restructuring agreements across the province. B.C. publishers are charting a new course for their futures, but their succession models are as different as their mandates. Here's a look at how four publishers are planning ahead – and the pros and cons of each model.

Orca Book Publishers: Selling to an employee

Bob Tyrrell wants to make it clear that he has not retired. On July 1, Tyrrell switched roles from publisher to president of Victoria-based children's press Orca Book Publishers, passing the torch to longtime employee Andrew Wooldridge. The switch means that Tyrrell is now working part-time as editorial director.

Tyrrell says he started thinking about succession 10 years ago after attending a revealing industry seminar given by former Kids Can Press publisher Valerie Hussey, who discussed the complexities involved in succession planning and urged publishers to think well ahead. Five years later, Tyrrell sold a 10% stake in Orca to Wooldridge, now 41, who began his career in the company's warehouse 15 years ago. "The 10% was sort of a goodwill thing," says Tyrrell, who turned 60 in June. At the time, there were no promises from either party, but after considering other options – and turning down a purchase offer from another press, which he declined to name – Tyrrell began to look more seriously at Wooldridge.

In January 2007, Wooldridge purchased another 40% of Orca to complete his 50% stake. Financing was the toughest part of the process, according to both Tyrrell and Wooldridge, who hired consultant Grant Robinson to help put the financial pieces of the puzzle together.

Wooldridge says “flexible payment terms,” which will allow him to pay over several years, and a long-term plan to keep Orca thriving have enabled him to buy half the firm, which has sales of about $3.5-million annually. For one employee aiming to purchase part or all of a company, financing is usually the greatest hurdle – and something that Wooldridge says he will have to revisit in the next 10 years. “The challenging issue down the line will come when I want to become a complete owner,” he says. “It’s a tough one, because especially as we continue to be successful, it’s going to become harder to afford.”

On the flipside, an employee purchase can provide editorial continuity, job security for existing staff, and operational stability. Orca’s co-owners say they are thrilled with their plan so far, and advise other owners to start succession planning early and ensure that financial responsibility goes hand-in-hand with editorial choices. “If people want succession to work for their companies,” says Tyrrell, “then they have to be prepared to make the sacrifices that will make their businesses profitable.”

New Society Publishers: Selling to another press

In early June, Gabriola Island-based New Society Publishers announced that the 35-year-old company had been acquired by Vancouver’s Douglas & McIntyre Publishing Group. The deal surprised some industry players, but it had been several years in the making for New Society co-publishers Judith and Christopher Plant.

About five years ago, the husband-and-wife team began wondering how they would ever unplug. “We were close to 55 and still had lots of energy and direction,” says Judith, now 59, “but we also realized that if we could get out before we were 70, we might have another chapter – pardon the pun.”

About 18 months ago, the Plants hired Vancouver brokerage firm Watershed Capital Partners to seek out buyers in the Canadian market. Watershed identified several potential buyers, including D&M, and helped negotiate the final deal. New Society focuses on books about ecological sustainability and social justice, so when D&M publisher Scott McIntyre approached the couple, they were enthusiastic about joining author David Suzuki and enviro-themed Greystone Books in the D&M fold.

The arrangement sees New Society operate as a standalone subsidiary. The press will stay on Gabriola Island, retain its 10 full-time staffers, and maintain its current publishing pace. Judith will spend at least two more years as publisher, while Chris, who retired from full involvement last year due to health reasons, will continue to act as senior acquisitions editor.

The Plants did consider an employee share purchase or buyout of the company (which does about $4-million in sales annually), but they say it simply wasn't possible for their staff members to carry such a major debt load. A long-term purchase plan was also out of the question. "We basically wanted some money off the table for our retirement," explains Judith, who says the couple felt lucky to ink their deal with D&M and are extremely pleased with the new arrangement.

Heritage Canada rules that exclude sales to foreign buyers, however, frustrated the Plants as they shopped for a buyer. "It doesn't make sense to me in this country that we can sell the trees, turn the rivers around and make them flow south, but we have restrictions on selling our companies," says Judith. "I'm wondering if there aren't some creative ways that we can protect Canadian culture, and yet have access to buyers beyond our borders."

Talon Books: Selling to a new employee

When Kevin Williams joined Talon Books in July 2007 as sales and marketing manager, some speculated that the former Raincoast Books exec was poised to purchase the Vancouver firm. The rumors were confirmed in December when Williams acquired an 88% stake from longtime owners Karl and Christy Siegler.

Williams, 50, left Raincoast in 2006 and spent some time considering his options before ultimately approaching Karl Siegler about forging a deal. It wasn't the first time the two men had discussed a partnership, "so Karl was really happy to hear that I had something in mind," says Williams.

Siegler had already calculated Talon's value based on retained earnings, profitability, sales, and several other factors, so the purchase price was realistic, says Williams. No mediators or third parties were necessary to structure the arrangement. Williams still owns shares in Raincoast and says he was lucky enough to help grow it from a small to a large firm, which gave him and his wife Vicki the financial resources they needed to close the Talon deal.

And while the shift might suggest impending succession, Williams says Talon needed new blood in order to ease Siegler's administrative burdens and allow him to focus on editorial duties. "At some point, Karl will move on," says Williams, "but really, at the moment, it's more of a growth strategy." Talon currently sells about $400,000 each year through what Williams calls a "very stable sales model" that emphasizes backlist titles and college course adoptions.

In the Talon succession model, the previous owners must release some control of day-to-day operations. In return, the firm gets new energy, plus fresh ideas and expertise – within the framework of a stable business. At Talon, Williams says he's busy working to integrate an enterprise computer system for the press, but the overall transition has been seamless. "The general mood is very, very good."

Douglas & McIntyre: Selling to an outside investor

Perhaps the biggest B.C. acquisition news came in May 2007, when three Vancouver-based private investors bought a majority stake in Scott McIntyre's 37-year-old firm, the Douglas & McIntyre Publishing Group. The trio includes Rod Senft and David Rowntree – founders of one of Canada's largest private equity firms – and Mark Scott, a former managing director of investment and corporate banking for Scotia Capital.

Scott, 48, immediately joined D&M to become the new president, while publisher and CEO McIntyre added "chairman" to his title and signed on for another five years. Both McIntyre and D&M vice-president Rob Sanders retain minority shares in the firm.

It's a template Scott says could be difficult for many Canadian presses to replicate. "There wouldn't be room for me here if we were smaller, and if we didn't plan on making acquisitions or expanding into new lines of business," Scott explains. "It just wouldn't be viable." (Since the change, D&M has closed the aforementioned New Society deal and is reportedly looking to add another house to its stable.) D&M's annual sales hover around $14- to $15-million, making it the country's largest independent trade publisher. A smaller firm would need an absentee shareholder, investor, or someone with the financial resources, experience, and desire to take over as publisher, says Scott.

On the upside, the new D&M model should free up the publishers – who now include McIntyre, Greystone's Sanders, and New Society's Judith

Plant – to focus less on administrative duties and more on actually publishing. Six-day weeks remain the norm, however, for McIntyre, who says he couldn't be happier with the sale. "I'm still doing a lot of the acquiring and the big, complicated deals," he says. "We're pretty thin on the ground, considering what we do."

While McIntyre applauds industry efforts to assist publishers with their succession plans, he thinks it's ultimately an individual process. "I don't think the government can solve this," says McIntrye. "Start early, think clearly, get on top of your balance sheet, and attract bright young people and then get them excited."