THE GLOBE AND MAIL

Lead a double life for Geac's sake; The challenge: Keep your software firm growing after losing your best engineering talent and many of your biggest customersThe call: Find a buyer for the company, while continuing to assess potential acquisitions, and don't tell your executives

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Last year, the board of Geac Computer Corp. Ltd. gave its president and chief executive officer, Charles Jones, a secret assignment — test the waters for a sale of a company that no business had wanted to touch just four years earlier.

Conditions had improved since 2001. Under Mr. Jones's leadership, Geac's profit and market value had more than doubled. And the business software industry had become hot, with consolidation occurring at a rapid rate.

But growth opportunities for Geac, whose software is largely built on 30-year-old technology, remained scarce.

The mission led the executive to what he calls “a full, schizophrenic life.” He was instructed to find potential buyers, but not let any of his executive team know the firm might be sold. At the same time, he was to continue to lead a team of 30 looking for acquisition targets.

With 130,000 Geac shares of his own, Mr. Jones knew he would do well financially from a sale, but his personal wish was to keep the company going with smart acquisitions.

Was he conflicted in his efforts to sell the firm and do himself out of a job? “I do two things that are unusual for a CEO,” he said in an interview this week. “I answer my own phone, and I do what the board tells me.”

Geac's core product is enterprise resource planning software. It's an older technology that helps manage processes such as accounting and inventory. In an effort to freshen its offerings, Geac has been adding software that lets customers analyze and manipulate the data, a category referred to as performance management software. The problem has been that most of Geac's best engineering talent has left, so it has had to buy existing technology, but acquisition prices keep rising.

In 2004, Geac tried to buy Atlanta-based Mapics Inc., but lost the key acquisition to Golden Gate Capital, a private equity firm in San Francisco. Geacwas not prepared to pay an amount that would weigh down its own profit and share price, Mr. Jones said.

Geac's board gathered in Ann Arbor, Mich., in January, 2005, to review the situation. Everything was on the table. “We had rules in the board meetings.” Among them: no question was stupid; every view would be heard; and the burden of persuasion lay with management.

He presented three scenarios: maintain the status quo and let the company keep shrinking; commit to paying more to win acquisitions and accept that profit and share price will take a hit; or find a buyer.

The board was hesitant about putting out another “for sale” sign. This time, the board sent the CEO to test the waters. Mr. Jones visited several private equity firms to see how much they were prepared to leverage their own balance sheets to make an investment in Geac. The response was positive, and with that knowledge Geac's board hired consultants from Bear Stearns & Co. Inc. and CIBC World Markets Inc. to help build a strategy to sell the firm.

To prevent morale problems, the project was conducted in secret. The fact that no one else inside the firm knew what Mr. Jones was doing was only part of the double life.

“I used to run from a divestiture meeting outside the building, and then come back into the building, and the same day, morning versus afternoon, work on an acquisition.”

In August, Geac, based in Markham, Ont., and Waltham, Mass., had secured a credit line of up to $200-million (U.S.) from Bank of America and other lenders, to use with about $220-million of its own cash, for potential acquisitions.

The loan was part of the alternative plan, but it also became a useful negotiating tactic. “I would say, ‘Either you're going to pay the right price, or that line of credit I just signed up, we're going to use to buy. So forget about low-balling here. It's not going to happen.' ”

Mr. Jones embarked on a lengthy process of visiting about 30 interested buyers, five of whom would eventually sign non-disclosure agreements to look at the books. The tour included “all the usual suspects,” including top dog Oracle Corp., which has thrown billions at acquisitions in the past few years.

Bidding for a company involves a different strategy than bidding on a car or house. In many cases, the purchaser starts high not low. Golden Gate used this strategy, coming in with an offer of $11.50 a share. The strategy of the high bid is to score preferential treatment from the seller, who might be willing to give more time and information to such a bidder over another. Then as the negotiations progress, the bidder finds reasons to notch down the amount. In Golden Gate's case, the firm pointed to a sudden dip in the market price ofGeac's shares, and offered $11 a share.

In November, Golden Gate agreed to buy Geac for $1-billion, or $11.10 a share, a premium of about 27 per cent. The deal received 98 per cent of the votes at a special Geac shareholder meeting this week. Mr. Jones says the high point in the process for him was squeezing the extra 10 cents out of Golden Gate.

Charles Jones, president and chief executive officer, Geac Computer Corp. Ltd.

Age: 57.

Education: BSc from Wharton School of the University of Pennsylvania.

Family: Married, with two children, ages 6 and 9.

Home: Bedford, N.Y. Gets there on weekends.

Most famous neighbour: Martha Stewart.

Favourite movie: Alfred Hitchcock's 1959 North by Northwest about an advertising executive who is mistaken for a spy and pursued across the country. “It's an interesting movie about serendipity and innovation.”

Reading material: “I never read fiction, I only read fact.” Favours Civil War material.

Hobbies: Golf, about eight times a year. Handicap: “You'd like to know.”

On doing business in Canada: “Canadians are tough evaluators in a collegial capital market where people know the truth.”

On doing business in the U.S.: “In New York, there is so much going on. It doesn't matter if people know who you are. It matters what the situation is.”

Career moves: Became president and CEO of Geac in July, 2003, after joining the board in 1997. Global group's managing director and chief operating officer of Shandwick PLC from 1987 to 1990. Co-founded First Funding Corp., an investment firm in Stamford, Conn., in 1984.

On the future: “I probably have one more CEO stint and turnaround in me.”