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MBBI Newsletter June 2016
Finding Your 'New Self' is Key to a
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Contributing Editor: Russ Plewa is Regional Commercial Banking Manager Bank Mutual and President of MBBI's Wisconsin Chapter. You can reach Russ by email at: Russ.Plewa@BankMutual.com



Make Sure You Know Who You Are and What You Want

"The bad news is time flies. The good news is you're the pilot."

So claims Michael Altshuler, a highly successful entrepreneur who, at age 22, started what would become a multimillion-dollar copier business that he later sold to the multibillion-dollar IKON Office Solutions.

Without question, if you're a business owner looking to grow through a merger or acquisition, it may feel like time is flying by and you have no time to waste before making your move. There's a lot of M&A activity taking place these days with more buyers than ever before – including an explosion of private equity cash that needs to be deployed. A growing theme is whether your organization is positioned to appeal to the seller.

So does that mean you should rush into a purchase or merger before all the easy acquisitions or 'low hanging fruit' are gone? Or are you willing to get time on your side, take the controls and, as Altshuler recommends, be the pilot of your success?

With the current shortage of sellers, buying is a competitive game. And for many sellers, it's not going to be just about the money. Their continued success and even reputations rest on whether or not the sale succeeds. So, why would any seller agree to be acquired by you? What makes you an attractive buyer?

There's no shortage of how-to articles on M&A's, but more often than not, they're about the nuts and bolts of the process and skip the following self-analysis critical to the development of a strategic acquisition plan:

1. Are you stuck in the past? If your business struggled through the recession, you may have lost sales volume, been forced to flatten your organizational chart and cut back on expenditures ranging from capital improvements to marketing. Did you replace sales losses from that economic downturn? Have you rebuilt your staff and returned to pre-recession profitability? The focus should switch from these rear view mirror themes towards a forward-thinking, long-term approach to taking your organization to the next level.
2. Who do you aspire to be? Are you seeking to extend your product line or expand the mix? Do you need to gain clients in a new market niche? Could you improve your marketing capabilities with an acquisition that already has a successful online strategy? Will expanding internationally add value? Have you reviewed your real estate needs? Wisconsin businesses love to own real estate which is the opposite of trends nationwide. You should think long term about where you want to be located, and real estate should be part of your return calculation when investing in a new company.
3. Are you strong enough? Do you have the bench strength to take on new customers, products, markets and more? What about organizing the actual integration process? Having a plan in place for your own company's future leadership will improve your likelihood of a successful acquisition. Are key family members being positioned to lead, or are they even interested in taking on leadership roles? Will you promise advanced roles or equity positions to current managers? Can an acquisition help build out missing pieces in your team? The seller's knowledge may provide value and determining if they are a good fit and are willing to remain a part of the combined organization should be determined early. Will the seller or key management require a phased exit in order to ensure a successful transition? They may also have employment continuation commitments in place with their management team. This makes it even more important to have your own succession strategy in place.
4. Do you need help? Your key advisors may have served you well as your business got off the ground and started to grow. Do you need additional expertise to supplement your existing advisors? Having the right strategic advisors can make the difference between success and failure. Merging or acquiring another company is often a once-in-a-lifetime decision, one that shouldn't be entered into hastily. Just like any other aspect of running a business, short-term decisions can have long-term consequences. Time is your friend, so be the pilot of your success by finding your 'new self' first, then getting your long-term strategy in place.

Midwest Business Brokers and Intermediaries Newsletter is published monthly.
All MBBI members are invited to submit articles for publication.

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