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N E T W O R K
STREET SMART ADVISORS
SUPERIOR RESULTS

In an excellent column in the April 6, 2010 NY Times, *"Relax, We'll Be Fine"* by **David Brooks**, Mr. Brooks writes about how, "America's future is exceedingly bright." In the column he states, "The U.S. has always been good at disruptive change."

In **Alan Weiss's Monday Morning Memo**sm on April 19, 2010 Dr. Weiss writes, "We've had floods in the northeastern US, a volcanic eruption in Europe, earthquakes in Haiti, Chile, and China. Despite these huge hardships, loss of life, and economic damage, life continues. Humans are resilient. How is it that your colleagues or your clients can tell you that a new idea or initiative is too traumatic to implement, or an unexpected event was too staggering to permit any thought of new projects? People tend to lose perspective. Business, like life, goes on."

Businesses go on after an acquisition even though when a business changes hands it is often thought of as a disruptive change. Let's discuss three factors that when handled correctly allow the buyer to say the business just "goes on."

Employees' post-transaction

Business buyers always worry about the employees and management team staying, sellers worry that their loyal employees will not be retained by the buyer and the employees hope they will keep their jobs. They all want the same outcome; a stable, productive work force.

Usually the above is what happens. Life goes on post transaction and if the buyer does what he or she is supposed to they add value and everybody is happy. When does this not happen? When the buyer wants to be on a fast growth track and the status quo is "laid-back." The managing partner of a private equity group recently told me their criteria no longer demands a management team be in place. Why? Because they eventually replaced most management teams anyway. An

Buying a Business

This information will help you better understand the role of a Business Buyer Advocate.

Change and a Business's Resiliency

informal survey of people who had bought businesses found that when the historical growth rate was fine with the buyer the team stayed in place. When fast growth was desired there was turnover.

Tip to business owners - realize buyers will probably want to grow the business faster than you have been growing it so have the right employees, systems and plan in place.

Transitioning your energy and culture

The above scenario happens because buyers usually have more energy than sellers. This is normal as many successful business owners get on a holding pattern. If things are going well, why take risks and make changes? This may be okay in the short term but not for very long (or the business will stagnate). Often buyers will say the employees find the new ownership like a breath of fresh air. They have ideas the old owner wouldn't act on and hope the new owner is more than willing to listen, analyze and take action.

Recently I've seen a couple situations where the owner says that everything is pretty laid back, as in, "We don't work too hard." The naïve buyer thinks this is great – there's a lot of room for improvement. The savvy buyer worries that this is an entrenched culture and it will be tough to energize the company and get people to work harder.

Tip to business owners - even if you're coasting to retirement, keep your staff alert and motivated for opportunities.

Transform your marketing

There is nothing more misunderstood than what is marketing, how is it done or what is good

marketing? Just the other day I, again, saw a comment from a business owner about how well the business would do if somebody (a buyer) knew anything about marketing. As I've written before, it's a seller's imagination working overtime to think that a new owner will come in, sprinkle some marketing dust and the business will starting growing like an athlete on steroids.

Marketing is not usually instantaneous. It takes time and must be consistent and continual. You can't market just when you need referrals or new customers. You market all the time because you never know when the message will reach the right audience member. Buyers can be just as naïve, thinking that increased marketing will equal immediate revenue increases.

Tip to business owners - track what you do in marketing (preferably in your business plan). Document what you tried, what worked, what didn't work and your opinion of why. Any tangible evidence is even better although sometimes it's not easy to compile tangible information (with direct response advertising it's easy; with things like websites, blogs, newsletters, etc. it is tough).

Conclusion

Your business is resilient. It can handle a lot including the transition to a new, qualified buyer. Step inside a buyers mind and try to see things like they see them. Make those changes subtlety over time and before you know it you have a well-oiled machine ready for new ownership with the least amount of disruption possible.

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