

Companies in Transition The Investment Banker Role

By R L (Ron) Dillon

Your business is not too small to use the tools that allow the largest of companies to prosper.

In today's world of changes it is a must to have a strategic plan, update it, and implement it. We all spend a lot of time thinking about our businesses and how they can be improved. The thoughts go through our mind at an unbelievable pace, but how often do we put those ideas on paper and really analyze their potential? We are so busy with our work that we do not take the time to make money and improve the bottom line: the very reason we are in business.

Merger and acquisition (M&A) advisors, the contact people of investment banking are often known for selling or buying a business, but they are capable of so much more. The single goal of an investment banking group, large or small, is to help their clients achieve their strategic and financial objectives. An M&A advisor has 20/20 hindsight acquired through years of seeing successful companies grow, mature, and transfer into the hands of an entity that will take the company to the next level. For example, in a recent transaction the owners increased the value of their company three-fold from the time their strategic plan was established. With their net tax liability being less than three percent of the selling price.

Can an M&A advisor really add value to your present advisory group of accountant, attorney, insurance agent, financial planner? Each of these specialists, in their role, has added significant knowledge and help in building your business to what it is today. The question then is, do you have a strategic plan in place? One that will provide the same advantages that the large publicly held companies have in operating their business. The best example might be Home Depot who is celebrating its 25th year in business. They give credit to strategic planning for allowing them to grow to the second largest retailer in that short span of years.

One of the most beneficial advantages a M&A advisor can offer, particularly in this ever changing business world, is strategic planning. This person can add insight and guidance into incredible decisions that include.

Where do I want my company to be in the next two, three even five years?
Should I acquire or start satellites? Should I add or delete product lines?
Do I have the proper experienced staff and resources?
When should I retire and how can I get the highest value for my company?
Do I have a succession plan? Will it meet my personal needs and the company's future existence?
Is investing additional capital a good option for my company? Will it add value?
What is the true value of my business if I were to place it on the market today?
How will a prospective buyer view my business?
How can I provide peace of mind for my family with the liabilities lurking out there?

Am I paying too much in taxes? Is my company structured to minimize tax liability?

Strategic planning outlines your long and short range goals and the timing of these goals. For example, if you are in the forty to fifty age range and succession is really not a short range consideration, you want an unbiased viewpoint to gauge your competitive advantage or business value. M&A advisors have knowledge of industry players and financial sources and can provide assistance throughout the entire process of strategic planning and implementation. This M&A advisor can become the financial weather forecaster who provides an updated assessment of the business climate. Strategic planning should be considered an investment with high expectations for a good rate of return on your investment just as you would when buying equipment for your company.

M&A advisors use a combination of art, science, and first-hand knowledge of each industry to establish a value of a company within that industry. Add to that the methods of valuation, which include discounted cash flow analysis, comparable of like business transactions and the general feel of the market place and the manner in which the business fits the mold.

Often strategic planning will force a business owner to consider options as they relate to industry demands. This might include acquisition, merging operations, joint venture with another existing business to gain critical market share or economies of scale. The strategic plan becomes the "what if tool".

The decision to sell a portion of the business can often provide a retirement nest egg that is important to your long range planning. However, it can often be very difficult for a business owner to part with his baby or even a part of it. That unbiased viewpoint again comes into play, both from who is that just right buyer, how do we find them or is a merger and giving up some control a better option? Will selling a division of the company give the same value without bringing in that outside entity? More questions than answers develop, but after all that is why the strategic plan is so necessary. Much of the value added by investment banking and the M&A advisor is derived from working closely with the business owner in developing and implementing the strategic plan. As the time approaches for the succession plan to be implemented the M&A advisor has the knowledge of the industry as relates to the business so it now becomes "show time for your business." You have not waited until it was too late to make the minor and major adjustment that increase the value and showmanship of your business. You are ready to continue reaping the last phase benefits the strategic planning has provided.

With all the benefits available by adding an M&A advisor the question becomes, why have we waited so long to fill that void?

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