smallbizdaily
IDEAS, INSIGHTS, INFORMATION AND INSPIRATION FOR ENTREPRENEURS

The Value of Time in Planning a Pivotal Business Transaction

By Frank Williamson

February 18, 2020

An important business transaction is like an overnight success: It can take years.

To put it another way, the kinds of big deals that can fundamentally change a business can't become a reality unless all the essential pieces are in place — and are often a situation of preparation meeting opportunity. For business

continued on next page

leaders who have a long-term plan in mind for their business that involves a merger or acquisition, I suggest starting that preparation process as long as two or three years in advance by initiating conversations with any companies that might be viable options.

It's invaluable to have time on your side. Freed from the pressure of investors seeking an exit in the immediate future, a business leader can think about the benefits of particular partnerships and what a good outcome might look like for both parties.

This work is often done in coordination with an investment banking firm, which can advise a business on strategy and assist in developing the necessary relationships that could eventually lead to a deal. The process leading up to a successful M&A transaction usually includes these necessary steps, for which the timing varies quite a bit.

1. **Identifying potential strategic partners:** The first step is to pinpoint who your potential business partners could be. They could be customers; they could be suppliers; they could be competitors; or they could be somebody in an adjacent part of the market. Also consider companies that might share all or part of your customer base. Could acquiring your company open them up to new customers, or additional lines of business from current customers, by offering a broader set of services?

2. **Targeting the decision-makers:** Find out who the decision-makers are at each of these places, and who you need to begin developing relationships with. Although you may have an existing business relationship with a company that could be a strategic partner, it's unlikely that the people who place orders for your product are the same ones who might be in a position to acquire your business.

3. **Setting up meetings:** Begin meeting with decision-makers as far ahead of time as you think you have something relevant to talk about. Talk to them about their needs and start making a case for the value of combining your business and theirs. From the outset of these conversations, you need to be able to explain how you operate as a business and why you'd be a good addition to the purchasing company's operations.

continued on next page

My advice to clients is to begin planting seeds as early as you can, but don't plant them all in one place. To take advantage of the time you have and ensure that you find the best possible opportunity for your business, you want to be reaching out simultaneously to several parties. Some of these conversations will go nowhere. Others may show initial promise, only to eventually sputter. And others may seem uncertain at first until catching fire at the right time.

How do you know when it's time to get serious about a transaction? Each situation is different, but frequently an unrelated event solidifies one party's desire to move forward — for instance, an owner deciding to retire. If you've already had preliminary discussions with a potential partner about the general outline of a possible deal, the existence of that relationship makes it much easier to begin exploring the transaction in greater detail.

Even once the momentum for an M&A deal gets started, it can still take between six months and a year to finalize. A decision of this importance is generally not made by a single person, and ironing out the technical details of a deal involves the work of many key players on both sides to get the full value out of the combination of two businesses.

Many business owners might not have a sense of what companies would be in a position to buy their company or how to talk with a prospective acquirer. In those situations, investment banking firms can assist businesses in making a case for prospective buyers about how they can move the needle as a business acquisition.

Don't wait until the last minute to begin strategizing about the future of your business. If you know where you want to go, there's no reason not to start the journey as soon as possible.

Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capital-raising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.