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Acquired Or Sold

How to increase the quantity and quality of exits by focusing on being sold.

Most of the entrepreneurs that we get to work with at Vario Ventures have a common dream. One where a Google, GE, or Johnson & Johnson calibur firm cold-calls them and tells them they want to acquire their company, and at a massive valuation. It’s a great dream, and can serve as motivation when we are in the middle of all the hard work required to build a company.

However, this dream of **an inbound acquisition offer is highly unlikely** and should not be relied upon as the next big strategic step for your company. Successful entrepreneurs don't builder their business by sitting back and waiting for something magical to happen to them, so why would that be the approach taken for a major transaction?

When your company is ready for an acquisition, partnership, or restructuring, **the strategic step forward can be achieved successfully with some focused effort**. It is always difficult to pull your core team away from running the business, but in order to make the transaction successful it is a requirement. Regardless if you hire an M&A firm or push through the transaction on your own, you will need time from your leaders.

The first step in making a major change for your business is **identifying who within your company is going to be involved**. Often advice is given to keep the potential transaction extremely secretive. For consulting and services organizations this makes sense; however, you can get value by including a diverse set of team members from throughout your organization. The right transaction will be good for almost everyone within your company, so engaging additional people early and understanding what objectives they have can add value to the process. Specific candidates include: C-Suite, Business Development Managers, Product Managers and Client Managers.

Once you select which team members will be involved, **setting the right objective for the transaction is critical for its success**. Create a high level acquisition plan including what optimal outcomes are in short term (<6 months) and long term goals (2+ years). This plan should include tax saving strategies for those who stand to make money from the transaction. It’s also important to focus your company on a few key value drivers and metrics associated with them (revenue, production, customer base size, client satisfaction, health & safety results) to demonstrate clear and consistent value to all potential interested parties.

Finally, in preparation for the strategic step forward for your company, **you need to identify about who the best counterparties will be**. It’s important to think across the targets spectrum; customers, competitors, and complementary companies. There will always be a few strategic targets that would be a perfect fit due to a mutual benefit, however it’s important to think broadly as a starting point. It’s also important to identify a mix of large companies and smaller companies. A target that is a similar size as your organization can provide an agile target who might be hungry to grow through acquisition. It’s important to ask all the team members involved internally who they think would be good targets, who they talk to regularly and recently, and who, over the last few years, has expressed interest.

By putting in dedicated effort, identifying a core team of internal leaders to support the process, setting the right objectives and identifying a diverse set of potential targets, entrepreneurs can help drive their companies forward through all types of transactions, without having to wait for the phone to ring.

<u>About Vario Ventures</u>
Vario Ventures is a boutique mergers and acquisition firm focusing on entrepreneurs, specializing in identifying the right next step for small and medium companies, and their investors.