Good M&A Deals Start with Strong Leadership

Firms must act decisively or lose opportunities.

by Joel Sinkin and Terrence Putney

Accounting Transition Advisors

We work with hundreds of CPA firms across the country primarily assisting them with M & A of their firms. Firms that are successful with using M & A as a strategy to grow have to be agile and open to change. One of our mantras is if you want to stay the same, we can't help you.

The characteristics of the firms we work with that are the most successful are found in their leadership. The most agile firms have strong leaders that are able and willing to make informed decisions quickly. Firms that cannot make decisions quickly find that M & A opportunities pass them by.

Strong leadership is derived from several things, including:

1. firms that have a clear long term strategic plan allowing the decision makers to be informed in their decisions,
2. the leaders are empowered to make the tough decisions,
3. the leader's primary responsibility is managing the firm; we often refer to these leaders as ones whose most important client is the firm, and
4. the leader is willing to take the responsibility for making decisions even at their own expense or risk if necessary.

By being mostly focused on the firm's business, strong leaders allow themselves the time necessary to stay in touch with what is happening in the marketplace that will keep them and their firm in learning mode.

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Contrary to most predictions, the recession has not decreased valuations for accounting firms.

Our best clients consider a lot of M & A opportunities and expect not to do all of them but do expect to learn from all of them. They allow themselves the time necessary to go down some dead ends and don't see that as a wasted effort or a failure. They remain hungry for the next opportunity.

This attitude about managing a strategy as important as M & A tends to show up in the way the overall firm is managed. Partners that are not at the top of the organization often demonstrate the same level of energy the leader has and are less likely to find all reasons to do something rather than taking the easier path of pointing out why a strategy won't work.

A roadblock many firms hit is there insistence on one way of handling each deal. A flexible buyer is typically a more successful buyer. While each deal must hit certain parameters, the minor tweaking that is needed sometimes for certain egos and cultures can still bring forth a win/win deal and these flexible leaders are typically more successful.

One way to get that way is to be a great listener and devote the time (being a good time manager) certain things require that you feel are important to meet your agenda. Many firms are great at stating their goals but not as listening to the other parties and find a way all can win.

Time is also a difficult thing to address for many. There are so many critical things that pull the leaders of firms sometimes they forget what is the more important than other things. A typical example is a buyer who when we remind them that a multimillion dollar firm they are trying to merge in is waiting on some information for quite a while and they still don't get around to it because of far less critical issues but some squeaky wheels. We remind them if a client that pays them $50,000 called with a problem, they jump onto the phone. This multimillion dollar firm could basically become their largest account.

The message the firm sends in some of those cases is that the firm they are seeking to merge in is not a priority and or that they lack the excess capacity to take on the responsibilities of another few million in fees. Regardless the message is a poor one and it is an example of defining ones critical tasks and applying them to your time management priorities.

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