

When to Sell Your Business

-6 Reasons to Be Acquired - Expanding Capacity, Focus, People & Geography-

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The engineering and architectural market is getting more and more competitive. During the recession and even now as the economy slowly improves there are fewer clients for firms to market to and get work from. This phenomenon creates intense competition, lower prices and the need to be better or bigger than your competitor to win the contracts. How do you become bigger and better, quickly?

Become acquired! Stonemill Partners is representing more and more firms who recognize the need to be bigger and offer more services to compete. In addition, these firms want to retain their key people. How do you do this? Offering bigger and better opportunities with projects and advancement within your organization are the ways to do this. We hear many firm owners say, "I just can't get the projects that I used to get because I am too small. I don't have the experience or resources that larger firms have."

If you are reading this and are thinking that you need more capacity, a more diverse focus, more people or have the need to expand your geography then you should consider being acquired to get a "leg-up not a leg-out."

When you are acquired for this reason, you should receive full market value for your firm at closing plus an employment agreement with the new firm that is over and above what you sell your firm for. Some owners obtain stock in the newly combined entity and become principals in addition to being acquire.

What we are finding as we talk to sellers that we have represented for this reason in the past is that they have found that it is so much easier to get work and even more work from their current clients because of the experience and new services and capacity that they can provide post-acquisition.

Companies acquire other companies for a few different reasons:

1. To expand their footprint; acquiring additional geography to market their current services.
2. To expand capacity to offer more of what they are already offering.
3. To diversify a service offering; offering complementary services to what they are already offering, while obtaining new customers and new business with current customers.

4. To get more people to do all of the above. Acquiring a business where you get the people is most times better than paying high commissions to employee search firms, not to mention the degree of continuity with existing employees.
5. To signal to new prospects and current customers that you are now a bigger company with more resources, more capabilities and a firm that can serve many needs with one relationship.
6. To build a bigger company so when the time to sell it does come, the equity and worth is leveraged to a higher level meaning more value at the time of a sale.

As you can see there are many reasons to make an acquisition. Doing all of the above organically or trying to do it without acquisitions is slower, many times more expensive and riskier than doing it by acquisition. Finding firms to acquire can be a turn-key effort especially if using a focused, experienced mergers & acquisitions advisor. They know the markets, the players, the strategies and the efficiencies available to both small and larger firms. Consider acquisitions as part of your growth strategies.