

The Team Approach

A successful strategy used by smart businesspeople interested in acquiring a company is the team approach.

While decisions ultimately rest with the buyer, advisors can provide insight and talent that he does not possess. Chief among them in many cases are the investment banker, accountant, and attorney who, working closely with the owner, can form the nucleus of a powerful acquisition team.

The team can also perform many of the tasks required in an acquisition, thereby dividing the heavy work load among each of its members.

BRAINSTORMING. The team approach also provides the buyer with a sounding board for ideas and opinions. Many who have used this approach feel that the camaraderie generated by the team usually breeds a synergy of ideas that is not available when the buyer works alone.

The buyer's banker is not included in the initial team, since negotiations with several different banks may be necessary to obtain the best financing for the acquisition.

The members work together in clarifying acquisition goals, criteria, and buyer strengths and weaknesses. They establish a plan for evaluation and completion of an acquisition, divide the work, and produce a timetable and forecast of costs.

This group of experts is best able to make savvy decisions when viewing the proposed deal before it has begun. As an acquisition progresses, the investment banker presents updates, identifies potential problems and solutions, and refocuses on original goals and objectives.

Since each person will be working independently with his respective seller counterpart, regular meetings among the team members are essential.

After closing a transaction, buyers often retain valuable team members to serve on boards of directors or advisory committees, since their knowledge of the company, the industry, and the buyer is better than most other outside professionals'.

THE BUYER The buyer makes the decisions. His task is to define goals and acquisition criteria and evaluate his personal strengths and weaknesses so that the team can best assist him.

The buyer's goals, criteria, strengths, and weaknesses, however, will change over time. These refinements are the product of the buyer becoming more knowledgeable about the marketplace, learning through previous acquisition failures, and listening to all the advice from other team members.

THE INVESTMENT BANKER. The investment banker is usually the first formal team member chosen.

He should be selected on the basis of his firm's history of closing transactions in the basic industry targeted; high ethical standards; and reputation.

The individual who is chosen must be team oriented, and able to devote the time required.

The investment banker assists the buyer in redefining his initial criteria by relying upon his experience in the real world.

He provides an unbiased approach to issues that relate to the financing of a transaction.

THE ACCOUNTANT. The accountant is the second member to be chosen for the team. Normally, the buyer tends to choose an accountant he has used for personal tax preparation or estate work.

Because acquisitions involve non routine accounting and tax principles a specialist in acquisition accounting should be chosen over those with whom one has a personal relationship.

The accountant should be chosen on the basis of his experience with acquisitions, ability to act quickly, knowledge of tax-based structures of acquisitions, and ability to handle due diligence and financial forecasts.

Very often, the investment banker can recommend several qualified accountants.

The accountant's duties include performing due diligence with the buyer and the attorney.

In this process, the accountant checks all books and records to verify, the representations made by the seller. The accountant will also look for problems like undisclosed liabilities (such as contingent guarantees and under funded pension liabilities); sloppy control procedures; over-valued assets and controlling contracts, which provide products or services at low rate of return for a long period of time.

THE ATTORNEY. Like the accountant, the attorney provides specialized discipline and expertise.

Most attorneys are trained to point out potential problems in transactions for this reason they tend to take a pessimistic view of acquisition issues. This provides a balance with the buyer's normally optimistic view.

The buyer must realize that all acquisitions have risks and rewards. Attorneys tend to list consequences. The buyer must understand the risks and weigh them against potential rewards.

As in the case of the accountant, an attorney should be chosen for his prior work in acquisitions.

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