

MERGERS *unleashed*

All in the Family

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As baby boomer business owners approach retirement, a specialized industry of mid-market deal pros have taken notice of the unique challenges and opportunities that lie in catering a financial advisory practice around completing family-owned business transactions.

Several recent high-profile deals involving family-owned businesses, including Monday's sale of **Wm. Wrigley Jr. Co.** to **Mars Inc.**, have highlighted the sentiment among advisers that the takeover of a family-owned business is an entirely different type of deal transaction.

Charles Oppenheimer, chairman and chief executive officer of **Amvest Financial Group**, describes the sales process and business issues that a family-owned company faces as being "very personal." He discussed several recent scenarios in which the owner's decision to sell was based far more on family dynamics and personal circumstances than on objective business calculations.

One instance of this was a family business in which one son was running the company and four daughters were not involved in the business. In situations such as this, liquidity issues — as well as family politics — can be quite complicated.

Particularly challenging situations that are those businesses that are owned by an individual who do not have heirs to pass the company on to. "He is 70 or 80, and he doesn't want to stop," Oppenheimer said.

This is only the most extreme example of a general trend among small businesses to avoid transition planning in lieu of focusing on the daily needs of managing a business. **François de Visscher**, founder and partner of **de Visscher & Co.**, described the nature of family-owned business as largely "crisis oriented." He added, "Planning is not a big priority."

Oppenheimer mentioned that his firm offers a presale positioning process which works with business owners to prepare for the sale process two to three years before an actual sale. "We hardly get anybody who will take us up on it," he said. "Either they're not at all interested in hearing about it, or they call us up and say, 'How soon can you sell?'"

Unfortunately, Oppenheimer said, it is a very small minority of family business owners who will seriously look into succession planning ahead of time. "Sometimes the difference that [succession planning] makes can be the difference between selling and not selling," he added.

In addition, another noteworthy pattern regarding family-owned businesses is that the decision to sell requires a strong personal connection between the business owner and the advisor. Typically the seller has to like the buyer, Oppenheimer pointed out, "because he's putting it into someone else's hands. It's his baby."

He discussed a previous deal in which a dairy farmer had invented patents that made his company extremely successful, "but he was really a dairy farmer at heart." The owner put the company up for sale, and a number of investment bankers participated in the sales process. "They all showed up in their three piece suits, and he didn't like them. He didn't like the type."

So when Oppenheimer's team approached the owner, he put on my pair of jeans, and went down to meet him at the farm. He closed the deal.

In this regard, deal cultivation incorporates many elements of psychology when working with a business owner. It is essential for advisors "to learn everything that they can about [the owner]. They have to learn what's really motivating [the owner]."

De Visscher believes that the decision to sell a business is often based on the need for a second generation to address the liquidity needs of multiple shareholders. In this regard, an experienced financial advisor will work with the owners to meet capital needs on one hand, as well as funding the growth of the business. He mentioned that small, family-run businesses find it is ultimately essential to grow to scale in order to stay competitive in a global marketplace.

"They are looking for someone that can become a true partner in the business and take it to the next level," he said.