CONNECT
FINANCIAL SERVICE BROKERS

Media Release

Industry Will Again Get Sale, Mergers & Acquisitions Wrong in 2014

Tuesday January 14, 2014. Irrespective of the countless articles that have been written and published on strategies to ensure that sales, mergers and acquisitions are successful and realize their potential, Connect Financial Service Brokers (Connect) CEO Paul Tynan is certain that the financial service industry as a whole will again get the process wrong in 2014.

“The financial planning sector has a 30 year track record of failed acquisitions which today is reflected in the loss of client value, advisers, management and capital investment written off”, said Paul Tynan.

Furthermore, this failure to achieve a successful outcome and get it right was not restricted to one segment of the industry – it was prevalent from the largest corporate to the small one person suburban practice.

Paul Tynan continued, “Large corporate businesses do not have a monopoly on failed transactions, I have also seen small businesses and individual financial planners make the wrong decisions based on their last BDM/PDM conversation or whoever has the biggest cheque book”.

For advisers, wrong decisions include joining a badly chosen Dealer Group, leaving the right Dealer Group, taking on an unsuitable partner, selling when they should not and list goes on.

Reflecting on his extensive experience in this field, Paul Tynan said that the people/businesses that make the wrong decisions have one or more of the following factors in common:

- Thinking only in the short term
- Lack of industry knowledge and insight
- Lack of networks and resources
- Did not have M&A experience or expertise
- Did not plan properly
- Focussed only on the bottom line
- Personal or unforeseen circumstances saw them rush to do the deal

Another critical factor can be attributed to those instances where the financial planner or dealer group principal is simply not mentally engaged in the process and as he / she wants to exit and move on as quickly as possible.

Paul Tynan said another reason for sale, M&A failure can be attributed to an overemphasis on the transaction and bottom line and not enough attention placed on the very important cultural and staff fit – the things that are hard to measure!

In the past buyers have focused on FUM or bottom line numbers and neglected to factor in the non-measurable issues such as:

- Key person risk
- Business culture
- Management issues
- Compliance
- Is the owner ‘ready’ for sale

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These are the soft people issues that are so important to the success of any sale, merger or acquisition.

Paul Tynan also pointed out that Australian companies have a particularly bad track record with overseas acquisitions – again reflecting this lack of understanding and appreciation for the non transactional aspects of a business such as the impact of 'cultural issues' and has led to commercial disasters in this area.

Experience has confirmed for Connect that the best outcomes can be seen when firms have enlisted professional help to assist them throughout this process. The cost of engagement is a small price to pay compared to the loss of capital, clients, business disruption, etc.

Paul Tynan concluded, "Whether selling, merging or acquiring, it is important to understand that the process takes time in order to achieve the desired outcome and in many cases, the parties will only have a single opportunity to do it right."

"So irrespective of size, businesses would be better off outsourcing their selling, merging and acquisition activity as the cost of engaging a consultant can never match the loss of shareholder capital and opportunity cost for bad decisions".

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