James Berkeley's Profitable Growth Notes:

Behind The Conversation: Unearthing the Seller's Motives

Why do exploratory sale and purchase meetings with owners of employee benefits, investments and HR businesses reveal so little about the seller and so much about the fears of the buyer? If the objective is to profitably grow the business, then we should first enhance our own probabilities of identifying and welcoming high potential prospects. That is not usually done with formulaic presentations and empty statements.

The Lessons In The First Conversation

First, we need to understand our *own* worth in the eyes of the seller. As acquirers, we need internalise that we are embarking on an incredible journey for the seller, his or her business, the clients, the shareholders and their employees. Our worth is not simply about our impressive operating platform, our technology or the depth and breadth of advice and other services we can provide to the seller's clients. We are actually worth the ability to transform our past history into the seller's future. Figure 1.0 shows the actual process flow that all of us should bear in mind with every acquisition target.

Buyer's Past History

- Experiences
- Education
- Accomplishments
- Development
- Travels
- Work History
- Beliefs
- Wins/Losses
- Risks/Adversity
- Research and Development

Current Approaches

- Investment advice and solutions
- International growth strategy + tactics
- Mergers & acquisition strategy + tactics
- Outsourced Services
- Brokerage / Negotiation
- Benefit strategy, design, and administration
- Rewards Advice
- Leadership and organization performance
- Defined benefit risk management
- Defined contribution and defined benefit plan design
- Private health insurance exchanges

Seller's Future

- Market-leading productivity
- Lower attrition
- Higher morale
- Unique image
- Powerhouse brand
- Unprecedented performance
- Greater market share
- Market-dominating profits
- Accelerated growth
- Unparalleled innovation
- Faster problem resolution
- Superior service
- Reduced overheads
- Seminal customer experience
- Greater peace of mind
- Reduced stress
- Enhanced passion
- Increased personal growth
- Breakthrough learning
- Increased security
- Higher gratification

Process Flow →

Figure 1.0 Transforming Buyer's Past to Seller's Future

Each "buyer" and the people within that firm possess a unique and rich background, which we should deliberately emphasise. We transfer our past to the seller and their key constituents' (customers, shareholders, employees and other communities) future through a series of different interventions. Those might include highly interactive approaches (training, workshops), personalised interaction (coaching, interviews, development), proprietary approaches (risk analytic models, data, technology, broking platforms) and individual work (expert observations, independent advice).

The big error is to attach a value and a price to either of the first two columns. The only column that matters is the third column: the seller's results, which of course constitute the seller's future.

Yet many of the best acquirers, while acknowledging the sale and purchase objectives and outcomes, regress and assess their value creation based on the income attributable and the number of clients to be served, the size and diversity of the people within the business or their history in that market segment or how many clients they will have to serve. The worst acquirers never consider the third column at all.

I invite you to use Fig 1.0 as a template. The left column's generic headings should be replaced by your own distinct past history and it should evolve as the business grows. (If it is not growing after every single business acquisition or organic success then you are taking on business blindly and you are not growing and not increasing your potential value to others.) The second column, should be your particular services offered (they may be increasing, stable (or possibly reducing). In most firms this will be the shortest column as we naturally focus on what we excel at.

The third column, you should generate for each particular seller, and their key constituents. It should be as long as possible, and be something that is created with the seller and their key constituents help and individual contributions (thereby stating the value they perceive the buyer will provide).

If you look at most buyers' approaches, marketing materials, conversation and beliefs about their own self-worth, they overly rely on the first two columns and to a far less extent on the third column.

Here is a great piece of advice: constantly research your past sellers, to frame the scale and impact in that third column. My observation is that buyers are often ignorant of what the seller feels has been the *actual* impact of their new relationship. My Clients will often say, "I left our first pre-deal meeting knowing about 30% of the value the buyer could create for me, I learned a further 40% during the deal. What has surprised me is the 30% of value creation that we didn't discuss in the deal-making process. It is a very pleasant bonus." I term this the “30-40-30”. A peripheral benefit for the buyer becomes a highly important benefit for the seller, long after the transaction closes. Keep note of these benefits and build them into your value articulation process.

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