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M&A Nugget: The Best Fit

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Most business transitions are accomplished by a sale to a third party. The merger and acquisition is, however, one of several ways that an owner can transition a business. The question is – what is the best fit for the owner? There are other alternatives that should be considered, if applicable. Does the owner have family who has worked in the business? If so, the owner could accomplish both business planning and estate planning objectives by transferring ownership to the family member. Are there key management personnel who are ready now or will be ready in the near future to take the helm of the business? If so, an exit plan can be implemented by which the ownership is transitioned to management over time. A sale to a third party might mean a greater purchase price and/or more secure source of funding for a purchase price to be paid over time. On the other hand, a sale to a third party might also result in a shorter term of continuing employment and therefore a stream of income over a shorter period of time than one of the other alternatives discussed above. There are many other factors to consider. In any event, when deciding how to exit your business, just as with a work suit, the question is which alternative is the best fit.