

Buying An Accounting Practice

If you're thinking of growing your practice by acquisition here's some key points to consider:

1. Understand why you want to acquire another firm

If it does not fit your strategic plan, you need to step back and revisit your objectives. Ask yourself how the acquisition will strengthen your core business. Most acquisitions that take a firm in a new direction fail to produce the desired economic results. If you cannot articulate how the transaction will make the firm economically better, it might be better to walk away.



2. Does the firm have previous acquisition experience?

Experience tells us that first-time buyers make financial and operational mistakes. It's like anything - we learn from our mistakes so you need to decide whether to hire a consultant or broker. They can save you a lot of time searching for the right practice, hold your hand through the process and provide you with the necessary checklists. A good advisor will also make sure that the deal continues to flow and help you maintain your sanity during the negotiation process.

3. Think about integration issues upfront.

I have often said that it is not the acquisition itself that's hard, it's the integration. This is when deals begin to unravel. My experience with acquisition is that the real work begins with the integration. No matter what you call the transaction, one firm, one culture, will be the dominant one. Determine what that culture will be, what processes will be used and what systems will remain before you sign the contract.

4. Identify upfront the key staff.

Accounting mergers are all about the people and client relationships. Make sure that you identify the key staff upfront and let them know that they are important to the future of the firm. The number one thing going through everyone's mind during a merger is 'What will happen to me?'. You need to answer that question for the key people.

5. Do you really know the seller?

Don't tell me you looked in the seller's eyes and decided that this was going to be a match made in heaven. My experience is that a transaction generally takes months from start to finish. That gives you sufficient time to assess the chemistry, their business and ethical beliefs and most of all, see how the individuals act during the entire negotiation process.

6. Don't let emotions rule.

Smart buyers identify all the deal-breakers up front. They know when to walk away from a transaction because they have done their due diligence on the market, the prospects and the price they are willing to pay. Don't chase a practice simply because it is the only one available at that moment in time.

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7. Develop a 'letter of offer' that is critical for future negotiations.

The letter should outline the key financial and non-financial terms of the transaction. Your letter of offer should be non-binding. In other words, you and the vendor have the right to terminate the transaction at any time without any penalties to either partner.



Thinking of selling your practice? We are dedicated to 'Helping Accountants Succeed' and call us today on (03) 9824 5300 for an obligation free discussion.

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