

Beyond Numbers: The Unseen Power of Corporate Culture in M&A Transactions

Peter Drucker, a pioneer in economics and management theory, penned the groundbreaking book titled *The Practice of Management* in 1954. His thoughts would become a cornerstone in understanding corporate culture, a concept that, until recently, wasn't always linked with the intricate world of mergers and acquisitions (M&A).

Early in my career, I found myself working with Drucker's daughter, engaging in discussions about her father's research and resulting theories. It was only later that I began connecting the dots between corporate culture, M&A, and the crucial role it plays in the sale of a company.

Corporate Culture and Legacy in Family-Owned Business Sales

In advising numerous family-owned businesses on selling their companies, I've become aware of an increasing emphasis on the company's culture. The culture defines the company's relationship with its community, its employees, and other stakeholders. It expresses the owners' legacy and includes the beneficial treatment of employees, charitable works, and a commitment to quality.

This culture has become a defining strength when positioning the business for sale. For example, in an economy where skilled workers are a scarce resource, a strong relationship with the employees stands as a distinguishing factor for buyers seeking stability in the workforce. Other examples include a reputation for collaboration with the supply chain, a reputation for quality and well-known customer service.

Unseen Power of Corporate Culture in Selling a company

A commitment to corporate culture can be a crucial element in a successful sales process.



During a recent facility tour with a client and potential buyers, the visitors not only noticed but also complimented the owners on the palpable positive culture they observed. This impression reverberated in a follow-up call, where the buyers reiterated its impact on their interest in purchasing the company.

A strong culture is sometimes lost on potential buyers, creating a roadblock in reaching an agreement to sell. If an owner perceives that the acquirer won't respect and continue their established culture, they might opt to sell to a different buyer or not sell at all.

Buyer Sensitivity to Corporate Culture in M&A

In discussing private equity and corporate culture with investors, buyers often highlight their sensitivity to corporate culture as a compelling reason to be considered for a transaction. This emphasis often positions them at the forefront of potential buyers. For those less attuned to the qualitative aspects of a deal, it's time to rethink strategy. For today's buyers, a genuine understanding of the value of corporate culture can be a game-changer in securing transactions and ensuring their success.

Let's Talk

As an advisor focused on the analytical side of sale transactions, I'm placing more emphasis on the interplay between numbers and corporate culture within the market. I invite you to reach out for a discussion tailored to your unique circumstances.

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Our team's proficiency extends to both domestic and cross-border transactions, enabling us to assist clients not only within the United States but also on a global scale. Our exceptional track record underscores our steadfast dedication to delivering outstanding service. Through a collaborative approach, we actively engage with our clients, comprehending their unique needs and goals to provide tailored solutions.

We are invaluable partners in your journey towards success.

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