

A graphic for the podcast episode. It features a yellow background with a circular portrait of a man in a suit and tie. To the left of the portrait, the word 'EPISODE' is written in white, followed by a horizontal line and the number '184' in large white font. To the right of the portrait is the 'THE DEAL ROOM' logo, which includes a microphone icon. Below the portrait and logo, a black horizontal bar contains the text 'How to save a deal when things go wrong' in white. The entire graphic is set against a yellow background.

EPISODE

184

THE DEAL ROOM

How to save a deal when things go wrong

The Deal Room Podcast

Episode 184 – How to save a deal when things go wrong

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Transcript

Joanna: Hi, it's Joanna Oakey here from The Deal Room podcast, a podcast proudly brought to you by our commercial legal practice, Aspect Legal. Now today we have on the show the fabulous Ian Jones, from Merchant Business Brokers to talk to us all about how to save a deal when things go wrong. And I think this is such a super important topic for us to investigate. Because certainly, there are many deals where things don't go exactly to plan.

And in today's discussion with Ian, we really tear apart, what have you is that can cause deals to fall over and what sort of issues can occur along the way and how it is that you can get to that resolution? What do you do when they're at the brink? of no return? How to get bring them back? Well, here we go with our discussion with Ian Jones of Merchant Business Brokers.

Joanna: Hi Ian and welcome to the show. It's so good to have you on the show today.

Ian: Lovely to see you and thanks for having me, Joanna.

Joanna: My absolute pleasure. Now, this is a topic that we're talking about today. That's very close to my heart, how to save a deal when things go wrong. I have certainly been in the state of stepping into some of these deals in the past when things have gone wrong. So I'm really looking forward to digging into this with you today, because I think it's a super important topic. And I bet you have got some more stories there in your chest stories there Ian.

Ian: Yeah, I have been doing this for a very long time. And I've been party to lots and lots of deals. And you know, everybody loves to celebrate their successes. And you know, what you sort of learn to appreciate in time is some of the biggest successes are the ones you bought back from the brink. And the ones that, you know, nearly wasn't there, like nearly didn't happen.

Joanna: Yeah, yeah, that's so true. That's so true. And then maybe, why don't you kick it off by just giving us a really quick overview of who you are and who Merchant Business Brokers are.

Ian: Yeah, well, my name is Ian Jones. I'm one of the founding directors of Merchant Business Brokers. I've been involved in mergers acquisitions, a lot in the franchise space, but helping people to effectively buy and sell businesses in different capacities. For most of my working life. I'm currently the president of the Australian Institute of Business Brokers, the AIBB, which is the peak professional body for Business Brokers and business valuers in Australia and in New Zealand.

Joanna: Love it. Okay, great. All right. So I guess why don't we kick this off, when we were talking the other day, we were discussing an example that you had, and I love the stories, I just love the stories of, you know, real things that are going on in in our world of buying and selling businesses because, you know, I think many people either A that are new to the industry, or B who buying or selling a business, and I've never done it before or they have only done it a few times before, perhaps just don't understand the nuances of how many things can go wrong. And you know, how much

work goes on behind the scenes by the brokers. And you know, by the legal teams and the adviser, the deal team to keep these deals afloat. Although I have heard some people suggest that lawyers sometimes, and never us of course, can be part of the problem. But today, we're talking about how all of us as a deal team, you know, can be part of the solution. But I think it's super useful to be able to shine a light on where things go wrong. So why don't you recount to our listeners the story you were telling me the other day? Because I thought that was a beauty.

Ian: Yeah while we were chatting the other day, there were a couple of examples that just jumped into my mind. And one of which was an example where there was, you know, terrific business sitting in a circle around that \$5 million mark. And, you know, this buyer and the seller, they've been negotiating and trying to get this transaction completed for a long time.

Joanna: And I just want to highlight there, the fact that it can take a really long time to negotiate these deals up to a certain point, right, and people get exhausted. So that's just one thing I want to highlight.

Ian: Oh, absolutely. And I tell you the one that complexity and challenge that everyone has is it's not always about the business, it's often around the people, it's a people business, you know, it's everybody that wants to buy or sell a business is doing it for personal reasons, yeah, for themselves for their future. And so it's, for me, it's always about the people, what's their Why, what's their purpose, and when you understand that you can really, you can help them so much better. But, you know, this one particular deal, a lot of businesses can take a long time to complete, and for circumstances outside of the buyers and the sellers control, and you know, this particular business around \$5 million in value, the buyer really love this business really wanted it fit perfectly in with their longer term plans. And through the process of negotiation, and, you know, really fully understanding the business in its entirety, really came to appreciate and really liked the seller as well, you know, the seller was a lovely lady, had the business for a very long time founded it, grew it and turned it into a very dynamic business within that space. And you know, and during the process, she, you know, really liked the buyer, a lot of mutual respect, a lot of trust was bought up, and they really wanted to complete the transaction together but there was a gap, there was something that was really difficult for the parties to meet. And essentially, in this particular example, it was price, you know, there's a half a million dollar gap that we looked at so many different ways of being able to make the difference and, you know, structuring it, but his capacity, and what she was willing to accept just could not easily be met.

Joanna: And that's quite a gap, right? 500 grand.

Ian: Yeah, that's 10% of the price, half a million bucks. And after the best part of six

months, the party said, Look, we really want to get this deal done a lot of mutual respect, couldn't do it. And I said, well, okay, I had a plan. And every single deal, as a professional broker, you need a plan. Because not everything goes brilliantly things go wrong in a lot of deals in to be honest, in most deals, not everything goes to plan. So I had a plan. And that plan was, well guys, what we're going to do is we're going to leave well, so we made a deal that six months, they there was enough by odor to each other to meet in person, shake hands and wish each other well and go their separate ways. So the plan was, we're going to get the parties together, then we're going to shake hands. And we met in the vendors, boardroom, and she had numerous offices and sort of surrounding that we met in the boardroom, they shook hands. And I said to her upfront, if there's any discussion on price, I'm going to tell you to leave this room and go to your office. And that was part of my plan. And I knew something was going to be mentioned on price. And it was. And I said let's just pause this discussion right here because I knew exactly where it was going to go with our together. I said, you go to your office, and I stayed in that room, and I spoke only to the buyer. He said I can't do this, I can't do that can't move anymore. I said, Don't tell me what you can't do. Tell me what you can do. And I said, Now you tell me what you can do. And he said, Well, I can compromise on the higher purchase arrangements for you know, some of the machinery. I said great leave it with me. And I left him sitting on his own in the boardroom. And I literally walked to the vendor's office where she was sitting, and she said I can't there's no point. So I said don't tell me what you can't do. What can you do? She said, Well, I can compromise on some of the staff entitlements around the sick leave. And I walked backwards and forwards between those two offices for over two hours. That was a lot of hard work. And every single time both the buyer and the seller said there is no point I can't do this. And every single time I said don't tell me what you can't do. Tell me what you can do. And after two hours, I went to the vendor. And she said, Well, I can do this on one of the one of the teams i think is work in progress. And I said Guess what? We've just agreed to terms. She has no we haven't where there's this huge gap. And I said well, no and I left that room and went back to the board room and asked about the buyer. And we had a chat and he's I can't do this. I said Guess what? You've told me what she can do. The vendor has told me what she can do. And we have agreed to terms. So what we do and by the way, she was over the moon absolutely a static and he was over the moon, they were both shocked. Initially they went there to say goodbye, we can't get this deal done. And after the two hours, I had a plan. They said, Well, I can't believe we did it but Ian thank you so much. They gave each other a good deal done, she's enjoying life, and he's absolutely loving the business, it couldn't have worked out any better. And, you know, that's what I love doing. You just have to tell me what you can do.

Joanna: I absolutely love. I love this example, because it reminds me of what I love about the industry. You know, we are all here to help get good deals done. Right?

Ian: Absolutely.

Joanna: And what an amazing industry, you know, I'm very passionate about you're obviously very passionate about it. And you know, you should be passionate about it. If you're in this industry, I think about you know, about helping people get to those, get those good deals done, because it's you know, it can be life changing for the seller, this is a huge monumental event quite often, you know, in their lives, because quite often, they'll only sell a business once, maybe best twice in their life. And you know, for a buyer, some buyers, you know, your multiple acquirer as well. This is just the bread and butter and what you do day in day out, even for them, it's bell ringing worthy. But the many, many buyers, it's a huge milestone, it's a huge thing. And it's just such an amazing, I just love, you know, being in this industry where we get to do deals. And as you say, pulling deals back from the brink now just want to break down. As you're talking, I was thinking about what are the elements here? What are the learnings? What are the things that we can all take from what this example shows? Because there I think there are a lot of things that actually are relevant. Too many details and too many reasons why deals, hit road bumps. So if you'll allow me to I want to break it down a little bit, Ian, and you just tell me if you think I'm on the wrong path, or if you've got other things that you want to throw in to sort of deconstruct what your approach to you was. So you started off with "The Why". So what's the purpose? What's your what's their motivation for both of the parties? Is that right? Did I did I hear that correctly?

Ian: Absolutely. There's always a reason we need to find out what that is.

Joanna: Do you know what? I love that you say that because that is exactly how we approach it as well. And you know what, I think it's a little bit unique to call that out as well. Many people who are experienced might perhaps do that without realizing they're doing it. But it's a super important thing to bear in mind, if you understand where each are going. And if you understand the motivations, then you can ultimately bring out what is the win win for each of them, you know, deal, which is obviously where you got to in the end. But you couldn't have got to that point in the end, if you didn't understand both of the parties and their motivations, am I right?

Ian: Absolutely. And and more. So the only reason that I was able to bring together and reach an agreeable position was because I had the trust and the respect of both parties. When they trust you, and respect you. They will listen to you. Communication is fundamental to be able to have whether it's an easy deal or a tricky deal, or anywhere in between actually seen all the way through. So yeah, trust and respect is absolutely crucial. And communication. Effective communication is one of the come from when you've got all of those other things lined up.

Joanna: You are so right. I just absolutely love that. Because trust and respect is one of the things that can be there right in the beginning. And then I often find through the period of contract negotiations or due diligence or whatever working out the nitty gritty,

Ian: You're right, in that prevention is better than cure. And if you manage to manage a deal to a point, you can actually talk about essentially the three P's you know, you have a you have to prepare, you have a plan, and when you understand the purpose of everything, you know, you're able to be able to mitigate those things and get ahead of the problems that can occur. Then the communication and all of those things is absolutely fundamental to that. But you know, you've got you know, prevention is better than a cure. You've got to control what you can control. There are so many things in deals that are outside of our control, but the things that are in our control, like having a plan, having the skills and not In all of those sorts of things, and understanding the intricacies, not just of the business, but you know, there's an old saying, you know, a good lawyer knows the law, but a great lawyer knows the judge. In our profession, it's the same thing.

Joanna: I think I might like that one. Hahahah

Ian: I think it's an Ian Jones original. Hahaha But it's one of those things where you have to know everything about every one and every little bit, you are professionals, you got to know all this thing that's about this, what's the sellers motivation, what's their reasons? What's their concerns, sometimes it's just about price. And, you know, I want to be out, I've got something, I've got health issues, I've got other agendas, or reasons or motivations. But sometimes, you know, they've got a family member in the business, they've got a team that they've grown to love and cherish, and they just want the right buyer to come into it. So the team culture and the customers that they've been looking after for 30 years, they're gonna continue to be looked after. So when you understand what's important to them, you can put the time in to bring somebody in, that's going to be the perfect fit for what they're trying to achieve. And when you understand the buyer, they don't just want a business, they want a business, that's either going to give them some synergistic benefits, they want something that's going to provide a future for them and their children, they want something where they can, you know, bolt on to something else, or getting expansion into another area, whatever their motivation is, when you understand that, again, you can meet those needs as well.

Joanna: Love it. Okay, so we've obviously got understanding the why and the purpose, and then we've talked about doing things to ensure we create trust and respect and keep trust and respect. And, you know, that means playing cards straight as well.

And I think a mistake is when buyers or sellers do things that aren't playing card straight. So my whole take on it is you've got to play it straight, because keeping that trust and respect between the parties is critical to getting the deal done properly, then the next thing is effective communication, one of the things that you did that I love, and that is also a strategy we use is wherever there's issues that are arising, don't just continue with forwards and backwards. And of course, in your situation, it look like the deal was dead.

So there wasn't that opportunity either. But the parties get exhausted, with forwards and backwards and forwards and backwards, you know, and it really, it takes out the energy and the forward momentum in a deal. So our strategy, which sounds like it must be very similar to yours is get everyone to the table, talking. And ideally, with the aim of either coming to the finalization of everything right then or walking away, because if you let it go on, for too long, everyone just gets deal fatigue, which I think is a is a real thing out there, right?

Ian: That's a real thing for a lot of people. Yeah, that's for a lot of people.

Joanna: And that's why we've got to keep our energy up, right, because we got to combat that.

Ian: Absolutely. And sometimes when you know, buyers and sellers, to be honest, a lot of what they're trying to achieve is actually aligned, they want a transaction that works for them. Now, I appreciate that they might have competing interests, the buyer wants to buy at the lowest price, the seller wants to sell it at the highest price, all of those sorts of things aside, that's all part of managing a really effective negotiation. And, honestly, we've got steps and and key things that I'm happy to share either now or at another time about, you know, how he does things that we find that are absolutely crucial to being having a really successful negotiation process. When you're right in the trust and respect. And to be honest, sometimes it's simple to seek first to understand, yeah, don't try to sell them this when you understand that they're trying to achieve this. And it's just spending that time because, you know, it's fundamental, they get to understand what's important to the other party. And it allows both parties to actually meet the other's needs in order to achieve the things that are important to them.

Joanna: I totally agree. We had a deal actually, a few weeks ago, that ultimately unfortunately fell over notwithstanding all of our work to try and ensure it didn't fall over. But the reason it fell over was because the buyer just couldn't click on to the fact that our clients main concern was the care for the staff. The staff of the business have been with them for a very long time. And it was super important for them, that they had someone that they felt would respect.

Ian: That would be a cultural fit for the business.

Joanna: Exactly, exactly. I think the problem was that the buyer and their deal team got really focused on the detail rather than the bigger picture of understanding what our client, ultimately what our client's motivators were. Now, we're focused on ways to move price. But ultimately, what our client wanted was something completely different, you know, and we tried to communicate it, but because they were so focused in their realm, they couldn't see how to meet our client, they, you know, and ultimately, they went off, you know, and sold to someone else. And so it was, it was totally fine deal done at the end of the day, but this buyer missed out because they and their deal team couldn't understand the real motivators of our client and, and kept focusing on the wrong issues.

Ian: Absolutely, and, you know, I've got an another example, just recently, actually, where, you know, we had a buyer and the seller, they wanted to get the deal done, they loved each other. Well, no, they didn't, they were kind of like the challenge with each other. And they really wanted to get the deal done, perfect form. The solicitors do not see eye to eye on this particular deal. And the vendors solicitor actually said, Now that I've done like, the conditions like went through on the contract, and I knew this sell and needed to sell, I knew that the terms were reasonable, and I understood the motivations for them. Now, this is a last resort thing, because we went through every single stage, the deal was just about to fall over. And I did Okay, guys, we're getting just the buyer, just the seller, we're going in, we came into my boardroom in Newcastle. And we sat down for again, the best part of two hours, this is a very time consuming thing. I went through this contract point by point with both just the buyer and both the seller. And I said this point, does everybody agree with that? Again? Yes. It turns out that when they went through it, they were actually really comfortable with every single point that were in there. But they didn't read it. They were fully reliant on somebody gone? I wouldn't. They go, okay. And they did it. They love the fact that now they're free. They've got all of these things, the buyers loving the business, they're loving the fact that they no longer in the business, everybody's happy. So when somebody says, what do you do, to be honest, we do what it takes for as long as it takes to give the parties the outcome, and we never lose sight of the fact that we're looking after our client, we're working in our clients best interest. And we know a successful deal is when both sides are happy, or they've actually been pushed to the limit, but they've still got the outcome that they wanted. Yeah. And I love that.

Joanna: Well, look. And that brings me to, I guess the the last element that I wanted to talk about that I felt that your example had highlighted, and I love that that you've repeated again, because this just helps to serve the point of the benefits of focusing on where there is agreement, you know, and finding the Yes, because when you tease it apart, ultimately, you find if you can progress it through the yeses.

And where you find agreement, ultimately, the issues tend to dissipate it into something very tiny that can be dealt with, you know, and I see that again, and again and again and again. But I just love these, this idea of getting everyone together. And we you know, as I say it's a strategy that we feel cuts through really well. Getting everyone together and working through it all and getting to finalization in the one meeting, rather than letting it go on for death by 1 million emails.

Ian: And you talk about deal fatigue, and it's a it is a real thing. And I think when when people understand that, yes, they want to get a deal done, but often the reasons you've got to think about why do things go wrong, and that's because either somebody is oblivious to what the other person's needs are and are trying to actually meet that one, or they're trying to force a deal. They're trying to push timing, they're trying to, you know, do things in something in not the right order. You know, you don't want to get to a heads of agreement and completed due diligence when we haven't even got broad agreement between the parties that they don't like each other, and they comfortable in doing a deal together. So it's a matter of having a very structured, that's why we have a plan when you know the plan. And we appreciate that plans change.

But you always start with the end in mind, if you know the outcome that you're aiming for, you might have to deviate from the original path. But a plan for every circumstance is actually really important. And, look, nobody has a monopoly on good ideas, which is why it's one of the reasons why I'm actually a member of the AI baby, because, you know, education, a strong professional network, and people that you can leverage for great ideas that can help navigate these challenges will actually help you to achieve and get more deals across the line because your ideals do go wrong. And how you bring them back is really, really important, but having a commitment to your client, a commitment to the character, and everything that we actually set ourselves to attain for the people that we're working for and with is crucial.

Joanna: Yeah, absolutely. And a big call out here. And perhaps in the show notes, we'll also put a link through to the AIBB for any of our listeners, who might be Business Brokers, and are aren't already members, but such a wonderful organization, and I really enjoy being involved with the AIBB. And I know as you do, too, but you know, I think the concept of the industry working together, you know, with its members, to help create education, learning and sharing of ideas, you know, because we're all out there every deal, every good deal that's done is a brilliant thing, you know, and for us all to be supporting each other and making sure we're allowing that to happen. And enabling that, I think is a lovely thing for the industry.

Ian: Yeah, we certainly appreciate you and your team for all of the support that you guys provide. I mean, the AIBB is the peak professional body for brokers and business value is, but for anybody that's involved in deal structure, and you know, it is really important, and we are all learning all the time. But when you're able to deal with people that have had similar examples, you all learn from that, and you'll get better at it. And at the end of the day, we just want to look after our clients better. And having the skills, the education and the professional networks that we can actually help us all do that is fundamental to the success of what we're all trying to achieve. And yeah, I love the fact that I get to help people every day. And you know, every business is different. Every deal is different, fundamentally, because the people that we're dealing with,

Joanna: yeah, that's, that's absolutely true. Absolutely true. We'll look and I just want to say a massive thank you for coming on to the show today. I really enjoyed this topic and digging into some of these stories, because as I said, I love hearing stories and then pulling apart what made it work. Because I think that's a great way for us to be able to work out, you know, how is it that we save these deals when things go wrong when we look back and examples of how it's worked in the past. So Ian Jones, I want to say a massive thank you and how can our listeners get in contact with you if they are interested in finding out a little bit more about your services?

Ian: Yeah, look, they can call our team. Probably the easiest way is just to contact us via our website at merchantbrokers.com.au. We've got an incredibly experienced team. And we love helping anybody that either wants to buy or sell a business. And we're here to help.

Joanna: Brilliant work a and thank you for coming onto the show today.

Ian: Absolute pleasure. Thanks for having me.

Joanna: Well, that's it for this episode of The Deal Room podcast. Of course, we're talking about how does save a deal when things go wrong. If you'd like more information about this topic, then head over to our website at www.thedealroompodcast.com where you'll be able to download a transcript of this podcast episode if you're the kind of person who likes to read through in more detail everything that we've covered on the podcast. Of course there any now show notes accessible via your phone or other podcast player, you'll be able to find details of how to contact Ian Jones and Merchant Business Brokers and the rest of his team. And you will also be able to see how to contact our lawyers at Aspect Legal If you or your clients would like to discuss any legal aspects of sales or acquisitions in order to help get a deal team who are experienced in keeping deals away from the brink of falling off the cliff or indeed saving them if things go wrong.

We've got a number of great services that help businesses prepare for a deal and of course, to carry out the transaction once they're in the deal. And we work with clients both big and small. So don't hesitate to book an appointment. If you'd like to find out how we can assist, it's frayed, why not? Just head over to our website to do that. Finally, if you enjoyed what you heard today, I would absolutely love it if you pop over to your favorite podcast player, and perhaps leave us a review, tell us what you like. And if there's anything you don't like, why don't you just shoot that through to me personally. If you have any ideas of topics that you would like covered, we'd love to hear from you. Because of course, we really like to meet you where you are, and continue to provide you with content that you're most interested in hearing about. Well, that's it. Thanks for joining us once again for another episode of the deal room podcast, a podcast proudly brought to you by our commercial legal practice, Aspect Legal. See you next time.