So You're Managing a Successful PR Agency?

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Many agency owners simply want to continue to run their own agencies for as long as they can. Maybe they feel like they haven't been in business long enough to even think about selling. They're having fun, business is growing and have exciting clients.

To those of you in this category, I implore you to manage your business profitably so that if you consider attempting to sell your agency one day, then prospective buyers will be pleased that you knew how to run a business well.

To those of you who are considering the possibility of selling your business in the near future, let me throw out some questions that will test your appetite for exploring such a move:

How willing are you to give up your independence?

- Would you be comfortable reporting to someone else after years spent only reporting to yourself?
- Are you willing to be an employee of a larger company?
- Can you live with the fact that you may be put out to pasture after your employment agreement with a buyer ends or that you would have to sign a non-compete agreement and couldn't restart your own agency for a certain time period?
- If you can live with the consequences of these questions and still want to proceed, then let me paint the general landscape of current buyers and what their

considerations are.

At one time, most of the PR agency buyers were the larger PR agencies themselves. With the rapid growth of agency revenues and client budgets, more buyers have come out of the woodwork than ever before.

Today's buyers continue to include the big holding companies like Publicis, WPP, Interpublic, Omnicom and Havas. But buyers now include considerably smaller regional PR agencies, ad agencies and marketing service firms. They also include international players, digital communications firms and private equity firms. Buyers are now often in the range of $2 million to $10 million in net fee income.

Many buyers are first time entrants in the acquisition front. They have made the strategic decision within their own boardrooms that growth can best be accomplished through both organic means and key acquisitions. And once new buyers enter the acquisition marketplace for the first time, they are inclined to do so again.

That is why there are far more opportunities for sellers than ever before.

What buyers want now

But one major change has evolved during the past 10 years.

Acquisitions are now less about a seller seeking an exit strategy and more about continuing a career with a buyer's organization. Buyers are seeking strong entrepreneurs as well as strong firms.

And because there are more options for sellers, you can be that much choosier. Once you select a buyer and close a deal, you can't turn back. You're now obligated to work with this buyer for at least the next three years. How can you be sure you make the right choice? Here are some rules of thumb:

1. Make sure that there is a strong cultural fit.

To be sure of this, I always recommend that a seller spends a fair amount of time with the buyer’s organization, particularly with the individual to whom the seller will report. The time to do this is before you sign a letter of intent, not after. Do a lot of due diligence on the buyer, organization, people, accounts, strategic vision, growth plan, track record and other recent acquisitions. Have conversations with the principals of other firms that this buyer has acquired.

2. Realize that acquisition terms are usually predicated on earnouts during a three-to-five-year period.

Be sure that the goals that the buyer sets for you to earn the maximum purchase price are fair, reasonable and attainable. Work with PR consultants who know the trends. Your PR agency is one of your major assets. Don’t shortchange it.

3. Be clear about your role in the new buyer’s organization.

The buyer will count on you to run your own operation independently – make sure that is the case – but you could play a senior management role in the buyer’s organization. If you’re interested in remaining with the company after your earn out period is reached, then you must lay the groundwork in advance.

4. Remember that a transaction is not only about money.

It’s about a happy and exciting lifestyle with an organization that is in harmony with your own.

5. Protect and retain your key people.

These individuals are not only important to your welfare but also to the buyer’s. They should be just as excited about the opportunities with the buyer as you are.

6. Analyze well in advance what you bring to the table.

That will help determine just how satisfied you’ll be and if you can reach your financials goals. Are you in a niche that is attractive to the buyer? Is the city that you work in of value to the buyer? Does the buyer already have an office in your city or will your firm be its first one? Are there any major client conflicts that you would need to resolve or is there a perfect fit between your clients and the buyer’s clients?