Making Your Company Attractive to Foreign Buyers

By JoAnn Lombardi, President VR Business Brokers/Mergers & Acquisitions

Increasing globalization and a strengthening U.S. economy means that more business sellers are looking overseas for buyers. Many foreign buyers, in turn, are eager for U.S. acquisition opportunities. These types of deals can be complex, opening the door for miscommunication. Anticipating challenges, however, can help smooth the way.

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Appoint Cultural Ambassadors

Prospective foreign buyers may not only be unfamiliar with the ins and outs of your business, but also U.S. cultural customs, government regulations and labor relations. You can position your company as a more attractive acquisition candidate and smooth the process by assembling a group of executives to serve as an "ambassadorship" to a prospective buyer.

Charge this task force with explaining your country's traditions, work practices and regulations. This group might organize a series of meetings in which managers from both companies can meet and discuss such topics as work hierarchies, distribution of power and responsibilities, and even office layouts. Informal meetings will help unearth any potential stumbling blocks long before the two organizations formally integrate.

Participate in Due Diligence

Due diligence generally is a buyer's task. But foreign buyers likely will have their hands full trying to understand various legal and regulatory requirements. You can help keep the transaction moving forward by performing an extensive inventory of your assets. Draw up lists of tangible and intellectual properties and flag any potential issues, such as machinery in need of repair or real estate with potential environmental exposure.

Also, consider issues relating to human assets. Your HR department should compile a list of employees and determine if any of them might cause problems for an international buyer. For example, if you employ non-U.S. citizens, be prepared to explain their status - whether they're here on a work visa, or are in the process of obtaining U.S. citizenship.

Assess whether employee health and retirement plans will be ready to transition to a foreign owner. Benefits - particularly when you propose transferring them to a non-U.S. company - can be a regulatory minefield, so you should work with third-party payroll services with experience in this kind of work.

How employees transfer to new owners varies depending on the buyer's country of origin. In the European Union, for example, employees transfer to new ownership automatically. In Latin America and parts of Asia, the process can entail terminating the selling company's employees and then rehiring them.

Be Reasonable

Sellers also can help facilitate a successful international acquisition by acting as the voice of reason in deal negotiations. Making your company attractive to foreign buyers. If a buyer has overly ambitious goals, such as an accelerated integration timeline, it may be in your best interest to argue for conservatism to prevent later disasters. If, for example, the buyer underestimates what it will take to transfer a database, ask your IT department to draw up a step-by-step chart of the process that includes realistic timelines.

Employee issues can flare up during international deal negotiations. An overlap between your and your buyer's organizations makes redundancies inevitable. But if your company is likely to bear the brunt of layoffs, be candid with your employees and, to the extent possible, assist them in finding new jobs. Otherwise, morale will suffer and employees will be more likely to leave in masse, or, if they remain, be uncooperative - making it very difficult for the buyer to achieve its strategic goals.

Play Your Part

During the sale process, be respectful of your international buyer's culture and do what you can to ease a complex transaction. Your attitude and actions may determine whether you actually cross the finish line and realize a good price for your company.

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