WISE RHINO GROUP

PETER CAMPAGNA

13 EMOTIONS YOU WILL EXPERIENCE SELLING YOUR ADVISOR BUSINESS

*M&A expert **Peter Campagna** runs through his list of common emotional challenges advisors face when they decide to sell their business and the best way to minimize the stress of going through a sales process.*

"Fully 80% of M&A is managing emotion," Peter Campagna, Managing Partner at M&A advisory firm Wise Rhino Group, says. "The financial stuff is somewhat easy, but they're selling their life's work. They're serial entrepreneurs who will become W-2 employees, and it's a big mental shift."

In the following discussion, Campagna takes a fascinating look at what (and how) an advisor often feels when getting top dollar for their advisory business yet saying goodbye to what they've built. Bittersweet doesn't begin to describe it.

"It's an eight-to-12-month process, and it's intense, like a rollercoaster," Campagna added. "The ride almost always ends up in a great place, but it doesn't always feel good when you're on it."

He explains three phases of the sale process and the emotions associated with each before describing the post-close phase and the added emotions it entails.

The three phases in the process are:

1) Preparation
2) Marketing
3)Due Diligence

PREPARATION PHASE

Overall, it means gathering a lot of information and organizing the clients' financial statements. It's when the team at Wise Rhino "gets to know" the clients and their business. They ask a significant number of questions to arrive at a valuation so the seller knows what to expect from the process.

1. **Guilt:** It's guilt right out of the gate; guilt for even considering selling, and guilt that it isn't an internal sale to a family member or key employee (which involves added personal risk and often a deep discount). Preventing business disruptions is paramount, which means the consideration of a sale is initially hidden from the team, and meetings are secretive and behind closed doors. Ultimately, there's little comfort in keeping it quiet.

2. **Uneasiness:** No one is necessarily "excited" to sell, and losing some control over the practice naturally produces an uneasy feeling for the owner(s). One client told Campagna they hadn't received a W-2 in their 35-year career. They've rarely worked for another person, but he reminded them that potential buyers aren't going to pay millions of dollars for a business "only to mess with it. They just want to remove the drag so they can grow faster."

3. **Concerned:** What will happen to the team? Campagna compared it how Richard Gere's character did business in Pretty Woman; sellers instinctively fear it will be bought only to be dismantled in some way that puts the employees out of a job. While it might affect a few employees (accounting, marketing, IT), firms are "starved for talent," and they often repurpose those employees into new roles, sometimes in roles that help the firm grow faster to "crush the advisor's earnout opportunity." So, in reality, Campagna emphasized, all the staff the seller wanted to keep usually stays post-sale.

MARKETING PHASE

It's "getting engaged to be married," or the part where Wise Rhino introduces their clients to potential buyers. The list is then narrowed to three or four.

After a deep analysis and examination of each, the phase ends by deciding on the new partner, negotiating a deal, and signing a letter of intent.

4. **Surprised/Excited/Flattered:** A lot of excellent firms are very interested in the advisor's business. Campagna admitted to stretching by combining three into one, but sellers will feel them all in this phase. It never turns out how they think, but it still turns out great. Some obscure firms no one knows about end up working out, while some "slam dunks" do not. Many dates are set, and suitors are typically on their best behavior. Clients see how they would fit in, and often, what they thought they wanted begins to change as they realize all the wonderful and unique opportunities dynamic buying firms bring, which is exciting.

5. **Skeptical:** Are these offers real, advisors frequently wonder? They simply don't believe the numbers and the deal negotiated on their behalf are real. They think there's a catch or that it will change once the due diligence process begins. Campagna reassures

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them that, yes, the check will be that big.

6. **Uncertain:** Do they really want to do this? It's human nature; no matter how big the check and the opportunity, sellers will question if they want it. The loss of control in becoming a W-2 employee has them asking if they can still wear shorts to the office on Fridays or if they will ever be able to take a vacation again, and will they have to report to someone, and will that someone be a jerk? The reality kicks in, and no amount of zeros on a check stops people from feeling that change is hard and scary, even if it's the right move.

DUE DILIGENCE PHASE

The due diligence phase is the most painful phase and where the proverbial deep dive happens. The letter of intent has been signed, and now the "not fun work" begins, according to Campagna.

7. **Overwhelmed:** They receive a flood of data requests, to the point that Campagna joking requests they first get colonoscopies to be more prepared for the process. It will take a decent amount of time and work to gather it. They might start to bring other team members into the process. Work performed in the first two phases will help, as will Wise Rhino's familiarity with the buying firms. Yet, there are required items that only the advisors can access. It's a heavy lift, but it's well worth it.

8. **Nervous:** Will the advisor's client follow them once the sale goes through? It's something Campagna hears from every seller. The reality is almost all the seller's clients sign the consent notices and make the move. However, they usually have two questions: Is it a good move for the advisor, and do they still get work with the advisor?

9. **Adaptation:** Their future compensation will be far different. While adaptation is not technically an emotion, many business owners do really (really) well. Firm net can provide very high annual incomes. It's hard for them to accept that's no longer the case, at least initially. Two things help: the massive check they received for the sale and the ability to grow their income back again. They forget they just put over a decade of foregone current income into their bank accounts. They also forget they now have stock that will hopefully triple over the next five years.

10. **Fatigue:** Everyone hits the wall at some point. Clients have a mini-breakdown, and they want to call it off sometimes three or four times. It's a long process, and they just cannot respond to another inquiry from the buyer. Campagna patiently listens and reminds them why they started the process, the needs it addressed, and that they have ultimate control and don't have to do the deal. At that point, they regain composure and get back on track.

11. **Torn:** Sharing the proceeds with the team that got them to where they are. Should the sale check be shared with key people or everyone on the team? If so, how much? Will it be appreciated and have a positive effect on future performance? What about the earnout? Should that be shared as well? They are all difficult yet critical questions, and Campagna helps them find the right balance.

LIFE AFTER THE CLOSE

It's over, and their family is probably set financially for life. It's a done deal, and they have a new life with a new partner. So, what happens now?

12. **Relief/Elation:** Believe it or not, the close is anticlimactic. The long, arduous process that's recently consumed their lives is over. Yet, years of their hard work have officially been monetized. Campagna is always honored when he occasionally receives a thank you note for changing their lives. The buyer got a great new firm, and the sellers monetized their life's work; everyone wins.

13. **Surprised:** Life isn't that different the next day. It's the same office, team, and, in many ways, the same challenges. The difference is they are part of something bigger, and, yes, some things will change eventually, but they were probably needed and positive.

It's a difficult process overall, and multiple clients means Campagna is dealing with multiple emotions simultaneously. He emphasized that he is always empathetic to the emotional aspect of the sale process, and the day he isn't is the day he will retire.

"It's often the most important financial event that's ever happened in their lives," Campagna concluded. "I never forget that, and I never take it for granted."