Chesham Amalgamations

August 2009

The Financial Times leader on Saturday 1st August 2009 was headed "End of the world is no longer nigh". It was a welcome morning read and of course the recent performance of world stock markets is encouraging mainly because it is demonstrating a return of a quantum of sinew stiffening to investors' collective backs. Confidence in the future has started to creep out from under the shadows. The mountain of adverse statistical data and gloomy comment serves nonetheless as an important counterbalance to over exuberant or over enthusiastic expectations. The gloomier commentators are probably correct insofar as economic momentum is concerned. Confidence can be lost very quickly; it takes times to re-establish growth. Human ingenuity, spurred by external pressures, will generally uncover better ways of running factories and businesses.

Nonetheless the rise in the various stock-market indices over the last 10 days suggests an improved mood, increased confidence and re-generated belief in the future. Eventually this will feed through to the grass-roots economy. Throughout this crisis we have been realistic optimists; Chesham after all has seen several downturns and recessions come and go in its nearly 50 years of existence.

When we meet owners for the first time and start to discuss how Chesham can help sell their business one of the subjects touched upon is containment of the decision to sell within a restricted group of people. Generally this is the group of shareholders who have various roles within the company; Managing Director, Finance Director, Sales and Marketing and so on. Occasionally certain roles are fulfilled by employees and in these cases the owners are faced with the difficult decision about when to bring the senior, possibly crucial, employees into their confidence. If brought in too early people may be unnecessarily perturbed, if brought in too late then political hurt may be caused among those members of staff whose continued loyalty is essential to the ongoing business.

We have two such contrasting situations at present which neatly indicate the consequences of this failure in communication. In one business the owners are most concerned that staff does not learn of the possible sale until matters have progressed to the point of a firm offer. This is quite understandable; however this business (a business whose main assets are the people within it) does not have adequate financial reporting systems and software in place. For the past three months the buyers who are interested have been trying to grapple with contradictory and imprecise figures in order to establish their proposal. Neither side, in these difficult (sic) times wishing to go firm on an offer which may prove unworkable upon due diligence. The answer would of course be to take the persons responsible for the accounting and finance function into their confidence in order to get the report and reconciliations required. The underlying business is strong.

In the second business the finance and accounting function falls under the remit of one of the shareholders; buyers who have visited have been given a clear and well-documented picture of the company with answers to all their questions and some besides. This business is as sound as the other but the degree of confidence instilled during buyer-vendor meetings is of a different order of magnitude.

The lesson, at least in our market, is clear; while a successful entrepreneur might run a hugely successful company by instinct; the eventual buyer can only look at the figures to make a judgement. This exclusive pre-occupation with financial performance is however a very Anglo-Saxon trait; in other European countries it is the commercial concept behind the sale that carries more weight. As one rather haughty French owner of an extremely prominent business once remarked to us «when are they [the buyer] going to stop asking me about the value of the number of reams of paper in the stationery cupboard and make an offer?»