

Your advisor is your guide



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PARTNER
BOOK OF LISTS

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New markets are not unlike new lands - entrepreneurs are tempted by stunning prospects... for better profits. Expansion by acquisition of other companies is one of the basic models for business development. When entering an unknown market, companies do not build their position from scratch, but acquire other businesses in the hope of achieving investment objectives sooner. Besides gaining or increasing market share, the acquiring party may be motivated by an interest in the target's unique know-how, acquisition of a more capable competitive business, or extend its range with new products and services. Sometimes, the reason for the acquisition is to make new contacts, or because there is an interesting contract, history, brand etc. that comes with the company. In other words, there are numerous motivations to conquer. The expected outcome is usually quite simple: to gain more than has been invested.

Deciding on an acquisition, one must be certain that the objective will be achieved. Otherwise, the investment might not be profitable within the expected time frame, and the original decision to proceed with the acquisition might be easily criticised by owners, managers, employees and the market. It could be nothing but trouble, to be honest.

With all this in mind, every manager will do his or her best to secure the company's interest in the best possible way: determining key assets, identifying risk areas, taking all measures to mitigate the risk of failure. The manager imagines possible scenarios, tries to prepare the company in case any of them occur, to be always prepared to face reality. This may seem relatively easy when one is familiar with the target's country of operation.

But what if one decides to acquire a company in a country that is foreign? This is where a local advisor becomes essential. A local who is simultaneously an experienced specialist - one who shall understand the main objectives and terms of a transaction, become familiar with one's expectations of key assets and one's concerns with risks related to the acquisition. On the other hand, a professional who is familiar with the local culture and tradition, is an expert on legal conditions and has detailed understanding of the principles shaping the country's economic relations. An advisor, utilising your experience in the sector, your thoughts and the information you provide, and setting them in a local frame, will be able to prepare a suitable action plan: what contracts to conclude and with what clauses, how to perform due diligence, how to negotiate terms of transactions. Sometimes, an advisor might advise against a transaction altogether - estimating that the chances of success are simply too small.

One might say - it's always good to have an advisor who is useful in any transaction. The role of an advisor, however, becomes especially important in cross-border transactions. Business in Poland is, after all, viewed differently by a Hungarian, American, German or Italian. Each of them will put emphasis on different items of interest - usually based on his or her own experiences (that are local to him or her) or by generalising them, for instance: all CEE/European/Eastern/Western/Northern/Southern states, and so on. The truth is, however, that not only does every country have its own customs, but individual regions often differ between each other, sometimes even immensely; furthermore, there may be differences found within regions, too, that might be worth taking into account when planning a transaction. Likewise, a Polish business preparing itself to expand abroad should bear in mind that transactions will not follow the same course in France as they would in Germany or China. In my professional work I am witness to a whole range of attitudes, which are perhaps best reflected in the way the acquiring party assesses the financial statement of the selling party: from uncritical acceptance to utter suspicion and doubting every single item in the statement.

Trusting the validity of a financial statement is, however, not the subject today. The significant thing is that a company acquisition transaction is performed differently in China from the way it is done in Norway. We all know this to be a part of business etiquette. There is a way of exchanging business cards with partners in Asia, and a different way in the UK. We would not make an appointment or have a meeting with a partner from the North of Germany in the same way we would with a partner from the South of Italy. And do we adjust the planning and acquisition process of another company to the way in which transactions are concluded in the target's country of operation? This is not just about the manner of forming and maintaining relationships with the other party's representatives, or the negotiation style. This is, most importantly, about how we plan to perform due diligence and the whole agenda of the acquisition. Are you sure you have an updated map with you to guide you through new territories?

A transaction advisor is like a guide on a journey. It is far safer to visit places you've never been to before when you have a guide to support you. Further along these lines, one might say that acquiring a company is not unlike visiting a new city - there are representational quarters (the seller will be eager to show us) and there are dead ends that are better not entered without a guide. Only a guide will know where to find them and how to pass through them unscathed. Acquiring a company, one takes on all the chances and risks - as if exploring a new land. Guiding you on how to achieve this safely and effectively and to return as a conqueror, is exactly what the transaction advisory service is all about.