

Mergers may also be the answer...

Bill Cotter

Let's also talk about mergers. We all have our pride – that's part of the reason we have been successful. As a result, we all hate the thoughts of a merger. After all, don't we “want to own it all” and to “be in completely charge?” The fact is that we always work much better when we have strong advisors to speak with, and often a partnership with someone with the same overall goals as you will make a huge difference in the value of the total franchise. One and one can add up to more than two!

Our company had an important transition decision in 1986. Those of you old enough to remember know that 1986 was a boom year that followed another boom year in 1985. The real estate, mortgage and title businesses were booming. We had to decide how we would transfer 60% of the company from my mother's estate and my sisters and pay them a fair price. Two other title companies – both much bigger than ours – were facing the same dilemma. The managements of those companies chose to “own it all” and borrowed heavily to buy all the stock for the executives. Our company chose to offer some of the shares to its executives, but the greater portion – 40% - was given to an ESOP¹ and shared with the people who really made the company work. Over one hundred employees suddenly became owners, and the organization prospered. When the 1989 – 1992 bad market hit, we were ready and the company managed its way through to continue its success. What was the fate of the other two companies? Neither survived 1989.

The guy who competes with you up the street or across town may not be your favorite, but he or she may be the best possibility for your company to grow and thrive. Isn't it at least worth thinking about and exploring? What would happen if you merged your talent? What does he lack that you possess or what can he add to your own abilities? Does his company have the kind of managers you need, or do you have a better training organization? Can he recruit more than you but you have a stronger controller? These are things well worth thinking about.

We have many operations that are the result of merging two or even several operation together. One, whose genesis was 1985, had to merge when the real estate firm that was the initial partner closed during the '89 – '92 bad market. The surviving operation merged the title agency with another company's shop and later merged with a third title company that was partnered with a lender. Last quarter that merged company opened over 250 orders and earned a very significant profit, none of which would have been possible if any of the three companies tried to operate on their own. Nobody owns the whole thing, but everyone is taking dividend checks to the bank, and isn't that why we are in business?

¹ Employee Stock Ownership Plan. If you are interested in more on how an ESOP really works, feel free to call Bill Cotter at 610-675-8003.

