

Acquisitive Companies Building M&A Expertise Requires a Playbook

We are not good at acquisitions. At best 50% are a success in the eyes of the acquirer. The key determinant of success? Price? Location? No, the research is pretty consistent -the post acquisition integration of the target is the key. Research conducted by Cass Business School, covering 12,339 deals including 2,917 acquisitions of distressed companies from 1984 to 2008, concludes that

post-acquisition integration is the key (Moeller).

In addition research done by Dr. Koen H. Heimeriks, Stephen Gates, and Maurizio Zollo pointed out that:

Maintaining a body of M&A knowledge | organizing it into lessons and making it easily accessible are key to developing and leveraging a company's M&A capability. Without such a framework, companies can slip into applying general types of strategies developed in prior acquisitions that are inappropriate to the one in hand. Managers might also become overconfident by thinking that the mere accumulation of experience brings with it a stronger capability.

There it is. It's not the volume of deals you do, it's the learning process you develop as you do them.

We all need process maps and frameworks that focus our objectives around a cause. We need a playbook that directs the talent on the field. Even in the biggest public companies it is essential that operational staff, with normal day jobs, become part of the acquisition process from time to time.

Acquisition teams need leadership. Try doing that without a framework, a process map, a Playbook.

Look, you couldn't conduct financial transactions without a double-entry accounting system. You couldn't give legal advice without a legislative framework!

Acquisitions need to be placed into a measured system that is fine tuned over time, that lives and breathes with each new deal completed. Every single deal is a learning moment.

Excellence in acquisitions isn't a destination it's a continual process.

Acquisitions by their very nature are charged with emotions. It's like buying a house with the family still inside! They need skill, patience, respect and most of all, a strategic framework, that challenges the logic of every deal. We call it- The Acquisition Approvals Model.

Phase 1 - Strategy

Acquisitions are a terrible idea if you're unclear in which direction you want to travel.

Phase 2 - Target Identification

Buy what you want to buy not what's up for sale. Post-acquisition integration thinking should actually force the prioritization of your targets.

Phase 3 - Target Pricing

Buyers perceive value, sellers aspire to price.

Phase 4 - Negotiate Price & Structure

Negotiation is all about using questions to understand the seller's stance. Structure is designed to maximize the post-acquisition success of the deal.

Phase 5 - Due Diligence

Acquirer's need to be mindful that validating their post acquisition thinking, is a key objective of due diligence. It is not only about checking the books and historical facts.

Phase 6 - Post Completion

Using a systematic approach sets you up for success. You know the 30, 60 and 90 day plans that require to be executed. You are moving forward and communicating with confidence, because you've done your long before the deal completes

These thoughts are extracted from my new book - **The Acquirer's Playbook**, available on Amazon.

The Portfolio Partnership assist acquirers in creating and executing a better playbook for acquisitions.

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