

## Doing Acquisitions the right way

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***“This seems to be the perfect time for one small business to acquire another. Competitors are ready to throw in the towel. Many finally have realistic expectations for what their businesses are worth. Some want jobs and others just want to get out from under mounting obligations for rent, payroll, and moving out inventory. What should my staff and I be prepared to do to properly handle an acquisition once it's completed?”***

The late stage of a recession is often a good time to look at fueling growth by acquisition. You want to add volume, gross profit and talent while reducing overall costs. Do keep in mind that the majority of acquisitions don't pay off because things fall apart after the deal is done.

There are phases to an acquisition. Do the deal for a reasonable price. Go into the new company immediately after the deal is done. Assess and secure personnel and property, and set your own goals going forward. Evaluate costs and ensure the operation meets or exceeds the forecast established as part of the buying process.

### **BEFORE THE DEAL**

Before signing on the dotted line, match financials to the company's tax returns. Compare the target's costs to your company's experience. Build an operating proforma showing how you make a profit right away. If you cannot show profit, think twice about doing the deal. It may be better to invest your money in building up your own company, without the confusion and management demands of an acquisition.

As you get ready to sign the deal, within your own company assign duties and timing for stepping into the acquired company. Your employees who are involved in finance, sales, operations, marketing, human resources and general management all need to get their arms around the new company starting in the first 30 days. Make sure your personnel have in place backup for their old jobs.

Put a manager from your company in charge of the integration and have that person on site from day one. Assign a company liaison, someone from your company who will be on site regularly, who has the ear of senior management. The liaison's job is to watch how the integration proceeds, build relations with personnel, customers and prospects, and advise the manager in charge about what they're observing.

Your company will be incredibly busy digesting the acquisition. Having a written timetable will help everyone stay on track and keep focus.

### **AFTER THE DEAL**

- As soon as the deal is done, step in to secure accounting systems, human resource records, customer and prospect lists and purchasing processes. Contact the acquired company's bank to change signers on all accounts.
- The first week sign employment paperwork with all personnel.
- Within 15 days contact customers to let them know you value them. Pull all open proposals and call all active prospects to find out what they need from your company in order to make a decision in your favor. Within 30 days personally visit all key customers and prospects.
- Within 15 to 30 days of takeover, document the practices of the acquired company that you want to preserve, including any you want to integrate backwards into your own company.
- Within 30 days begin to implement changes in the target company, getting their practices to match your own as quickly as possible.
- Within 30 to 60 days, rotate personnel from the target company over into your functions, to help them feel part of the new company.
- Within 90 days, set goals and impose budget and forecast for the new operation.
- Within 120 days test how things are going and start to focus in on sticking points.

- Within three to six months make final decisions on personnel changes and reevaluate the forecast, budget and profitability.
- Within six to 12 months have the acquisition over and done with.

It will take discipline, high energy, follow through, patience, and lots of extra hours to get the deal done right. You may put a lot of time into getting the deal done. Remember that's only the appetizer. What happens once you sign the deal defines if it was worth doing, or not. And there's no sense doing an acquisition only to regret the outcome later on.

Looking for a good book? Try :The Art of M&A Integration Second Edition: A Guide to Merging Resources, Processes and Responsibilities," by Alexandra Reed Lajouz.

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