# Acquisitions: why now, what to watch out for 5/17/10

***"To make our revenue goal for 2010 we'll have to do an acquisition. Now is probably a good time. We know a few owners in businesses related to ours who want to get out. What should I look out for?"***

There are good and bad opportunities out there. Some companies are more prepared than others to do a takeover. Not all acquisitions work out well – in fact, most don't. For the savvy small-business owner, acquiring another business can look like a stroke of genius.

Make a list of things your company wants to acquire. Here are 10 to consider:

- customer list, proposals list, other opportunity to expand sales quickly;
- sales people, customer-service staff;
- production operation, staff, equipment;
- internal systems, staff to complement acquirer's core;
- product or service to market to acquirer's current customers;
- market to sell acquirer's products or services to;
- R&D, skill with product development, other opportunity for leverage;
- strengthen balance sheet;
- load up on write-offs if the acquirer is making profits each year;
- turn around an unprofitable company.

Put someone in charge, starting with opportunity evaluation. Make sure that your team can:

- Assess the profitability and liability of the deal;
- Secure what it is that you're buying so it won't just drift out the door once the deal is done; and
- Get leverage out of the deal by combining efforts in some areas.

**Are you ready?**
As acquirer, make sure you're ready. Rate your company on the following items, from 1 (not at all prepared) to 4 (totally and completely prepared):

- management team in place;
- know what business the company wants to be in;
- capital reserves in place to do a deal;
- strong funding relationship to support the deal;
- know the hard work begins once the acquisition is completed;
- staff ready, willing and able to step into the acquisition;
- match core company's strengths and weaknesses to target company's;
- cite 10 clear reasons for making the acquisition;
- estimate marketplace changes within five years and how that will help or hurt an acquisition;
- aware of how government regulation impacts both businesses' futures.

Get a score of at least 30 or better and it may be time to proceed. Under 30, you have some prep work to do.

When considering an acquisition, it serves to be a pessimist. Things can, and often do, go wrong. Odds are against the acquirer – 70 percent to 80 percent of all acquisitions deliver less value than anticipated, with many ending as outright failures.

**What goes wrong?**
There's no solid plan for taking over. Employees are not secured with employment contracts. Hourly personnel are allowed to bill hours without proper supervision. People aren't clear who they report to. Customers wonder who to deal with in the future. Proposals are left hanging. Vendors aren't managed or aren't integrated into the company's buying programs fast enough. Goods get lost. The list goes on.

Once the deal is final, the real work begins. Have a team of people ready to step in. Make sure everyone is clear about their assignments: get control of the books and bank accounts, see to employees, manage payroll and production, get your arms around the customer list and meet with most customers quickly, find out what's in the sales pipeline, start marketing advantages of the deal to customers, prospects and vendors, and meet with vendors and inform them of the company's new buying practices.

Once the dust of the takeover settles, it's time to think longer term. Are there enough prospects? What will be produced by the acquired company, what will be rolled into the acquirer? Which employees are keepers? Which customers need to be turned around or cut loose? Will both businesses make money or does more need to be done to turn a profit?

Done right, an acquisition can add revenue, profit, and resources. The magic is in managing the details. Jumping forward quickly can be a business owner's dream come true.

Looking for a good book? Try "Mergers and Acquisitions from A to Z" by Andrew J. Sherman.

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