**Strategic Acquisitions is a Continuous Process, not a Onetime Event**

Most acquirers start an acquisition by listening to a financial advisor or broker about a “deal”. They will tout the financial opportunity, i.e. only a 4 times multiple of earnings that will yield a 20% return on investment. This “deal” based approach to acquisitions will often lead to repeated failure and many surprises after the acquisition.

When you build a long term Strategic Acquisitions program you **focus on** **markets** that represent real long-term opportunity for growth in sales, profit and employment where you understand the customers value system. Business acquisition opportunities are defined by the markets they serve. For example, if you target businesses that are experiencing declining customer demand, profit margins will fall as competitors scramble to hold market share. If you target markets with growing demand profit margins are more likely to be stable or grow over time. One of the best indicators for healthy markets is the Gross Profit margin from operations. (Gross Profit is that amount left when you subtract product manufacturing cost from revenue, Gross Profit Margin is Gross Profit divided by revenue). I suggest that Gross Profit Margins should be a minimum of 30% in healthy market, less than that is an indication of a highly competitive market or commodity market. High Gross Margin (over 50%) Markets are usually an indication that competitors can differentiate their product to appeal to customers who are willing to pay a premium for that unique product or service offering.

Once you have identified the Markets within which you want to find acquisition opportunities the next step is not obvious to most new acquirers. GO TO THE CUSTOMERS of the companies in that market. Ask the customers which supplier they recommend and why. Do this at conferences, trade shows, customer briefings and cold calls. You may also engage a professional advisor to evaluate customer supplier preferences.

Once you have identified the target acquisition, either through your advisor or via direct contact, arrange a meeting with the target company senior manager or owner. A lunch, breakfast or dinner will usually suffice. Your objective is to get to know the people and the culture of the business. Do they share the same perspective of the market as you? Do they treat their employees as you would treat employees? Do they have any short or long-term desire to sell their company and what would they look for in a buyer? T**he most important business asset is the employee**. What is their motivation to continue working? Will it go away if you purchase the company? If you purchase a business and lose the people the acquisition will usually fail. Unfortunately, business accounting systems and business valuation models view people as an expense not an asset.

I have described the beginning of a comprehensive acquisition process detailed in my book, “Strategic Acquisitions”, A guide to growing and enhancing the value of your business. Using this process, you will fill your acquisition pipeline with suitable target companies that will eventually bring about successful acquisition opportunities that fit with your strategic objectives. If the Strategy is right and the People are trustworthy and become part of your team, you are on the path to a successful acquisition.

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