ACQUISITION AS A STRATEGIC TOOL

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HOW YOU CAN GROW YOUR BUSINESS THROUGH ACQUISITION

Acquisitions can be risky when used as a primary strategy for growing a company. Failed integration, in particular, can thwart the long-term success of many transactions. But when used as a strategic tool - a component of a larger corporate strategy - an acquisition can be a highly successful way to grow your business.

KNOW YOUR GOALS

Often, companies leap into an acquisition merely to eliminate a competitor or acquire an attractive product. But for acquisitions to fuel a company's future growth, they can't be approached thoughtlessly or viewed as an isolated event. Instead, acquisitions should be considered as much a part of business operations as marketing, finance, and other mission-critical functions.

Before contemplating this strategy, you must define your company's goals. Do you want to diversify assets, reduce costs, increase brand awareness, or expand into new markets? Whatever your goals, an acquisition should further them and complement other corporate plans. You should also compare consolidation with other options, such as organic growth, restructuring, strategic alliances, or even the sale of an underperforming asset.

Take, for example, a company that decides its major strategic goals are to reduce costs and position itself as the market niche leader. It may initially consider acquiring a producer of complementary products but after further consideration conclude that's likely to result in only a fraction of the desired increased profitability.

The company then might examine the possibility of cutting costs and growing market share through organic means but ultimately determine it's impossible to accomplish both with current resources. After examining all of its options, the company finally decides that an acquisition is indeed the answer if it can find a target that can provide it with greater exposure as well as cost efficiencies.

THE RIGHT FIT

Once you decide an acquisition is the best, or only, way to reach your corporate goals, focus on finding the best target. Fit is important: If you're considering an acquisition based solely on opportunity, the deal is likely to result in disappointment.

Instead, ask how the target company will specifically support your strategic vision. Will new products, for example, be well received by your existing customers? And will your current lineup of products meet the target company's customers' needs? Are the cultures of the merging companies compatible? Depending on your goals, you might also consider the target's market reach, competitive landscape, and customer satisfaction levels.

Your VR M&A advisors can help you structure your due diligence plan so that you spend the bulk of your time and effort scrutinizing only the target company's assets and financial details that are most relevant to your goals. For example, if you're acquiring a competitor to

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gain access to its research and development staff, it's unlikely that you'll want to devote excessive due diligence to its real estate holdings.

All components of an acquisition may carry future liability, however, so a thorough investigation is critical to accurately assess potential risks. Your business unit managers should assist in due diligence to ensure the review process includes the items they feel are most important.

GET AN EARLY START ON INTEGRATION

Even if your target seems to be the perfect fit, you may still encounter difficulties in integrating the two organizations. Businesses with more attuned products, customers, and technologies are likely to enjoy a smoother integration process.

To assist integration between less similar companies, begin planning the merger early. Managers in each company should develop integration plans and a checklist of integration challenges, such as the possible replication of organizational processes and functions, cultural mismatches, and staff redundancies.

Concentrate on your value drivers. If, for example, one of your strategic goals is to increase top-line revenue, focus on merging sales forces and communicating new product and pricing structures to customers. Also, consider financial risks. For example, will increased sales compensate for the cost of the acquisition and additional debt load?

LOOK AT THE BIG PICTURE

Using acquisitions as a component of your larger corporate strategy can help fuel your company's long-term growth more effectively than one-event deals that are made for immediate gains. Focus on broader goals to refine your acquisition criteria identify the right deal, and then devise an integration plan that can be executed quickly and efficiently so that you can enjoy the benefits of the transaction.