You've Been Acquired—Now What?

Written by Nick Sanders Wednesday, 06 June 2018 00:00

The exit strategy for many small businesses is to be acquired by a larger entity. The exit strategy for many businesses owned by private equity or venture capital is to be acquired by another (typically larger) entity. At bigger companies, sometimes two rivals merge (think Lockheed + Martin Marietta or Boeing + McDonnell Douglas).

It's a big deal when two companies join together, and it's an even bigger deal when two government contractors come together. The acquisition (or merger) day is the result of many months of detailed planning by cross-functional teams. The process involves reviews by many levels of management, and sometimes reviews by government entities are required. The number of moving pieces required to come together in order to execute a corporate acquisition is huge and it's a big deal for everybody involved, whether target or buyer.

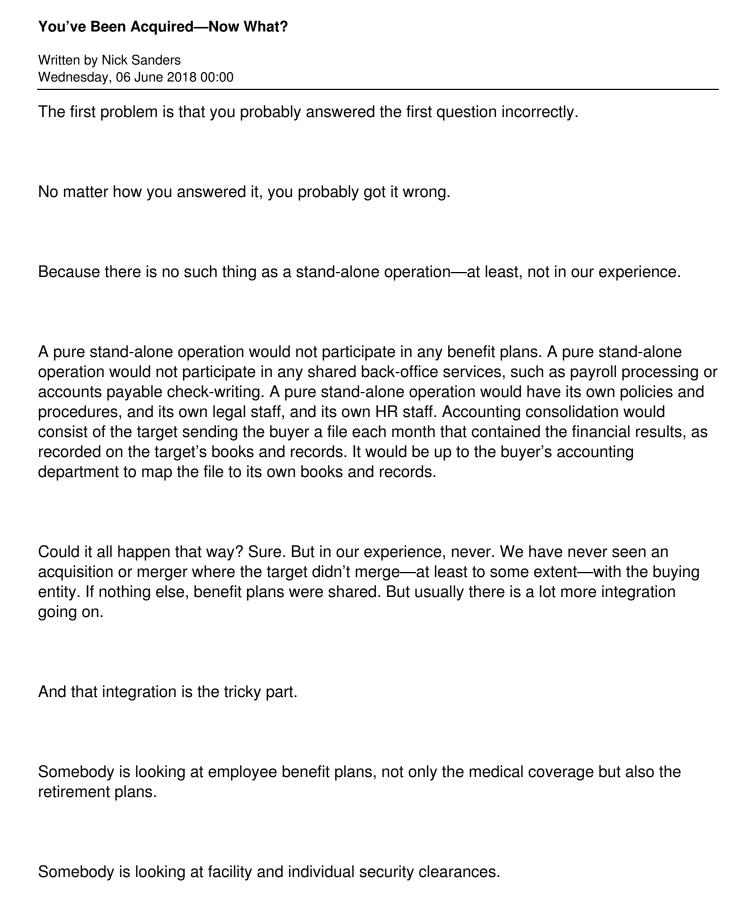
Yet, most acquisitions don't achieve the promised results. One website asserts that "a KPMG KPMG

indicates that 83% of merger deals did not boost shareholder returns" but the so-called "link" to that KPMG study goes to a news site, not to KPMG, so we think the assertion needs better support. In our experience, most acquisitions don't achieve the results promised when the deal was brought to management for review. We're not saying it is 83% but it's north of 50%--based solely on what we've experienced. Most acquisitions "fail" to deliver the promised ROI and some actually deliver negative ROI.

But we keep doing them, don't we?

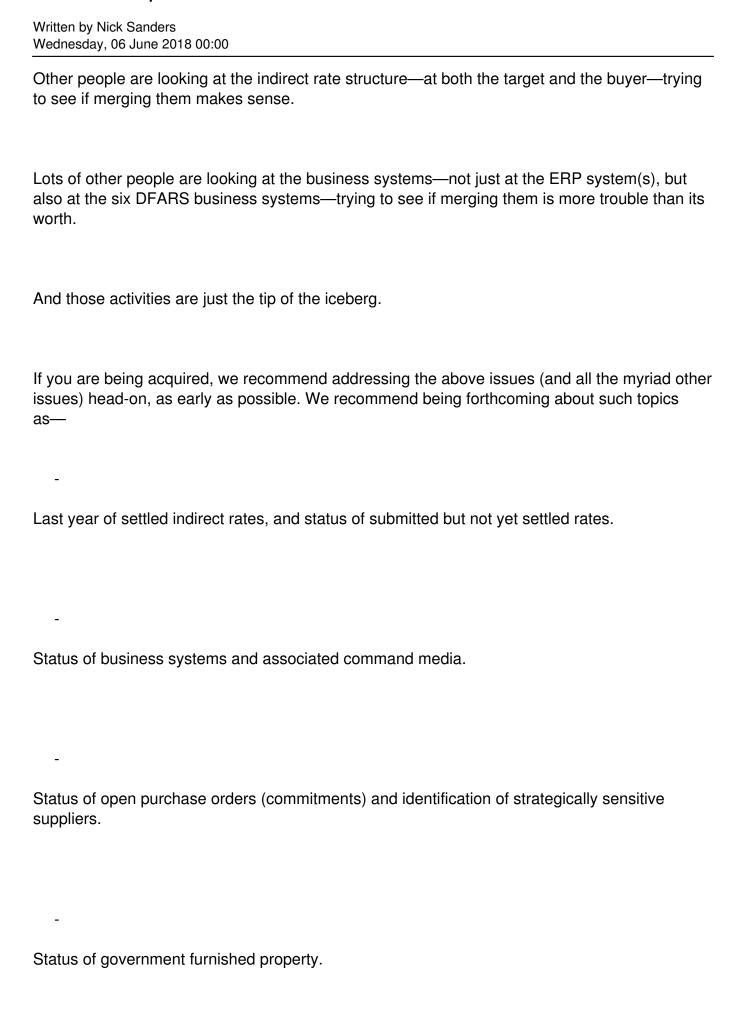
This article discusses some of what we've seen. This isn't the first article on M&A activities: you can check out **this one**, if you'd like to. This article is going to be written from the viewpoint of the target company, the one being acquired. For the buyer, we don't expect much is going to change; but for the target the future will be all about change and change management.

The first and most important question is how the acquired entity is going to be run. Will it be fully integrated into the ongoing structure and systems of the buyer, or will it be allowed to run as a "stand-alone" subsidiary? Until you've answered that question, you can't move forward very much.

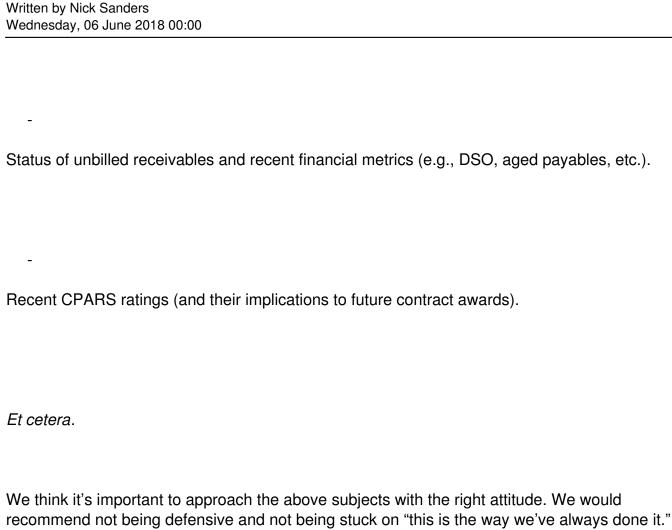


For that matter, somebody is looking at facilities costs to see if consolidation is feasible.

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Be open to change

. In fact, the buyer might implement important changes that benefit the target in ways that are not clear at the moment. Instead, approach the above subjects with a realistic "cost versus benefit" perspective. What are the risks? What will it cost to address them? What are the expected benefits? Develop an ROI for the changes, and use that ROI as a lever to pry people from their comfort zones.

Being acquired is a time of uncertainty. People are (naturally) worried about their jobs and how the buyer is going to create efficiencies. Embrace that feeling. Tackle it head-on. Develop cross-functional plans that achieve optimum outcomes for both buyer and target. If both sides don't approach the acquisition from the perspective of achieving the optimum outcomes, then they are almost guaranteed to achieve sub-optimum outcomes.