



**Abstract:** Not every merger or acquisition opportunity was meant to be. How does a client know if his or her opportunity is viable? While there's no foolproof way to ensure that a potential business combination will succeed, clients can improve their odds by not falling into several common traps, which the article discusses.

## **Steer clear of common merger problems**

Not every merger or acquisition opportunity was meant to be. How do you know if yours is? While there's no foolproof way to ensure that a potential business combination will succeed, you can improve your odds by not falling into several common traps.

### **Avoid paper tigers**

Say you want to buy a new television. You research your options and call a handful of local stores to ensure they have your preferred model. After choosing the store with the best price, you decide to buy your new set on Sunday afternoon, just in time for your favorite show that night. Not until you pull into the empty parking lot do you discover the store is closed on weekends.

In theory, your plan was fine. Unfortunately, it didn't work so well when subjected to real-world conditions. The same thing can happen when considering an acquisition.

When looking to acquire a target, avoid doing deals that look great on paper but are based on assumptions that are unlikely to materialize. A faulty analysis will likely result in an equally flawed merger. For example, let's say your decision to merge with another company stems from overly optimistic revenue projections. Even a perfect integration won't salvage a deal that may not have been a good idea from the get-go.

To increase your chances for a successful acquisition, make sure you challenge every assumption you make. If you're convinced that doing a deal will result in increased sales, lower costs or greater management efficiency, prove it. Play devil's advocate. Come up with reasons why these situations might not happen.

Remember also that your analysis will only be as good as the data you use. Conduct sufficient market research on the target company, and its clients, competitors and vendors. The more you know about every aspect of the business, the more secure you can feel about your assumptions.

### **Maintain your focus**

Human biases represent another potential problem source. No matter how methodical your judgment, it can be overpowered by strong emotional factors. Your initial enthusiasm about a deal, for instance, may make it tough to see its negative aspects — even substantial ones.

Say you plan to acquire a competitor because you believe doing so may generate substantial revenue growth. That might cause you to overlook that the companies are managed too differently to integrate successfully.

Lapses in judgment can just as easily affect a group of trusted advisors. Perhaps your merger team won't oppose a deal if they believe that support for it is strong. They may be especially reluctant if they're concerned that they might not look like team players, and that their future position in the organization might be threatened.

It can be challenging, but make sure you base any decision to pursue another company on sound strategy rather than strong emotions. Encourage your advisors to think the same way. It's easy to be blinded by false hopes, which only obscure the deal's true positives and negatives.

### **Assemble a winning team**

Conglomerates such as General Electric have done many acquisitions and can rely on a team of seasoned professionals to manage the complex process. Few people at smaller companies attain that experience level. That makes it even more crucial that you develop — and follow — a clearly defined process when looking to join forces with another company.

One common mistake made by inexperienced acquirers is to *react* to potential deals, as opposed to proactively searching for opportunities. Just as the help-wanted ads don't necessarily list the most attractive job prospects, companies actively marketing themselves don't necessarily represent the best acquisition prospects.

By researching potential opportunities, you can identify and approach a target that seems like a particularly good fit. You may wind up with a better partner than you ever could by limiting your search only to companies officially “on the market.”

Another step toward success is considering integration issues from the beginning. Make sure the people charged with actually combining the two organizations are involved from the first talks to the last. That way, you can be confident that promised synergies between your company and its merger partner will come to fruition.