



Abstract: Many M&A transactions don't turn out the way buyers hope. But some companies seem to have the knack for getting it right. This article explores their secrets of success, including selecting the right target, completing the deal quickly, assembling a talented transition team and winning the trust of new employees.

Secrets of successful acquisitions

How to overcome common pitfalls and make yours work

Many M&A transactions don't turn out the way buyers hope: Projected synergies fail to materialize, efficiencies of scale aren't all that efficient, systems fail to integrate properly and key members of management leave.

Some companies, however, seem to have the knack for getting it right. At a time when bank and brokerage takeovers often failed, Washington Mutual followed an acquisition strategy that focused on targets that fit a very specific profile. Thanks to some successful acquisitions, it grew from a little-known regional thrift to a national savings institution and lender, servicing more than 10% of the U.S. mortgage market.

You may not be as big a player as Washington Mutual, but you can learn from what it and other savvy acquirers do right.

Select the right target

When contemplating an acquisition, it's essential to choose the right target. This may sound painfully obvious, but many acquisitions have failed simply because companies bought for reasons of convenience — for example, because a rival just happened to appear on the market.

Question whether an acquisition supports your company's strategic plan. Does it match existing growth strategies and is it likely to boost earnings? Does it meet previously established acquisition criteria such as size, location, market share and key customers or clients? And what about the risks: Are they minimal or do they possibly exceed the potential benefits?

Complete the deal quickly

Another thing to keep in mind is that deals that take forever to close can get stale. Initial excitement diminishes among members of the selling company's management, causing anxiety among rank-and-file workers, leading to loss of productivity.

While due diligence is a necessary step of any acquisition, avoid related closing delays by performing as much fact-finding work as you can before a formal letter of intent is released. This way, irreversible snags should be identified early and only a few members of management will be affected. As far as the rest of your company and the selling company's workers know, it's business as usual.

Assemble a talented transition team

Once you've made the decision to move ahead with an acquisition, assemble a team to make it happen. Depending on the size of the deal, this may require several people from each company who can spend all of their time for at least several weeks coordinating various operational, financial and cultural integration activities.

Additional team members with specific areas of expertise, such as media relations or information technology, may be necessary to carry out integration objectives in addition to their normal duties.

Win the trust of new employees

Too often, acquiring companies take time to cultivate relationships with their target's top management but neglect to make overtures to those further down the chain of command. This can be a fatal mistake. Ultimately, line managers and ordinary employees make or break an acquisition. If these people feel they are being treated unfairly, they're more likely to seek new employment or engage in subversive activities — badmouthing your company to customers and vendors or spreading negative rumors among themselves.

It's essential to build trust through constant communication. Hold all-inclusive meetings during which you detail the strategies currently in place and those planned for once the two entities have merged. At the same time, outline department and individual roles and explain how they fit your strategic plan.

Beat the odds

Various estimates place the failure rate of corporate acquisitions at between 50% and 80%. But if you pursue a company that fits your strategic goals, complete the deal quickly and enlist the support and cooperation of employees from both companies, you will be well on your way toward ensuring a successful and profitable acquisition.