Acquisitions are a topic of much contemplation and fear, but also of importance, for many companies and their owners.

There are so many layers to it!

The following are only some of the questions and concerns we have gleaned from our clients and personal experiences over the years, as advisors, principals and private company executives:

When do I buy another company?

How do I do it, exactly?

Where do I start?

What are the key steps?

How do I protect myself and my company?

Is this really a good idea? How do I know for sure?

Do I put my existing business at risk?

How disruptive will this process be?

Can I do it with my team, or do I need an advisor?

What are the costs of this process?

What are the timelines of this process?

Which of my employees do I bring into the loop?

Are the market conditions right for a deal?

Where do I go from here?

Over the next nine instalments, we will attempt to provide insights on many of these important questions.

We can't cover all the bases here, but hope we can illuminate the topic of acquisitions relating to private companies, and provide insights on areas for further examination.

(Selling your company and exit planning are a whole other topic, which we cover in another series available separately.)

Watch this space for upcoming instalments, and happy reading!

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Part 1 - Acquirer's rules of engagement

Long-valid considerations still key to successful growth via acquisitions

Small to medium-sized companies have a natural imperative to continuously grow, to survive, make critical investments, gain critical mass, and thrive—and weather the inevitable losses (of key customers, employees, opportunities…).

It is clear that in today's capital and M&A markets, growth is king. Growth is critical to ultimately build and properly realize on shareholder value.

So, acquisitions should be in almost every healthy company's sights today.

If you are in the enviable position to be an acquirer, the current environment makes some long-valid considerations more important than ever:

Stay the dog, not the tail. Don't fundamentally change your core business with an acquisition.

It's high risk, and rarely successful at the best of times. Keep your eyes on the prizes you have.

For example, continue to maintain and deepen relationships with the customers who account for a disproportionate amount of your profit.

Acquisitions should add geographic coverage, customers you are already courting, or robust technologies that are complementary to your offerings.

Bottom line, your company should not look drastically different post-deal than it did pre-deal—only stronger.

Don't become a bottom feeder. Offer reasonable prices. Recognize you have the leverage and structure the deal accordingly:

- Be conservative, protect yourself in all reasonable respects, whether in warranties, or obligations relating to staff, or legal or other contingencies. Don't take unreasonable risks to win the prize;

- Incent the seller by using such terms as earn-outs, performance-based incentives, staged or contingent payments, claw-backs, ratchets, reverse ratchets and vendor take-back financing;

- Do due diligence—leave no stones unturned. Trust no one, or as Ronald Reagan so aptly noted in his arms treaties negotiations with the Soviets in the 1980s, "trust but verify"; and

- Analyze and know the value of the target and offer a reasonable price against this value. If it's worth $10 million to you, it is not reasonable to offer $1 million.

- Be careful what you ask for and who you deal with—what goes around. . .

Don't try to be too clever. Seek targets with simple fits to your company.

These days, always assume everything will be harder to accomplish and more expensive than it first appears.

And get back to your routines as quickly as possible. The distractions of closing deals can be fatal to your business if you take your eye off the ball too long or neglect customers.

Know your balance sheet. Be certain you can afford the deal and have adequate resources left to run your business, with some cushion.

Model your existing cash needs carefully—you should be doing this anyway.

And don't assume your banker will be on board—do the math before asking.

Also, figure out what resources you will need to consume or temporarily reassign to integrate the acquisition--people, professional fees, technology, hard assets or physical space.

These considerations were paramount to Louis Cordeiro, President and owner of Toronto-based Southwest Business Products Ltd., a manufacturer and global supplier of binding supplies, print finishing equipment, and presentation and branding materials, in acquiring a major competitor.

He says it's what kept the company profitable through the integration of the acquisition and subsequent economic collapse, and allowed him to look for other tuck-under deals to continue to augment his national customer base.

His thinking was "if I do this right, I should be able to accelerate Southwest's growth and profitability with a series of disciplined acquisitions while staying focused and thereby increase value steadily through good times and bad."

Sticking to these considerations, just about any company can use these difficult times to accelerate or reinvigorate its business at a reasonable price and risk, while taking out some of the competition.

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