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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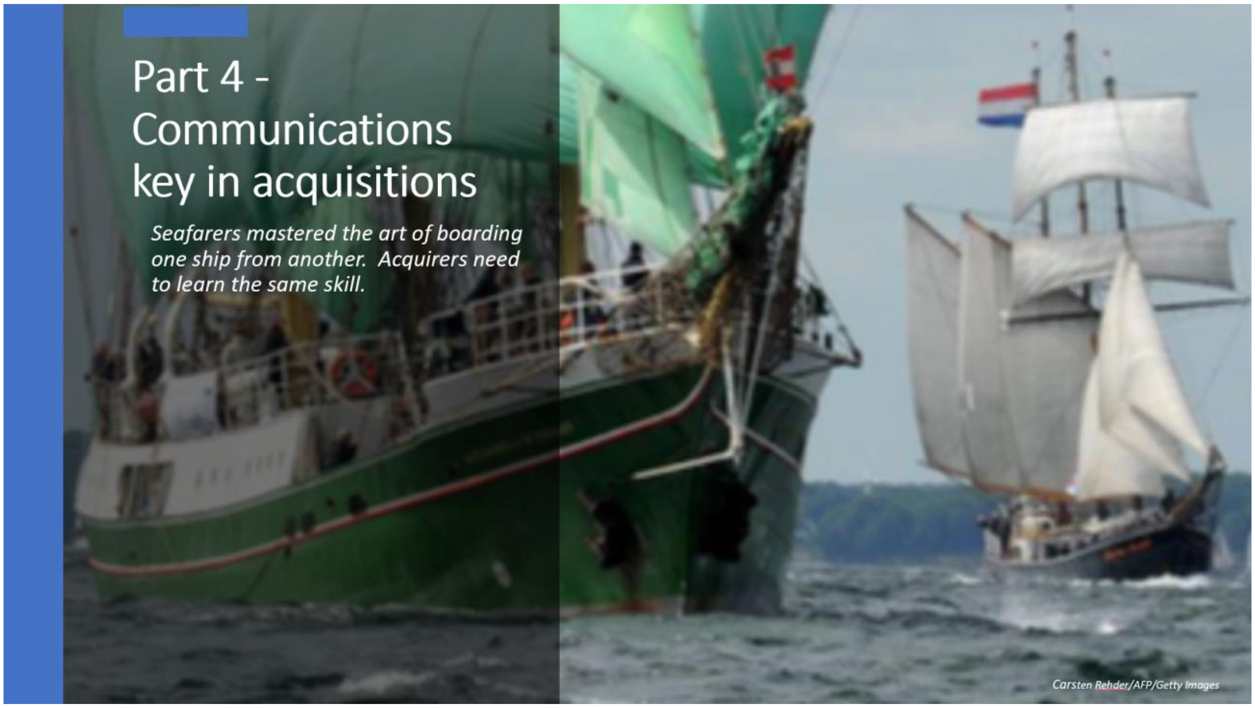

Boarding a moving boat from another moving boat was an act that bedeviled ancient seafarers for generations until the Romans developed the corvus — a large, sharp metal fang that was dropped and sunk into a target boat, allowing the Romans to literally absorb their target as they saw fit.

The invention ended the wild melees where the aggressors often lost their boats and their lives attempting to board a target vessel.

I liken the buying of a small- to medium-sized private company by a similar-sized competitor to this process. The lessons to take are as follows:

The first law of acquisitions should be "Use the Corvus". Acquirers, particularly those who have not done an acquisition before, can become so obsessed with their target that they lose all sense of proportion.

They get bogged down in details and overuse their internal resources in "figuring out" the target and how it fits with their business.

Both businesses risk losing their mojo by ignoring customers, wasting too much time and energy in "integration meetings," and even tossing out the budget to make sure the deal gets done.

Integration planning is critical to the success of an acquisition, but for smaller businesses, it is more complicated than it is for larger ones.

Having a communication plan stands above all other considerations in making acquisitions work, says Kevin O'Neil, a partner at Sapient Capital Partners and veteran of approximately eight acquisition integrations.

"The acquired company needs to know quickly what is going on, what to expect and to feel a part of the acquirer's strategy and culture," he says.

The upshot is small businesses should grab on to (acquire) the target, board it carefully at the right time and stay in control.

But they should also ensure they leave some people behind to run their own boat.

The second law, "do no damage". In most cases, running the two companies in parallel at the start is a good idea.

Exceptions to that would be if you are considering a tuck-under acquisition — where you are really buying, say, a key group of employees or a piece of technology rather than a full business — or are looking at buying an unstable business.

Where your target is a stable business, first, spend time getting to know your new customers — directly or through its employees.

Don't worry about explaining the merger details, they don't much care.

What they do care about is continuing to get great service at a good price.

Don't spook them.

Second, don't rush to integrate your systems, practices, and procedures, even at the cost of some redundancy and inefficiency.

Take the time to understand the fundamentals and the resources it will consume.

You will have gained insight into some of this in your pre-acquisition due diligence, but have a long look after things settle down.

Get a sense of the trends and cycles.

Third, integrate top down — start with the big stuff and don't sweat the small or even medium-size issues early on.

Make sure you do not screw up any big priority items, as they will drive the acquisition's success or failure.

Whatever affects customer/market momentum should trump cost efficiency and staff harmony.

Only with the first item can you eventually have the others.

The third law, "anticipate the first and second laws". One of the biggest reasons acquisitions fail for smaller businesses is when they model in synergies to happen too quickly, even when the total amount of anticipated synergies turns out to be fairly accurate.

This can be a liquidity killer, and a company killer.

The other side of this coin, and also a potential company killer, is failing to anticipate temporary negative effects on productivity in your existing business.

One way to mitigate this is to honestly assess how tight your current operation is in terms of how stretched your top performers are, whether other employees are stressed, and whether there are major risks of errors and breakdowns.

Budgeting a human cushion is as critical as budgeting a cash cushion in executing a successful acquisition.

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