

How to achieve the most shareholder value from your acquisitions

BY ELLEN B. RICHSTONE

As the former chief financial officer of several mid- to large-cap multinational firms, I have been involved in more than 40 acquisitions in approximately eight years. About 50 percent of those deals were either international or had a seller who was non-U.S.-based with a large percentage of operations overseas.

The remainder included smaller companies with one to three locations, sometimes in similar locations to my operating company but frequently with several sites in less traveled locations.

A frequently quoted statistic is that 80 percent of all acquisitions fail due to the lack of integration skill sets and time.

The people equation is, of course, a critical factor but many times we found that if we focused teams from both companies on the mission of integration, the process became much easier for all staff members.

This simple focus, with consistent follow-up and clear deliverables, applied to the integration of operations; product roadmaps; purchasing; quality; sales and marketing strategies aligned with customer requirements; administration; facilities; finance; information systems; legal; and human resources. It resulted in teams that learned to work as one stronger operating company, sometimes without even realizing what was happening to them.

There are key "take-aways" that we've learned from being part of the integration. On the operating side, these include:

- **Integration of acquisitions is where the hard work really starts.**

This means recognizing and acknowledging that a high percentage of all deals fail due to a lack of integration skill sets and time.

- **Measurement of success.** In

both the short and long term, you must measure accomplishments according to shareholder satisfaction and meeting your financial criteria for the deal.

- **Integration success factors.** These include designating an operating owner; devising a clear plan on steps to be taken including detailed checklists and a timeline; outlining your communication and focus to all people involved; and confirm execution of activities, with weekly and monthly follow-up.

- **Lessons learned.** We found that the best approach was to get a head start and do proper planning before closing the deal.

Post-closing, ensure that the appropriate teams are already established and that designated people take ownership for their team, with time lines established.

Have clear measurable with a systematic and disciplined approach to executing, as well as methods for continuous communication.

We found that the biggest issues have to do with organization; employee issues such as compensation and benefits; having a product roadmap; being clear about business processes such as selling, reporting and systems; dealing with facilities or office space administration; information systems; and constantly changing organization or decisions on operating issues.

Decision-making must be a live process to accommodate key information.

- **Alternative to doing it all on the inside.** If the process looks to be too difficult to do completely with an inside team, you

might consider getting outside experienced help. We recommend a hands-on individual, with one or two additional people depending on the size of the deal and complexity, to lead the process.

Insiders would still need to be team members because a company owns and is accountable for its own results. People from within the merging organizations need to be integral to the decisions since they will own it in the end.

However, experienced outsiders can be effective in driving the process across all areas of the company in a clear, clean, precise and unified methodology.

An advantage of hiring an outside independent is that this person could sit at the CEO's side and help him or her understand when the integration is not proceeding well and raise the issues to the right level for decisions with no internal motives or biases.

A frequently quoted statistic is that 80 percent of all acquisitions fail due to the lack of integration skill sets and time.

Ellen B. Richstone is president and CEO of Entrepreneurial Resources Group, a professional services firm in Boston and other U.S. cities that provides project or interim management. She can be reached at ellen.richstone@erg-usa.com.