

Why Acquisitions Have Less Success Than Rocket Science.

It's not rocket science! There are companies that do it well. Cisco and GE Capital have applied an aggressive strategy of acquisition as a means toward dominating their respective markets. While even Cisco and GE would not claim 100% success, they achieve enough success to consider it a winning strategy. What are some of their critical success factors?

- A clear and correct strategic rationale.
- A customizable repeatable process and experience as a company.
- Involvement and availability of senior management.
- Empowered transition leaders.
- Clear decision making process across the range of functional disciplines.
- Keeping a focus on the customer.
- Two way communications and a sense for the pace of change.
- Engagement of employees in the development of their goals.
- Program Management of projects with a broad strategic perspective.
- Creating a collaboration environment.
- Cultural understanding. Of course, over time you will want to shape the culture but this is hard to do during the transition.

These success factors are fairly well known. Over the past 20 years more and more research points to the same conclusions. Yet, most acquisitions fail to achieve their strategic intent. Why?

To begin with most companies don't have enough experience at it. While individuals might, there is a development process within the context of a particular organization that takes time to build a repeatable well understood process. Secondly, there is a set of forces, what we call "anti-synergies" that are poorly understood and inherent to mergers and acquisitions. These forces are powerful yet their effect is not felt for years when it is often too late to reverse the trends that they create. Many of these forces are unique to mergers and acquisitions and companies wrongly believe that good management practice alone is enough to overcome these forces and succeed. (If this were true then we could conclude that between 60% and 80% of all companies are poorly managed. While some would argue that this is true, I am not a subscriber to this pessimistic belief.)

Consistent failure points include the following:

- Too many people involved in THE leadership role.
- Loss of leadership through replacing local managers with remote ones.
- Declaring victory too soon, underestimating the integration time and losing focus and energy for the process.
- Hierarchy gap exists between strategic intent and strategic execution.
- Functional integration overwhelms strategic execution.
- Companies are too slow to resolve channel conflicts and customers are lost.



- Sales teams are poorly integrated and prepared.
- Implied promises not kept to customers and employees.
- Cultural disconnects and misunderstandings.

Companies that have had success with acquisitions have learned that they get better at it as they do it more often, although some don't. Most would admit early failures but over time developed better processes, more experienced resources, consistent involvement of the executive management throughout the transition, and more confidence in their process. Often they have shown a lot of flexibility in the beginning scrambling to make each succeed, having a clear focus on the strategic intent of the transaction. They review their work constantly. They study what other companies are doing. They learn, discuss it among their executives, improve their process and reporting procedures and get better.

Different paradigms and processes exist from GE, to Cisco, to IBM, yet at the core they have a focus on the customer and a goal of retaining the true value of the acquisition. For the few that have mastered this process, it represents a significant threat to their competitors. With considerable consolidation going on in many industries, companies who do not have this important strategic tool will find themselves competing against broader and deeper product and service offerings. It'll be a much harder road for those who feel forced into the acquisition game, yet are new at it.



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AcquisitionWorks, Inc. (www.acquisitionworks.com) is a management consulting firm that specializes in supporting management teams, boards of directors, and investors in “delivering on the promise” of mergers and acquisitions.

AcquisitionWorks utilizes expertise and proprietary processes to assist clients in linking the strategic intent of the acquisition to the desired outcomes. With expertise in marketing, sales, human resources, organizational development, as well as general management, the principals are able to bring a rich set of resources to bear across a variety of disciplines.