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Got Growth?

How can you expand your firm in a down economy?

By acquiring struggling companies that are complementary to yours

Premium content from Sacramento Business Journal - by Larry Mandelberg

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As hard as it is to believe, a down economy and credit crunch makes a merger and acquisition strategy even more attractive.

When it becomes difficult for marginal players to compete, there are many viable businesses without adequate cash flow to finance their growth or operations, even though they might be profitable.

If you understand your business well enough and can recognize its strengths and weaknesses, you can easily locate other organizations cut from a different cloth, with strengths that complement your weaknesses.

Some of these other organizations are your competitors -- the businesses you were battling when money was cheap and credit was easy.

The tables have turned. Your attention to detail and doing business by the book has given you the leverage. Now is the time to take advantage of it.

Talking about a merger or acquisition in today's unfriendly economy might sound as reckless as jumping out of a plane with two good wings and a running motor, but there is truth and wisdom in this advice. There has never been a better time to consider an aggressive M&A growth strategy.

That's right, I'm talking to you. The business owner that believes his organization is too small, doesn't have enough cash, or simply isn't able to navigate the waters of merger or acquisition qualifies as a viable candidate.

A few of the benefits of an M&A strategy include:

- Capturing new markets and clients
- Gaining new products and services for existing clients
- Expanding your share of client purchases
- Filling voids or weaknesses in your organization
- Learning new best practices you can use in the combined organization
- Eliminating duplication and minimizing overhead
- Creating newsworthy activity and valuable publicity.

We've all heard the saying, "If you aren't growing, you are dying." It is normal for businesses to experience phases of growth and stagnation. Every successful business wants to grow. Sometimes you have to hunker down and tend to the nuts and bolts of running your business -- taking care of customers, staff and vendors.

As a leader, you must use the in-between times of grinding it out to be constantly on the lookout for new ways to generate revenue, increase your customer base, leverage your resources and increase your profits.

According to Ichak Adizes, founder and chief executive officer of management training company Adizes, "Organizations have lifecycles. ... They go through the normal struggles and difficulties accompanying growth and are faced with the transitional problems of moving from one phase of development to the next. Organizations learn to deal with these problems by themselves or they develop abnormal 'diseases' that stymie growth."

It is the periods when growth seems to be stifled that tend to cause the greatest frustration. "We have done so well, built such a wonderful company, why can't we get over this hump and get to the next level?"

As organizations develop, they typically do so with a core group of people that are very similar or like-minded. Hence the business' culture, personality and thinking become like-minded. In these instances it is common for the organization to have great strengths camouflaging weaknesses driven by the very culture they have nurtured.

For those organizations, overcoming their weaknesses can be difficult as they are built into the culture and shared by the leadership team. Rarely is one member of the team given the ability or strength to recognize and correct these problems.

An often overlooked growth strategy is one that leverages the benefits of a merger or acquisition.

Many see M&A as not being financially viable. The fact is, it isn't really as expensive as one might think. In an acquisition, a business is buying assets, and there are many ways it can

accomplish the transaction with little or no out of pocket cash. In a merger there are simpler financial implications and fewer barriers.

If you find your organization battling the current economy, think like a sumo wrestler and use your leverage. Consider exploring the possibilities of a merger or acquisition to help get over the current barriers in its lifecycle.

Larry Mandelberg is a founding member of BullsEye Integration LLC, a consulting firm dedicated to M&A success through cultural integration strategies that keep customers, retain key employees and achieve financial goals in a timely manner. He can be reached at larry@BullsEyeIntegration.com or 916-965-0101.