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Got Growth?

Look inside before going outside for a merger

Seek complementary strengths, weaknesses before you combine

Premium content from Sacramento Business Journal - by Larry Mandelberg, Contributing writer

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It's Friday afternoon at the "19th hole" after a challenging round of golf. You overhear someone a table or two away say, "Did you know Steve is selling his business and retiring?"

Suddenly the conversation at your table is nonexistent and your entire body is tuned to the broadcast coming from that other table. As you listen for a few words to help answer your questions, you finally hear it.

Their discussion is about your nemesis, the guy you have respected and have been trying to get ahead of for years. His company's sales are higher, and so is its profile. Finally, you might be able to beat that pesky competitor who has been a thorn in your side for so long.

Then it hits you. This is an opportunity to win over some of his customers, to convince his head of distribution to come work for you, maybe even to get his top salesperson to move to your team.

Why stop there? Why not just buy the company? You've wanted to open another location for years, and you lust after his office in the newer part of town. With the economy in a down cycle and the owner wanting out, you might be able to buy the company at a sale price. And your businesses are so much alike they can't help but complement each other.

That short-sighted attitude has gotten many executives into trouble.

Finding good acquisition targets for your company is not the hard part -- looking at your company objectively and without emotion is where most leaders drop the ball.

When you combine strength with strength, you get little leverage. When you combine weakness with strength, you can improve dramatically.

In the scenario outlined above, both companies appear to have consistent sales, strong customer relationships, and seem to be stuck at the same level -- a common problem for companies with strong leadership and weak management. Combining these two companies through merger or acquisition might avoid leadership conflicts, but it won't create a stronger group of managers.

The problem will only magnify itself if you choose to move forward and combine these two firms.

Integrating two different groups of people that are not used to strong leadership will have a doubled negative effect. When combined, each group will strengthen their resistance to strong leadership, and the increased size of the combined group will make strong leadership more important to the success of the organization. If this risk is not identified and resolved before any integration occurs, this one weakness could cause the organization to collapse -- ruining two successful companies and putting employees out on the street in the process.

Before you embark on the journey to acquire or merge with another firm, take two steps back and ask yourself the following question: Would I buy my company if I knew what I know?

Take a close look and be honest with yourself. Understand your company's strengths and weaknesses, don't guess or make assumptions. Measure and gather objective evidence of what is working and what is not. Single out the biggest problem or two and be careful to avoid symptoms. For example, turnover is not a problem -- it is a symptom of a larger issue.

Ask yourself what makes your company so attractive? What are its greatest strengths? Can your company share and teach those strengths to another group of people? When you have the answers to these questions, you might be ready to look at combining two different companies, systems and cultures.

Now your task is to look at your competitor's company and ask yourself those same questions about that organization. It might even be time to have a face-to-face, open and direct conversation about it. Don't worry about showing your hand too early. The sooner you give the impression you are serious and looking carefully at the strengths and weaknesses of the firms, the sooner the owner realizes he or she is not going to lure you into an unrealistic payday or an easy escape from the business.

The moral of this story is a simple one. You have worked hard for many years to build a successful organization. It is quite possible you have reached a plateau, and moving forward off that plateau will require something new and different, something outside the box.

In today's economy, with every business on sale, so to speak, it might very well be the time to consider an acquisition or merger. Before you do, be sure to evaluate your own company's strengths and weaknesses and make sure you are putting together two puzzle pieces that fit well. Otherwise the picture you end up with will not be pretty.

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