

# Making Acquisitions Work

**Critical Acquisition Factors (CAF'S) should be analyzed for any proposed acquisition and should be integrated into the overall evaluation process.**

## **Technology**

- Technical capability to make innovative improvement in production processes
- Product innovation capability
- Capability to use the Internet to disseminate information, take orders, or deliver products and services.

## **Manufacturing**

- Low cost production efficiency
- Quality processes and supporting systems
- High utilization of fixed assets § Access to adequate supplies of skilled labor
- Low cost product design and engineering § Flexibility to manufacture a range of products and to allow for custom orders

## **Distribution**

- A strong network of distributors/dealers
- Low distribution costs
- Fast delivery and/or Just-In-Time services

## **Marketing**

- Fast and accurate technical assistance
- Breadth of product line and product selection § Merchandising skills
- Clever advertising

## **Skills**

- Superior workforce talent
- Quality control knowledge
- Design expertise § Technology expertise
- Ability to get newly conceived products past the R&D phase and into the market

## Organizational Capability

- Superior information systems
- Ability to respond to rapidly changing market conditions
- Superior ability to employ the Internet and other facets of E-Business

## Intangible

- Favorable image and reputation with buyers
- Overall low cost, not just manufacturing § Convenient locations
- Access to financial capital According to a survey on

In “Making Acquisitions Work,” there is one objective most likely to lead to a successful acquisition: The critical objective should be to build on core competencies and strengthen the current business. On the other hand, deals fail due to: overestimating value, paying excessive premiums, and inadequate planning for external forces. Successful buyers understand these principles.

*[Alternately: As a potential seller you create value by making improvements in key areas that will enhance the chances of a successful acquisition of your company.]*

The odds of success are much greater if you consistently focus on the seven key success factors. By developing a stronger set of competencies, the post-acquisition company is better able to handle the threats and opportunities that both internal and external forces create.