

M&A Today is a newsletter for the professional intermediary - and all those involved in the buying and selling of mid-sized companies.

"Work Tools" For A Corporate Acquisition Search

by Franklin Wyman, Jr.

"Every Member of the Management Team Should Be Involved in the Process."

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You and your management associates have decided to expand your company through an acquisition program. You have a strong balance sheet, a good banking relationship, and managers who are excited about the possibility of added responsibilities and increased income.

What are the "work tools" you would need to accomplish your objectives?

Let us look at a few:

1. You must have *detailed acquisition criteria* in the form of basic specifications comprising a profile against which you will screen acquisition possibilities. Every member of the management team should be involved in the process of developing such criteria. The process should include an appraisal of the skills as well as the weaknesses which are in place in the company. It should relate to the overall objectives in the company's business plan. A detailed profile of the ideal acquisition is the most important "work tool" in an acquisition search.

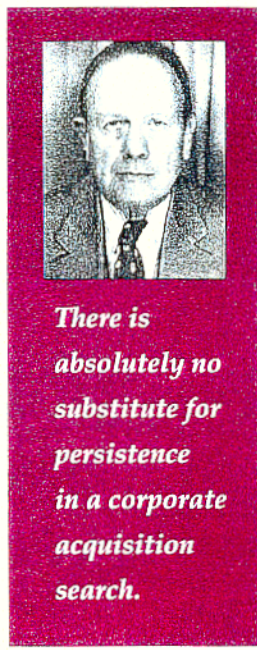
2. You should acquire a practical *knowledge of the sources of business information* which will allow you to identify and to

screen prospective acquirees against the predetermined specifications you have developed with your management team. State manufacturing and service directories, trade publications, trade show listings, chamber of commerce membership directories, the Dun and Bradstreet Million Dollar Directory, Wards Business Directory and the Corporate Technology Directory are excellent sources of information. There are many more and these vary depending upon the target industry.

3. It is important to have a fundamental *understanding of the contribution* to your search efforts that may be made by your bankers, your lawyers, your accountants, your suppliers, and your stock broker, as well as by professional finders and intermediaries. There are advantages and disadvantages to utilizing each group and you will avoid many pitfalls if you are aware of each group's limitations.

4. It is essential to have an executive, or several executives, experienced in production marketing, and finance, as well as in

business negotiations, available to devote time and energy to meeting with and evaluating acquisition candidates. Your lawyer is not equipped nor qualified to perform this function, which normally takes from six to twelve months and sometimes longer. And, of course, your lawyer is expensive.



There is absolutely no substitute for persistence in a corporate acquisition search.

Early in the search process you must identify "tire kickers" looking for a free valuation of their companies. Enormous amounts of time may be wasted in dealing with sellers who are looking for unreasonable prices and therefore are not really for sale. You will find that it is extremely frustrating to deal with such prospects.

6. The negotiating skills required to approach companies matching your criteria which are not presently "for sale". Many

owners of privately-held businesses must be convinced of the economic and tax advantages of being acquired by your company. Your representatives must qualify your company not only as to its ability to make the acquisition but of its desire to effect a smooth transition which will be in the best interest of both organizations.

5. *A search technique* which will allow the identification of the seller to go forward in secrecy during the initial stages so that time is not wasted in dealing with prospects that do not match your acquisition criteria.

7. Knowledge as to *how to creatively structure the transaction*, in order to obtain the greatest tax advantage and to minimize the drain on your corporate resources, can generally be supplied by your accountant. If however he has not had other clients involved in similar transactions, he should be encouraged to refer you to his peers in other firms who have had such experience.

Many corporate managements, in initiating an acquisition program, discover sometimes only after months of fruitless work, that they do not have these or other "work tools" within their own company management. If they are patient, however, and if they have systematically developed sound acquisition criteria, they should ultimately succeed in identifying promising targets. There is absolutely no substitute for persistence in a corporate acquisition search. ■