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Expertise in Post Merger Integration

When to walk away from an acquisition

When should you walk away from an acquisition?

It is an easy decision to walk away from a transaction when the acquisition business case does not line up. Most companies secure 2nd, 3rd and even 4th opinions using independent internal resources or corporate finance units at banks or financial services at accounting firms. When all opinions on an acquisition regarding the base case, synergy case and valuation are "GO" - is there cases when you still should walk away? If there are doubts how do you weigh the risks to proceed against the rewards? Can you evaluate the planned mitigation of risks from the data that you have from Due Diligence? How many opinions do you have on these risks?

Here are some areas where you could find reasons for doubts and a "NO GO":

Is there a big gap in ***corporate cultures***?

Would an acquisition of a tech company with a ***Silicon Valley culture*** makes sense for a large European based ***command and control*** company? Can you make it work? It may look like a challenge on paper, especially if you are buying market share, products and competence. A cultural assessment, done through research, web-poll and interviews, will give you data and if you put that together with your rationale, ambition and integration strategy/plan it can give you a basis for decision. Important is also the Due Diligence team impressions from meetings with the target company management. The result is a plan for how to merge corporate cultures focusing each unit's strengths. However, there are gaps in corporate cultures that cannot be closed that easily as in this example. The focus is then rather to find ways for unit's to create value while co-existing, a light or partial integration.

Do the companies ***operate differently***?

When acquiring company is highly ***process oriented*** and target company is ***project oriented*** (and sometimes chaotic)? A "sales acceleration" acquisition business case will require you to quickly integrate the target companies offering into your sales and delivery machine. Focus, energy and determination are needed to scale up the business. You need to be able to put your resources to work on closing the gap to adopt and introduce the products into your process. The key is to understand how much resources and how long time it will take. Will you miss the market window? Will the business case hold?

When the ***quality of the management*** or middle management in target company is far below acquiring company and requires new talent? When your ***track record is bad*** for this particular type of acquisition? When you are lacking ***mission critical resources*** in execution? When you are servicing the same customer base, but with somewhat ***different business models***?

What we believe is that each case is unique and like any other new business venture you need to analyze, put up assumptions, determine the risks, setup Key Performance Indications, plan for mitigation, decide, have a strong focus on execution and a quick feedback loop for corrective actions.

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