

Are the costs of 3rd party advisors eroding your deal synergies? Could you integrate your next corporate acquisition yourself?

External advisors are necessary to some degree

When it comes to mergers and acquisitions, every company has to rely on 3rd parties to help them to some degree. Lawyers, investment bankers and business advisors can help you with everything from M&A strategy and finding potential targets, to negotiating, arrange financing, executing the contracts and integrating the businesses afterwards.

This specialist advice comes at a cost, and every pound that you spend on advisors erodes the synergies that you get out of the deal (of course the value provided by advisors will depend upon the cost and the contribution of specific individuals). Whilst the corporate giants achieve economies of scale with even their advisors, smaller corporate, and those executing smaller deals, are left wondering if and where they can reduce these costs.

So, what can you do, and how far should you go, to minimise this spend without introducing significant risk to your acquisition?

What internal capability do you have?

Firstly, a candid review of your internal capabilities is necessary. Do you have a dedicated M&A team or individuals that have the experience to run an acquisition? Who are they and what skills do they have?

Map these people against the capabilities you need from the start of the process to the end, remembering that the acquisition is far from complete at legal closure. Think about the process having these over-lapping phases:

1. M&A strategy
2. Target search and selection
3. Negotiation
4. Due diligence
5. Transaction execution
6. Pre-close planning
7. Post-merger integration

At each phase, a variety of skills will be required to contribute towards a successful outcome, and some of these will be particularly specialised, such as drawing up of the legal contracts.

It is highly likely that the skillsets of even dedicated M&A professionals are suited to the early or latter phases, but not both. Deal-makers have a very different set of skills (and professional interests) than business integrators, but neither can be overlooked without jeopardising the success of the deal.

Do you have the resource availability?

Secondly, consider the strategic objectives and the consequential workload for your company – is this an arms-length purchase which merely needs financial consolidation or are you hoping to realise synergies through integrating parts of the businesses, consolidating and rationalising?

Does your skilled pool of resource have the availability to take on an acquisition? Since it is not a business-as-usual event, a lean organisation would not expect to have this level of redundancy in its resource pool. It is therefore normally a matter of how far short you are, and who should help you.

Back-filling responsibilities, so that your key staff can prioritise or dedicate themselves to the new acquisition, is prudent, even if it means hiring temporary staff to perform less value-adding tasks – you want the best people on the acquisition. However, don't forget to ensure that other staff are picking-up these de-prioritised activities. If not, at a time of change and high emotions, your best people could find themselves swamped, putting the acquisition, and their futures within your company, at risk.

The resource commitment to the deal will fluctuate around peaks of activity for due diligence, legal closure preparation and post-merger integration. The latter of

these will require the greatest effort, by far, and although at this stage a wider community of staff will naturally be available to support the integration, these people still need to have the requisite skills and experience to perform their responsibilities. Many staff, whilst very skilled at their day jobs, will not have the experience required to lead or contribute effectively to this change programme.

Help yourself, but know when to ask for help

For those areas where you have both capability and resource availability, do it yourself. You may find it useful to retain specialist advice or get some specific training for your staff, but you should certainly be able to avoid paying for a full-time team of advisors. The savings achieved by using an internal team can be significant.

But use your Resource Capability Plan to know when to ask for external help. At the early phases you put the purchase price, contracts and due diligence at risk by asking insufficiently skilled staff to perform key tasks. In the later phases, you put the success of legal closure, business continuity and achievement of deal synergies at risk by doing so.

That said, you can help to ensure you get value by following a few simple rules: Be sure you're getting exactly which services you want from your advisors. Ensure they are specialists in the area they're advising you. Don't pay them to perform non-value-adding services which your internal staff could do equally well.

This article was written by Andrew Scola, a Partner at DD Consulting - a boutique company specialising in M&A integration, separation and change programmes.

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