

M&A EFFORTS SHOW SUCCESS RATE IMPROVEMENT

Mergers and Acquisitions (M&A) have always been a part of the business culture, big companies absorbing smaller entities, companies spreading their wings, branching out into new geographies and industries, or any one of a dozen other reasons make it reasonable to assume that at this very moment somewhere out there an acquiring company you would recognize is looking for its next move.

A recent article in the Harvard Business Journal quoted research done by Bain & Company about Mergers and Acquisitions. Research has shown that there is an upward trend in the M&A success rate:

“According to new research by Bain, over the past 20 years firms have done more than 660,000 acquisitions, worth a total of \$56 trillion, with deals reaching a peak in 2021. And close to 70% of them have succeeded. Even among the roughly 30% that were less successful, many of the deals still created some value.”

M&A transactions are by no means the only growth path available to an organization, but they are the most dramatic format and the one on which we will focus here.

The foundation for this upward trend in the success rate of Mergers and Acquisitions seems to be based in some measure on companies raising their consciousness of future expansion to a higher level. It all starts with decisions on HOW a company wants to grow. Will growth be organic or through acquisitions? What timelines are realistic? Is there a clear picture of the desired geographic footprint? Is there financial stability in place that allows the organization to say yes when opportunity knocks on the door?

Beyond that it takes a top to bottom understanding that every major decision needs at least a cursory review through the prism of that overriding growth strategy. “How does this purchase, this improvement, this executive re-alignment, this allocation of funds contribute to or affect our long-range growth plan?”

And if M&A is in the future, the next wave of understanding will include yet another set of questions: What contributions should an acquired company bring to the table? Is it geographic footprint, new industry penetration or an expansion of the depth and breadth of services the acquiring company can offer? Any or all of these are valid factors, but there are a wide range of other considerations that might be specific to a particular company or industry.

Other factors which contribute to the increasing rise in M&A success rates include:

- **Experience:** Companies generally get better at M&A based on the lessons learned from multiple acquisitions.
- **Enhanced tools and technology:** Improvement in areas such as how internal data is gathered, stored, and utilized and advances in things such as predictive modeling support enhanced research and more effective due diligence.
- **Better, stronger, more experienced Teams:** Companies dedicated to growth by acquisition now have core staff members in place who are charged, formally or informally, with being the initial leaders and contributors to ongoing M&A research and to the vetting process that follows. They have a say in merger/acquisition decisions and play a key role from day one through full integration. In some measure it is their job to bring the company's self-defined growth strategy into the conversation anytime there is a major decision under discussion.

But the best M&A Teams are those that combine dedicated internal staff who know the organization inside out collaborating with external consulting talent brought in for their extremely specific experience with key pieces of the M&A puzzle. Such talent may not exist internally because mergers are not a constant effort in most organizations. The blend of internal and external talent marries fresh eyes, fresh perspectives and highly specialized experience with the internal talent that can smooth the way based on history and familiarity.

Given the factors outlined, there is good reason to believe the trend toward more successful mergers/acquisitions is likely to continue.

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