

Make or Break M&A Strategy



Like the art of tightrope walking, merger and acquisition (M&A) strategy demands skill and sequencing — with only one chance to get it right. Effectively leveraging M&A to drive growth and improve competitive positioning requires companies to define strategic objectives and follow a clear decision path to achieve the desired results.

Many companies today seek to drive growth and competitive advantage by entering emerging markets or new geographies; other companies may strive to continuously improve existing products or innovate new products, necessitating new capabilities and technologies and raising questions such as whether to buy, build, or engage in a joint venture. The trend toward continuous evolution and innovation is redefining the M&A marketplace, making strategic acquisitions a critical driver of growth and enhanced shareholder value.



Asking effective questions can help avoid missteps

Developing a strategic rationale and value equation that addresses important questions can help companies avoid transactions entered for the wrong reasons. Without a clear decision path, companies might pursue deals based on target availability instead of using a disciplined, thoughtful approach to objectively evaluate considerations, like competitive response and price, to achieve a desired result.

Unprepared companies may find themselves overpaying and often entering into an undesirable deal, putting them at risk for buyer's remorse and unmet shareholder expectations.

How we can help

Deloitte's M&A Strategy practice works with senior executives to define how they employ M&A — in alignment with their corporate strategy — to drive profitable growth and enable them to compete effectively in their industry. Knowing the where and how — where the company wants to compete and how it plans to win — is essential to defining an effective path and identifying strategic acquisition targets. Deloitte provides end-to-end M&A advisory services from early in the M&A life cycle (M&A Strategy, Commercial Diligence, and Operational Diligence) through to integration as well as with disciplines such as financial advisory, IT, and tax to provide broad-based information that can inform the M&A strategy.

Our M&A Strategy services include:

Corporate strategy. To give the M&A strategy clear guidance, we can help a company refine its corporate strategy by identifying current and future growth opportunities, evaluating competitive market position, and seeking portfolio-improvement opportunities.

Inorganic growth paths. Define areas that require inorganic growth to leverage market opportunities by analyzing competitor actions and customer demands. Then we determine whether there are opportunities for horizontal and vertical integration or diversification that can improve competitive advantage.

Target profiles. Identify characteristics of a model target by identifying capabilities within the organization that need to be enhanced as well as those the company cannot afford to have undermined through an acquisition.

Investment thesis. Evaluate alignment of the strategic rationale to the corporate strategy and growth needs by identifying deal drivers and synergies that indicate if the acquisition might be a sound investment.

Potential bottom-line benefits

- Develop executable growth strategies that create tangible value.
- Clarify and address tough choices required to execute the strategy.
- Conduct in-depth analysis to identify legitimate acquisition opportunities.
- Assess targets to gain insights needed to inform key decisions, improve pricing accuracy, and minimize uncertainty.
- Inform high-level financial projections and integration strategies to achieve realistic synergies.

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Five ways you can get more value now

Define specific objectives. It's important to understand whether a merger or acquisition under consideration is purely a defensive move or an effort to reach specific growth objectives and whether investment in building internal capabilities might be a more effective use of capital.

Continually seeking alignment with overall business strategy is essential.

An M&A strategy is just one piece of the broader corporate growth strategy, so alignment is critical.

Establish discipline. Define a formal process for evaluating prospective acquisition targets that will address deficiencies in existing capabilities and provide access to specific markets.

Don't shy away. Explore the universe of possible companies to acquire, whether it's among a handful of prospects in a consolidated industry or market, or thousands of companies in a fragmented industry.

Avoid overreaching. A potential acquirer should establish obtainable objectives based on realistic operational constraints such as limited geographic reach, lack of in-house capabilities or minimal M&A knowledge and experience.

The big idea

Without a clear destination in view, a potentially devastating misstep is easy to make. Effective acquirers take a disciplined, informed approach to drive growth, capture synergies, and create shareholder value.

Learn more

M&A strategy is a critical first step in the M&A process. To learn more about how Deloitte can help, visit www.deloitte.com/us/MAstrategy, or follow us on Twitter at @DeloitteStratOp.

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