PRIVATE COMPANY M&A

The 15 biggest business buyer mistakes

Buying a business is no mean feat. The process can be long, complicated, fraught with unexpected situations, and expensive. On the other hand, securing your own successful enterprise can be one of the greatest decisions you ever make.

Getting to the finish line requires an awful lot of hard work and homework; whether researching the options available to you, evaluating your own capabilities or finding out about the many necessary legal steps along the way.

In order to guide you on your business-buying journey, we have identified 15 of the most costly mistakes that you could make along the way. These range from quick tips to whole new ways of thinking about your search for the perfect business opportunity.

So, without further ado, let's run down the biggest business buyer mistakes that you need to avoid in order to reduce stress and unnecessary expense and above all, to maximise the chances of success.

1

BSR BUSINESS SALE REPORT

LACKING FOCUS

Many potential buyers are concerned about deal flow, leaving no stone unturned to find the next potential transaction and getting as many completed as possible.
The real issue is the quality of the deal – not the quantity – and focusing on that requires narrow criteria.

For example, a typical target business for buyers could be a manufacturing or distribution business with sales from between £2 million and £10 million, with no retail component, located in the nearby metropolitan area.

That's it. It is not unreasonable to assume at least 1,000 buyers are actively looking for a business with the above criteria. If one assumes that 100 businesses will be sold then any buyer's odds of success are 10 to 1 against.

Reducing those odds is a simple matter of narrowing your criteria. In the above example, one might look for manufacturers of fluorescent lighting fixtures that sell only to schools – that's narrowing down the product offering and focusing on a more specific market. With narrower criteria, you can become an expert in the market, the manufacturing processes and the competition. From the seller's standpoint, too, you can come across as a person who knows the business and knows where they are going.

There is rarely a seller who does not want their business to continue and prosper. Your focus will be to communicate to them that you are the ideal candidate to take over their business, nuture and grow it.

Once this has been identified, it's a case of doing your homework:

- Target a narrow vertical market and niche.
- Find out all the players in that niche and contact them.
- Study the operating processes, the markets and the competition.
- Hang out where your target hangs out. That could be trade shows; or it could be industry forums and LinkedIn groups.

2

LACKING MOTIVATION

Anyone who has bought or sold a company will know that the deal simply will not happen if either party lacks a high level of motivation.

Let's look at your own motivation first.

To successfully buy a business, you have to be passionately committed and prepared for trials and challenges along the way.

The average successful buyer will look at 100 deals; of those, maybe 12 are considered seriously; of those, they may make offers on three and buy one.

Before even starting the process of buying a company, review your personal mission statement, do a motivation check, and assure yourself of the support of your friends and family.

Key questions to ask yourself early in the process:

- Am I willing to start this process, knowing it can take a year to complete a deal?
- Will my family support me, or am I willing to live off my savings, while it completes?
- Can I afford to continue pursuing a deal if it takes longer to complete than expected?
- Am I passionate enough to see this through to completion?
- Can I put up with the negatives of owning a business? The risk of losing my investment, the long hours, the menial jobs that need doing, the red tape and regulation, dealing with employees, evenings away from my family?

Keep it going!

You have weighed up the factors and decided to forge ahead with an acquisition. You should realise this is just the first hurdle to overcome in the motivation stakes. Here are some tips to keep that necessary motivation riding high through the deal process.

1. Define your goals
Clearly define your acquisition goals and criteria from the outset. Identify what you're looking for in a company, such as industry, size, location, financials, culture, or growth potential. Having a clear vision of your objectives will help you stay focused and motivated during the search process.

2. Break it down
Rather than getting overwhelmed by the vast number of potential targets, break down the process into manageable steps. Create a structured plan that includes research, due diligence, negotiations, and closing. By tackling one step at a time, you can maintain a sense of progress and accomplishment.

3. Stay organised
Maintain a systematic approach to your search. Keep detailed records of the companies you've evaluated, including their pros and cons. This organization helps you track your progress, compare options, and make informed decisions. It can also prevent repetitive or wasteful efforts in evaluating the same targets repeatedly.

4. Take breaks
It's essential to take breaks and step away from the process periodically. Constantly searching for potential targets can be mentally exhausting. Engage in activities that help you relax, recharge, and regain focus. This could involve hobbies, exercise, spending time with loved ones, or pursuing other interests.

5. Seek support and advice
Surround yourself with a support network of professionals, mentors, or peers who can provide guidance, encouragement, and a fresh perspective. Engaging with like-minded individuals who have gone through similar experiences can help you maintain motivation and learn from their insights.

6. Revisit your why
Reflect on your initial motivation for acquiring a company. Consider the benefits and opportunities you envision as a result of the acquisition. Remind yourself of the goals you set and the reasons driving your interest in the business. This reflection can reignite your passion and reinforce your commitment.

7. Stay informed and adaptable
Continuously educate yourself about the industry, market trends, and emerging opportunities. This knowledge not only keeps you engaged but also helps you spot potential targets more efficiently. Additionally, be adaptable in your search criteria and open to adjusting your expectations based on market realities.

8. Celebrate small victories
Acknowledge and celebrate the milestones and achievements along the way. Even small accomplishments, such as completing a thorough evaluation or successfully negotiating deal terms, deserve recognition. These celebrations can boost morale and keep you motivated for the next steps.

Remember that acquiring a company is a complex and time-consuming process. It's natural to experience ups and downs during your search. By staying focused on your goals, maintaining a structured approach, seeking support, and taking care of your well-being, you can maintain your motivation and increase your chances of finding the right acquisition opportunity.

3

NOT ESTABLISHING THE SELLER'S MOTIVATION EARLY ON

In most cases, a seller's motivation will extend above and beyond purely financial matters. As someone buying their former project, it's up to you to find out more about what this motivation is and to determine whether it could have a material effect on the business.

Reasons vary wildly from the more pragmatic to the personal – is the seller retiring? Or do they have serious health concerns? In these scenarios they may be motivated by their own wellbeing and to protect the company's interests.

Tied to the retirement scenario is the succession situation - perhaps there is no obvious successor in place, whether in the family or management team. Selling up may be the most viable way to ensure the company's continuity.

Tied to the health scenario is the situation in which the owner has burnout and fatigue. Running a business can be demanding, both physically and mentally. If this is the case, the buyer needs to navigate the acquisition with care, and if he or she is sensitive to the additional pressure on the buyer, this may help the seller feel more confident about working through the deal process.

Perhaps it's a lifestyle change that has prompted them to consider selling. Have they moved too far away from their family to justify the commute? Or perhaps they are contemplating relocating? Maybe they want to spend more time with family, or just pursue other interests.

Whatever the reason, it is more important than might seem apparent to ask more subtle, yet probing, questions to work out what the real reasons for selling are. Try to begin an open and honest discussion about their long-term plans and personal circumstances.

Often this can take a while because the seller has not yet crystalised their own thinking and is merely "testing the water" with the sale, or may have a partner keen on buying out their stake, and is just using you to get a read on its market value.

After establishing a rapport in an initial meeting, try asking the seller in clear terms about what made them decide to sell.

If the answer is "anything is for sale at the right price", or similar, then move on to the next deal. You've landed a money-motivated seller and are wasting your time.

Pay attention to the seller's responses, tone, and consistency in their communication. Assess their sense of urgency and timing. Determine whether there are any external factors or time pressures influencing their decision to sell. If the timing appears rushed or inconsistent, it could indicate potential hidden motives. Trust your instincts and be vigilant.

If you have moved further down the track and have discovered inconsistencies and discrepancies whilst conducting operational due diligence, this may indicate a lack of transparency and a hidden agenda.

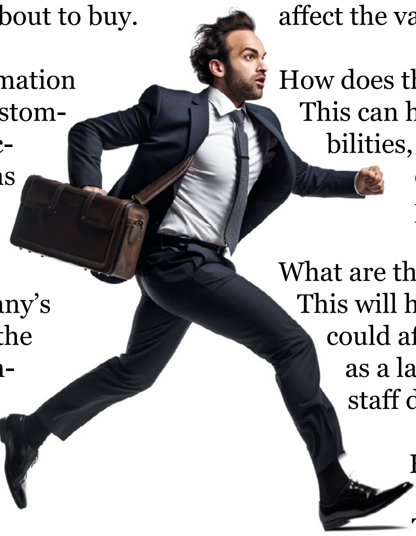
A big red flag ought to be raised if the inconsistencies appear across personal probing, operational and financial due diligence, and reference checks including an examination of past deals.

4

SKIPPING ON DUE DILIGENCE

Due diligence refers to taking a top-to-bottom view of the company you are about to buy.

Getting hold of financial information like a firm's balance sheets, customer lists, accounts receivable, accounts payable, and projections is a great place to start.



Some buyers, it seems, are reluctant to ask about a company's money matters, leaving it 'for the accountant to sort out'. It is impossible to evaluate a prospect without the finances, however, and the sooner you see them, the better.

In an ideal world you should have three to five years' worth of accounts, plus a current interim statement, a cash flow statement and forecast by the end of your first meeting – earlier if possible.

The sooner you obtain this information, the sooner you can evaluate the seller's valuation of their firm; if the gap is unreasonable and so is the seller, it is easy to gracefully terminate discussions and move on to your next prospect.

Sellers are often unwilling to give this confidential information out before meeting in person, though involving an intermediary can sometimes mean seeing these details earlier.

Be sure to view tax returns, business plans, product and market information.

Operational due diligence is key to understanding how the business functions on a daily basis.

Check how efficient and effective the primary operational processes are. Here are a few of the questions you should be asking:

What are the key assets and what condition are they in?
Understanding the state of the physical assets of a company, including equipment, machinery, real estate, and inventory, can significantly affect the valuation of the business.

How does the supply chain work?
This can help you identify potential vulnerabilities, such as reliance on a single supplier, and also opportunities for improving efficiency or reducing costs.

What are the main operational risks?
This will help identify potential problems that could affect the business in the future, such as a lack of contingency planning for key staff departures.

How is the staff organized and what are their roles?
This will give you an understanding of how the business functions and whether it is overly reliant on certain staff members.

What are the business' relationships with its customers and suppliers like?
Stable relationships with customers and suppliers are often a key indicator of a healthy business.

What are the technology systems and infrastructure in place?
Technology is key in most modern businesses. Understanding what technology is in place and whether it is up to date and fit for purpose can be a significant factor.

What are the operational costs and are there opportunities for savings?
Understanding the full range of operational costs will be crucial in determining the business' profitability.

What are the procedures for quality control and compliance with regulations?
Non-compliance with regulations can lead to significant problems down the line.

Is there a business continuity plan or disaster recovery plan?
This gives insight into the preparedness of the business for emergencies or crises.

5

FAILING TO ASSESS YOUR OWN FINANCIAL CAPABILITY

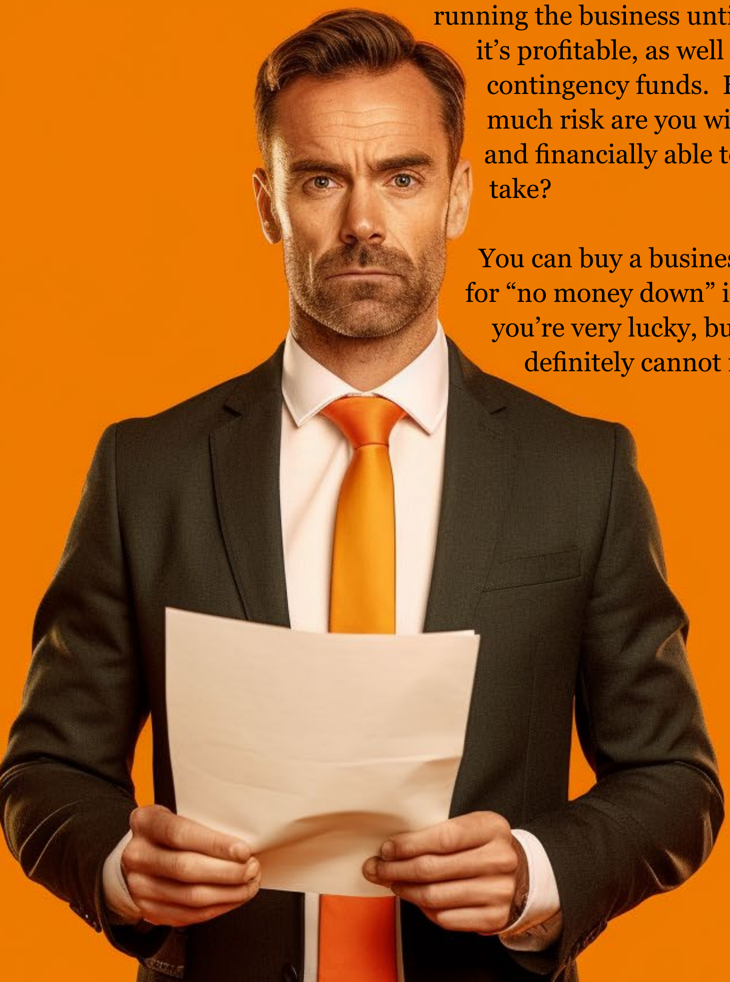
That familiar phrase 'due diligence' can apply to you, too. Having a firm grasp of your own financial situation is advisable to avoid going into serious debt when buying a business.

You are far better off waiting until you have sufficient funds before purchasing, or putting together a team of backers if you require a larger cash injection.

Have you a clear idea of how you are going to finance the purchase? Are you planning to use personal savings, secure a business loan, or seek investors? Each of these options has its pros and cons, and what works best will depend on your personal financial situation.

Work out how much you can afford to invest in buying a business. This should include not only the purchase price but also operating capital for running the business until it's profitable, as well as contingency funds. How much risk are you willing and financially able to take?

You can buy a business for "no money down" if you're very lucky, but you definitely cannot if you have no money to start with.



As per the classic banking paradox, a seller is not going to lend you money if there's no collateral - whether debt, property or otherwise - to offer. Furthermore, unless the seller or the business is in dire straits they are unlikely to hand over any assets without financial commitment on your part.

Before starting the process of looking at businesses, decide how much money, cash and collateral you are willing to put on the line. Imagine closing the deal, after your down-payment has disappeared and your assets are at risk. Are you comfortable with the feeling? Are you financially prepared for the business to be not producing any surplus income in the early stages of ownership?

Make sure you create a cash reserve for future borrowing capacity or working capital infusion, if possible, especially in case of a loss of cash flow. Remember: this can happen at any time, even when the business is doing well. Having a buffer for unforeseen costs is crucial, as unexpected expenses often arise.

Don't underestimate the cost of professional services, i.e. from lawyers, accountants, asset valuers and other consultants. These may well be critical during the business buying process. You might also want to consult with a tax adviser to understand potential tax liabilities.

Check your credit score and history. If you plan to finance the purchase with a loan, lenders will scrutinise your credit history. A poor credit score could hinder your ability to secure favorable loan terms.

And lastly, have you considered the potential exit costs? If you decide to sell the business or it fails, there may be financial obligations to consider, such as severance pay, lease termination fees, etc.

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FAILING TO PACKAGE YOURSELF

When your name appears in their inbox or on their doormat, the target seller may not know a thing about you.

Anything you can prepare for them in advance will help this.

The basics include an up-to-date CV, which could be could be in the form of an updated, verifiable LinkedIn profile. Make sure it's professional, and accurately reflects your skills, experiences, and accomplishments. Include any professional certifications or awards you've received, details about your education, and a detailed overview of your career history. Also, try to obtain endorsements and recommendations from colleagues and other professionals.

If you have an existing company, ensure that it has its own LinkedIn page set up and completed, and that your profile is connected to it.

Update any other online business profiles you have, and make sure they are consistent.

If you have authored articles, or spoken at conferences, mention it in your profiles.

If you or your business have been featured in other company's blogs or articles, mentioned in the press, been the subject of a press release, make sure those are easily accessible or linked from your website or LinkedIn profile.

Consider starting a professional blog if you don't already have one. This can be a space to share your insights, opinions, and knowledge on topics related to your industry or field. It establishes your authority and credibility.

Participate in online communities and forums related to your industry. Your online comments and discussions can showcase your knowledge and thought leadership.

A brochure stating your acquisition objectives can also be a nice touch.

Getting this into the seller's hands before your first meeting can make a great first impression.

Save handing over your financial statements and credit report until there is an actual exchange of financial information with the seller, and after appropriate legal commitments to confidentiality have been made.

There are three characteristics that every seller looks for in their buyer candidates: financial capability, domain knowledge, and personal chemistry.

Anything you do to demonstrate these will help enormously with establishing a rapport.

7

IGNORING WEB & TECH

Things have moved on a bit in the online sphere over the past decade or so, and in the last year advances have been meteoric. Where once the advice would have been to make sure you're familiar with spreadsheets, search engines and word processing, these are universally taken as read in the business world.

There are some very useful – and powerful – online tools that can help you in your search for the right business. Simple steps include digging into the history of a website's ownership and hosting history to see whether they have been consistent, checking past directorships or stock ownership if relevant, or even just checking social media for customer reviews or industry comment.

Beyond that, there are market and industry aggregation tools that will give you a much better picture of not only the company being bought, but your potential competition, too. There are a range of sources for this information and each will have different strengths - and costs, to match - but gaining a better picture of the landscape in front of your business is crucial to its success.

Online marketplaces are indispensable at the search stage. Of course, BSR is one of the leading web-based aggregators of businesses for sale, but there are other good platforms out there that offer coverage of smaller business opportunities.

Off-market searching can be streamlined through smart online search facilities. BSR's Off-market Lens and Pitchbook are two examples of services that allow you to search UK trading companies by turnover, industry, earnings and other criteria.

Platforms like DataRobot, RapidMiner, or Tableau can help you understand complex business data and derive insights for better decision-making. AI-Powered analytics tools are coming thick and fast.

There are dealflow solutions specifically tailored for managing M&A deals. Check out platforms like Pipeline and 4degrees. They can help you manage your pipeline, conduct research, and more. Less expensive CRMs like Salesforce, Hubspot or Zoho can be adapted to keep track of leads, transactions and other interactions.

Most dealmakers in M&A have been utilising Virtual Data Rooms for some time. A VDR is an online repository where businesses can share and store confidential information, typically used during an M&A deal. Intralinks, iDeals, and Datasite are popular providers. Costs are coming down, and VDRs are also often used now in smaller deals.

Other tools exist to help with your financial analysis requirements. Legal document software is becoming more sophisticated with AI interaction. There is a huge array of project management software to manage tasks and deadlines (i.e. Asana, Trello, Monday).

We are at the point where a week does not go by without a novel online tool being launched that can help assist your acquisition process.

8

NOT DIGGING DEEP FOR THE BEST OPPORTUNITIES

There are all sorts of people who are aware of businesses for sale - lawyers, bankers, accountants, business brokers, even friends and family - and to contact all of them personally is quite a task. How can you be effective in finding companies for sale? Who should you contact?

There are five broad areas you can focus on, by no means in isolation:

• Direct advertisements
A great way to find sure-fire leads is by looking at advertisements in your trade publications; these business owners will sometimes be inundated with interest so, be sure to follow up on your enquiries. National and regional papers also carry ads for business for sale; these include the Sunday Times and the Financial Times.

• Online marketplaces and auctions
Potentially the most open and easy option for buyers and sellers, these listings provide an accessible way to view potential businesses. There are big variations between sites so do a little research beforehand - some may charge commission or specialise in certain areas. A good option is business-sale.com, which does not charge commission, has verified businesses listed by private vendors, brokers and accountants alike, and provides alerts when new listings that meet your criteria are made.

• Intermediaries and brokers
Both online and in person, intermediaries often specialise in a given industry, sector or region. In return for a percentage commission on both businesses bought and sold, they can offer a significant amount of expertise, data and contacts to aid your search. However, be aware that any leads they give you will be seen by many buyers' eyes and that an intermediary's top aim is to get a good deal for the seller (and their commission packet).

• Your friends and professional associates
Let them know you are looking, give them your criteria and see what comes back. It is possible - but not likely - that a deal will come back this way, but it's not worth spending an inordinate amount of time over. If you already have a trading business, and you're looking to acquire in the same industry, run the slide-rule over your competitors and ask your suppliers and customers.

• Off-market research
This can take many forms. If you are looking in a specific geographic location, talk with any local business brokers and accountants, look at local online/offline business directories, ask around. If you are targeting a specific industry, get hold of all the trade directories and databases.
Use an offline business search tool like BSR's Off-market Lens to identify and shortlist companies by industry type, turnover, net profit, and location.

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WORKING ON IMPOSSIBLE DEALS

En route to buying your perfect business there will be a number of false dawns, red herrings and poor decisions that you can waste a lot of time on. In an ideal world, you would avoid these un-doable deals.

How? There is no 100% accurate method but here are some red flags:

• A seller who says "anything is for sale...at a price" - As pointed out above, a seller will make more money by not selling, so hearing something along these lines means you are not going to be able to afford to match their lofty valuation.
• A seller who lacks motivation to sell - Either through age, family situation or other reasons, some sellers will lack conviction to sell. Sniff this out and be sure of their motivation before spending time on the deal.
• A seller with unreasonable terms - Explore their expectations early and query any sticking points early, too. Any last-minute changes - or constantly moving goalposts - should ring alarm bells.
• An invisible partner or family member - Insist on meeting any owners particularly if there is a mysterious, unseen partner. Evaluate their motivation to sell and take the opportunity to ask the same questions twice; you may catch out a discrepancy the second time through.
• A lack of information - Those who procrastinate or refuse to deliver critical financial documents put business buyers at huge risk. You cannot skip these crucial steps.

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IGNORING MARKET TRENDS

Buyers often overlook the importance of understanding current and future market trends.

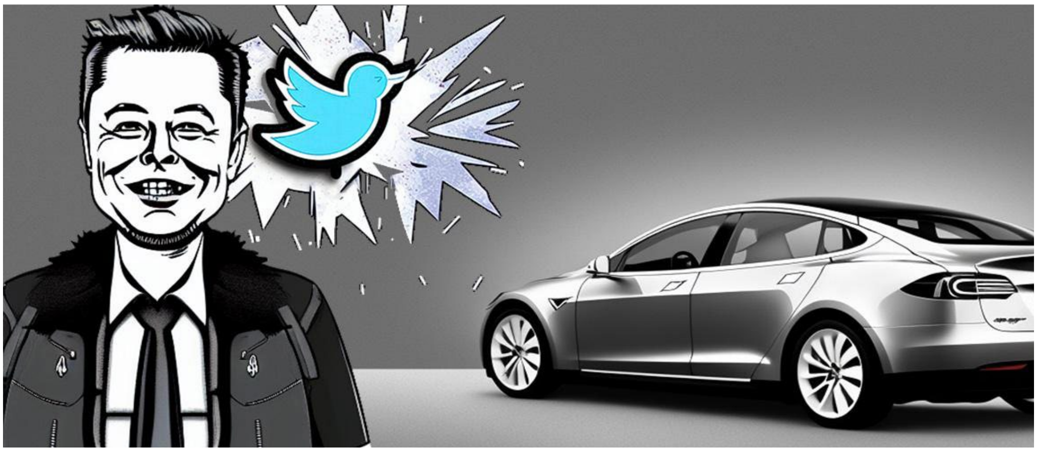
It's crucial to analyse the industry, its growth potential, and how the business fits into the broader market landscape to make informed decisions and mitigate potential risks.

The most dangerous traps are:

- **Investing in a declining industry**
- **Missing technological shifts**
- **Overlooking changing consumer behaviour**
- **Failing to anticipate regulatory changes**
- **Underestimating competition**

11

OVERPAYING



This is one of the most crucial mistakes that you can make, and one that can remain undetected for years.
We can all imagine a situation where you might fall in love with a business and offer up its cash flow for five years without blinking - this is a classic case of over-leveraging and is a recipe for disaster. Sensible buyers, however, base their valuation on a business' return on investment (ROI), before projecting cash flows, estimating financing structures and seeing how it will fare realistically in the future.

The ROI percentage you use should be based on the risk level of the business. New ventures are more risky than established businesses - venture capitalists target a 50% return on investment, for example, while most privately held businesses sell for between 25% and 40% ROI, pre-tax. While a manufacturing business in a growth market with proprietary products might sell for 25% ROI, a job shop or machine shop might go for 40%.

Depending on the industry and size of business, future cash flow is often predicted based on historical cash flow. However, use it as a baseline, understand the business cycles and identify any trends. If future cash flows (and consequently the sale price) have been calculated by the seller at the same rate as historic cash flows, be fully aware of the assumptions made to extrapolate these figures. What's going on in the industry and the market and what is the broader economic outlook?

Do not be misled by the glowing potential picture the seller predicts. If the business' 'potential' is as fantastic as they are making out, why are they selling?

An over-leveraged business is as bad for a buyer as one that is overpriced. The two often go hand-in-hand, too. Any debt will accrue interest and the higher the fixed cost, the more likely that a drop in cash flow could jeopardise the business.

If you find yourself in a high-leverage situation, do your homework to make sure you can stand the fluctuations in the business cycles of the business, providing capital from other sources if necessary. If you can't, move to considering a smaller undertaking.

You would be hard-pressed to find an analyst who didn't consider the price Elon Musk paid for Twitter at $54 per share too high. He later admitted: "Obviously, myself and the other investors are overpaying for Twitter right now".

He spent months trying to back out of the purchase agreement he originally signed in April 2022, but relented just before the case hit the courts as his chances of winning looked slim. He was desperately trying not to buy Twitter. Twitter's share price was running at $38.63, a huge discount to Musk's offer price and the social messaging company was highly motivated to win the case.

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UNDERESTIMATING OPERATIONAL CHALLENGES

Buyers sometimes underestimate the operational challenges of running a business. This can include managing staff, dealing with suppliers, handling logistics, and maintaining quality control.

It's important to have a realistic understanding of these challenges and to ensure you have the skills and resources to manage them.

If a buyer is not familiar with the industry of the business they are buying, they may underestimate the complexities involved in daily operations. This could include anything from managing supply chains, understanding regulatory requirements, to dealing with industry-specific customer service issues.

Managing a team can be one of the most challenging aspects of running a business. Buyers may underestimate the effort required to maintain a positive work culture, manage employee performance, handle staffing issues, and retain key employees, especially during a transition period.

Maintaining customer relationships and loyalty can be a significant operational challenge. Buyers may underestimate the effort required to maintain and grow the customer base, especially if the business's reputation was closely tied to the previous owner.

If the business involves manufacturing or retail, managing suppliers and inventory can be a complex task. Buyers may underestimate the challenges involved in negotiating with suppliers, managing inventory levels, and ensuring timely delivery of products.

In today's digital age, technology plays a crucial role in business operations. Buyers may underestimate the investment needed in technology to keep the business running smoothly. This could include software for managing customer relationships, financial reporting, inventory management, or even the business' online presence.

If a buyer plans to grow the business, they may underestimate the operational challenges associated with scaling. These could include the need for larger facilities, more employees, increased inventory, and more complex logistics.

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OVERLOOKING EMPLOYEE MORALE

Overlooking employee morale and culture is a significant mistake that business buyers can make, and it can indeed apply to both the business being acquired and the buyer's existing business, if they have one.

The morale of employees can significantly impact the productivity and success of a business.

The prospect of new owners taking control of a business can produce feelings of uncertainty and fear of change amongst staff. This can translate to employees becoming unhappy or disengaged, leading to decreased productivity, higher turnover rates, and a negative impact on customer service and satisfaction.

If this drop in morale is not addressed early and properly, it can lead to a decline in business performance that can roll on for years.
If the buyer already owns a business, the acquisition can also impact the morale and culture of employees in the acquiring company.

They may feel threatened or uncertain about their future in the company, especially if the acquired business operates in the same industry or has overlapping roles.

The buyer can sometimes become pre-occupied with the acquisition process to the detriment of his/her existing company.

As a buyer, you should communicate clearly and transparently with employees from both companies about the acquisition process and how it will affect them. Providing reassurances about job security, explaining the strategic rationale for the acquisition, and involving employees in the integration process can help maintain morale and create a unified, positive culture across the combined enterprise.

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NOT SECURING A STRONG SUPPORT NETWORK

Buying a business is a complex process that often requires the support and advice of experienced professionals. Failing to secure such a network can lead to a lack of guidance, increased stress, missed opportunities, and potentially costly mistakes.

Having a network of experts, including lawyers, accountants, business brokers, tax specialists and industry consultants, can provide invaluable advice and guidance throughout the process.

Don't forget that the process can be stressful and emotionally taxing. Having a strong personal support network, including family and friends, can provide emotional support, encouragement, and perspective when the process becomes challenging.

Industry connections can provide insights into market trends, competitive landscape, and potential challenges specific to the industry of the business you're buying. They can also help you establish relationships with key stakeholders such as suppliers, customers, and potential partners.

Experienced business owners or mentors in your network can share their experiences, lessons learned, and best practices. Their advice can be particularly helpful in navigating the challenges of running a business post-acquisition.

A strong network can potentially include individuals or institutions that can provide financial support or investment, or guide you to appropriate funding sources.

NEGLECTING POST-ACQUISITION INTEGRATION

After acquiring a business, integrating it into your existing operations (if applicable) can be a complex process. This includes aligning business processes, integrating corporate cultures, and managing change effectively. Failure to plan for post-acquisition integration can lead to operational disruptions and employee dissatisfaction.

It might not be immediately obvious, but post-deal integration is the most vital step in any M&A deal, with ultimate success depending more upon the integration stage than on any other single step within the process.

Post-deal integration is widely misunderstood and is often ignored by M&A brokers and advisers who will typically focus more on ensuring that clients have the right profile of acquisition target, select the right targets and structure deals well financially. The assumption being that getting these things right will mean that the deal will be successful.

However, the integration phase is the making or breaking of any deal. A deal can be conducted with a perfect strategic rationale and be structured well, in a way that suits both parties, but still fail if the integration stage is conducted poorly.

Obversely, a deal can follow a completely flawed strategic rationale – maybe the price was too high, or the businesses may not even be particularly complementary – but still be successful providing that there is competent, creative management and a solid post-deal integration plan in place.

In brief, all of the steps leading up to the completion of an M&A deal – the strategic planning, financial analysis, negotiations and structuring of the deal – will have been in vain if a strong post-deal integration plan is not implemented successfully in the aftermath.

The basic (and well-documented) truth is that the majority of mergers fail. Post-deal integration may be a quiet phase of the M&A process, but it is the crucial phase and the best way for buyers to ensure that they make a success of their deals.

The best and most successful acquirers are those that recognise the importance of post-deal integration and are experienced, dedicated and efficient in onboarding their new acquisitions. In large firms, this will necessitate closely communicating and co-ordinating with managers, department heads and human resources departments to make sure they are prepared and familiar with their respective roles in the plan.

For smaller businesses it is vital that owners and other managers are invested in the post-deal integration phase and take a hands-on role in ensuring that a new acquisition is successfully bedded into the company's operations.

Note: this is an excerpt from our more detailed perspective on post-acquisition integration, available on the members' section of www.business-sale.com.