Growing Your Business with Strategic Acquisition

By Timothy Witt

For the owner of a closely held business, the end of the calendar year is usually a time for strategic planning. One of the most important decisions to be made during this time is how to best grow your business in the new year and beyond. But growth can be a complicated proposition. How quickly do you want to grow your business? And how can you best achieve your desired growth goals? By adding more clients? More staff? New product/service offerings? Expanding into new verticals or new geographic markets? For a closely held business, growth is often achieved through all of the above. And while organic growth is usually part of the plan, if your growth goals are more aggressive, a strategic acquisition strategy might be the right path for your company.

With the most common acquisition strategy, a company buys another company with cash, stock or a combination of the two. Regardless of the structure, an acquisition is meant to create synergy that makes the value of the resulting company greater than the sum of its original parts. Through the strategic acquisition of another company, the purchasing company can achieve economies of scale, efficiencies and enhanced market visibility. The acquisition can also increase the company's client base, add new markets and help increase shareholder value, among a variety of other benefits.

This strategic path to growth is attractive to owners of closely held businesses whose companies are strong and thriving. It allows them to expand capabilities and external offerings. And for some, it provides access to additional talent, which is especially important for talent-strapped industries such as architecture and engineering.

For your company to be well positioned to acquire another, there are four important criteria for you to consider:

1. Your Company Needs to be Prosperous - If your company is financially solid with a proven track record for success, you are well positioned to take advantage of acquisition opportunities. Company strength can of course be characterized by your company's financial

assets, lack of debt, client base, equity in equipment, depth and breadth of talent, etc. Your company must be doing well now and be well positioned for the future with a solid, strategic growth plan.

2. **You Must Have a Solid Business Model –** A solid business model should be reflected in a strategic plan that identifies acquisition needs. You should focus your company on what it does best and let that unify your corporate structure and vision. And allow for some flexibility within that focus so your business can adapt as the market changes and as acquisition opportunities arise.
3. **You Must Have a Strong Corporate Management Team –** You need to surround yourself with a strong management team; executives who know your business and enforce your company's corporate culture internally and externally. They should understand the marketplace in which you operate and your customers' key decision making drivers. Having the right executives in place – and in the right roles within your company – will help smooth the transition, during and following an acquisition.
4. **You Must Have Access to Capital –** Unless you already have the cash, you'll need to make sure you have access to capital and the borrowing capacity needed to complete your acquisition. Regardless of the state of the economy, access to capital can vary by region and by provider. Often as the owner of a closely held business, you can look to regional and community banks for your borrowing needs. Seek out lenders who are knowledgeable of your business and plan ahead for all the capital you will need.

Consult the Experts for Your Acquisition

Throughout the acquisition process, it is important to work with a trusted advisor for strategic guidance. Careful planning with acquisition experts makes strategic decision making much easier and helps you avoid any pitfalls. For companies looking to grow through acquisition, an advisor should explain the economics and help them understand the financial consequences of their acquisition options. In addition to discussing the risk factors, they should also explain the potential enhancements to their companies.

Strong companies with good management teams, a good business model and access to capital can take advantage of acquisition opportunities, even in a volatile market.

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