

Tidewater Group, Inc

Successfully Integrating an Acquisition (Manufacturing Company)

Once a company is acquired, the work is just beginning. Successful acquisitions require a well thought out plan for integrating the two companies. If done well, the result can be remarkable. If not done well, the integrated company will struggle with lost sales and reduced profits and sometimes both. Some thoughts on the integration process and an example of a successful one may be helpful.

When to start: Some large corporations that have integrated many acquisitions, have a standard policy not to make any changes for six months. This allows them to understand the complexities of the company they acquired---what was working and what wasn't. In addition, it also allows the buyer to assess the quality of the new employees, so that they can be compared to the company's current employees.

- ◆ **A compromise:** If waiting for six months is deemed unwise, consolidate certain departments right away such as accounting, and perhaps warehousing. In every case, care should be taken to make sure that institutional knowledge is not lost, otherwise some of the value of the acquisition is lost forever.

People are a key element: This is not a "we won, you lost, therefore our people are better than your people," proposition. Make sure you evaluate all personnel equally. Picking the best from both companies will significantly enhance the new fully integrated company. In addition, it conveys to all employees that the company values excellence and rewards it with employment and compensation. Remember the new people are likely to be wary and maybe depressed, and take that into consideration.

The Sales Team: Careful evaluation of both sales teams, their territories, compensation (method of compensation) and key accounts will set you on the right track. Remember you want the best people, not just the one's you know best. This will be a key to keeping and growing sales. It will also assist you in keeping new customers. Remember competitors will be "sniffing around" trying to pick off key accounts.

Purchasing: Care must be taken particularly with purchasing to make sure the acquired company wasn't purchasing products more cheaply and efficiently than the acquiring company. This could be a significant benefit to the acquiring company, that would be lost if not fully understood.

Manufacturing & Warehousing: If the plants are to be consolidated, make sure that the transition is well thought out. Lay-out the placement of each machine and each slot in the warehouse for the consolidated inventory. Figure that the move will take at least fifty percent more time than planned and make sure that the inventory run-up is sufficient. Some acquired managers could be better than yours. It could be a way to significantly upgrade your staff.

Administration, Accounting & Bookkeeping: These functions are often integrated first. Customer service, in-house sales, clerical, can be integrated easier than some other functions but care should be taken that programs are understood and evaluated to see if they are better than existing one's.

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