Without Agreement And Alignment, Acquisitions Can't Succeed

Robert Gelb Forbes Councils Member
Forbes Finance Council COUNCIL POST | Membership (Fee-Based)

Oct 2, 2023, 10:00am EDT

Robert Gelb is the CEO of Valenz Health.

GETTY

Too often, acquisitions fail. Google and Motorola and Microsoft and Nokia are two high-profile examples of failed acquisitions in the last decade. In the aftermath of such collapses, experts try to uncover the underlying causes. Every situation, of course, is unique.

But peel back the layers of each failed acquisition, and you'll likely see a common theme: dissonance. The acquisition didn't succeed because the two

entities were not in agreement and alignment.

Before Entering Talks With Prospective Sellers, Reaching Internal Agreement And Alignment Is Crucial

Business leaders considering an acquisition must seek both agreement and alignment. Agreement is the *what* and the *why*, whereas alignment is the *how*, the *who*, the *when*, and, in some instances, the *how much*. Executives should strive for internal agreement and alignment before entering formal talks with a prospective seller.

Having led eight transactions, I've implemented a process that helps our team achieve agreement and alignment before we ever enter talks with another company. We start by holding agreement and alignment sessions to examine our interests in entering a particular market or offering a certain product or service. We see if we can reach a consensus on the what and the why. In other words, we come together to agree on what we want to accomplish and why.

MORE FROM FORBES ADVISOR

Best High-Yield Savings Accounts Of September 2023

By **Kevin Payne** Contributor

Best 5% Interest Savings Accounts of September 2023

By **Cassidy Horton** Contributor

From there, we can determine where that goal sits within our business priorities and pinpoint how to achieve it most strategically. We take this time to decide whether we want to build a product in-house or acquire another company. If we choose to pursue an acquisition, we gain internal alignment on how that might take shape. We think through several factors, including:

• How an acquisition would pair up with our long-term strategy and vision.

• Who would be responsible for driving it.

• When we would like to hit certain milestones (namely, implementation and exit strategy).

• How much time, money and other resources we have to invest in it.

Executives of a company must secure agreement and alignment internally before engaging with a prospective seller, or they will diminish the acquisition's chances of success. If your company's leaders oscillate on the *what*, *why*, *how*, *who*, *when* and *how much*, you cannot expect to have productive conversations with another party. Your internal discord will be visible to the seller, diminishing the acquisition's chances of success. When the team reaches a consensus on these factors, you'll be ready to focus on finding a seller that meets your shared criteria. As you narrow in on a seller, that's when another agreement and alignment conversation begins—this time, with the executive team of the business you want to acquire.

Vision, Culture And Integration: The Three Pillars Of Agreement And Alignment Between Buyers And Sellers

Sometimes, in a push to make a deal, executives gloss over or neglect the three pillars of agreement and alignment with potential sellers: vision, culture and integration. With a united view and understanding of vision, culture and integration, an acquisition will likely succeed in the long term.

Vision is the first pillar. A joint vision for the future is critically important because the two parties must determine *what they want to accomplish* and *how they will succeed* as a team. If the two companies have entirely different ideas about the *what* and the *how*, the acquisition will be on a shaky foundation if it goes through at all. Sometimes, one member of the seller's team (often the company's founder) disagrees with the *what* and *how*, while everyone else is on board. In such scenarios, if the founder agrees to exit the company as part of the deal, there could be a path forward.

The second pillar involves the fusing of two corporate cultures. Culture sustains businesses. If the cultures of two companies are misaligned, it's best to walk away. Misaligned cultures lead to unclear expectations, misunderstandings and constantly shifting priorities, all of which breed siloed cliques of employees who are emotionally disconnected from the company's vision and mission.

Depending on the level of misalignment, there might be room for compromise. For instance, if one company prioritizes cost-consciousness over customer experiences, the two executive teams could try meeting in the middle, forging a

sustainable balance between the two. But if a compromise can't be reached, it's best for both executive teams to cut their losses.

Even when the two cultures are a great fit, you need a third pillar—a smart, well-thought-out integration plan. An integration plan should span the first 90 or 100 days, and both parties must be committed to it upfront. It should cover how you'll communicate the news of the acquisition to both sets of employees and customers, which technology and processes will be deployed and how the two teams will unite as one, among other factors. In any integration plan, intentionality is the name of the game. The decisions executives make during the integration phase will set the stage for the future.

Without Agreement And Alignment In Every Area, Business Leaders Have To Make Tough Choices

Business leaders may not necessarily get agreement and alignment in every area. If you find yourself in that situation, at that point, you will have to make tough choices—namely, what risks are you willing to take? You might decide to enter an agreement regardless. If, from the start, you're aware of the potential consequences, you'll have a greater likelihood of successfully navigating them.

Ultimately, however, not having strong agreement and alignment in an acquisition can cause serious friction that dismantles a business. It's often best to steer clear of dissonance—and seek harmony elsewhere.

Forbes Finance Council is an invitation-only organization for executives in successful accounting, financial planning and wealth management firms. *Do I qualify?*

Follow me on LinkedIn. Check out my website.

Robert Gelb

Robert Gelb is the CEO of Valenz Health. Read Robert Gelb's full executive profile here.

Editorial Standards

Reprints & Permissions

ADVERTISEMENT