*Strategic Management*, 9e: Chapter 9 study guide

Checklist: Pointers towards successful acquisitions

 *Friendly acquisition*: when the company to be acquired accepts that it will be taken over, then this makes the integration process smoother and less costly.

 *Complementary assets*: if the acquisition has assets that sit alongside those of the acquiring company rather than compete, then there tends to be greater synergy and greater chance of strengthening the competitive advantage of the enlarged group.

 *Careful checks in advance of acquisition*: it may seem obvious but a number of acquisitions have failed because the acquiring company failed to understand or identify major problems at its target. This is called ‘due diligence’ in acquisition language.

 *Sufficient access to low-cost finance*: some firms have found themselves stretched financially after making acquisitions, especially if the company to be acquired has high financial debts or the acquisition is to be funded by a high cost debt vehicle.

 *Conservative benefit assessment*: some firms have been unduly optimistic about the cost savings to be achieved or the sales to be gained from an acquisition over a given time frame. All the evidence suggests that a conservative estimate of such gains is worthwhile.

 *Past successful record on acquisitions*: some companies have used acquisitions as a major source of growth for many years and have extensive experience in how to gain the full benefits. This is a self-fulfilling criterion to some extent, but is relevant in the broader scheme of assessing the likelihood of success.