

Merger & Acquisition Self-Diagnostic

Introduction

The following diagnostic is meant to help Merger Week participants compare various aspects of their acquisition process to certain standards and to the performance of other companies. The survey will be treated as confidential and will not be used for any other purpose.

The survey is also not meant to be an exhaustive review of best practices in acquisitions. Instead, it focuses on some common pitfalls which companies fall into while pursuing targets.

Please complete the survey and deliver to Cindee Bath by 9:00 p.m. Sunday evening, February 27. Those who complete the survey will receive a report that compares their results to those of the rest of the respondents.

Instructions

The survey lists various characteristics that define good practices in acquisitions. You are asked to determine the extent to which these characteristics apply to your company by using a scale of 1-5, where “1” means “No, this does not characterize my company’s practice” and where “5” means “Yes, this very much characterizes my company’s practice.”

You may find that some of the questions may not be applicable to your company. If so, simply skip those questions.

At the end of the survey you are asked to count the number of questions answered and the total score (sum of all responses). Then, simply divide the sum of responses by the number of responses to get an average response.

Participant Feedback

We would be very interested in any input that you may have to improve the survey, either to expand the number of points covered or further refine the existing points.

Thank you for your participation.

Defining Strategic Fit

Name _____
 E-mail _____
 Phone _____

Question	Rating
1. Have a clear understanding of the strategic segments within your markets the size of each segment and historic and projected market segment growth?	No Yes ----- ----- ----- ----- 1 2 3 4 5
2. Also clearly understand competitors within each segment including their share, apparent strategy and strengths and weaknesses.	No Yes ----- ----- ----- ----- 1 2 3 4 5
3. Understand customer purchase criteria and the relative importance of each. Also understand how customer needs are changing and how each competitor including your company is meeting these needs.	No Yes ----- ----- ----- ----- 1 2 3 4 5
4. Have identified any structural changes within strategic segments including technological change, consolidation, buyer/supplier consolidation. Also have examined the implications for your strategy	No Yes ----- ----- ----- ----- 1 2 3 4 5
5. Based on the foregoing, management has consensus regarding how acquisitions will create value through enhanced product or geographic scope, increased scale, or leveraging/acquiring specific skills.	No Yes ----- ----- ----- ----- 1 2 3 4 5
6. Have developed your understanding of Question 5 to the point of being able to quantify the impact on value drivers through improved scale, scope or skill.	No Yes ----- ----- ----- ----- 1 2 3 4 5

Search & Screen

Question	Rating
7. Establish clear criteria for screening and ranking targets according to their strategic fit?	No Yes ----- ----- ----- ----- 1 2 3 4 5
8. Based on this criteria, have proactively screened the universe of possible targets to determine which best fit the defined criteria	No Yes ----- ----- ----- ----- 1 2 3 4 5
9. Have management consensus around a prioritized target list included in the strategic plan to accelerate approvals when active discussions with targets commence.	No Yes ----- ----- ----- ----- 1 2 3 4 5
10. Have a centralized database of information on priority targets with a single individual known to the organization to collect and manage target information.	No Yes ----- ----- ----- ----- 1 2 3 4 5

11. Have an active program of soliciting target interest through appropriate and regular contact with documentation of these discussions.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	

Target Assessment & Valuation

Question	Rating	
12. Assessment is adequately staffed with full time resources. One individual is accountable and the proper mix of operating and deal experts are involved	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
13. Sufficient time and effort is devoted initially to prioritize issues and develop a work plan according to the priority attached to these issues	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
14. Usually between 50-70% of information is being gathered from primary research. (i.e. customer interviews, competitor interviews etc.)	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
15. Appropriate functional managers are given sufficient time, support and information to assess synergy potential in their functional areas and are asked to commit in writing to the degree of synergies.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
16. The organization does a good job of turning to outside advisors when necessary without over-relying on them or abandoning ownership of the process.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
17. The assessment is organized to provide sufficient detail regarding market volume growth, pricing trends, fixed/variable cost relationships, capital intensity etc.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
18. Adequate valuation expertise exists within the organization.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
19. Valuations are developed primarily on the basis of discounted cash flow analysis supplemented by market multiples where applicable.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	
20. Initial prioritization is reinforced with valuation sensitivity and scenario analysis to further focus analysis and decision making.	No	Yes
	----- ----- ----- -----	
	1 2 3 4 5	

Organizing For Acquisitions

Question	Rating
21. Functional experts within the organization (environmental, legal, accounting, etc.) have a sufficient understanding of the overall process and their role. Also, others know when and how to involve functional experts in the process.	No Yes ----- ----- ----- ----- 1 2 3 4 5
22. Responsibility for the acquisition is assigned to one individual who is empowered to manage the process	No Yes ----- ----- ----- ----- 1 2 3 4 5
23. Internal approvals are streamlined to avoid unnecessary delays in the process while allowing sufficient time to secure consensus.	No Yes ----- ----- ----- ----- 1 2 3 4 5
24. During due diligence, one individual is responsible for ensuring that priority issues are addressed and aggregating information about these issues either directly or through functional experts	No Yes ----- ----- ----- ----- 1 2 3 4 5
25. Early in the process, the responsibility for managing the acquired business is assigned and that person takes ownership of the process to ensure full buy-in to synergy assumptions.	No Yes ----- ----- ----- ----- 1 2 3 4 5

Managing The Integration Process

Question	Rating
26. Integration planning is begun as soon as the acquisition opportunity is identified.	No Yes ----- ----- ----- ----- 1 2 3 4 5
27. Integration planning is owned by the ultimate managers of the business interfacing with corporate development specialists	No Yes ----- ----- ----- ----- 1 2 3 4 5
28. 60-80% of the integration plan is completed before deal closing.	No Yes ----- ----- ----- ----- 1 2 3 4 5
29. Where applicable, the buyer actively solicits the involvement of acquired management in integration planning.	No Yes ----- ----- ----- ----- 1 2 3 4 5
30. When the integration plan calls for maintaining operations separate, we have established an ongoing gatekeeper function to ensure that interactions are productive and are not hindered by over-involvement from the target or from cultural differences	No Yes ----- ----- ----- ----- 1 2 3 4 5

31. My company does a good job of appreciating cultural differences and tailoring the integration plan to reflect these differences	No ----- ----- ----- ----- 1 2 3 4 5	Yes
32. My company is adept at understanding when speed is required in integration and when to progress more slowly.	No ----- ----- ----- ----- 1 2 3 4 5	Yes
33. My company is skilled at communicating effectively with acquired management through the integration timeline	No ----- ----- ----- ----- 1 2 3 4 5	Yes

Management Biases in the Process

Question	Rating	
34. The organization does not place too much emphasis on revenue or earnings growth vs. value creation thereby introducing uneconomic biases.	No ----- ----- ----- ----- 1 2 3 4 5	Yes
35. The organization does not overtly or covertly penalize managers who walk away from deals because the price became too high or other terms proved unacceptable.	No ----- ----- ----- ----- 1 2 3 4 5	Yes
36. Some individuals on the deal team have sufficient natural skepticism to reduce the likelihood that optimism or “deal fever” overly biases the assessment.	No ----- ----- ----- ----- 1 2 3 4 5	Yes
37. If the CEO or other senior executive is strongly in favor of the deal, they do not overly influence the process so that managers do not feel compelled to strike a deal.	No ----- ----- ----- ----- 1 2 3 4 5	Yes

Number of Questions Answered _____

Total Score _____

Total Score / Number of Questions Answered _____