The Satisfactions of Strategy?

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Editor's note: this post is part of a series on the six steps towards successful mergers and acquisitions.

Probably no subject gets more attention from business writers and management gurus than strategy. That's not surprising. Without a coherent set of objectives—a precisely defined goal to work towards—everything else is just going through the motions without actually getting anywhere.

Whether a print company owner intends to acquire another company or to offer the business for sale, the owner's strategic intentions must be clear. This means thinking through the "why" of the plan so that the "how" will be equally plain.

Strategic thinkers know that once an objective is set, the consequences of the decision have to be anticipated and acted upon. Motives and outcomes are intertwined, and the better an owner understands what is driving his or her behavior, the smoother the path to a successful transaction will be.

Personal and emotional factors often loom largest for sellers. The most urgent question they find themselves asking is, what will my life be like after the deal is closed? Some owners are ready to meet their replacements, cut the ties with their professional careers, and take that long-awaited "walk on the beach." Those who want to keep a hand in the business, however, have additional questions to answer.

Arrangements that keep former owners on the payroll in executive positions for a specified number of years can be attractive. So can partnerships: the transfer of equity in the business to a co-owner who may or may not gain a majority interest as a result.

In either case, the seller must be able to identify compatible buyers or partners who are open to retaining the original owner and whose business intentions are similar. A buyer whose interest is limited to tucking in sales accounts, for example, might not be the kind of buyer that a seller who wants to stay active in the company should be looking for.

Because business objectives, rather than personal goals, are paramount for buyers, their strategic decisions tend to be more complex. But, they boil down to the question of what kind of growth the buyer hopes to achieve in making an acquisition.

It's no secret that organic growth has become very difficult for most printing firms to accomplish. This is why "I need to buy more sales" is the voice that many acquisition-minded owners are listening to. Bringing in active accounts from another company broadens the sales base and spreads fixed expenses—good things for the financial health of the acquiring firm.

The other way to grow (or to replace shrinking sales) is to enter new markets—that is, markets in which the buyer is not a player—by acquiring companies that specialize in them and operating the businesses as going concerns. Wide-format output, direct mail, packaging, and data management are among the capabilities often targeted in acquisitions of this kind.

In both scenarios, reality-checking is an essential element of the acquisition strategy. Consider, for example, the "portability" of accounts acquired in tuck-ins, where the buyer now becomes responsible for fulfilling the orders.

The issue here is that many small and mid-sized commercial printers still do the bulk of their work for customers in or close to the cities where they are based. These locally clustered accounts may be used to conducting press checks, receiving overnight delivery, and enjoying other advantages of being close to their print service provider.

But, an acquiring firm in a different region might find these amenities difficult if not impossible to offer. More "portable" are accounts in direct mail, book printing, and other applications where lack of proximity to the customer would not be a deal-breaker.

Buyers who dream of operating geographically distributed networks of plants have their own concerns based on location. A leading one is the availability of skilled help.

Talent pools are deeper in some places than they are in others, and recruiting experienced workers from outside a given region usually is a long shot. To be sure of growing the business across its entire platform, the buyer must also be sure that employable talent is present wherever the growth is expected to take place.

Creating operational synergies, eliminating redundant processes and costs, and dealing with unionized workforces are additional challenges for firms that grow by acquisition in multiple locations. They all point to the kind of strategic foresight that must accompany every M&A decision from the buyer's side or the seller's.

Strategy governs outcomes at both ends of the M&A process. Everything begins with the roadmap it represents. At the final stage, when the parties to the transaction "circle back" to review what they have accomplished, they find the answers by measuring their progress against the clear strategic objectives they have set for themselves.

Strategic thinking isn't easy. It has to be comprehensive, continuous, and concentrated on what lies in the end zone—a well-executed transaction that will reward buyer and seller alike. Owners who combine this kind of discipline with expert advice from M&A professionals are in the best position to reap the rewards.

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