

# Build, Buy, Partner

Strategic Decision Framework — Part II: The Buy Strategy

## EXECUTIVE SUMMARY

**70%**

M&A FAILURE RATE

**2.5×**

FASTER TIME-TO-MARKET

**\$4.2T**

GLOBAL M&A VOLUME '24

**8**

FRAMEWORK SECTIONS

## The Case for Strategic Acquisitions

Acquisitions enable organizations to rapidly acquire capabilities, talent, market position, and revenue that would take years to build organically. When executed strategically, M&A creates transformational value—but the 70% failure rate underscores the critical importance of disciplined execution.

**Key Insight:** The high M&A failure rate is often attributed to "integration challenges," but the root cause is usually *strategic misalignment*—paying for synergies that never materialize.

## Strategic Advantages

- ✓ **Speed to Market** — Acquire fully-formed capabilities and customer bases immediately
- ✓ **Proven Technology** — Validated products reduce technology risk
- ✓ **Talent Acquisition** — Access specialized teams that would take years to recruit
- ✓ **Market Position** — Consolidate share or enter adjacent markets

## When to Buy

- ✓ Time-to-market is critical and building would take too long
- ✓ Target has unique IP, talent, or market position that cannot be replicated
- ✓ Consolidation economics justify premium pricing
- ✓ Strategic window is closing due to competitive or regulatory dynamics

## Acquisition Type Framework

| TYPE                     | PRIMARY VALUE DRIVER       | TYPICAL MULTIPLE | INTEGRATION         |
|--------------------------|----------------------------|------------------|---------------------|
| Acqui-hire               | Talent & team capabilities | 1-3× revenue     | Full absorption     |
| Technology Tuck-in       | IP, product, or platform   | 3-6× revenue     | Product integration |
| Market Expansion         | Customer base & channels   | 4-8× revenue     | Operational merger  |
| Horizontal Consolidation | Market share & synergies   | 6-12× EBITDA     | Full integration    |



### Synergy Reality Check

Historical data shows acquirers capture only 50-70% of projected cost synergies and 25-40% of projected revenue synergies. Always build conservative cases.

## M&A Value Creation Framework

| VALUE DRIVER                 | DESCRIPTION                            | TIMELINE     | CERTAINTY        |
|------------------------------|--|--------------|------------------|
| <b>Revenue Synergies</b>     | Cross-sell, new markets, pricing power | 12-36 months | Lowest           |
| <b>Cost Synergies</b>        | Headcount, facilities, procurement     | 6-18 months  | Highest          |
| <b>Capital Efficiency</b>    | Working capital, asset utilization     | 3-12 months  | Moderate         |
| <b>Strategic Optionality</b> | New capabilities, future opportunities | 24-60 months | Hardest to value |

## Due Diligence Framework

- ✓ **Financial** (4-6 wks) — Quality of earnings, working capital
- ✓ **Legal** (4-6 wks) — Contracts, litigation, IP, regulatory
- ✓ **Commercial** (3-4 wks) — Customer interviews, market
- ✓ **Technical** (2-4 wks) — Code, architecture, security
- ✓ **HR/Talent** (2-3 wks) — Key person risk, retention

## First 100 Days Integration

- ✓ **Day 1 Ready** — Communications, systems, legal close
- ✓ **Stabilize (1-30)** — Retain talent, maintain customers
- ✓ **Integrate (31-60)** — Org design, process alignment
- ✓ **Accelerate (61-100)** — Synergy execution, culture

### M&A Decision Framework

- PROCEED** Strong strategic fit + Reasonable valuation + Clear integration path + Talent secured
- CONDITIONAL** Mixed signals — Proceed only if specific conditions can be negotiated
- WALK AWAY** Strategic misfit OR Excessive valuation OR Integration too risky OR Key talent uncommitted

## Key Principles for M&A Success

- 1 Strategic Clarity First** — Define exactly why you're buying before evaluating any target.
- 2 Valuation Discipline** — Walking away from overpriced deals preserves capital. The best deals are often the ones you don't do.
- 3 Diligence Depth Matches Stakes** — Scale diligence to deal materiality. Include penetration testing for tech deals.
- 4 Integration is the Strategy** — A deal isn't done at close—it's done when synergies are captured.
- 5 People are the Asset** — Talent retention is #1 predictor of success. Provide role clarity within 30 days.



### Deal Breakers to Watch

Material litigation, financial fraud, customer concentration >50%, critical security vulnerabilities, unowned IP, and key founders unwilling to stay.

## Full Framework Available

35+ pages including 20+ frameworks, 6+ case studies, and decision tools

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