



# 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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