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Survive the First Meeting to Succeed in Acquisitions

Focus on target firm, avoid fatal missteps to lock in an invitation to meet again.

Editor's Note: *This is Part One of a two-part feature on first meetings between acquirer firms and the firms that they hope to acquire.*

Allan D. Koltin

It's no secret that mergers and acquisitions are essential to the growth of many public accounting firms. Most of the fastest growing firms in the profession rely on these transactions as a means of adding talent and resources, extending their respective geographic footprints, and building expertise across industry lines and service areas.

While some of these deals are true mergers of equals or peers, most are a courtship of sorts between a larger "acquirer" firm and smaller "acquiree" target firm.

As with any courtship, the initial meeting of the two firms--a "first date," if you will--can make or break the relationship. If the first date is unsatisfactory to the target firm, there probably is no second "date," and the acquisition will go to another suitor.

It is surprising, then, that many acquirer firms are unprepared for these meetings and make fatal mistakes that eliminate them from the acquisition dance with a target firm.

"I equate these first meetings to the TV show 'Survivor,'" explained Allan D. Koltin, CEO of Chicago-based Koltin Consulting Group, in an interview with *PAR*. "I say to the larger firm, 'Your goal should be simply to not get kicked off the island, and to be invited back for a second meeting.' Often, what they don't do is really figure out what they have to accomplish in that first meeting."

Koltin, a leading consultant in public accounting firm mergers and acquisitions, has sat in on more than 500 M&A meetings in his work, he said, and he has seen a variety of fatal mistakes that acquirer firms make in first meetings with target firms. In the text that follows, Koltin shares a selection of those mistakes with *PAR*'s readers.

A common mistake, Koltin said, is that the acquirer firm does not bring its "A team" to the initial meeting.

Koltin expressed amazement that acquirer firms often fail to respect the opportunity offered by such a meeting. He posed a scenario of a larger firm not sending its "A team" to meet with a $3 million, three-partner firm, and compared it to the typical response to meeting a potential $3 million client.

"If a potential client could give [a firm] $3 million in fees, the firm would drop everything to get their absolute best people on that pitch," he said, and "would treat it [as] more important than anything."

By contrast, often the acquirer firm's CEO will not even attend the first meeting with a target firm; sometimes, the firm may send staffers who are strong technically, but aren't good communicators, or communicate the wrong messages.

"Recently, I was with a firm where one group brought in their client service people—somebody from assurance, somebody from tax, somebody from accounting—and the other firm used those three seats to bring in [representatives from] three recent [acquiree] firms … to really tell the success story," Koltin said.

In that encounter, the firm that brought the client service people did not get a "second date," he added.

Another mistake that acquirer firms make is to show up for the meeting unprepared.

"Research the heck out of these firms. Prepare like it's the most meaningful date that you are ever going to have. Too many [firms] just show up, as if they have a cameo part in a movie, and they're just supposed to talk about the audit department or the tax department. If you really were [focused on being] prepared, you'd go on the [target firm's] website, you'd research their audit or tax people, you'd go on LinkedIn, you'd learn as much as you could about those people, all the way down to their hobbies," he explained.

Koltin recalled a merger-related dinner meeting with a CEO in Boston a couple of years ago.

"The CEO and his 'lieutenant' were having drinks, and as I approached them, it looked like they were playing with multiplication cards, like in grade school: They had the pictures of the [other firms'] 15 partners on little cards, and they were flashing them at each other and making sure they knew every single person's name," he said. "If you're [the CEO] in the meeting, and right out of the blocks you're addressing each one of their 15 partners by name, you know where they went to college, you know something unique about them, those 15 people [will] feel a direct connection to the CEO."

Another fatal flaw in first encounters is "not acknowledging the acquiree's greatness," Koltin said.

"I will sometimes sit in meetings that are three hours long, and the acquirer is so busy talking about how wonderful and great they are, they don't give any praise of great things that the acquiree is doing."

Koltin explained that the leadership of an acquiree firm wants sincere, specific praise for what it has accomplished, including things that it is doing even better than the acquirer firm.

The acquiree also wants to hear that the larger firm has “flexibility of playbook,” meaning that the larger firm will take some of the smaller firm’s best practices and adopt and implement them, he added.

Another type of mistake is one that Koltin puts under the heading, “You can’t win for trying.” In this scenario, the acquirer firm “oversells” its assets by focusing on the greatness of its own firm.

“Let’s assume the firm really is that good,” Koltin continued. “What happens in the debrief is that the acquiree says, ‘They’re an unbelievable firm, but the bar is too high. We’ll never make it. We’ll lose partners. We’ll lose staff. We can’t make it in their world.’”

The result: Although the potential acquirer might have been, by far, the best firm that the acquiree met with, it won’t be invited back for a second meeting.

Another fatal flaw that Koltin has seen repeatedly is when members of the acquirer firm are physically present in the meeting but are not paying attention, and instead are on their smartphones or laptops, not listening and not taking notes.

“When you’re in the meeting, truly *be* in the meeting. Be present, have positive energy and don’t give any vibes that indicate this is not the most important thing in your world,” Koltin said. “Look and act the part and ask questions, be engaging. It can’t all be about you.”

“It amazes me the people who show up at some of these meetings, and the fatal flaws [they exhibit]. If they were talking to a potential client of the same revenue size, would they do that? Absolutely not. What it really means is they don’t treat the merger prospect as [being as] important as they would treat a client prospect.

“This is ‘Relationship 101.’ This is courting. You need to show [the acquiree] that you want to ‘get married,’ you love what you see, no differently than in the real world when one courts another in a dating relationship,” Koltin said. “I compare that with other firms sometimes that show up on the doorstep and say, ‘Here’s what we’re all about. If you’re interested, just let us know.’ That’s sort of like a neutral disclaimer, versus, ‘We love your firm, we can’t wait to get married, here’s how we’re going to grow together.’”

Editor’s Note: *Next month, in Part Two of this feature, Koltin discusses partner compensation details, individual partner agendas, control issues and differences in mandatory retirement policies. Stay tuned!*