

How to effectively use time prior to an acquisition

Comparing the World Cup semi-finals run-up to a corporate acquisition, three experts tell us how should a management use this time effectively



Companies must also constantly reinforce the outcome being chased. Photo: iStock

Many months of preparations will finally be tested when India plays Australia in the World Cup semi-finals. How crucial are these last few days? Comparing the semi-finals run-up to a corporate acquisition, three experts tell us how a company management should use this time effectively.

Be dynamic and plan strategies

Ashok Banerjee, professor (finance and control), Indian Institute of Management, Calcutta

Whatever the event may be, good preparation will help you sail through the last few days regardless of unexpected late-stage changes, says **Ashok Banerjee**. In an event like a hostile takeover, the success of a bid hinges on how swiftly the management acts, he points out.

“You may have done your homework identifying the right company to buy, the valuation and the integration strategy, but when it comes

down to the last few days, what you cannot control is the external environment,” says Banerjee.

Banerjee points to **Tata Steel Ltd**'s acquisition of Corus, where the Indian firm had to raise its initial bid to beat the challenge from Brazil's CSN Group. The last few days is the time to be dynamic, he says. “Companies need to use that time to look at the various external factors that could affect the outcome of a deal and put in place strategies to deal with those different scenarios,” he adds.

Planning for different outcomes helps you react more spontaneously, and here, homework helps, says Banerjee. However, if there is something that should not be left for the last minute, it is the communication strategy and details like a post-merger plan that a management needs to put in place. “Many a time, deals do not get completed due to poor planning and communication strategy. Before the final deal is inked, the buyer should have clear plans about how will it want to address employees of the target company post acquisition,” adds Banerjee.

Maintain status quo, stay focused

Preet Mohan Singh, executive director and head (Industrials group), Avendus Capital

As investment bankers help manoeuvre the final stages of a significant transaction for a client, there are things that come up which may be handy in crucial junctures of competitive sport as well,” says **Preet Mohan Singh**.

Often, the first piece of counsel is to maintain status quo. “In times of general euphoria and excitement, it is easy to lose sight of your core business, something which actually is the basis of the transaction being contemplated.” The management needs to stay focused and continue to build on the facets which got it to its position of strength, he says.

Companies must also constantly reinforce the outcome being chased. “Not only do such reinforcements tend to keep the flock together, hitherto a seemingly distant vision starts getting closer to reality, and one needs to step up the motivation levels,” says Singh.

Finally, as in most things in life, staying calm is of paramount importance, more so as emotions are charged, distractions are high and the prize is tantalizingly within reach. That's where the chief executive officer or the leader is expected to shepherd the flock, away from the many distractions that keep coming up on the pastures, points out Singh.

Evaluation, preparedness a must

Seshagiri Rao, joint managing director, JSW Steel; and chief financial officer, JSW Group

Don't leave anything for the last minute, advises **Seshagiri Rao**, whose **JSW Group** won a critical coal block during the recent auctions. For **JSW**, preparations started as soon as the auction guidelines were announced. The company made sure its officials attended meetings called by the coal ministry to understand the entire process, says Rao.

Evaluation and preparedness must precede any critical event, says Rao. "We evaluated the present coal cost against what we would pay for coal obtained through auctions. All the coal blocks available for auctions were looked at and a final shortlist was drawn," he adds. The company then secured board clearances, calculated payment requirements and approached banks early, so it could avoid last-minute rush after winning the auctions.

The core team should be briefed well before any big event, says Rao. "We had authorized our team to participate in the auctions and had briefed them up to what amount they can do that, in order to ensure that they do not need to refer back and forth and again," he explains.

Such events also offer new learnings. "For instance, there is a clause that every coal block requires minimum three bids. In the recent round, there were good coal blocks which did not find more than one bidder and had to be withdrawn from the auction. We were the single bidder for one of them," explains Rao. Companies need to be prepared for such eventualities and should discuss these clauses right in the beginning with the government, he adds.