15 Questions to Ask Before a Merger or Acquisition

1. What is the firm's primary reason for a merger? Acquiring talent, increasing profits, and expanding services or geographic coverage are common reasons.

2. How will the merger help the firm achieve its strategic vision? Aquila maintains that you must be able to answer this question-otherwise, there is no reason to merge.

3. Does your firm have an effective leader? Does the merger partner have one? The new, combined firm will need this component to succeed. If both firms are lacking strong leadership, then you will need to find someone new to lead the merged firm.

4. What are the office space considerations? They include when the firms will physically merge and how. Consider lease or real estate ownership issues, as well as how you will physically "blend" the staffs of two firms.

5. What will be the name of the new firm? This question is the leading deal breaker in merger negotiations, so you have to address it from the start of discussions.

6. Who will be the managing partner? Ultimately, only one person can be the top manager; sharing power doesn't usually work.

7. Will you have an executive committee? If so, you need to identify who will be on the committee, what the terms of service will be, and what the committee's powers and responsibilities will be.

8. What will the combined firm's structure be? Include departments, heads of practices, and the like.

9. How will partners be compensated? All owners must understand the new system for owner compensation that will be in place after the merger. Consider how the two firms differ and the changes that are going to occur. Profitability gaps are a key issue that must be considered in developing the new compensation structure.

10. Will the merger affect earnings and profitability? Although an important reason to merge is to increase earnings, know that the first year normally brings an earnings drain, as people work to become familiar with new systems and leaders and productivity tends to drop.

11. Will the merged entity require new capital contributions? One firm that is highly leveraged merging with one that is not represents a major philosophical difference.

12. How will you communicate the coming merger to staff? Telling key people as soon as possible is important, before the rumors begin. One-on-one discussions, memos, and "town hall" meetings are ways to let people know what is going on. Decide early who you want to retain and work to keep them.

13. How will employee issues be addressed? Every staff person will want to know how the merger is going to affect him or her-and then there are always issues about compensation and benefits for the staff from the respective firms. Consider offering a

"stay bonus" for those who remain through the first year.

14. Do you have a financial forecast for the first year? Take the most conservative view of what the first year may bring for the merged entity. Savings that you thought were there will disappear or take longer to materialize.

15. Are there any deal breakers? These snafus can come up at any time during negotiations, but the sooner you learn about them, the quicker you can move on, if there are issues that can't be resolved

Source: Aquila Global Advisors (www.aquilaadvisors.com)