



Context Driven Executive Search

Way to improve your acquisitions: Management Due Diligence

"According to statistics, 80% of mergers and acquisitions deals globally are unsuccessful due to financial or strategic targets having been put wrong. And around 69% of business owners agree that management issues are almost always the reason behind it," says Viesturs Liegis, partner at Amrop, a company operating in the Baltic executive search market since 1993. "The biggest mistake in acquisitions, not only in Latvia, is the narrow focus on the areas of strategic fit and financial performance. It is, of course, important, but also easier to measure compared to the so-called "soft" areas. Everything related to the employees and the management team seems not so easy to understand and evaluate and as a result this area is left without attention."

People often prefer to close their eyes to the incomprehensible instead of searching for solutions. Very often managers of the deal rely on their intuition without good reason. Management due diligence could help them answer some crucial questions to avoid potential failure. It helps to assess:

- » whether the existing management team will be able to

reach the new strategic goals, and which team members should the company keep;

- » whether the existing internal culture is compatible with the new vision and strategy;

- » who are the key talents for company's future growth and how could they be developed the best way;

- » whether the management team is motivated and willing to collaborate with new shareholders.

"The shareholders usually have good industry knowledge, but might be unaware of the local situation specifics and business mentality. As the latter is of utter importance, from our side we can provide new owners with trustable and independent opinion." "For instance, the owners of the local company in Latvia are usually very conjunct with its operations and do not delegate responsibility to the company management. They control every detail. "In these cases the managers of the company only do what they are asked to do. The new owners have no idea that all previous decisions have been made by the previous owners of the company, not the management and are surprised to see absolute absence of leadership in management team." Another characteristic of the company management style in Latvia is that it tends to be quite authoritarian.

"This means that there is a person at the top who is the key decision-maker and the next level in the hierarchy is missing. This model is totally the opposite to the Scandinavian, more democratic style of management and "flat" organization structures. Some kind of opposite to Swedish style when decisions are made by consensus of whole leadership team.

But of course as well in Latvia there aren't two similar companies from culture and management style perspective.

According to V. Liegis acquisition cases where previous management of the company has to be laid off and replaced with a new more able team are abundant. Time and other resources could be saved if the new owners find out whether the existing management is able to fulfill the company's new goals and comply with new management style already at the initial acquisition evaluation stage.

"Financial due diligence is a standard process done by an auditing company; HR due diligence is widespread in Western countries. Although we use an international, well grounded methodology for management assessment, we tailor each management due diligence process to the specific company and context. This is where Amrop local market and mentality knowledge, significant experience with TOP managers and deep insight into the context of businesses, candidates and culture can add the greatest value" said Liegis.



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