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How Employees of Acquisition Target Saved Crucial Deal for On-Line Systems

by Jack Roseman, Contributing Columnist

Last month, I described some of the general rules that can help to make an acquisition successful and how applying them at On-Line Systems gave us an enviable track record in implementing a growth-by-acquisition strategy. One of those rules was recognizing that the future value of an acquisition hinges on how the people at the acquired company are handled. Those people can also help to make or break a deal. That was certainly the case in one of our most successful acquisitions.

We were in the middle of our acquisition period when I learned that Atkins Computing, a U.K. company, was about to be sold to our biggest competitor. The parent company was Atkins Group, the largest engineering consulting group in the U.K. It was owned by Sir William Atkins, who wanted to generate funds to grow the parent. I got a meeting with them the next day and flew to London. They

put me at the head of a long table. On one side sat Sir William's son-in-law, Philip Worthington. On the other side were three people who ran the computer subsidiary.

"How would you like to proceed?" asked Philip. "You know we have an agreement with someone, but it's not formalized yet really. But you are late in the game. And unless it's some unusual circumstances, it might be too late. But I'd be happy to show you the books."

I looked over at those three people who were obviously lifelong employees of Atkins, and I imagined how I would feel if I had worked for Atkins for 20 years and then someone comes in and looks at the numbers to decide whether he wants to buy me, like I was so much cattle. My instincts told me there had to be a lot of resentment in these men.

So I said, "You know, Phillip, I don't want to look at any numbers. I want to spend

the afternoon with these three gentlemen. I want to get to know the rest of the people in the company, and if they, for whatever reason, don't want me to buy this company, then you could give me the best price of the century and I wouldn't buy it because in the final analysis, it's these people and the people who work for them who we're talking about buying."

I did want that company. It was a perfect complement to On-Line. But I was sincere that I only wanted it if I could get the hearts and minds of its people intact. After negotiations dragged on for six months and we had made an offer but heard nothing back, I got a call from one of the managing directors warning me that my offer wasn't high enough.

He advised me to meet directly with Sir William and talk him into taking my offer. I said I'd be on a plane the next day.

I said to him, "Sir William, I've been dealing with your people now for a few months and we're not getting anywhere. We've made an offer. But that offer can only be good for a certain amount of time because what I'm hearing is that people are getting nervous. And if people leave, or if the people don't want to come with whatever company you decide you want to sell to, I'm not sure what we would even be buying. What I'm saying is that my offer assumes that the people I've met-that I'm very impressed with - will stay. And the customers will stay. You take any more time or negotiate much longer with other people, and I'm afraid we'll have to take our offer off the table."

"Will you take care of my people?"

I said, "Yes. I think that is important."

I got a call from their lawyers the next week, we concluded negotiations in an all-night bargaining session and On-Line bought Atkins computing for 42.5 million plus \$600,000 worth of On-Line stock - a valuation of about 25% of Atkins revenues.

Jack Roseman is the Director of The Roseman Institute. He was the founder of two successful computer firms and was president of a third, On-Line Systems. Jack formerly was the associate director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University's Graduate School of Industrial Administration (GSIA). This column was written with Steven N. Czetli, former Executive Editor of T.E.Q.