Post-Merger Integration, The Need for Speed

Dan Bradbary PMI Advisors | November 22, 2017

Conducting post-merger integration at a high speed is one of the most critical elements to a deal's success. Taking proactive action within the first 100 days post-closing can significantly realize deal synergies. According to Harvard Business Review, greater than 70% of M&A deals fail to meet expectations. Consequently, executives must develop a well-structured plan for their post-merger integration efforts to vastly improve their odds for a successful deal.

The Complexities of Integration

Many executives spend months of time and effort closing M&A deals, but stumble when it comes to integration. Oftentimes, buyers significantly underestimate the level of involvement in a successful integration effort. And their executives make common mistakes that include:

- Losing focus after the signing of a deal
- Not acting promptly, allowing key personnel to leave both organizations
- Not addressing "people issues" and company cultural differences
- Failing to properly assess the resources to integrate and operate two businesses
- Not recognizing the challenges of integrating IT systems
- Overloading management with M&A responsibilities outside their scope of expertise

These mistakes lead to reduced synergies and a significantly slower integration effort. A lack of speed during integration compounds these mistakes.

Speed is of the Essence

Companies that move slowly during the integration process are vulnerable – financially and competitively.

The announcement of an M&A deal creates uncertainty among employees of both organizations, and fuels anxiety-filled discussions about who will stay and who will go. Without proactive, effective communications, employee morale will suffer. Even worse, key employees, all too often, the good ones that you hope to keep, will jump ship to competitors or other organizations.

Similarly, the turbulence of an announced acquisition can give competitors a perfect opportunity to call on your best customers. Mergers really can distract attention from customer service and product improvements. They can spread all kinds of unconfirmed “alternative facts.” A slow response to customer retention initiatives during an acquisition can leave competitive doors open too wide for too long.

A poll conducted by consulting firm Ernst & Young highlighted speed as one of the critical components of an integration effort. 80% of respondents in that study said that increasing the speed of the integration process was something they should have focused on. Some companies are even bringing their integration teams into the M&A process sooner than ever, even putting them to work during deal screening.

An Experienced M&A Integration Director

A critical success factor: Get the right person as the Integration Director.

That person needs to have experience in M&A integration projects and the backing of the acquirer’s executive team. Decision-making must be streamlined for the integration effort to move forward. The executive team should establish the strategic guidelines to provide the latitude the Integration Director should operate within. Also, the completion of a few “quick win” integration tasks will bolster confidence in the team leadership and keep the process moving forward.

Successful Integration Directors should have a wide range of communication skills, as well as operational experience. The Integration Director should receive from support from a staff with a focus on project coordination service. This will help keep the Director informed of detailed project status and “hot spots” that need further attention. Communicating with executive management via weekly status reports is a critical aspect of the Director’s responsibility.

A Plan of Action

A 100-day post-merger integration plan should be put in place as soon as possible. Strategic integration decisions should be in place prior to the completion of due diligence, because these strategic decisions may actually influence the deal terms and structure. It’s important to identify these details and include them into the deal agreement before closing, or it will be too late.

Following deal-closing, detailed planning sessions should begin with functional department members of both companies. Items include identifying tasks to be completed, known issues, milestones and planned timelines for completion. In the beginning stages, joint workshops are essential to establish relationships between representatives of both organizations. Once initial onsite discussions are completed, subsequent discussions leveraging virtual meeting technology can take place. The two together will result in more efficient time utilization and reduced travel costs.

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