Merger & Acquisition Integration

A Program Execution Practice Offering

Success is never a guess. It is always The Plan

Following a merger, management is under intense pressure to address challenges such as defining integration priorities and quickly identifying and capturing synergies.

In addition, special attention has to be paid to addressing cultural change and controlling business risk in the new organization.

THE Plan Consulting GROUP LLC

The Plan Consulting Group (TPCG) is a full service strategic management, marketing and consulting firm that specializes in strategy development, cost reduction, revenue expansion and program execution.

KEY CONSIDERATIONS

- What is the best way to quickly realize the strategic objectives of the merger?
- What must be integrated quickly and drawn down on synergies?
- How to best integrate two different cultures and deal with conflicts between them?
- How to retain key talent during and beyond the integration process?
- How to keep employees focused on business and customers during the integration process?

IMPORTANT FACTORS

It is widely known that roughly half of all mergers and acquisitions (M&As) fail to create shareholder value and that about one-quarter actually destroy it. It is also no secret that there are tried and tested methodologies for successfully integrating companies.

So why do so many deals—especially those that appear to offer substantial cost and revenue synergies - produce such disappointing results?

- Companies tend to treat merger integration as a mechanical process that occurs after the deal is done.
- Most companies underestimate the complexity of merger integration, and as a result often make two key mistakes:
  - They delegate responsibility for the integration too far down the organizational hierarchy.
  - They try to fold the managerial tasks associated with an integration into the existing management practices and processes of the company.
- Executives assume that logic and facts will win the day: communicate the strategic rationale of the merger and most employees will see the light and throw their weight behind it.

  But integration is quintessentially about change, and change is an intensely personal and emotional experience.
- Successfully executing integration requires best-practice management in time compression, especially when cost synergies are paramount.

  And this demands not only top-flight senior leadership but also a dedicated integration team.
- Cultural differences between the two companies invariably add to the emotional cauldron, sometimes with explosive effect.

  Understanding the cultural differences between the two companies—how their beliefs, behaviors, and expectations differ—is an essential foundation for developing an effective, targeted integration strategy.

  How these "softer" human issues are managed is arguably the most decisive factor in the integration.

M & A Integration

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There is no such thing as a one-size-fits-all approach to post-merger integration. Each has its own speed, style, focus, and rhythm. A merger that is driven primarily by cost synergies will require a very different approach than one in which revenue growth is the main goal.

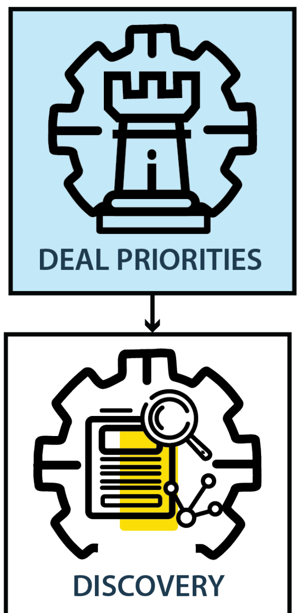
In a *Consolidation Merger*, integration has to be rapid, with an aggressive timeline. As a general rule of thumb, if the lion's share of the cost improvements is not delivered 12 to 18 months after a deal is signed, the merger is unlikely to be successful.

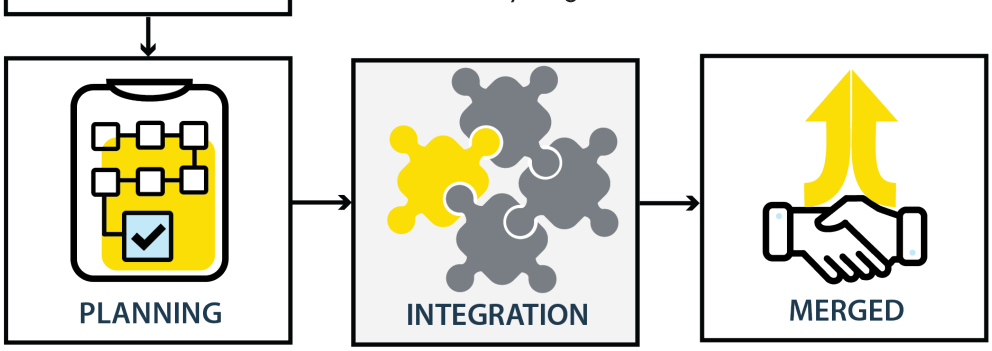
To meet this objective, acquirers need to approach the merger in a fastpaced, rapid-transformation mode.

Growth Mergers require a more gradual, often arm's-length approach, with the target treated much more gingerly. The top priority is to "do no harm" and to maintain the growth potential—the ideas, people, and customers—of the acquired business.

This being said, because revenue synergies are much tougher to calculate—and to deliver—than cost synergies, a growth merger integration should be mapped out like a business plan, with clear milestones and deliverables, and the step-by-step advances should be carefully managed and monitored.

In reality, relatively few mergers are exclusively about either consolidation or growth. Most are a complex hybrid of the two. Although the dominant strategic source of value will define the overarching style and speed of the integration, a more granular approach will be required, reflecting the mix of cost and revenue synergies.





There are many other facets of Merger Integration that play a major role in its success, but from the outset a company needs to lay effective strategic and tactical foundations.

This has to be systematically thought through and planned well in advance, before the forward momentum of the integration takes hold, accelerates in unintended ways and negatively affects integration goals and timeframes.

By making the right strategic choices in powering up for integration, executives will enable their companies to accelerate in the right direction and create value as rapidly as possible.

The Plan Consulting Group guides executive teams through the integration process as well as provides the tools, methods, program management and expert supplementary resources to achieve the strategic logic of the merger.

FOR MORE INFORMATION:

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