

Integration planning for an Acquisition

Integration Planning

Integration in an M&A deal refers to the adoption of one culture, one set of processes, and one long-term goal for two previously individual firms. Key aspects of integration are culture, management, talent acquisition, and goal setting.

According to McKinsey, successful integration can increase total deal value by as much as 6-12%. Despite the potential value added, integration planning is often forgotten or ignored for much of the M&A process. It normally surfaces in late stages of a negotiation and becomes a key roadblock at the end of the due diligence process. The important question that integration planning seeks to answer is, 'what's next?' The deal is done, papers are signed, but how does this new business operate and what are the drivers of its success? Research from top industry experts argue that integration planning should be a part of the due diligence phase of M&A transactions. By assembling an integration planning team, the acquiring firm can better forecast the success of the deal.

Integration planning can seem tedious and potentially unnecessary, but business

owners who are serious about an acquisition must devote valuable resources to ensuring a cohesive transition of power. According to Deloitte, one way to start the process is to make Readiness Check-Points (RCPs). RCPs are crafted during the due diligence process and are focused on setting measurable goals and timelines that serve as a checklist for long-term growth. With this focus in mind, the new management team can start day one with a vision that can drive success.

Integration planning is especially important from the perspective of the acquired firm's employees. Although the business owner has had months and possibly years to complete due diligence, the employees are caught unaware. The owner comes in and declares that the company has been sold and there is new leadership. This causes fear and worry in the minds of employees, which is why it is critical to be prepared from the beginning to provide strategic guidance. John Lawlor, a business owner in the Mid-Atlantic area who has done nine acquisitions over the last fifteen years, shares an example of a failed integration.

He tells the story of his first post-close introduction meeting where the employees staged a walk-out. He sat there on stage and wondered where things went wrong. He even contemplated the process of getting a refund. Fortunately for John, the employees slowly trickled back and he was able to complete the onboarding process. However, he learned a valuable lesson for future acquisitions – a strategic focus on a smooth transition day one is vital to long-term success.

Meeting with key employees and making sure the existing ownership is turning over the reins with a stable workforce in place sound like obvious steps to take, but they are often neglected until the last minute. Days before close is not the time to take a walk through the new facility and start thinking about integration. It needs to start from the first interaction then be formalized during due diligence.

Integration planning is an integral part of any successful merger, but in order to increase the success of M&A, it needs to be taken seriously early in the deal. It is not a cost center. In fact, it will provide a more in-depth and accurate forecast of the value of the merged firm and will show the new workforce that they are joining a focused

organization that has plans for their future. There are no refunds in the world of M&A. If a company fails to plan for integration, it is their burden to bear. Don't get caught unprepared. Allow financial services companies to work out the details and nitty gritty of the due diligence phase and focus on crafting a plan to lead the new organization day one.

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