

M&A Integration

Killer Insights

By

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Strategy, planning, mobilise, evaluate, track and deliver integrations.

Business, functional, people, culture, data, systems, numbers.

Increase revenue, decrease costs....

Speed

Go fast, always plan earlier and delivery faster. Get our synergies sooner and reap more benefits, reduce peoples uncertainty, so retain more people, go into a smaller dip in productivity and so a smaller potential profit dip.

Information

Our information will be poor, it will improve, with time we soon think we understand what is going on in our newly acquired company, we general don't, in this phase we are still having language problems, miscommunication, comparing apples and oranges. We they learn a common language and move towards good information data sharing and better decision making.

Misinformation & Political Manoeuvring

People are concerned about their jobs, pension, their family livelihoods. They are manoeuvring for power, for jobs, for money, they think for their lives. There are many different forms of misinformation, all will occur. Understand what information we have and its quality for decision making.

Decision Making

Go with the 60/40 decision don't wait till you are 90% sure. We can always come back to tidy up a few mistakes, but speed is of the essence, our information is always slightly shaky and never perfect. We must make decisions or everything grinds to a halt.

Cut Harder

Be bigger and bolder that you think you should be, things are always diluted as we go, we can always rebuild if we cut too much. However leaving people that are question marks in position is always a bad idea, we try them out, for a while, 1-2 years later we have to remove them, they have done a lot of damage along the way.

Cost

The costs must deliver benefit (i.e. profit) and must be inline with budget laid down for the integration. To be successful ensure no

overspend, otherwise it will be seen as a failed merger. The strategic words, often don't fit the size of the budget and this can cause large problems in expectation. Cost is directly proportional to speed.

Level

How far to integrate is a key strategic question for each business and each merger. This filters down into the front (sales and marketing) and back office (HR, IT, finance) and then across all workstreams, functions and business units. It's a discussion we must make to ensure clarity of purpose. There is no right or wrong answer, but you must have an answer and they must all be consistent with the business strategy.

HR

Our people are our most valuable asset, we want to sweat our assets. Messages come from our mouth, but people can see the reality of the situation. Sort out the top team, ensure we know who is important and we need to keep (at all levels) and ensure we keep them, know where we need to be and get there fast. Keep the people on board as well as we can, and don't feed them platitudes that are inappropriate condescending and go against what is actually happening.

Communications

More, more, more, tell people what they want to know, they want to know about "me" do I have a job, anything else you tell them is just noise, they are not interested until they are settled. Ensuring all communications plans in all areas internally and externally are tied together in message and times is very difficult. Get people talking to each other.

The DIP

As people go through the change curve, we see a focus on "me" and a dip in productivity in all areas. This dip will occur in different functions at different times, we may have finance people sitting next to HSSE people and they will go through it differently. All our people talk and are connected. This dip can be directly or indirectly linked to profit, we need to make it as shallow as possible and get through it quickly.

Plan

Plan, plan, plan, create an integration checklist and 100 day plan, understand the cost and benefits of actions and the consequences of our decisions. Mitigate risks and start to deliver.

The more we plan the more chance we have of spotting the problems, the faster we can deliver, the more chance we have of getting where we need to go.

Chain of Events

Things we do in one part of our company have consequences later in that same area or others, make sure we understand what our decisions or actions mean to people and tie us to in the future.

Resourcing

Move people from the line into the integration, use contractors to back fill, then use interims to backfill or interims on the integration, and then use consultants. We need top integration thinking at the top and more helping hands at the bottom. Don't pay top dollar for what you don't need.

Top Changes

Change the CEO and or CFO as you walk in the door. We need to have control of the money; we don't want someone walking off with it. Gain control. Use one of the top team, possibly one of these two, to plan and run the merger, they are trusted by all. However be open with them and allow them to be open with their company.

Defining Success

Success will be defined by a rise in share price 1-10 days after the deal is done, unless we define it differently. Do so. State what we will do and what results will occur.

Teaching

Many parts of the organisation do not have the tools or knowledge they need to successfully deliver the integration. You may think some things are the basics of management. When have the sales teams been on team work courses, or learnt team dynamics. They have been sent on sales courses, not general

management training and do not have the project management, change management or team dynamic behavioural knowledge they may need. Teach the whole company a set of integration tools:

- Team set up
- Communications
- Change management
- Programme management
- The change curve
- The chain of events
- Finance
- Business case, preparation, evaluation, tracking and delivery

Manning up the Integration

Take people from the business as integration leads. Some can continue to do the day job (a little) 80/20. Anyone who is spending more than 50% on the day job is not actually doing any integration. I once had a number of countries integrating; in Germany the CFO said he would be 15% integration, 85% CFO Germany. Nothing got done. All the countries around him integrated. Only when we gave him dedicated integration resource that focused 100% on the task did anything get done.

Show the Whole M&A Process to People

Show people the whole 5 stage M&A process, teach them what how it works, what has already happened and what is going on. It is often a surprise that even the M&A people have not seen this model before.

Where do we Start

Where do we start from, how do we start. No one knows. Choose who will run the integration, change the top team, get a vision (where are we going) and a pre-plan, create a plan, have a checklist and start to understand the cost/benefits cases in each of the functions. Start. Once we are going we can gather momentum and improve everything.

Do it Today

Cut where we need to cut, do it, don't be wishy washy.

What is a 100 Day Plan

It is a full plan of what we intend to do, with the cost and benefits, together with deadlines, associated actions, dependencies and risks. It is in essence a project plan, for a very complex project. Without a plan we can not expect to deliver anything, including the benefit and the business.

Follow our processes or Cherry Pick

It depends on our corporate strategy! It may always seem like the most sensible thing would be to cherry pick the best ideas, process, people, things from each company. In actual fact, this is not always the case. If we intend to be a serial acquirer, then we will be a serial integrator. We may want to reduce the cost of ongoing integrations, through standardisation of our integration process. This will mean that we decide our processes are best (in most cases) and bash the acquired company in, thus we can have many integrations going on at once, or overlapping. The decision will also depend on the comparative size of our acquisition in relation to us. This whole leads us to the concepts of 2nd wave integration.

2nd Wave Integration, Defn 1

This merger is complete, there are still more savings and efficiencies to be had, let's go back and get more.

2nd Wave Integration, Defn 2

Review all past mergers, there are still, savings and efficiencies to be had, let's go back and get more synergise e.g. large IT consolidations, geographic consolidations, product rationalisations.

Stop Everything

Review everything fast. Kill some change projects that are not going in the right direction, especially in IT, but look everywhere. The review may take 3-6 weeks, some will stop, and die, some will be moth balled, and many will kick off again and continue.

Continuity of Strategic Thinking

How many people and assets do we need to cut to achieve our synergy targets, hit our budgets? What are the words in our strategy, and in our integration strategy, what are our aims? The words and the numbers, usually don't match, especially if we have BIG words and SMALL budgets. Lack of continuity becomes obvious too all but the people at the top; this causes uncertainty in direction and slow the merger and business, leading to fewer decisions.

Project plan evaluation

How will we know what needs to be done and what does not, what will deliver benefit and so should be prioritised? Laying down a project plan with time scales and evaluating its financial benefit to the company. Then compare where to spend our money and time, make a decision, and stick to it.

Less Help from HR & Communications

If we were to restructure finance in a normal time period, we would get help from IT, HR and the communications people. During a merger all of these are restructuring themselves and so spending 50% of their time looking internally (the dip will hit them too). The remaining 50% will not just be focused on finance, but 10% on sales, 10% on marketing restructure, 10% on manufacturing, and only 10% on finance. Thus the integration in each department will be much tougher, and may require addition resource to help.

Put Management in place

Integration efforts require significant, high-quality resources, including committed members of the senior management team. It is critical to assign accountability, define functional authority, and establish role clarity.

Run the integration properly

Manage the integration as a complete and unique process. The larger the transaction, the more challenging the integration, and the greater requirement for a well defined process to focus resources and capital on the right activities at the right times.

Integrate Finance

Finance pervades the company; they help all parts to integrate, if we integrate finance poorly this will mean that low quality continues throughout the rest of the integration. Both from a standards view and from finance helping others.

Customer Plan

Often there was a reason why customers didn't buy from us, or they were dual sourcing and now we bought the company they bought from. We need to plan how to keep as many customers as possible before they start to dual source elsewhere. We also need to understand why they didn't buy from us.

IT

We need our data consolidated and in one place, this does not mean we need to integrate the process, systems, people, and locations. Most companies, fall into the seemingly logical process of doing it all, we don't need to, at least not now.

Culture

This is always used as an excuse. Yes, we should evaluate similarities and differences and use these to help us move forward and be more successful. However there is always a cultural difference, this should not put us off what we believe to be a good financial deal. A global Japanese cigarette company buying a global UK cigarette company does have different structure and vastly differing culture.

A UK global oil company once owned by the UK government buying another UK global oil company once owned by the UK government, there is little cultural difference. However walk around in the oil company merger and everyone, every single person will tell you what massive cultural differences there are, how they do things differently. This might be insurmountable. Yes culture is important, but it is not a deal breaker and should not be used as an excuse for failure. It encompasses everything, find out what the actual problems are and resolve them or learn for next time.

Competitors

As we decide to merger, they target our customers trying to take market share, they spread rumours. In the pharmaceutical world, the customers (doctors) are closely tied with the sales people, competitors know the key salesmen and target stealing them from a competitor as they merger, whilst they are vulnerable. Stop this happening. Learn to start doing this if your competitor's merger.

Setting People Expectation

People within the companies "say" that they have been through mergers before, or they have been through large restructures, change programmes previously and have a certain expectation of what will happen, how they will be run or played out. This will affect what they do and think and ultimately will affect our merger. We need to explain what we want to happen, so they understand how this may be different.

Stories

There are informal stories that go round the company, through coffee machine conversations. Know the stories that we want to pervade the organisation, those that reinforce the actions, culture and activities we want to occur in the future. These might be how someone senior person did well in the past or got their bonus or promotion. There will be stories, use them to your advantage rather than being killed by them.

Pot of Money

We create a pot of money at the centre, which can be bid for, by good ideas, through a business case and evaluations process. This enables integration, but also sensible (or old) ideas, that have never been funded or enabled. This is an opportunity for change and improvement across the whole company. The best bay pack ideas go through.

Risks & Issues Logs

Keep track of the risks and issues, if we don't, they will never get sorted, and may take your business down over time.

Prepare a Day One Plan

Think about what must be done on the first day of ownership and plan these early, before longer-term, more detailed planning commences. This allows for prompt identification of long-lead-time items, well before they can turn into closing day surprises.

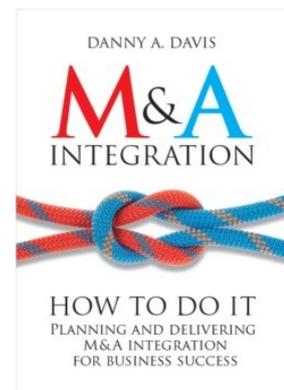
Prioritise

As with killing projects going in the wrong direction, we must understand the key areas of focus for synergy delivery and getting to the new organisation or growth. Shareholder value must drive the allocation of resources. Capture the quick wins, the areas that will deliver greatest bang for the buck, review the cost benefit for each and every piece of work and projects.



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Danny A. Davis is a guest speaker at a number of the world's top business schools on strategy and M&A. He brings a unique background that combines experience as an international sportsman, sales and marketing in large corporate, a strategy consultant and a decade of deal making. This background means he understands the theory but combines this with a proven ability to deliver M&A integration and large transformations in highly complex organisations.



Danny has worked on deals from small to large, with 100 man company taking over a 25 man, through to \$6bn and \$16bn deals. His work includes 1-2 day with a client to set up the integration, mobilise, workshop the plans, through to the actually planning and running of the European side of a \$6bn deal across 30 countries for 3 years. He also helped manage one of the largest HR transformations at \$525mn spend, showing his level of people understanding.

Danny was programme director of M&A at Henley business school and the youngest ever trustee (Non-Executive Director) on the board of the Chartered Management Institute, also chairing the Marketing and Policy Committee. He speaks on numerous conferences, chairing the M&A integration conference in Europe. He has authored articles for Finance Director Europe (FDE), The Chartered Institute of Management Accountants (CIMA), The British Computer Society (BCS) Developing HR Strategy, Journal of Brand Management, Corporate Financier, The Treasurer.

Author of the book M&A Integration: How to do it – Planning and delivering M&A integration for business success, he brings a blend of strategic theory, practical experience and real life war stories, that makes him unique in this field.

Some of our deals

