

# Seven fundamental tenets of successful integration

By Gregg Nahass

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## At a glance

Despite the best intentions, acquisitions too often fall short of meeting stated expectations.

A disciplined approach to integration will improve success and keep value drivers behind the deal in focus.

Companies that follow a disciplined integration approach will build momentum, gain support, and instill confidence in stakeholders.



# Introduction

Delivering deal value is far from a mystery, even in today's dynamic deal environment. The most experienced dealmakers say they know what to do—and are reporting success. But that success is getting harder to come by.

Research has shown that too many acquisitions fall short of expectations.<sup>1</sup> Despite the best intentions, carefully developed strategy often does not translate into the right mix of people, process, and technology for integration.

There's no mystery to delivering deal value and achieving integration success. Companies have conceded the road to value is clear and navigable. The bottom line when it comes to deal success: you do the right activities—in the right ways—and you get the right results.

Acquirers can take specific steps to improve their odds for successful navigation of the integration process. While the path can be clear, the way you get there is the difference in achieving success. Critical factors include working toward a fast-paced integration that makes early use of disciplined and prioritized planning, keeping a relentless focus on the key value drivers behind the deal, and sustaining commitment to integration completion over the long term.

The seven tenets laid out in this paper provide a successful framework for integration that has been tried and proven time and again, and allows managers to focus their effort on sound execution.

<sup>1</sup>[PwC's 2017 M&A Integration Survey Report](#)

# The seven fundamental tenets of successful integration

Capturing sustained economic value in an acquisition is one of the most significant challenges for today's growth-minded companies. The adherence to seven fundamental tenets will help lead to successful integration.

## 1. Accelerate the transition <sup>®</sup>

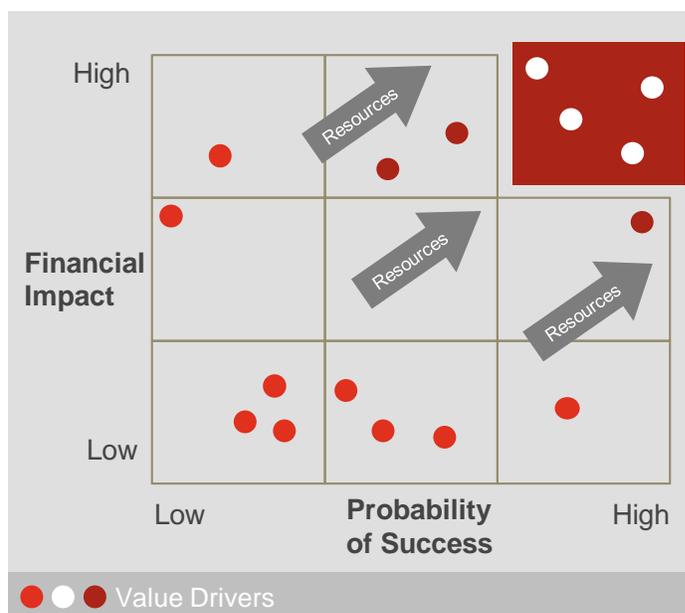
There is no value in delay. It is critical to focus on obtaining bottom-line results as quickly as possible to maximize shareholder value. While prolonged transitions slow growth, reduce profits, destroy morale and productivity, and lead to missed opportunities and loss of market share, accelerated transitions result in more rapid return on deal investment, better capitalization on post-deal opportunities, and lower levels of organizational uncertainty. Take early action to launch fast paced integration activities.

## 2. Define the integration strategy

Integration is a highly tactical effort. But the tactics must be implemented in ways that capture and protect the value of the deal. Rapidly converting acquisition strategy into integration strategy is of paramount importance. Developing and documenting an integration roadmap and set of guiding principles to be used in pinpointing and executing a clear integration strategy is a critical first step. This includes a target operating model that identifies what is in and what is out of scope, and planning for the degree of integration across functions and geographies.

## 3. Focus on priority initiatives

Resource workload limitations demand that integration efforts be prioritized. And shareholder value must drive the allocation of resources for meeting those priorities. First, potential sources of value capture and value creation must be chosen. Then resources get allocated based on potential financial impact, probability of success, and timeline requirements. Figure 1 illustrates how initiatives can be ranked and prioritized.



**Figure 1.** Initiatives are ranked according to financial impact and probability of success. Those with the highest financial impact and highest probability of success receive resource priority.

#### 4. Prepare for Day One

Critical Day One tasks need to be determined 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. A detailed plan should then be created, including all actions that will be put in place on Day One. Planning for Day One should begin in conjunction with the due diligence process.

#### 5. Communicate with all stakeholders

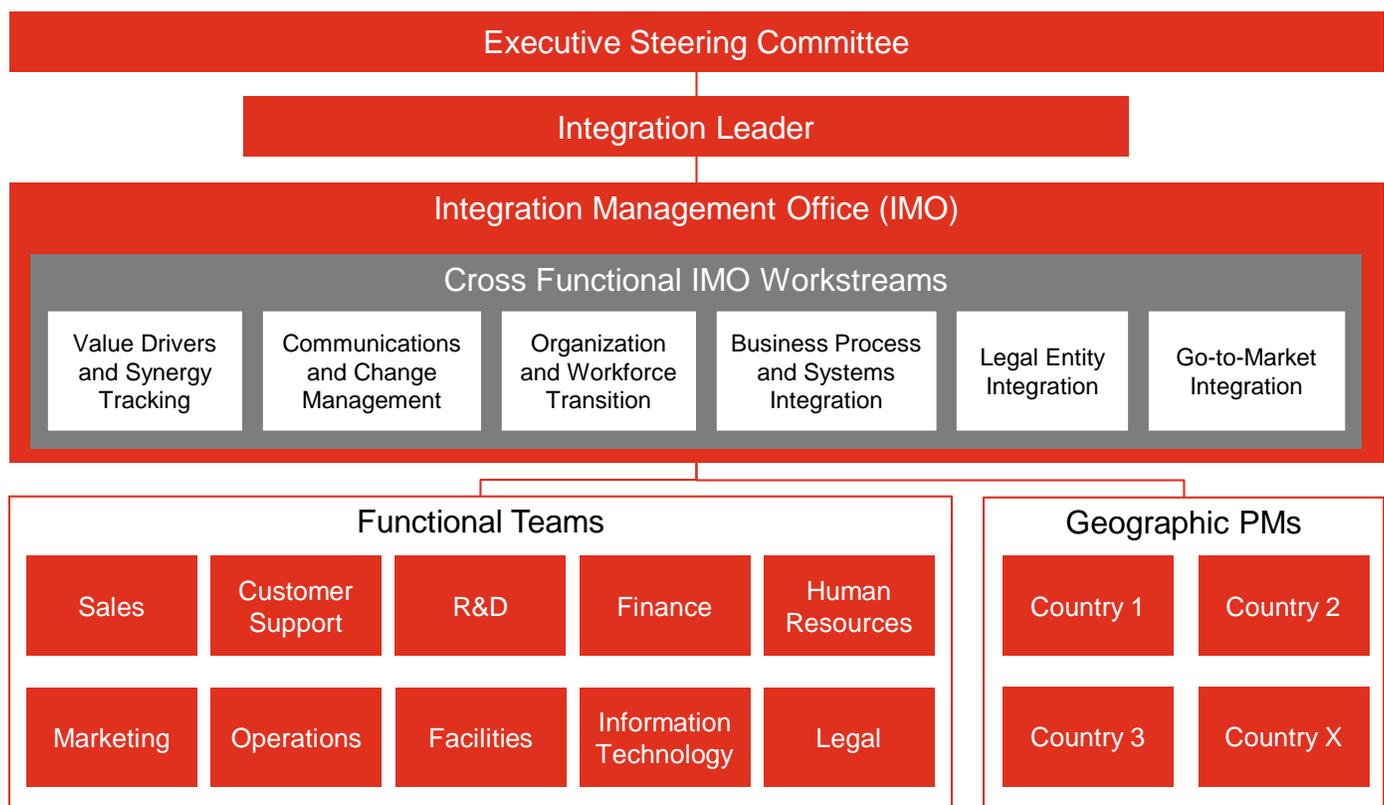
Communicate early and often with all stakeholders, including customers, employees, investors, suppliers/vendors, and the general public — providing information directed to their special concerns yet consistent in overall theme and tone.

Communications should give the reasons behind the deal, specify the timing for key actions, and be candid about both what is known and what is unknown. Feedback mechanisms should be included so the dialogue can be two-way.

#### 6. Establish leadership at all levels

Early and swift selection of key management posts for the transition is critical to minimize uncertainty, assign accountability, define functional authority, and clarify roles. Companies need to quickly define their go forward organization structure and clarify management roles and interrelationships.

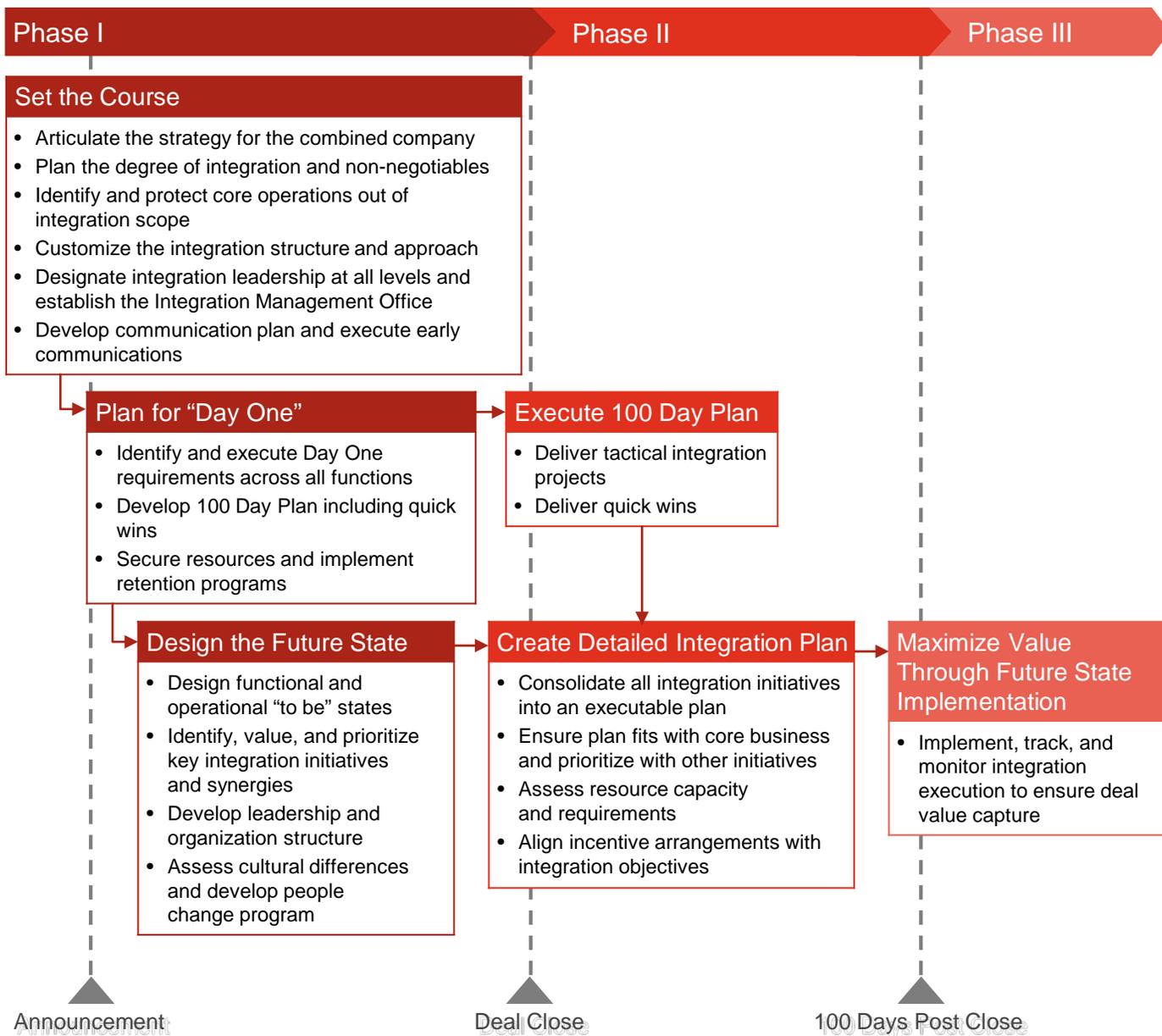
In addition, during the initial phases of integration, a team-based control structure should be established to link integration strategy and leadership with task-level action and to coordinate issue, action, and dependency management across the organization. A successful integration management structure must clearly define responsibilities and reporting relationships. Teams of functional specialists should be tasked with integrating core functional areas. They in turn report to a team with overall responsibility for managing the integration. The structure also includes cross-functional workstream to effectively manage dependencies across functional teams. Finally, a steering committee of senior leaders provides oversight for the overall effort. Figure 2 illustrates what an integration structure may look like.



**Figure 2.** A team of specialists responsible for integrating core functional areas reports to individuals responsible for the overall integration. Cross-functional workstreams area established to manage dependencies across functional teams. This structure ensures that tactics are closely aligned and dependencies are coordinated to directly support strategy.

## 7. Manage the integration as a business process

Mergers and acquisitions rarely fail due to a flawed strategy. Rather, missing targets and deal objectives are often a result of untimely execution of the strategy. Successful integration must happen quickly and systematically. The period of time between deal announcement and deal close and the first 100 days post-close are absolutely critical to realizing quick wins and preparing the combined company to maximize value over the long term. Figure 3 illustrates the integration process.



**Figure 3.** The PwC integration process follows a sequence of coordinated steps to focus resources and capital on the right activities at the right times.

# Conclusion

Companies that do not follow a disciplined approach to integration usually are not as successful with their deals as those that do. A disciplined approach to integration helps achieve early wins, build momentum, and instill confidence among stakeholders.

An integration roadmap can be helpful in pinpointing and executing a clear integration strategy before a deal is final. Adherence to the seven fundamental tenets can guide companies along the path to a successful integration and allow managers to focus their efforts on sound execution.

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