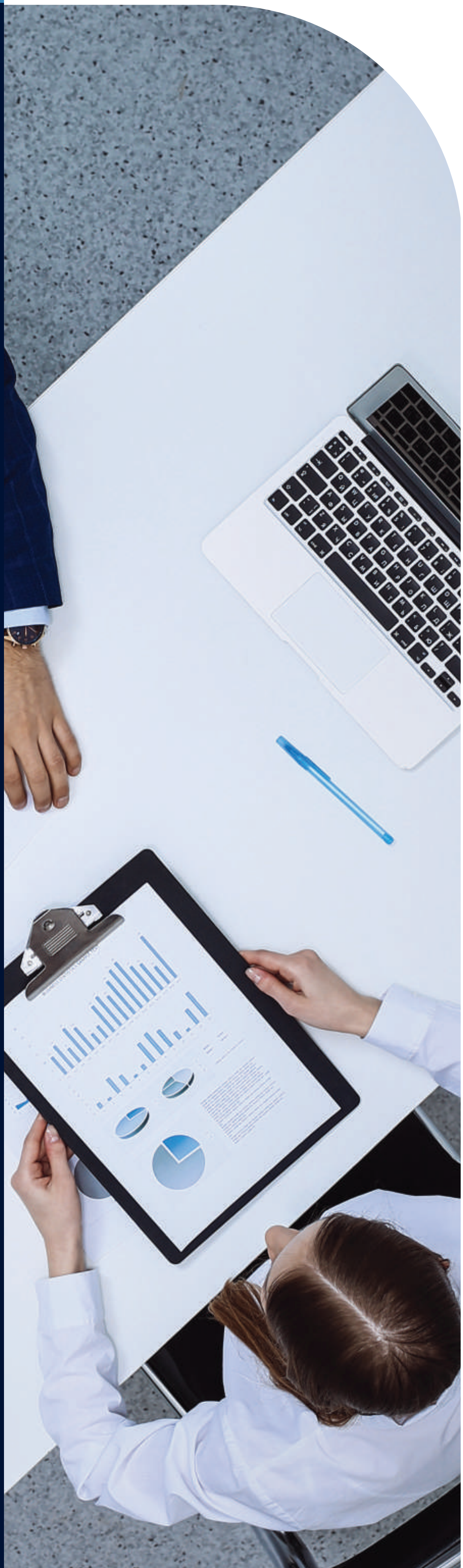
NAVIGATING M&A:
ENSURING MERGER INTEGRATION SUCCESS

ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.℠

Mergers and Acquisitions (M&As) are a critical lever for organisations looking to accelerate achievement of strategic goals in a shorter time frame, whether expanding into new markets, building new capabilities, solidifying their position in specific product markets or geographies, or acquiring key talents and capabilities. However, organisations have found it challenging to realise deal benefits in a timely manner. Historically, a large proportion of deals[1] have failed to deliver on promised value on account of improper or delayed integration programs. Successful integrations typically achieve 90 percent of the results in the first 12 months[2]. This highlights the importance of having a clear plan and then acting to the plan.

This article focuses on our experience in supporting successful integration programs for our clients, where we highlight key success factors that need to be considered and demonstrate how a clear action plan can help achieve results.



[1]Harvard Business Review (HBR)
[2]Institute for Mergers, Acquisitions, and Alliances (IMAA)

Factors Critical to Realising M&A Goals

Every integration project must solve for multiple moving pieces and consider interests of all stakeholders including customers, employees, vendors and investors. These factors include:

Integration Vision and Goals

Integrating businesses should have a clear integration vision and goals along with set timelines for a successful integration. A lack of clarity over vision and goals and conflicting priorities across the organisations can impact employee engagement and hinder integration momentum.

Sustained Focus on the Core Business

Integrations are complex and require the energy of all senior stakeholders. It is, therefore, important to ensure that the core business is not overlooked. Unplanned diversion of resources, including talent and capital, can impact the core business and negate the value realisation from integration activities.

People and Culture

Organisations often differ in the way they function and their culture. Addressing these differences proactively and aligning on a combined culture and ways of working is key to success.

Technology Alignment

Companies often use customized solutions that limit flexibility and scalability of systems during a merger. At these moments, it is important to look at operational gaps in IT applications, systems, contracts and infrastructure, and assess if these are ready to enable the seamless integration of the businesses.

Value Creation Targets

Companies oversimplify changes to business operations when estimating synergies. An overly optimistic base case with aggressive benefit realisation can cause unnecessary issues and derail business stability. It is important to prioritise the drivers of value and how investments are allocated to realise value from the transaction.

Decision-Making Framework

It is important to have a clear leadership structure for both organisations to streamline the decision-making process. Delays on key decisions due to the lack of formal and structured decision-making processes can negatively impact realisation of merger benefits.

A&M's Approach to Complex Merger Integrations

We adopt a tailored approach to post-merger integrations. Our programs are anchored by an empowered Integration Management Team that drives cadence, outlines charters, and tracks execution with business owners. At the core of each of these integrations is getting the basics right, setting a clear vision and mutually agreed-upon objectives.

1. Clearly Align Integration Goals and the Target Operating Model

- Sign-off on key design choices across business units and functions early on during the deal signing phase. It's important to define what will be done and what will not.
- Define a clear operating model for the combined business that establishes how the business will operate post close.
- Align the combined leadership on the blueprint for implementation.

2. Ready-to-Implement Integration Plans

- Create clear Day-1 and Day-100 plans with clear ownership and deadlines.
- Cascade the overall integration plan to businesses/functions.
- Have a full-time Integration Management Office (IMO) to oversee integration activities.
- Identify capabilities and ensure there is adequate resourcing to drive the integration.
- Build control systems to monitor progress and keep track of risks.

3. Stabilize First, Optimize Later

- Cascade the implementation, focusing on critical integration activities first to ensure business stability.
- Prioritise value creation based on opportunities but also management bandwidth.
- Place people at the centre of the program and communicate transparently and periodically on plans and progress.

4. Focus on the Combined Organisation

- Engage key stakeholders early in the process and ensure they lead with clear objectives and targets.
- Review the operating model to ensure that the organisation structure and processes are designed to achieve the strategic objectives and customer needs. Use the opportunity to break any inefficiencies due to legacy structures.
- Create an organisational structure that is right for the combined business and leverage the best talent.
- The process for selection of key employees must be perceived to be objective and fair and should cascade down with a buy-in at each level. Design an approach that addresses differences in ways of working and aligns on a combined culture going forward.

5. **Get the Technology Right for the Future**
   - Create a target technology landscape that is right for the combined business.
   - Have realistic IT and technology system integration targets and execution timelines signed off between IT leadership and the integration manager.
   - Manage technology in a ‘hyper-care state’ until steady state is achieved.

6. **Focus Relentlessly on Synergy Capture**
   - Create top-down and bottom-up baseline targets, achieve consensus on synergy estimates and get the synergy targets signed off.
   - Break down bottom-up synergy plans into individual projects and targets.
   - Incorporate targets into the annual budget, with owners for each initiative.
   - Employ rigorous monitoring and review the synergies captured against those planned through the IMO office.

7. **Ensure Strong Governance and Reporting**
   - Align on reporting cadence and ensure disciplined reporting.
   - Standardise business metrics, sign off on the key success criteria and track performance against these.
   - Pick up on key issues as they arise and address them through the IMO and the steering committee.

How A&M Can Help

Effectively addressing integration challenges demands strong leadership, a clearly defined integration strategy, and a dedicated team to achieve program success. Each deal is unique, and hence, every integration needs to be tailored to the situation.

At A&M, we take the ‘Muddy Boots’ approach to merger integrations. This means we take ownership, roll up our sleeves and get down in the trenches with the client team to ensure a successful integration. We support our clients during the full M&A and divestiture lifecycle, providing an advisory role, hands-on assistance, and interim management support during those critical periods.

Our team of seasoned professionals works directly with you and your teams to conduct due diligence, develop and refine synergy estimates, prepare for Day 1 and implement a plan that aligns with your goals.

As your partner, we help mitigate underperformance and associated risks throughout the merger integration, carve-out or separation lifecycle.

AMITH KARAN
Managing Director

+91 98206 87896
akaran@alvarezandmarsal.com

KARTIK SURESH
Senior Director

+91 97695 35853
ksuresh@alvarezandmarsal.com

KARAN ADVANI
Director

+91 96501 95296
kadvani@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 10,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

To learn more, visit: **AlvarezandMarsal.com**

Follow A&M on:

ALVAREZ & MARSAL
LEADERSHIP. **ACTION. RESULTS.**℠