

**WHITE PAPER**

# **10 Steps to Effective Integration of Mergers and Acquisitions**

**Getting Results from Your Integration**

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# 10 Steps to Effective Merger & Acquisition Integration

Successful Integration is paramount to the overall success of any merger or acquisition. This is because the Integration phase of the transaction determines whether the projected returns and synergies, up to now on paper only, become reality.

This document provides the 10 crucial steps that will contribute to the success of an integration project. These steps are not in any implied order as they are all of great importance in ensuring successful integration.

## **Step 1: Know the Transaction and the Strategy behind it**

It is important that all key stakeholders understand the details of the contract, the underlying strategy and drivers that led to the businesses coming together, and the sponsor's expectations and perceptions of success. This will ensure that the integration activities are planned and executed in accordance with expected outcomes.

## **Step 2: Effective Leadership and Sponsorship**

Any project manager will attest that all projects require effective leadership and sponsorship and this applies even more so with integration project.

A strong sponsor is required to galvanise the new combined leadership team to drive the integration to success. The Sponsor would need to be in a position of high authority, usually be the CEO. Leadership and sponsorship should be supported by a structured Steering Committee to drive strategy and a Working Group to drive delivery.

The members of the Steering Committee and Working Group must be chosen carefully and either have or be influenced to provide their commitment to the success of the integration.

The Project Manager acts on behalf of the Sponsor and is inevitably required to manage and influence stakeholders of all seniority. Therefore the role of Sponsor includes endorsing and empowering the Project Manager as the key contact and leader of the Integration Project.

## **Step 3: Have a Proven Structured Approach and Methodology**

An Integration Project is unlikely to succeed without a structured approach and proven methodology that can be swiftly deployed.

Few organisations have an established in-house project methodology specifically designed for integration projects. In which case, the organisation would engage specialists in the post-transaction integration of mergers and acquisitions.

Calibre Business Integration has a proven methodology and suite of tools, based upon the Project Management Institute's PMBOK principles, specifically designed for merger and acquisition integration projects.

## **Step 4: Plan for Success**

Do not underestimate the amount of time and detail required for the Initiation and Planning stages of the Integration Project. It is important that planning is done methodically and thoroughly to reduce the risk of failure in the later stages of the project.

If major issues occur later on and deadlines are missed this can have a negative impact on internal and external stakeholder perceptions, increase project costs, delay or decrease returns, and impact market confidence. Such events can be avoided through effective planning combined with structured methodology.

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## **Step 5: Communication is Paramount**

Effective communication, both internally and externally, is crucial to the success of the Integration Project.

Internally there is inevitably a lot of uncertainty amongst the workforce about what the impact will have on them. Without effective communication people tend to draw their own conclusions, rumours can spread, and morale issues begin. It is important that there are regular formal and informal communications with the opportunity for open questions.

Externally there are several stakeholder groups all requiring effective communications and management of their expectations. These stakeholder groups include customers, suppliers, shareholders, media, competitors, regulators, financiers, to name but a few. All relevant stakeholder groups need to be identified and require a communication plan to be put in place.

## **Step 6: Cultural Integration is Crucial**

An integration project should have a stream that specifically deals with cultural alignment of the two organisations. Cultural integration is about nurturing the human capital of the business, which is one of the key assets that support the value of the goodwill purchased in the transaction.

Without cultural alignment the business will suffer from morale issues, lost productivity, erosion of synergies, and will be at higher risk to losing ground to competitors through internal focus. Research shows that lack of attention to cultural integration is the main reason why mergers and acquisitions fail.

## **Step 7: Customers and Brand Alignment are Essential**

An integration project should have a project stream that specifically addresses customer retention and brand alignment. This is about nurturing the customer base and protecting brand value, which in turn support the value of the purchased goodwill arising from the transaction.

The customers of both organisations will have their views on what the transaction means to them and where their brand loyalties reside. This stream would focus on dealing with customer concerns, taking on board customer feedback, and identifying the brand(s) that both groups of customers would be able to align to.

## **Step 8: Do not underestimate the Project Resources Required**

Once the integration project is fully up and running it will require significant resources, particularly human resources. This would include a mix of internal management and staff and external consultants, specialists and contractors. Precise resource requirements must be carefully identified, scheduled, budgeted and recruited during the planning stage.

## **Step 9: Provide Personal Development Opportunity**

As previously mentioned under resources, an integration project allows internal staff to become directly involved which empowers them with new skills, allows them to shape the future, and thus helps to deal with cultural issues and create positive internal communications.

At Calibre we have experienced integration projects where those who were ultimately made redundant were able to move on to much better roles as a direct result of the skills they picked up working on the integration.

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### **Step 10: Measurable Synergies**

In the Planning Stage of the Integration Project it is important to re-examine to synergies previously identified during due diligence. The aim is to isolate which synergies are realistic and put a methodology in place to track them.

For each type of synergy it should be established how the synergy can be measured and where the data will be sourced from. A process can then be put in place to measure and report upon them. The reality is if a synergy cannot be measured then it probably is not achievable.

This provides some general insights into the post-transaction integration of mergers and acquisitions. Each transaction is different and specific professional advice is recommended. For more information about how Calibre Business Integration can help ensure the success of your integration, please contact our CEO Tony Payling at [tony@calibrebiz.com.au](mailto:tony@calibrebiz.com.au).