Achieving a successful integration

M&A integration

Helping you find a balanced approach to release the most value from your deal
**Getting the right balance**

The motivation behind every deal may be different, but the underlying theme is always the same – value. There are two sources of value in the context of a deal, whether it’s a large scale merger or an acquisition to add a niche capability.

There is the value to be gained from the opportunities arising from bringing the two organisations together, the reduction of costs, increased revenues and the invigorated culture. And there is also the value of the underlying business, which needs to be protected while the integration is underway. That involves managing the integration risk sensibly, structuring the integration to meet your time and cost objectives and avoiding too much complexity.

The vital step is to balance the integration—securing the new value and also protecting the old. This needs a strong focus on three key priorities:

• having clarity around objectives and targets that detail the value to be delivered
• maintaining strong control over costs, issues and scope
• managing your people through the change.

**Stay focused on the value**
In our experience, over 70% of transactions leave value opportunities unexplored. The key to getting the most out of your deal is to develop a comprehensive view of the sources of value in your integration from a clear statement of your deal rationale, and to build management focus so that this is understood and agreed. You can then set appropriate targets, and understand how you propose to integrate the acquisition early in the deal cycle.

**Stay in control**
The failure of many deals to deliver their expected value is clear evidence of the challenging risk profile transactions present. Managing ambiguity and the management stretch during an integration needs objective challenge, robust process and fit for purpose governance structures to allow speedy and effective decision making, to maintain momentum.

**Bring people with you**
Identifying how value can be realised is just part of the process. Integrations are challenging times for your people. Leading the process requires focus on both the rational and emotional aspects of the change and managing the cultural migration as effectively as the physical changes you want to make. Engaging your people in the process, establishing your top team quickly and building clear interim and future operating models across the business is key to managing ambiguity and uncertainty to give as much clarity as possible to new and old colleagues.
Our clients have told us that we have a rigorous process with a light touch, and that working with us feels like working with part of their own team, rather than outsiders.

*PwC client feedback*

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**A successful integration across all your functions**

The integration will touch every function in your organisation and each will face its own specific challenges. Key challenges include:

**Finance** – Making sure finance can operate successfully on Day 1 and for the first 100 days, meeting reporting, control and governance needs, agreeing budgets and business plans and helping you to track the benefits and value of the integration, understanding the future role, strategy and vision for your combined finance function.

**People** – Considering the legacy cultures of the organisations, understanding the skills of your people, making sure you retain key staff, engaging with people through the transition process, designing your new organisation structure, and harmonising your reward and benefits programme.

**Technology** – Making technology work for your business, having the right IT strategy, supporting architecture and systems in place from the right suppliers at the right price. Sorting out the management information you need and have the right risk and security processes in place.

**Procurement** – Deploying a tested process to achieve the most value from your suppliers, can continue to support the needs of the business from Day 1 and implement the appropriate supply chain model.

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**Are you getting your integration right?**

Here’s a few questions to consider to make sure you have the critical areas covered:

- Are you clear on the rationale and objectives for the deal?
- Do you know the full potential of value from your integration? How will you balance your focus across the integration and business as usual?
- How and to what level will you integrate? What are the right operating models within each of your key businesses/functions and do they fit the enlarged group? Where do you need to be world class and where is average good enough?
- Does your team have both the experience and the bandwidth to deliver a successful integration programme and maintain core business performance?
- Can you retain your best people and manage productivity levels through a period of uncertainty and ambiguity?
- Are you clear on the cultural differences and how best to address them?
- Are you caught up with internal politics? Does everyone agree on your integration approach, scope, sources of value and timelines?
- Are there warning signs of risks ahead – high complexity, unclear roles and multiple or overlapping systems?
- What does Day 1 control look like? What are the non-negotiables that must be in place?

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**Any deal is a big deal. CEOs rank successful integrations in their top three challenges and poor integrations continue to be a leading cause of leadership change within organisations.**

*PwC 13th Annual Global CEO Survey*

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**So, why PwC?**

Our people will bring you insights and the practical know-how drawn from their experience working in senior roles within industry and in specific business functions.

The approach we use has been refined on more than 500 integrations and is designed to help our clients strike the right balance between the integration programme and business as usual.

Every integration is different and has its own challenges. We will assemble the right team to work with you to identify those critical gaps in your integration, helping you focus on what’s important and of real value to you.
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