MOREGATE Consulting

A majority of organisations fail to achieve their merger objectives. This is due to a number of factors unforeseen by decision makers including mis-timed synergy capitalisation, an inappropriate acquisition strategy and paying too high a premium.

There are many factors that affect the success of a merger or acquisition. While the strategy can look great on paper, details may be overlooked, budgets can be underestimated, members of the board may not be in agreement or unforeseen issues may arise to derail the process.

Successful organisations concentrate on five key measures - planning, synergies, due diligence, organisational structure, culture and communication to achieve a smooth integration process.

The integration programme needs to ensure these key measures are addressed. The programme and each workstream within the programme will be based on these key principles.

Key Principles

1. **The Strategic Challenge:** The first step is to develop a relevant strategic direction for the combined entity. The key challenge is to ensure that the entire organisation is aligned behind it to facilitate early action and robust planning. Board leadership is mandatory. Based on the strategic direction the organisation must establish clear project goals and milestones and incorporate them into a monitoring framework.

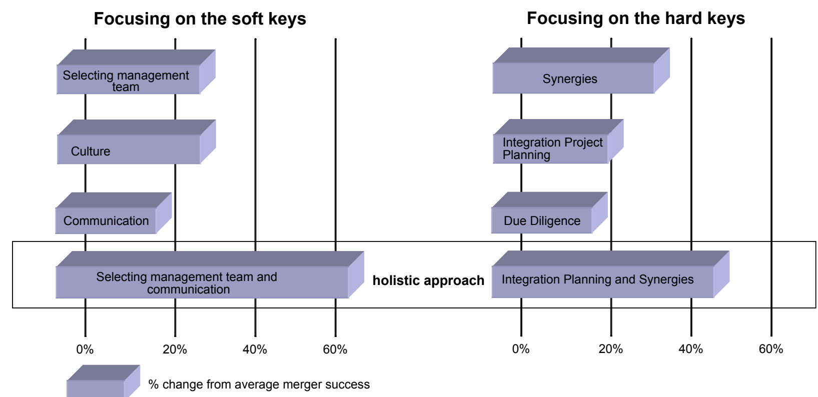
2. **Focus the Integration:** Successful post merger plans focus on soft and hard keys at the same time. A KPMG study suggests that a holistic approach increases the chances of success by up to 60%.

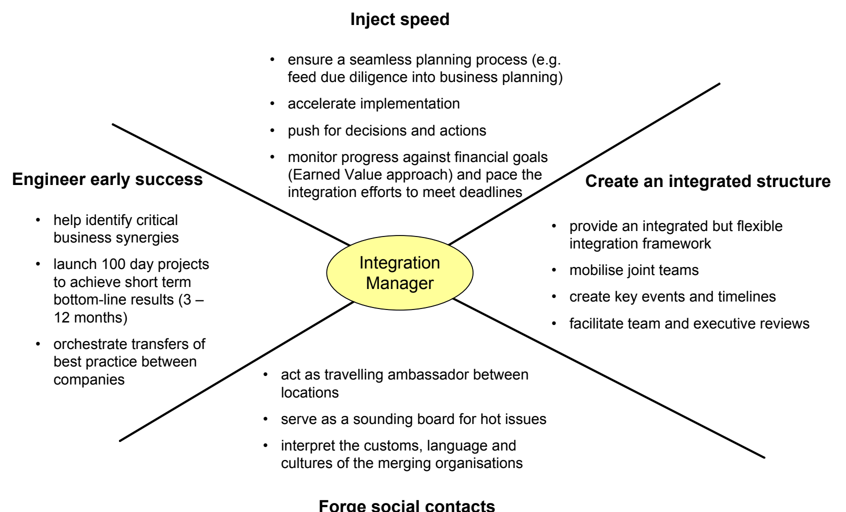
3. **The Synergy Challenge:** Overestimating merger synergies can lead to unattainable expectations. Organisations overpay because they are over-optimistic about the anticipated cost savings or growth targets, a common behavioural flaw in strategic planning. Inaccurate, non-systematic capturing of data can also lead to mismatches.

4. **The Integration Manager:** The integration manager is a pivotal figure and critical to success. Whilst certain objectives are characteristic, key is to work closely with the senior management team and the board to build a platform for decision making.

5. **The Challenge to Change:** Expectations for change are high immediately after the merger. Managing all stakeholders is a key to success. Key business strengths of the new entity need to be identified and rigorously implemented. It becomes critical to discriminate between new, accepted behaviours and old habits.

Focus	Action
Be clear about the Strategic Intent	• Strategic rationale of the merger must be translated into a shared vision with measurable targets and communicated to all stakeholders. • Determine what is valued in the target organisation and establish which areas need to be protected and which areas need change. • Understand priorities and risks associated with each. • Keep a strategic focus and be strict about your guidelines - less successful organisations start stretching operational assumptions to make the integration work.
Early Action	• Establish and communicate a robust process. Assign responsibility for process management at an early stage in the transaction (ideally pre-completion)
Main Board Leadership	• Appoint a main board member responsible for merger policy and activity resulting in leadership and buy-in • An experienced Integration manager must be appointed by the CEO • The integration manager is an entrepreneur in a start-up company rather than filling a position in an established organisation
Formal holistic process Plan	• A formal and holistic process plan setting out clear roles and responsibilities, prepared before the detailed investigation into the merging companies. To be formally reviewed and approved, addressing any variations to the original assumptions arising during the process.
Directors must get out of the board room	• Directors must be seen to be actively involved in the integration. CEOs must lead from the front and involve themselves actively in the merged company. • The new management team must also show support and quickly operate as a team.
Pre-completion value assessment and investigation	• Rigorous assessment of the target company, including understanding of the key drivers of value and the monetary value range, which will enable the creation of shareholder value • Fast checking, as opposed to just fact finding





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