

TALKINGPOINT

Post-acquisition integration

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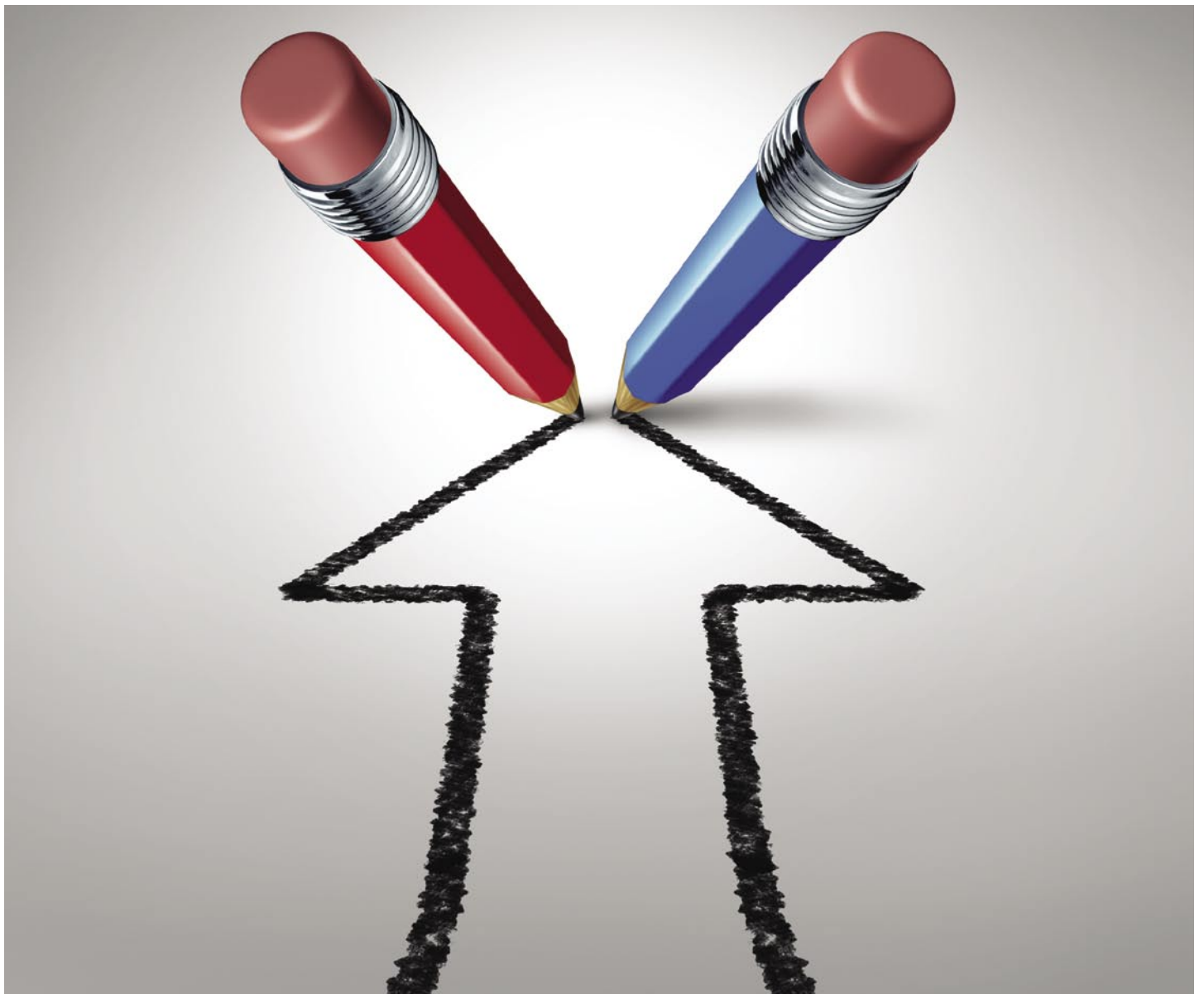
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MERGERS & ACQUISITIONS

Post-acquisition integration

FW speaks with David Bryan at BM&T LLP about post-acquisition integration.



THE RESPONDENT



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David Bryan is chief executive of BM&T and a hands-on senior manager with extensive experience working with international and UK companies. He was a founding member of a Plc acquisition team that saw the group’s revenues grow 50-fold in 10 years and was responsible for deals and post-acquisition integration. He has subsequently worked as a consultant on acquisition projects of both solvent and distressed businesses across a wide variety of industries and geographies.

FW: What do you consider to be most significant trends and developments currently impacting post-acquisition integration (PAI)? How are companies responding to these issues in today’s complex and evolving dealmaking environment?

Bryan: The M&A market remains very active with a lot of dry powder chasing deals. With multiples very high, properly integrating an acquisition has never been more important in determining the success or failure of a deal. Investors are giving greater scrutiny to deals and want to see evidence of genuine value creation, rather than financial engineering. It is also an ever more complex business environment with increasing regulation, more complex cross-border deals, data protection, cyber security and so on. Successful acquirers almost always have dedicated in-house PAI teams. Lean management structures make it riskier to divert existing management’s time and energies. For smaller businesses or occasional acquirers, trusted external resources are often the answer.

FW: What do you believe are the greatest challenges involved in the PAI process? Are there any common mistakes – and what steps can companies take to address them?

Bryan: There needs to be a clear plan drawn up before the deal is completed. It sounds simple and obvious but can often be error prone. Leadership in the PAI process is vital and there must be the necessary skills and resources in the team to deliver, including a degree of independence in assessing individual capabilities in both the acquirer and the acquired. Businesses should not skimp on the cost of such a team to deliver what are normally large expected benefits. There are many challenges and common mistakes. Poor communication, failure to sell the deal, failure to appreciate softer cultural issues, losing key people to competition, and failing to take tough decisions are among them. Another we see is not completing one PAI before the next deal is underway. In most cases, acquirers need to be aware that PAI is a complex process. It is ultimately the CEO’s job to make sure there is a good plan, that there is the right blend of soft and hard skills and that the right resources are made available to deliver it and to ensure that it is being delivered.

FW: How can companies link the PAI process to the deal thesis and the overall vision for the combined company? To what extent might this help deliver value?

Bryan: This is absolutely essential. PAI planning should be an integral part of the deal process, not something which is thought about afterwards or at a very late stage. The PAI plan is the essence of how the value enhancing proposition of the deal is going to be delivered in practice. I am reminded of the old days in the automotive industry when cars were designed and the designs ‘thrown over the wall’ to the manufacturing team to make them. It took the Japanese to teach the industry how to integrate the processes to ensure that what was designed could be made. Today, successful acquirers have the investment and PAI processes closely integrated.

FW: At what point should the acquiring company begin the integration process? What are the immediate priorities?

Bryan: All the prep work and planning should be done before the deal completes. Things have to start on day one, and communication, both internal and external, is very important. Nobody should be left wondering. There will be a host of things that need to be completed quickly, including any name change, new banking arrangements, signage and so on, and these should be planned for and carried out quickly. There is normally a need to start promptly on financial disciplines and

reporting to comply with the acquirer's systems. Beyond that, the priorities will vary according to the plan. Things that make the biggest contribution to the expected value enhancement should be given the greatest priority, rather than trying to do everything at once.

FW: How should people and technology issues be addressed before the deal is closed?

Bryan: This will depend on how much access the acquirer has before the deal closes. If the target is a competitor, then access to people, technology and other commercially sensitive matters may be restricted. Sometimes this can be worked around by aggregating data or by using a 'clean team' of employees or consultants who can see data and meet people but are restricted in what they can do with that knowledge pre-completion. Both are important factors and you should have a good idea how you want to address them in the PAI. People are often the hardest. You can never be sure how they will react. Some will fear the deal, others will see opportunity. If you can get access, it is very beneficial to plan for people issues, such as the duplication of functions and key people you must retain, among others, as soon as possible and to enact those decisions very early in the PAI.

FW: For serial acquirers, how important is it to develop repeatable models for successful integration? Is it essential, for example, to have managers with professional integration skills on board?

Bryan: If the serial acquisitions are similar then a repeatable model can be useful. There are many things that have to be repeated in a similar way in multiple acquisitions and it makes sense to learn how and then repeat them. A series of acquisitions to consolidate a market will lend itself to a repeatable approach, for example. However, care needs to be taken as certain things will vary. The human factor and culture need to be taken account of and may vary. Repeatable models can lead to a certain complacency and run

the risk of just ticking boxes and moving on. That can lead to an unforeseen risk and opportunities being missed. Even with a repeatable model, there is a case for considering what might be different, making sure there are no unusual risks and checking for opportunities above and beyond those realised in previous acquisitions. Experience in the integration team, whether internal or external, is often a crucial factor in being able to spot such issues.

FW: Given that no two deals are likely to be integrated in the same way, with the same priorities or to the same timetable, what do you see as the overall key to successful PAI? To what extent is speed of execution a primary factor?

Bryan: Speed is definitely a factor, and it makes sense to proceed as quickly as possible. But this must be balanced with making sure you make the right decisions. The overall key to success is a good plan, implemented quickly but flexibly by an experienced and skilled team. You should never be afraid to revisit the investment thesis in the light of changing knowledge or circumstances. We live in a fast-changing world and nothing is set in stone.

FW: Once integration has been achieved and line management handed responsibility, how should companies go about reviewing and evaluating the PAI process, including any milestones?

Bryan: The PAI team will be involved for a relatively short period of time. Ultimately, it should be possible to review what has been achieved against the plan. But many investment thesis benefits are played out over a much longer timeframe. Further reviews later make sense but are rarely done. This should mainly be to see whether the benefits achieved have been maintained and are delivering in the longer-term. Much can be learned from such reviews and should be fed back into the PAI process. Even if a quantitative analysis is difficult because of other changing circumstances, then at least a qualitative one can offer useful feedback. ■

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SUCCESS IS A GOOD PLAN,
IMPLEMENTED QUICKLY BUT
FLEXIBLY BY AN EXPERIENCED
AND SKILLED TEAM.

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