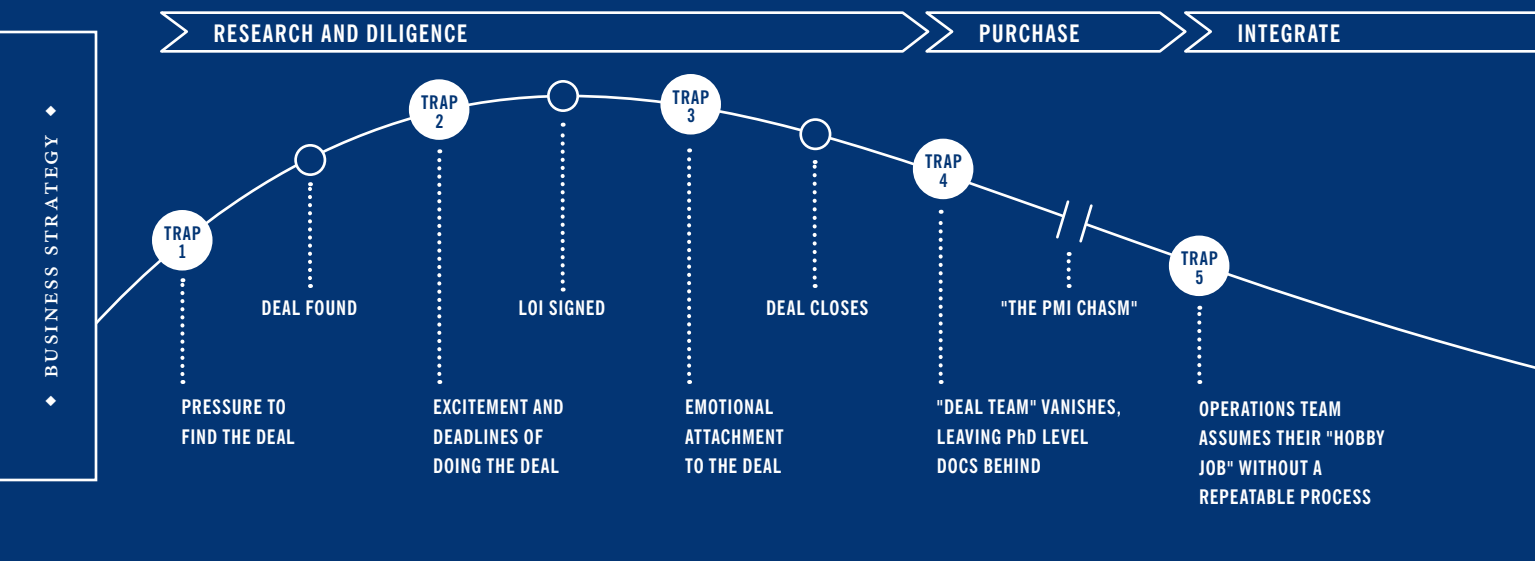


# Surviving the M&A Rollercoaster

BY BRIAN BETKOWSKI, RYAN OGDEN, AND NIMESH SHAH

Merger and acquisition (M&A) activity has made a steady global recovery since its 2009 low following the financial crisis. As companies search for growth through acquisition and struggle to find avenues to deploy the trillions in cash that they have stockpiled, one thing is certain: success in M&A is still a rollercoaster ride. Sadly enough, many fall into the M&A traps and fail to achieve the benefits promised to shareholders. Let's take a ride on the M&A rollercoaster and examine some keys to success and tools to help you achieve it.





## The Rollercoaster of M&A Integration

Hidden traps along the M&A rollercoaster can drain the value of a merger or acquisition while straining the company, employees, and shareholders.

### TRAP 1: PRESSURE TO FIND THE DEAL

#### KEYS TO SUCCESS:

- Patience is a virtue for M&A activity. Sometimes the best decisions are the deals that you pass on.
- Create a discovery cadence and do not let the team get down during periods of inactivity.
- Staying plugged into the integration of past deals also helps the team through slow times.
- Use this downtime to increase knowledge and expand your toolset.

### TRAP 2: EXCITEMENT AND DEADLINES OF DOING THE DEAL

#### KEYS TO SUCCESS:

- There is no shortage of deals that you could do, but that doesn't mean that you should do them.
- Never look at a deal in isolation; it will always look better when standing alone. Always maintain a robust list of potential deals, objectively scored against your deal criteria. Maintain a list of deals that score poorly and some that score ok. Then, when you finally find "the one," it will be more apparent when compared to the laggards.

### TRAP 3: EMOTIONAL ATTACHMENT TO THE DEAL

#### KEYS TO SUCCESS:

- Start with the assumption that you should not do the deal, and then work to convince yourself why you should do the deal, using facts and data, not vice versa.
- Find a naysayer who will be the devil's advocate and challenge your assumptions, logic, models, and rationale.
- After you convince yourself that it is a good deal, work on something else and then come back to it once it is not as fresh in your mind. If your model still convinces you that it is good after your break, then proceed.

### TRAP 4: "DEAL TEAM" VANISHES LEAVING PHD LEVEL DOCS BEHIND

#### KEYS TO SUCCESS:

#### VIMO™ EXECUTIVE DIRECTION WORKSHEET

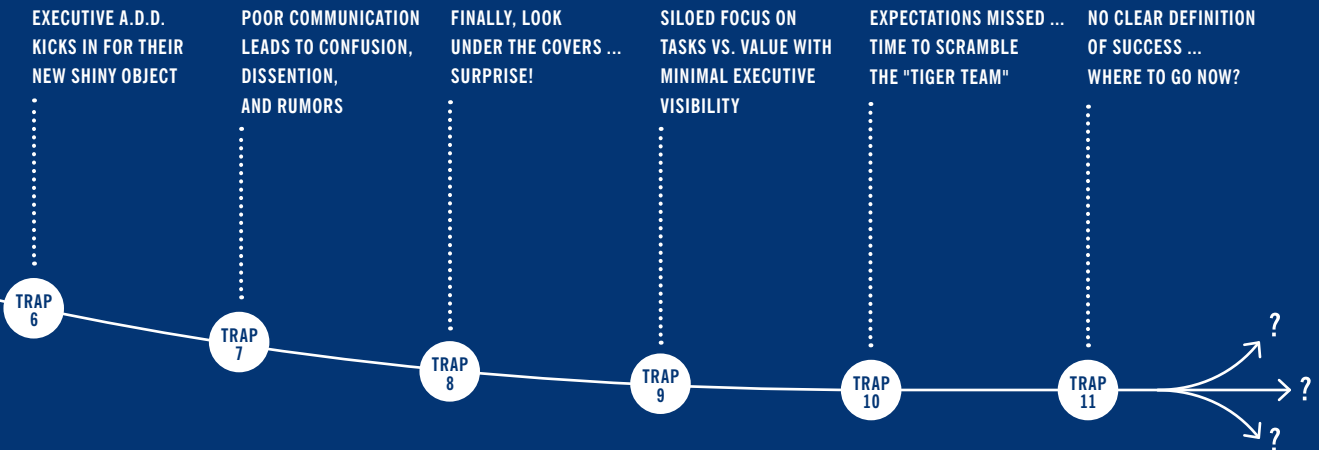
See page 20 for detailed explanation

- The Post-Merger Integration (PMI) Chasm is the most difficult to cross successfully. Utilize an Executive Direction Worksheet (*see next page*) to translate the due diligence work into actionable decision-making criteria for the implementation team.
- When possible, include the implementation team early in due diligence to smooth out this transition. Fresh eyes are good but continuity of the team and the process will always help.
- Firms with centralized integration functions/partners excel here.

### TRAP 5: OPERATIONS TEAM ASSUMES THEIR "HOBBY JOB" WITHOUT A REPEATABLE PROCESS

#### KEYS TO SUCCESS:

- Just because someone knows the core business does not make them an integration expert. Support them with a repeatable and proven integration process and a strong governance model.
- Focus on visibility and accountability.
- Avoid making it a "hobby job," but if that is required then give them the proper support.
- Embrace continual improvement with surveys and post mortems.
- Firms with centralized integration functions/partners excel here too.



**TRAP 6:**  
**EXECUTIVE A.D.D. KICKS IN FOR THEIR  
 NEW SHINY OBJECT**

**KEYS TO SUCCESS:**

- Maturity and discipline are key to ensure proper prioritization of work efforts.
- Leverage prioritization matrices and use integrated workplans and KPI dashboards to visualize the integration in the context of the core business.

**TRAP 7:**  
**POOR COMMUNICATION LEADS TO CONFUSION,  
 DISSENTION, AND RUMORS**

**KEYS TO SUCCESS:**

- Communicate early, often, and honestly. It is ok to communicate to your organization that you are still figuring out the plan. That is better than the rumor tree making up your plan for you.
- Create a PR campaign around the integration.
- Leverage core change management principles with executive stakeholding and inclusion at all levels.
- Listen more than you talk and address the concerns and fears of the organization early.

**TRAP 8:**  
**FINALLY LOOK UNDER THE COVERS ... SURPRISE!**

**KEYS TO SUCCESS:**

- Involve operational SMEs early in due diligence, especially to validate assumptions.
- Create an overlap (minimum of three weeks) between the due diligence/purchase phase and the implementation so that the teams collaborate and the work is not “thrown over the wall.”
- Leverage a process framework to identify focus areas and gaps in terms familiar to the core business.
- Utilize visual tools to communicate quickly and at the correct level.
- Continuity and repeatability of a standard PMI process help here.

**TRAP 9:**  
**SILOED FOCUS ON TASKS VS. VALUE WITH  
 MINIMAL EXECUTIVE VISIBILITY**

**KEYS TO SUCCESS:**

- Launch a Value and Integration Management Office™ (VIMO) with a strong governance board empowered to make decisions in support of the value proposition of the integration.
- Assign an integration business lead who is accountable for the P&L behind the acquisition.
- Utilize KPI dashboards to report on the progress towards due diligence goals as well as tactical implementation tasks.
- Break the goals down into interim milestones that are more easily tracked.
- Setup C-level readouts in advance at a minimum of 30/60/90 days after the deal closes.

**TRAP 10:**  
**EXPECTATIONS MISSED ... TIME TO SCRAMBLE THE “TIGER TEAM”**

**KEYS TO SUCCESS:**

- Whoever you pick for the “Tiger Team” probably should have already been involved in the integration, so plan for this ahead of time.
- Many times expectations are missed because they were not clearly documented, communicated, or understood up front, so plan and monitor this throughout.
- Firms with centralized integration functions/partners with repeatable standard PMI processes excel here.

**TRAP 11:**  
**NO CLEAR DEFINITION OF SUCCESS ... WHERE TO GO NOW?**

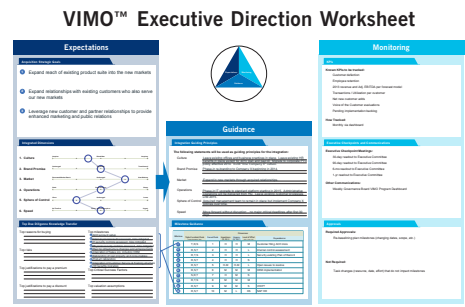
**KEYS TO SUCCESS:**

- When things get bad, teams will focus almost 100 percent tactically, forgetting all rationale around the original business case. Avoid this by always grounding the team in the core business case.
- Be ready to pivot if needed, but not out of ease; it must be out of necessity with strong business justification.
- Sometimes teams need to hit bottom in order to rebound. Stay positive and focus on the strengths of the organization.
- Leverage strong leadership and governance to maintain consistency.
- Set realistic goals that achieve short- and long-term success.



# VIMO™ Executive Direction Worksheet

The Value and Integration Management Office™ (VIMO) is an executive tool for navigating the complex decisions after a merger or acquisition, when all teams must cross the PMI Chasm (introduced on page 18). It was designed with the ability to print and use as a placemat when translating due diligence work into actionable decision-making criteria for the implementation team.



## Expectations

### 1. ACQUISITION STRATEGIC GOALS

What are the strategic motives of the acquisition? Examples might include: “expand the reach of existing product into new markets” or “increase value to market with expanded product portfolio and future portfolio integration.” Another way to think of this is to answer the question, “what value do you hope to generate by acquiring this company?”

### 2. INTEGRATION DIMENSIONS

These six dimensions define the integrated company:

1. **Culture.** What will the new culture look most like — the acquirer, the acquiree, or something new?
2. **Brand Promise.** Relative to before the acquisition, what would you like your market to think of the integrated company’s value proposition?
3. **Market.** Have the target markets changed? Generally, targeted markets are not decreased with an acquisition, but might be through regulation or through a divestiture.
4. **Operations.** Will the acquisition require expanded operations into new areas (scope), simply do more of the same (scale), or both?
5. **Centralization.** Will the acquired company be left to run independently, very closely centralized, or largely unchanged from its pre-acquisition mode?
6. **Speed.** There is generally an expectation to complete an acquisition within a certain amount of time — use this scale to gauge the aggressiveness of the timeline.

### 3. TOP DUE DILIGENCE KNOWLEDGE TRANSFER

There are key points of knowledge that were learned during due diligence. Document these for the integration team to make a smooth transition from the due diligence team. Change the contents as needed, but common topics include: top reasons for buying, risks and mitigation plans, major milestones, critical success factors, and valuation assumptions.

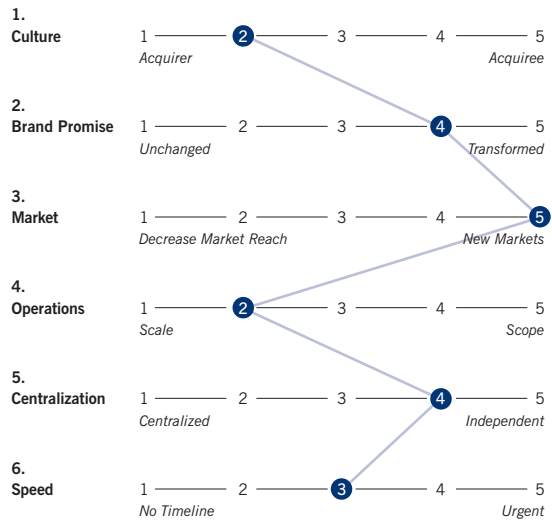
### 1. ACQUISITION STRATEGIC GOALS

1. < Insert Goals Here > \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

### 2. INTEGRATION DIMENSIONS



### 3. TOP DUE DILIGENCE KNOWLEDGE TRANSFER

<p><b>Top reasons for buying:</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p><b>Top risks and mitigation plans:</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p><b>Top critical success factors:</b></p> <p>_____</p> <p>_____</p> <p>_____</p> <p><b>Top valuation assumptions:</b></p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><b>Top milestones:</b></p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p>
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## Guidance

### 4. INTEGRATION GUIDING PRINCIPLES

Across each of the six dimensions rated in the “Integration Dimensions” sections, provide some commentary for a deeper understanding of the intended desired end state.

**4. INTEGRATION GUIDING PRINCIPLES**

The following statements will be used as guiding principles for the integration:

1. Culture: \_\_\_\_\_
2. Brand Promise: \_\_\_\_\_
3. Market: \_\_\_\_\_
4. Operations: \_\_\_\_\_
5. Centralization: \_\_\_\_\_
6. Speed: \_\_\_\_\_

### 5. MILESTONE GUIDANCE

For each of the top milestones identified in the “Top Due Diligence Knowledge Transfer” section, provide the guidance needed by the integration team to build detailed plans — give rankings, estimates, prioritization and dependencies wherever possible.

**5. MILESTONE GUIDANCE**

Milestone	Triple Constraint Rank	Forced Rank	Importance
	Urgency	Feasibility	Dependencies
1. _____			
2. _____			
3. _____			
4. _____			
5. _____			
6. _____			
7. _____			
8. _____			
9. _____			
10. _____			

## Monitoring

### 6. KPIs

What are the categories of Key Performance Indicators (KPIs)? The actual KPI might not be established until later. For example, a category might be Revenue, while the specific KPI might be 20 percent revenue growth in Q1.

**6. KPIs**

Known KPIs to be tracked: \_\_\_\_\_

How Tracked: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 7. EXECUTIVE CHECKPOINTS AND COMMUNICATIONS

Establish and communicate in advance when executive updates will be conducted, along with other periodic communications to the rest of the organization.

**7. EXECUTIVE CHECKPOINTS AND COMMUNICATIONS**

Exec. Checkpoint Meetings: 30-day | 90-day | 6-month | 1-year

Other Communications: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 8. APPROVALS

Indicate what actions from the integration team will require approvals from the integration governing body. An example might be that changes to the baselined integration plan require approval from the governance board.

**8. APPROVALS**

Required Approvals: \_\_\_\_\_

Not Required: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_