Key steps for simpler and smarter post-merger integration

Mergers and acquisitions are often the headline events of corporate narratives. A good deal can open new markets, add valuable new capabilities, create economies of scale and even deliver a combination of these and other factors.

But once the last of the deal-signing champagne has been sunk, an astonishing proportion of new mergers quickly run of out fizz.

Harvard Business Review research puts the failure rate at somewhere between 70-90%. That's a lot of high-stakes investments falling short of expectations.

It's important to note that by 'failure' we don't necessarily mean the deal falls apart or otherwise meets a catastrophic dead end. Post-deal, integrations can and frequently do falter, delaying or diminishing the expected value of the original business case – and usually leading to disappointment for shareholders, executives and staff.

1. Do the hard planning for a simple(r) execution

The answer to this persistent conundrum is actually quite simple – in theory at least. So much effort and attention is given to the financial diligence and mechanics of a deal that integration planning is often an afterthought in the process.

Of course, there's slightly more to it than that. Integration planning covers a huge range of factors. Bringing together people, finances, processes, real estate, legal entities, corporate governance, IT and more doesn't happen by accident. Many parties to a merger, though, appear to either hope or assume the merging organisations will assimilate into one another quite organically. This can be a costly and dangerous mistake.

If you only take one thing from this article make it this: sort out your organisational due diligence at the same time as your financial. As well as the synergy opportunities, look closely at the different areas which will need to come together to make the new organisation work. Carry that through to integration planning across each area. The team and people running the process should get to know the step-by-step detail of how to bring the two organisations together, and they need to understand it intimately.

2. Split the people, the process and the content

The complexity of integration demands that it's begun in earnest much earlier than is usually the case.

Mergers are always an unsettling time for staff, especially senior leaders and the top performers and key people in each organisation. The question in their minds is generally the same as everyone else's: "will I have a job at the end?"

Give people clarity on as much as possible as early as possible. It's not enough to find a home for high performers and trust that success will follow.

The detail and accountabilities of key roles, in the context of the new organisation, all need to be specified to create early and sustainable momentum. If this isn't motivation enough, the very real risk of disaffected superstar employees taking their pick of opportunities elsewhere should be.

3. Balance the WHAT and the HOW

The two big questions which need to be answered are WHAT do we need to do? And HOW are we going to do it? By digging deep into each of these questions and creating a clear plan, the deal stands a much better chance of success.

The list of important considerations could run to pages and pages (and often does), but the key job is to identify each of them and create a clear plan for how they're to be tackled. Clearly this is not something which can be done in the few days before or after your signing meeting. You literally cannot do this early enough. It might feel like potential for wasted effort, but the alternative is wasted time and eroded value after the deal is finalised. Putting in the effort early shortens the time from completion to realisation of value, with less disruption.

Dedicate skilled resource to developing your 'what' and 'how' lists, a list of integration 'must-haves' and 'nice-to-haves' and then the structure, communications and governance to ensure delivery. Preferably this work won't be assigned to people or teams already managing substantial day-to-day responsibilities. Business as usual has to continue, and the last thing you want to do is take the collective eye off the ball with your ongoing business. Planning an integration is a different muscle type from running the business. It's the difference between a sprinter and a marathon runner.

4. Pay attention to the detail

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The impact of a poorly planned and under-resourced integration can end with under-delivery or even unmitigated disaster, but starts much earlier in the process and often before news of the deal even breaks. With any major change there are questions, unexpected events, nervousness, stakeholders to be managed. Having a clear grasp of the detail, and being able to answer questions, creates confidence and trust in the rationale for and process of the deal.

Yes, it takes time, investment and effort. But a well-conceived, properly resourced and properly executed integration will more than compensate by delivering the value of the deal and success everyone involved wants to see.

About the Author

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