



SUCCESSFULLY EXECUTING AN ACQUISITION INTEGRATION

After the deal closes:
Are you prepared for
what comes next?

Once you've decided to acquire another business or company, both planning and executing the plan are required for its success. Realizing the potential benefits depends on steady execution and adherence to the plan while remaining flexible enough to accommodate unforeseen issues.



The challenges, as well as the rewards, are great.

In this edition of *Executive Issues & Insights*, we explore key

insights drawn from the extensive C-suite and Board experiences of the NextLevel team on how to successfully execute an acquisition integration.

NEXLEVEL CASE STUDY

Utility contractor fully integrates large direct competitor

A utility contractor with \$40 million in annual revenue acquired a direct competitor that was a business unit of a major corporation. The acquired business was nearly 50 percent larger in both headcount and revenue. The utility contractor needed to fully integrate the acquired business to realize all of the acquisition plan benefits, including an increased customer base to provide more revenue and operational efficiencies to improve profitability.

A NextLevel partner, who was then COO of the acquired business, was tasked with leading the integration. First he established a senior management team from both organizations to coordinate the integration and establish key milestones. Specialized teams focused on the ERP migration, inventory, payroll and fleet management. The COO helped project teams stay focused on their tasks and deadlines, and re-evaluated priorities as unforeseen issues arose.

To achieve the operational savings defined

(more)

NEXLEVEL INSIGHTS

Top management should have responsibility for integration

Responsibility for the acquisition plan execution should not be completely delegated to lower levels of management. The CEO and top management must be fully involved after the deal is signed and provide overall leadership to the integration. Its progress should be part of top-level discussions during the entire process. This includes regular communication from the CEO to all employees and periodic updates to key customers.

Evaluate all processes for best practices

The core work of successfully executing an integration is evaluating all business processes from both companies. Form teams to look at every activity to determine the key elements and best practices. Once defined, the teams should develop plans for transitioning to those best practices across the combined company. The acquiring company should resist the temptation to keep all of its own processes in place. Doing so would likely fail to achieve the planned acquisition benefits, and sow distrust in the acquired company employees.

Bring in experience early

Surveys indicate fewer than 40 percent of acquisitions achieve the goals stated for them. Mid-market companies typically don't have expertise in-house to navigate an acquisition integration successfully, nor the time and resources to develop that expertise. Experienced outside help that has successfully executed acquisitions will extend your internal skill set and bandwidth to help assure success. They can guide you through the nuances and avoid the pitfalls at every stage of integration planning through execution.

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in the acquisition plan, staff reductions were necessary. A key role of the COO was to develop an unbiased process to assess multiple individuals for each position and ensure the process was being followed.

The COO quickly established communications protocols for both employees and customers. Employees received regular newsletters with acquisition updates and notifications. Each customer was contacted directly to discuss the impact of the acquisition and ensure each of them continued to receive high-quality support.

Detailed, evolving, and flexible integration planning and execution enabled the combined entity to achieve the projected first-year revenue and profit targets. Operational efficiencies improved profit margins on long-term contracts as the company continued to win new contracts. The combined entity saved an annual \$3 million in operating costs due to staff reduction, and the merged organization is now the market leader in its industry segment and continues to grow its core business.

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Create an Integration Management Office

Integrating an acquisition is a huge project. Create an Integration Management Office (IMO), led by a member of senior management, to drive and administer the process. The IMO will be responsible for making sure the departmental management understands the priority plan, assigns resources appropriately, and meets milestones. The IMO can also ensure every team is thinking through their decisions as to how they impact other activities of the company.

Communicate regularly with all employees

Employees will have a lot of questions and possibly fears about job stability, working conditions, compensation, etc. A lack of communication from the top fuels rumors and fosters distrust. Clear, honest, and regular written and verbal communication that addresses their concerns and gives updates on the integration progress saves time and helps you retain the talent that is often the most valuable asset you are acquiring.

Formally complete the transition process

An often-overlooked element of acquisition integration is to complete the process with a formal report. This is an opportunity to reflect on what you learned, refine the methodology and fine-tune the integration blueprint. This is critical for companies that plan to grow through future acquisitions. For publicly traded companies it is also valuable during audits, as external auditors often probe for acquisition-related issues that might impact Sarbanes-Oxley compliance.

“ACQUISITIONS ARE
HIGH-STAKES VENTURES.”

Achieving acquisition
goals depends on both
careful planning and
successful execution.

KEYS TO SUCCESSFULLY EXECUTING AN ACQUISITION INTEGRATION

- **Your top management:** Are they staying closely involved?
- **Your business processes:** Are you evaluating each one carefully and adopting best practices?
- **Your skill set:** Are you expanding it with experienced outside help?
- **Your project driver:** Do you have an Integration Management Office?
- **Your communication:** Does it regularly update employees and customers and address their concerns?
- **Your completion process:** Have you documented your process and findings?

More Information

To learn more about how NextLevel can help you successfully execute an acquisition integration, call us at (800) 833-NEXT or email info@nlbev.com.

