LISBON SCHOOL OF ECONOMICS & MANAGEMENT
UNIVERSIDADE DE LISBOA

Post M&A integration

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Key points

- A number of critical decisions must be made before implementing integration
- Selection of manager that oversees the process is one of the critical early decisions
- Integration teams must include managers from the acquirer and the target firm
- Senior managers must remain involved in the postmerger integration process
- Potential synergies are often elusive

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Characteristics of successful of post-merger integration

- Leadership
- Communication:
  - of vision
  - a set of values
  - clear priorities to all employees
- Well planned
- Early appointment of a manager of the process
- A team with a clear line of authority and decision capacity
  - Organizational structure
  - Reporting
  - Personnel selection
  - Etc..

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M&A PROCESS	CRITICAL SUCCESS FACTORS
Strategy & Business Plan	❒ *CONSISTENCY WITH THE STRATEGY*
Search & Screen	❒*THE MANAGEMENT TEAM EMPOWERED TO CRITICAL DECISIONS* ❒*IDENTIFICATION OF VALUE CREATION POTENTIAL*
Valuation	❒ *ECONOMIC RIGOR*
Negociation	❒ *CREATION OF A POSITIVE ENVIRONMENT FOR NEGOTIATION*
M&A Integration	❒*PROGRAMS FOR VALUE CREATION* ❒*PLANNING THE INTEGRATION* ❒*INCENTIVE SYSTEMS COHERENT WITH VALUE CREATION*
Post M&A Audit	❒*EVALUATE THE PROCESS AND LEARNING THE VALUE CREATION PROCESS*

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Important issues to consider when buying a target company:

- Strategic evaluation is essential
- The purpose of the acquisition is shared by the management
- Assessment of specific risks and benefits
- Careful analysis of the organizational conditions and change management plan and implications
- Very specific programs with clear authority lines and deadlines for implementation
- Maximum price defined in advance

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Major problems that may arise before the acquisition occurs:

- Fragmented perspectives
- Augmented expectations and saturation
- Ambiguous expectations
- Multiple choice

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Challenges when integration process starts:

- The management team has a clear line of authority and establishes good connection and interaction with employees of the acquired company
- Put the regular operations on track
- Inspire new meanings and purposes
- Resolve the legal and bureaucracy issues and take control of day-to-day operations
- Strengthen and develops the acquired company
- Developing a mutual understanding
- Generate credibility in all directions

Source: Haspeslagh, P. and D. Jemison (1991) *Managing Acquisitions* The Free Press, N.Y.

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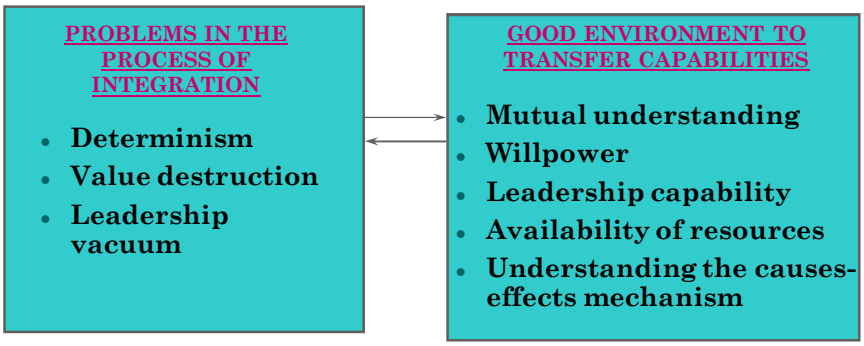
Problems and environment in the integration process:



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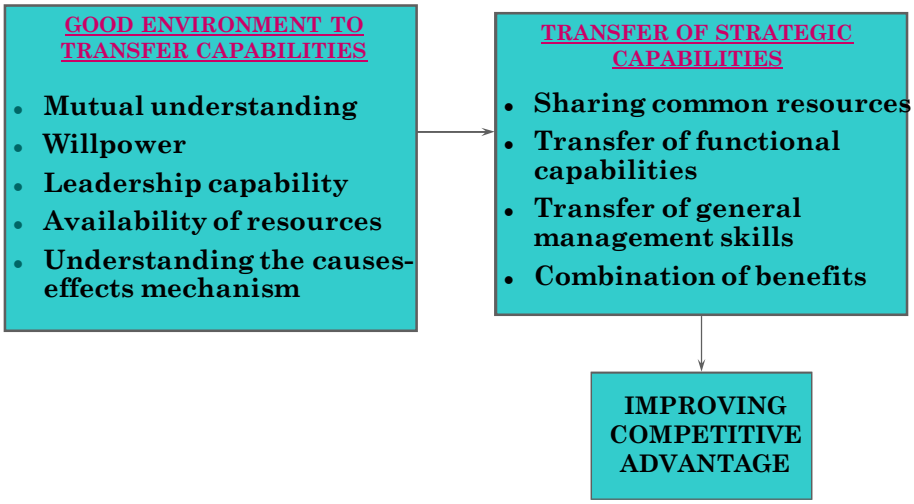
Transfer of strategic capabilities



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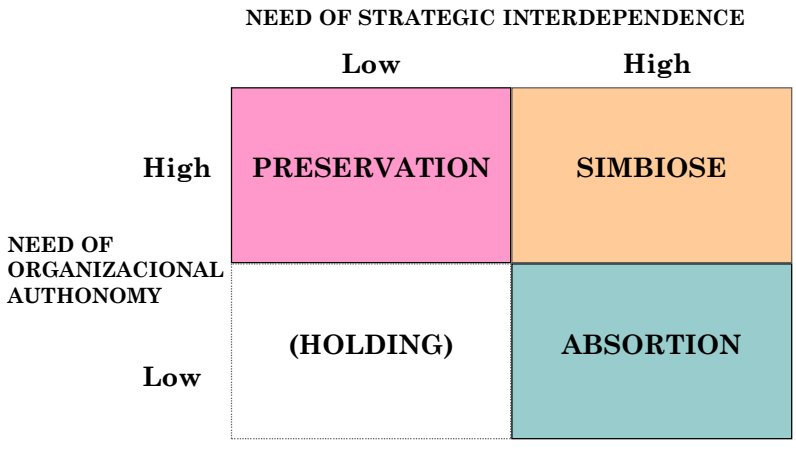
Types of integration



Source: Haspeslagh, P. and D. Jemison (1991) *Managing Acquisitions* The Free Press, N.Y.

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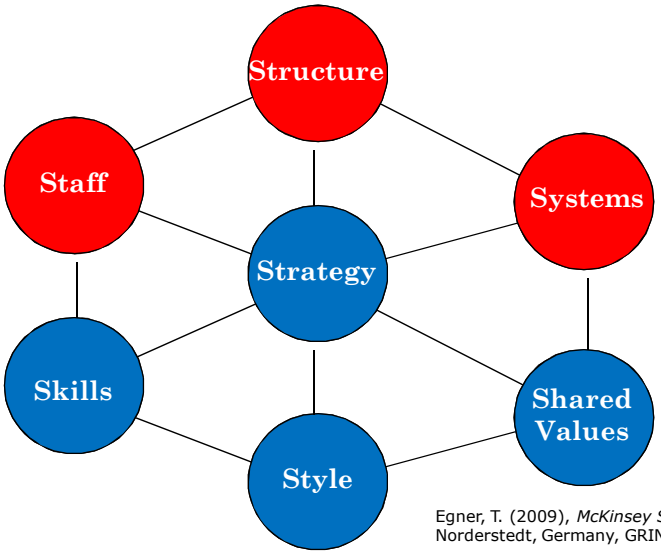
McKinsey Seven S Model



Egner, T. (2009), *McKinsey Seven S Model*, Norderstedt, Germany, GRIN

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