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THE IMPORTANCE OF POST-TRANSACTION INTEGRATION

By Richard Strautman

HAVING MADE A SIGNIFICANT INVESTMENT IN PURCHASING A BUSINESS, IT IS IMPORTANT THAT THE TWO BUSINESSES ARE INTEGRATED IN A WAY THAT RESULTS IN INFORMED CUSTOMERS AND VENDORS, A MOTIVATED MANAGEMENT TEAM AND EMPLOYEES

The seller has found the right buyer for their company. The buyer has found a company to purchase with synergistic value. The closing has just occurred, and everyone is shaking hands and celebrating. But what is often forgotten are the pre-sale planning and post-sale integration activities that are critical to the successful integration of two companies.

The seller wants to see their legacy remain intact – their employees continue working, and their customers receiving best-in-class products and services. The seller's journey has ended, but the buyer's journey has just begun. The amount of integration needed will vary, depending on whether the acquisition will be run more independently or will be integrated closely with the acquiring company.

Successfully integrating two companies takes planning, perseverance, and communications. Having made a significant investment in purchasing a business, it is important that the two businesses are integrated in a way that results in informed customers and vendors, a motivated management team and employees, and efficient operations that generate targeted profit and cash flow objectives.

It is recommended that an Integration Team be formed with members from both companies and a project manager identified to ensure that the necessary tasks are assigned, and resources provided in a timely manner to enable a successful integration implementation. Regular status meetings should be conducted, and top management should be advised on progress. Some of these integration tasks may take months to complete. Other tasks need to be accomplished quickly after the transaction closes. In order for any integration to be implemented successfully, the following areas need to be carefully planned and executed.

1. LEGAL AND BUSINESS

Legal and business integration activities include the strategic alignment of the two businesses, filing of any post-close legal documents, updated strategic and tactical plans, and setting new integrated goals and objectives. Online information will likely need to be updated and regulatory entities notified of the change in ownership.

2. HUMAN CAPITAL

Integrating human capital between the two organisations can be quite complex. This could include new organisational structures, employee onboarding tasks, employee terminations, job mapping, policy harmonisation, employee training, pay and benefits harmonisation, transition coaching, and cultural integration. Proper communication is the key to successfully integrating two different organisations.

3. SALES AND MARKETING

There are important tasks in the sales and marketing functions that need to be addressed as the result of a business sale transaction. It is important that all customer information is properly transferred over to the acquiring company, if appropriate. Marketing databases may need to be integrated, marketing messages may need to be revised, sales forces may need to be integrated and revised commission plans created. Care should be taken to evaluate customer and prospect information collected by both companies and to determine how this information can be used to benefit both companies.

4. FINANCIAL RELATED MATTERS

It is likely that integrated and consolidated financial reporting will be required and consistency in accounting policies and procedures implemented. The new owner will likely want to see current or expanded key performance indicators and metrics on an ongoing basis. Changes to banking and other lending relationships may be needed. It may also be appropriate to refinance and or pay off existing loans, or to secure new financing based on the combined assets and cash flows of the two companies.

5. INTELLECTUAL PROPERTY

The intellectual property of the acquired company will need to be protected. Patents, trademarks, and copyrights will need to be continued and ownership transferred, if appropriate. Continuation of business, product or domain name intellectual properties will likely be needed. New security measures may be implemented in the acquired company to enhance intellectual property security. Employee handbooks and any employment agreements need to incorporate language that protects intellectual property.

6. COMMUNICATIONS

The key to every successful integration is communication with all interested parties. These parties would likely include communications to customers, vendors, employees, the public, banks and lenders, and any other stakeholders. Some of these communications will occur before the sale transaction. Others will occur afterward. Careful consideration should be given to the exact content of the message and the delivery approach. It is particularly important to communicate the value proposition of the newly combined companies to all stakeholders.

7. OPERATIONAL EFFICIENCY

Often one of the benefits of business integration is to improve operational efficiencies and cost reductions in the combined companies. Care should be taken to evaluate the operational efficiency and cost structures of both companies. The best methods of each company should be transferred to the other company, if applicable. Analysis of expenses should be made to determine if costs can be reduced, and consolidation of common activities should be considered.

8. TECHNOLOGY INTEGRATION

It is likely that there will be differences between the systems used to manage both companies. In today's business world, there will likely be many different systems implemented by the two companies, including accounting, operational, and sales and marketing systems. If practical, a best-of-breed approach should be considered, and a new information technology structure created. A considerable amount of data may have to be migrated from one system to another. This process needs to be well defined and tested prior to the final data transfer.

SUMMARY

Proper execution of pre-sale planning and post-sale integration activities is critical to assure that a buyer will be able to maximise their return on investment. There can be many areas that need to be addressed if the integration process is going to be successful. Eight have been identified, but there may be other areas that also need to be addressed, depending on the specific goals and circumstances of each sale transaction. As stated previously, successfully integrating two companies takes planning, perseverance, and communications.

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