

Top 10 M&A Integration Mistakes

1. *Ignoring critical cultural differences*
2. *Deferring key personnel decisions until after signing*
3. *Compartmentalizing, instead of combining, deal due diligence and integration planning*
4. *Blindly applying the same integration rules regardless of target uniqueness*
5. *Using “acquirer-first” instead of “best athlete” approach to selecting talent and processes*
6. *Focusing on “we” items (strategic rationale) at the expense of “me” items (roles, responsibilities, and benefits)*
7. *Assigning an integration lead without capacity or authority to run the process*
8. *Dribbling out changes over time, especially negative ones, rather than ripping off the band-aid*
9. *Inconsistent communication with internal and external stakeholders*
10. *Focusing on cost cutting more than revenue synergies*

Federal M&A Integration: Surviving the Morning After

-  Address cultural compatibility and benefits harmonization issues during initial meetings, not post-closing
-  Establish joint diligence and integration efforts so that findings from the former can inform the actions of the latter
-  Tailor integration approaches for each target; rote adherence to “the way we always do it” ignores target nuance and erodes value
-  Deputize an integration lead with the capacity (time and skills) and authority (dotted line to the CEO) to swiftly execute the transition
-  Communicate early, often, and consistently with employees, customers, and vendors throughout the process (competitors will)
-  Employ a strict “best athlete” approach to combined company staffing decisions regardless of legacy company employee heritage

Ounce of Prevention

The deal community in the federal services sector has not partied like this since the tax hike scare of 2012, and when everyone wakes up in 2016 there are bound to be some hangovers. Much of the pain will be the result of poor integration, which can largely be avoided with an ounce of pre-deal prevention. Strategic and financial rationales are necessary, but for services businesses, culture trumps strategy. To maximize the chances of post-closing success, address cultural and personnel issues up front. Flag benefits disparity and cultural fit in initial meetings, and resolve key personnel issues before an offer is even made. Once due diligence begins, identify and assign a lead to commence integration planning in parallel. Addressing thorny integration issues late in the process is as regrettable and avoidable as that last round of shots at the end of the night.

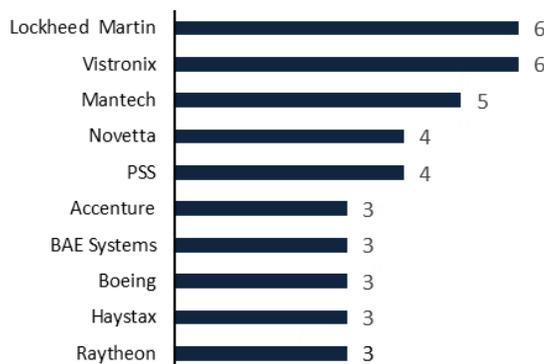
Hair of the Dog

The morning after a good party, everything is a bit foggy; everyone is talking too loudly, and it takes a few minutes to piece together exactly what happened the night before. In that vulnerable state, some hair of the dog – Bloody Marys work particularly well – can help clear your head. M&A is no different. The morning after the announcement, when everyone is trying to figure out what happened the night before, it is critical to reinforce the strategic rationale for the deal to both target and acquirer. Quickly rolling out new titles and a joint organizational chart can help, especially when applying a “best-athlete” approach. From there, move quickly to highlight new opportunities that would not have been possible for either company to pursue on their own. Embed the celebration of joint successes into the new company culture early and often, as winning cures all.

Clean Up

Legacy brands, lingering legal entities, and pending contract novations are the carpet stains, cigarette butts, and broken glasses of the M&A party. Once the transaction has closed, clean up these items as quickly as possible. Branding is the easiest to address early: roll this out at the initial all-hands announcement and then quickly put up new signage, circulate new cards and stationery, and distribute corporate tchotchkes. Tie up loose ends around legal entities and contract novations soon after, as you want your customers referring to the new entity

Most Active Acquirers (2013-2015)



The most active federal services acquirers in recent years have generated shareholder value through successful M&A integration.

Source: Wolf Den Associates Analysis

and not hanging onto legacy components. This is easier than knitting together personnel and cultural issues, so there is no excuse for procrastinating. Nothing erodes strategic rationale or breeds cynicism around a deal faster than bungling the synthesis of contracts, capabilities, and past performances.

Patch Things Up

After the initial post-closing cleanup, it is vital

to emphasize clear and consistent communication. You may not have sent embarrassing texts after being overserved, but there is still a lot of explaining to do. Those who were not there will have formed initial impressions from the sector RUMINT. Customers are the most important constituent to hear the strategic rationale, as others will be courting them, but teammates and vendors also need to hear the same message, as this is a time of uncertainty for them as well. Keep this in mind internally as well once you begin extracting initial cost synergies and delivering termination notices. Exit interview messaging must match the all-hands announcement and the initial customer briefings. People expect and forgive systems integration hiccups, but messaging inconsistencies can erode trust and ultimately enterprise value.