GUIDE

The Complete Guide to Post-Merger Integration

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Part I: Closing Day and Day One

The First Three Years Post-Deal

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3+	Cultural changes become cost apparent (in some areas culture may never change)	• Economics of scale achieved via savings • New organization works as "one"

Post-merger integration (PMI) is a fundamental stage in realizing the value of an M&A deal. It is a complex process requiring swift action and coordination with the running of core business activities. There is no one-size fits all approach to a successful PMI process. However, careful planning, a focus on the strategic objectives of the deal, and the identification and capturing of cost-saving synergies will help maximize deal value. An M&A platform such as **Midaxo Cloud**, which offers a purpose-built module that supports systematized post-deal integration management, can accelerate the process by up to 40%.

It is inevitable during most acquisitions that some information will be withheld from the Buyer pre-deal. Once the deal closes, the Buyer will benefit from full insight into the Target and gain access to accurate information on which to base implementation plans. Not all the synergy benefits originally identified in the deal thesis will prove to be achievable. The foremost challenge for management at the outset of the PMI process is therefore to clearly define how and how much value can be captured from the newly combined organization via synergies and cost savings.

The PMI process is typically complex, time pressured and unfamiliar. It often necessitates changes in a company's business operations, people, processes, culture and structure. The bringing together of two companies experiencing change (perhaps for the first time) while simultaneously ensuring that business continues as usual is a challenge that should not be underestimated and requires the upmost level of planning.

It is important that the PMI process is approached with speed in mind. Investors typically expect to see synergies captured and cost savings realized within 12-24 months of deal close. The longer the PMI process is drawn out the more likely it is that potential synergies will be lost, cost savings and economies of scale will not be realized, management will become disillusioned and key staff will leave. For that reason, a smart productivity platform such as Midaxo, which can accelerate the integration process by up to 40%, is essential to a successful merger.

For most companies PMI is not a core skillset. Rather, PMI is a process that will be encountered once or, in the case of serial acquirers, perhaps tens of times. PMI requires a different skill set than usual business operations. The PMI approach taken depends on the strategic rationale behind the deal and the future intended strategy of the new organization. Midaxo's purpose-built integration module will keep the Buyer laser focused on the strategic objectives of the deal and help capture the synergies necessary to maximize deal value.

Guiding Principles

The PMI process should be set against the backdrop of the deal rationale and aligned to the strategy underlying the deal. Key questions to consider include:

- What is the underlying logic of the deal?
- Does the deal involve the Buyer absorbing the Target or the actual merging of the two entities?
- Which areas of the Buyer and Target are to be integrated and which are to remain standalone?
- Will the Buyer's systems adopted or a combination of the best from both entities?
- How soon post-deal do investors expect a return and are their expectations realistic given knowledge of the challenges that lie ahead?

Closing & Day One

"Closing" refers to the date when the SPA (Sales Purchase Agreement) goes into force and ownership of the Target transfers from Seller to Buyer. This is commonly called "Day One" because it is the first day that the Buyer is the owner of the acquired operation and that the operations work as one legal entity. This is when the integration of the companies, or alternatively, the merging operations, starts. Three important concepts that managers must focus on during this critical time are:

- Communications
- Operative structure
- Systems and controls

Communications

Good communication is essential to build trust, develop motivation and share important information. Well planned and well implemented communication enables managers to lead an M&A project more effectively, can prevent the negative impact of rumors and can help unify different parts of the joint company. The smart Midaxo Cloud platform enables real-time communication throughout the organization, regardless of whether team members are in the same building or spread across the globe.

If there is a long delay between the original announcement and the deal closing, important information may need to be communicated again to personnel and other stakeholders. At this point, stories about new key individuals and product and service material from the acquired company can be used to enhance the message. Communication issues may arise over:

- What needs to be communicated on Day One
- What stays the same
- What changes immediately (redundancies, close/mode of operations, etc.)
- What changes in the near future
- Where more information can be found
- Who answers any questions

Welcoming Letter/Message

Immediately after closing, a welcome letter or individualized email should be sent to the employees of the acquired entity. Ideally the message is translated into the local language, including:

- Welcoming words from the CEO
- Who will lead the business unit

Provide Regular Updates	• Share information and updates on a regular basis • Reach out to all relevant audiences • Utilize different means of communication (company intranet, internet, newsletter, press, TV)
Engagement Managers	• Keep managers and HR updated – their buy-in is important • Employees will turn to managers with questions and concerns.
Prepare for Leaks	• Develop a strategy for information leaks • Assign roles and responsibilities • Ensure stakeholders are informed should leaks occur
Timing Is Key	• Develop a timeline and action plan • Consider assigned roles and responsibilities of the Buyer and the Target
Answer Questions	• Create an FAQ chart and update across the PMI process • Address questions from customers, employees, stakeholders, partners and the media
Tell a Story	• Connect with stakeholders • Help audiences understand the rationale for the deal • Consider what the audience wants to hear

- An outline of employment terms
- Information on the new work location, if necessary (ensure every transferring employee is assigned a workplace and is aware of it)
- Details on newly appointed bosses/supervisors/line managers
- The point of contact for questions/answers, etc.

Letter to Customers

- The Buyer's corporate communications function should arrange for all customers to be sent a letter informing them about the acquisition and any anticipated changes from their point of view
- Key customers should be contacted directly by a sales representative and management, where appropriate

Letter to Vendors/Suppliers

- Identify all important vendors and partners that need to be informed
- Prepare a letter of information about the acquisition and anticipated changes
- Coordinate with the corporate communications team for a unified message

Operative Structure

Clear communications about the new management and operational structure/reporting procedure is required from Day One. If this information is not available, or is poorly communicated, there may be a tendency for personnel to follow their familiar habits. Initiating change later can be very difficult.

When personnel changes are planned, HR should play an important role. To support the management in structural planning and in choosing managers, their teams and future staffing, HR must understand the company strategy.

Decisions about the new operating structure and systems are made when the joint company's strategy and goals have been agreed upon. Typically, the legacy organization structure continues up until that point. How quickly the new structure can be finalized depends on the size and complexity of the deal. Unless there has been a decision to keep operations separate, a joint operating structure is normally decided upon and communicated within three months (approx. 100 days). Once the Target and its personnel are better understood, modifications are normally made to the structure after six to twelve months.

If a large M&A deal involves multiple markets, entities may need to be integrated in each geographic location.

Appoint a Managing Director/CEO

The process for selecting a new Managing Director (MD) or CEO for the joint business needs to start early. Once selected, the MD/CEO should be involved in the acquisition process. Since personnel look to the leader in uncertain times, it would be ideal to appoint the MD/CEO from Day One. It is quite common that this individual comes from the Buyer (or its group or corporate entity). If the Target is primarily foreign, this might require an expatriate agreement. In some cases, the existing MD/CEO of the acquired entity continues in the same role. In such a case, it is recommended that the Buyer nominates a controller from its own organization to ensure financial integration and smooth reporting.

Decide on Key Managers

It is important to ensure that key personnel of either the Buyer's or the Target's operations are not lost before or during the integration phase. The positions and roles of key personnel during the integration process should be planned in advance and communicated at closing. However, depending on the deal, the Buyer may not have the chance to meet with any or most of the Target's managers. In that case, the first 100-day integration period can be used to gain a better understanding of the managerial competencies of both integrated operations before assigning roles. The better the needs for future managers have been specified and processes developed to evaluate candidates, the faster decisions can be made.

Agree on Operative & Statutory Structures

Operative

The top-level operative organization is typically chosen by the Target's leadership (this often means the project owner and/or steering group). HR provides support to the decision-making process and assists with the implementation work.

Statutory

If the acquisition covers a country where the Buyer already has a legal entity, a legal merger with the acquired entity should be considered.

Note: The Buyer's tax department should always be consulted regarding the tax consequences of corporate structuring. If the Buyer does not have an in-house tax team, engaging an external advisor should be considered.

Set Governance & Management Guidelines

It is important to ensure that the Target operates under similar corporate governance principles as the Buyer's other entities. It should be ensured that the Target's managers are acquainted with the Buyer's policies.

Do's and don'ts cover issues such as:

- New hiring
- Redundancies
- Salary changes, commission schemes and benefits
- Cost approvals/authorization limits
- Travel (approval of)
- Reports (travel, visits, etc.)
- Investments, etc.

Agree on authorizing officers

List the individuals who have the authority to approve (sign for) various documents (sales orders, purchase orders, employment contracts, etc.) on behalf of the organization.

For those individuals new to the organization, it is recommended that tight approval limits are set at the beginning.

Agree on office & manufacturing locations

Study the possibility of physically consolidating the Target. The location can be one of the existing sites or a new site if the current premises are not suitable for the combined entity. The associated costs – moving and/or renovation, selling of old premises – should be estimated as part of the integration study and agreed upon.

Systems & Controls

Continuation of financial and sales reporting is crucial for management to be able to control the operations of the Target and the integration progress. Clear and detailed instructions with ready-made forms and templates should be available to the acquired entity's financial team on Day One.

Systems may be different but the new business, market and service areas need to be clearly instructed on the content of reporting and reporting deadlines.

If operational structures are not finalized at this point, temporary management systems and controls need to be established. These include comprehensive reporting and systematic management practices such as regular management team meetings.

The acquired operations should be closely supervised to ensure transparency and control and the acquiring company and its corporate functions need to provide adequate support.

Cash Flow & P/L

The newly combined organization does not automatically generate higher cash flow (see page 18).

Operative

- Track development
- Prepare best- and worst-case earnings forecasts
- Prepare best- and worst-case cash flow forecasts
- Review and update continuously
- Look for early warning signals of forecasts being off-track

Statutory

Study issues including:

- Do operations continue as separate legal entities or are they combined?
- Are there tax or other implications?

Based on the information:

- Do not panic
- Make quick decisions (apply the 80-20 rule)
- Act fast — speed is better than not acting at all!
- Communicate any required changes and the reasons for them

Assess and act on due diligence issues.

Review the due diligence report(s) prepared pre-deal to identify the issues to be addressed during the integration process. Separate issues may be allocated into different baskets/responsibilities.

Embed Buyer's management calendar.

Implement the management calendar from the Target (for example – the schedule for monthly reporting, quarterly reporting, forecasting, medium range planning and business planning). This ensures the Buyer's management procedures are adopted with complete content and timely execution. Keeping deadlines is important. The Target needs to be made aware of this.

Business Plans/Budgets for the Current/Next Fiscal Year

If the acquisition takes place well before the end of the fiscal year, prepare a business plan/ budget for the current fiscal year. Otherwise, start joint business planning and budgeting for the next full fiscal year based on the schedule defined by the Buyer's management calendar.

Investment plans should also be reviewed, and updated if necessary, as part of the budgeting/ business planning process.

Expect the business plan/budget process to take longer because many of those working to implement it will be following the Buyer's guidelines for the first time.

In the case of a smaller scale acquisition, personnel from the Target may not be familiar with a comprehensive business planning/budgeting process. It is important to explain the importance of the process to them and motivate the personnel to work on it.

Company Fact Sheets

Data acquired on the Target should be collected and stored in the Buyer's corporate and local operation's databases. Use the standard company/corporate fact sheets or templates, if available.

Stakeholders in the PMI Process

The PMI process can only be considered successful if all stakeholders are happy. A stakeholder is an individual, group or organization who may affect, be affected by, or consider itself to be affected by a decision, activity or outcome of the deal and the subsequent PMI process. This may include those internal to the organization such as project team members and employees or those external to the organization such as customers, suppliers, business partners and finance providers.

If the deal is small, the number of stakeholders may be small. However, if the deal is large in both value and geographical coverage, many stakeholders may need to be considered. All stakeholders are not equal and every stakeholder has different requirements and expectations. As part of the PMI process, it is important to identify every stakeholder, their needs, expectations and requirements. Doing so will increase the chance of a successful PMI process.

Stakeholder	Concerns
Owner	Confidence in the ability of new management
Management	Security of their position
Employees	Security of their position
Customers	Reliability and continuance of service
Suppliers	Pressure on prices/contract items
Business partners	Continuity of business
Tax authorities & regulators	Adherence to regulations
Finance providers	Impact of cash flow and debt serviceability
Media relations	Bad press

Part II: Post-Merger Integration

The Post-Merger Integration Process

Pre-planning	Set the timeframe of the PMI process. Consider core strategy issues and consider engaging external advisors if necessary.	**WHEN:** Pre-deal close as due diligence nears an end
Integration Due Diligence	Obtain all relevant data on business areas and activities. Consult the pre-deal due diligence report(s), if necessary.	**WHEN:** Post due diligence/approach to deal close when decision to proceed has been made
Integration Planning	Establish who will lead the PMI process – a mix of internal resources and external advisors may be appropriate.	**WHEN:** From Day 1
Implementation	Covering from the commencement of integration activities to the end of the PMI process. Take stock regularly to ensure the timeframe is being adhered to.	**WHEN:** From Day 1 to 100 & Beyond
Wrap-up	Complete any integration closing activities and surveys if appropriate.	**WHEN:** Day 100 at the earliest

Visioning, Shaping & Transforming

Achieving a successful PMI process can be viewed as a series of steps covering visioning, shaping and transforming. Using an effective PMI tool such as the Midaxo Cloud can provide direction, visibility and a collaborative environment that can enhance the effectiveness of your team and their PMI efforts.

Visioning

Visioning entails setting the strategy and establishing priorities. This includes questioning what type of synergies should be prioritized – revenue synergies, cost synergies or technology. Each synergy requires a different degree of integration. People and culture are at the heart of the new organization's success. Therefore, it is critical to retain key people, particularly leaders, to pay attention to cultural sensitivities and identify the type of culture that will be accepted by the Buyer and Target.

Shaping

Shaping entails defining how the Buyer and Target and their respective functions should be integrated.

This includes detailing and implementing the integration process in addition to managing cultural and people challenges. It is important to secure the commitment of management to capture key synergies. Unrealistic deadlines or lack of resources can easily disrupt this early process. Therefore, a project man- agement office team should be given the responsibility of creating an integration organization structure, including an integration committee and integration teams (e.g., social/cultural negotiations, system integration, HR matter), and documenting key actions to be taken.

Carefully selected leadership, spanning line managers to executives, will facilitate making the vision a reality and foster the ideal culture for the new organization. In the context of M&A, people are a sensitive issue and may be resistant to change. Therefore, a culture gap assessment/diagnostic could be carried out (such as a survey covering cultural and social matters). Furthermore, the requirements of stakeholders should be considered with the pivot points of change carefully managed and a clear message sent in terms of what the PMI process and resultant new organization will mean for them.

Transforming

Transforming is the actual integration of the Buyer and the Target with the end-goal being the new organization. This is the final stage of the PMI process entailing the implementation of all action points decided during the shaping phase, with the primary objective being to realize the deal value via the capturing of synergies and achievement of cost savings. This stage is the most critical and typically the most time consuming in the PMI process. It involves the monitoring of the integration progress in terms of synergy capturing and risk management while ensuring everyone feels motivated and involved in moving the new organization forward.

PMI Success Factors

There are a myriad of factors that may contribute to the success or failure of a PMI process. These factors may span the visioning, shaping, or transforming stages of the process (see page 9). Failures can be categorized in terms of missed targets, loss of key people, and inadequate performance in daily operations.

PMI Overview

Integration is the phase in which the operations of the Target are merged/integrated with the Buyer's existing

		Timing in the PMI Process		
		Visioning	Shaping	Transforming
Missed targets	Strategy	✓	✓	✓
	Synergies	✓	✓	✓
Loss of key people	Culture	✓	✓	✓
	People retention	✓	✓	✓
Inadequate performance in daily operations	Business continuity	✓	✓	✓
	Master plan	✓	✓	✓
	Communication	✓	✓	✓
	Process	✓	✓	✓
		Pre-deal	Pre-deal	
			Post-deal	Post-deal

operations. It is also the phase in which the results of the Buyer's M&A strategy and expectations for the deal begin to materialize.

Integration Structure

- The integration process can be divided into sub-projects taking place before and after the closing (change of ownership)
- Integration planning should begin as early as possible, but during due diligence at the latest
- Day One: the first day after change of ownership
- First 100 days: the time when decisions are made and priorities set so the organizational structure can be finalized
- 12–18 months (transition to line responsibility) during which changes are implemented
- 3–6 years needed for a cultural change (in some parts of the new company corporate culture may never fully change)

Top Management Alignment

Top managers of the Buyer and Target are, for the first time, part of the same organization. Up until now they have followed different strategies driven by their respective owners. Also, where the parties in M&A deals have been able to conduct open discussions during the purchase phase, the change of ownership changes priorities and commitments for personnel.

Genuine agreement and deep commitment require in-depth discussions and sometimes entail fighting for those closely held views and opinions. This is a process that requires time and patience.

It is recommended that soon after the change of ownership, management should take some days out of the office to get to know one other, to discuss and agree on the following issues:

- Historical matters such as pre-deal strategies, choices and individual histories
- Markets and technology trends
- Competition
- Future strategy
- Company values
- Value creation potential, costs and risks
- Company goals
- Competences, size and structure of entity to fulfill the strategy
- Integration goals, process and resources

The purpose of such a meeting is to ensure the new management team is aligned and committed to the same goals. Only in this way can they convey and communicate the same message to the new organization.

First 100 Days

The first 100 days is the maximum period people can live with the uncertainty regarding the new organizational structure and decisions on redundancy.

During the first 100 days:

- Put into action pre-closing decisions
- Verify the purchase-phase (due diligence) data and gather additional information for prioritizing and decision-making
- Better understand the Target's history, strategy and reasons for its earlier strategic choices
- Get to know the acquired entity's management and employees

Project Management

Every integration project needs its own budget. First estimates of integration costs can be made during the transaction or purchase phase. However, the integration manager/team should review and refine these estimates during the first days of the integration project. The integration manager is responsible for preparing and updating the integration budget and tracking activities and costs against the budget. The budget is then approved by the project owner or the steering group.

Typical integration costs include:

- Basic information and communication technology (ICT) infrastructure changes
- Travel and meeting costs
- Legal and other costs to ensure compliance with local laws and the Buyer's standards
- Professional fees paid to M&A advisors, consultants and accountants
- Costs related to changing the Target's insurance policies
- Costs related to management changes (search fees, redundancy costs)
- Wider costs relating to human resources
- Organizational change costs
- Wider IT/systems integrations costs;
- Costs in relation to investments in product changes
- Training
- Marketing
- Costs in relation to changes in back-office functions
- In addition to the above, any significant project-specific items should be budgeted

Integration costs can be problematic in situations where part of the purchase price is based on the future financial performance of the acquired entity (an earn-out structure). In these situations, the previous owner of the Target is often reluctant to accept any additional costs that would affect the Target's bottom line and, therefore, the earn-out due. The general guideline is that the integration costs should be excluded when determining the financial performance of the Target for the purposes of earn-out calculations.

The PMI Pathway

The actions of the first 100 days will have huge consequences on the value created by an M&A deal. Management of this sensitive time is a fundamental factor of deal success or failure. The first 100 days is a time of anxiety and uncertainty for the Buyer and Target alike. It is a time of change and provides management with the opportunity to create the right first impression, capture synergies, maximize deal value, and establish the direction for the future. It is also the time of greatest potential loss of value.

Resources & Responsibilities

Success of the integration project depends on leadership, project management capabilities, effective integration management tools (such as Midaxo Cloud), and selection of the right personnel for teams/ streams.

Integration Owner

As in the transaction/purchase phase, the owner/ sponsor is normally a member of the Buyer's management team. The owner of the integration phase can be the same individual as in the transaction/ purchase phase.

Integration Steering Group

The integration steering group is the governing body of the integration phase. Their role is to supervise the work of the integration project manager and the integration team. They should meet at least once a month.

Members

- Representatives of the Buyer and the Target
- May include individuals with specific, relevant expertise
- Normally 3–7 individuals to maximize the effectiveness of teamwork
- The integration project manager is normally not a member

Responsibilities

- Selects the members of the integration team (based on integration project manager's proposal)
- Specifies the measures, goals/targets and reporting instructions for the integration team
- Supervises and supports the integration team's work
- Makes decisions on the more significant issues
- Monitors the project costs vs. budget and approves the expenses incurred by the integration teams

The steering group should be headed by an individual who has decision-making authority and is trusted by the CEO and/or project owner. Typically, he/she is a business-responsible member of the Buyer's management team.

Integration Manager

The integration manager is the project manager. They should be appointed during the transaction/ purchase phase. If the integration manager has little or no project management experience, active hands-on support is required from the M&A project owner.

As the reality in the market areas may well differ from the global view, it should be decided whether a local integration manager (reporting to the global integration manager) should be appointed to work more closely with a particular market or country operation role.

Responsibility for day-to-day management of the integration:

- Integration management work is difficult to perform as a part-time activity, so the Buyer's management needs to carefully consider the importance of the task and allocate the time necessary
- Duration varies from 3 to 18 months

During due diligence, the integration manager should:

- Become acquainted with the Target's business and assist in preparation of questions and issues to be studied from the integration point of view
- Prepare and modify the integration plan
- Work with transaction team, HR and communications on the messages in the initial announcement to get a positive start to integration
- Define goals, resources and timetables
- Bring integration teams together

- Plan and run the kickoff meeting and follow-up meetings
- Guide and support the integration teams
- Coach and assist in problem-solving
- Report on and define instructions and goals to/from the integration steering group
- Ensure the teams meet expectations in the allotted time
- Make sure non-negotiable issues are understood and implemented
- Help personnel adjust to change
- Assist in identifying and reducing cultural barriers
- Ensure that tools and information are shared between the teams
- Develop learning methods
- Prepare reporting and reviews
- Hold summary discussions

Integration Team/Stream Manager

After appointment of the integration manager, the next step is to decide which integration streams are needed. Streams are areas of the organization split into district parts but which are aligned to the overall strategy. Streams may include customer service, operations, legal, product and quality, etc. Managers of the streams are responsible for developing and implementing the detailed plans.

Best results can be achieved when team members are experienced individuals from the Buyer and the Target. In the case of integrating support functions (HR, ICT, finance and legal), it is recommended that the members recruited have previous experience with integration projects. This way, expertise in integration accumulates and the Buyer's integration performance should improve over time.

Experienced team members can facilitate the integration work by quickly and efficiently setting up company-standard procedures and systems. After the integration phase they can hand over their responsibilities to the local or line organization.

The support functions to be covered in an integration project include the following:

- Finance and control
- Legal
- IT
- HR
- Communications
- Customer finance (if relevant)

The other members of a core integration stream are usually business managers and/or other specialists from the Buyer's product line/business segment/ division.

The following functions are commonly covered:

- Sales and marketing
- Spare parts and services
- Production and sourcing
- R&D

Integration stream managers (as per previous page, those responsible for distinct areas of the organization such as customer service, operations, legal, product and quality, etc.) are typically selected from among the Buyer's managers. Only where the Target's manager(s) have specialized knowledge or a similar attribute are they appointed team leader.

The "pros" of appointing the acquired entity's manager include:

- Gives a message of value to the personnel of the Target
- Results in better communication within the Target

However, the "cons" include:

- Target's managers do not know the Buyer's business and strategy in detail
- It is harder to manage team priorities
- Buyer's operating corporate culture is not transferred in the same way to all teams.

The integration stream manager's tasks include:

- Acting as the team builder
- Introducing the team members to each another
- Ensuring that the team members have all information/tools needed for the task
- Clarifying the goals/targets/timetables/reporting, etc.
- Ensuring that everyone on the team understands the goals the same way and is committed
- Managing and encouraging the team to progress
- Ensuring that the team keeps to the schedules and prepares reports
- Being a source of assistance and guidance, when needed

Integration Team/Stream Members

After the initial planning phase (or at the latest, at change of ownership), the team should expand to include managers and specialists from the Target as well as staff from the major locations of both the Buyer and the Target. These individuals will work in area-specific "sub-teams" covering, for instance, HR and production, and may be responsible for several "sub-projects" (smaller projects that support a larger project). Local involvement is also critical for anchoring employees to the new organization, both for the existing Buyer's employees and for those moving across via the acquisition.

The appointment of the best personnel resources speeds up the integration process. For the teams to make a mark and move the new organization forward, they need to go into detail. Therefore, the appointed integration team members from both entities should be the experts in their represented areas.

(Note: Line authority or position, as such, does not guarantee the best knowledge of the issues to be covered.)

The composition of the team will, to a certain extent, depend on the size of the Target. Although all the above areas need to be covered in all integration projects, it is often the case in a smaller acquisition that many areas are handled by the same individual(s). In such situations, the Buyer's integration team must be careful not to overburden the Target's resources during the integration phase. Prioritizing the tasks and focusing on the most essential is the best solution.

Usually, personnel have little or no integration experience. If training is given to the Buyer's personnel before closing, the same training should be arranged for the Target's team members before they start working in integration teams. Using common terminology and information from the same sources can mitigate any "we/they" conflict.

Market Area/Country Integration

In cross-border M&A, integration takes place on two levels or on multiple levels; globally, in local markets, where sales and or service operations may be integrated, and possibly in local manufacturing operations.

The market area/local integration structure and streams cover the same functions/topics as the global integration process. These can report directly to the integration manager and steering group or to global integration streams.

Operative

When integration covers multiple countries, it is important to clarify which global guidelines, rules and tasks can be applied at the local level, and where country-specific exceptions need to be made.

Statutory

- Level of integration – retain separate legal entities or merge
- Choose company name to be used for ordering, invoicing, etc.
- Coach/facilitator – if the Buyer has limited integration experience or none at all, an integration coach can be appointed to assist the integration steering group and/or integration manager. A coach

or a meeting facilitator can also be useful at the kickoff meeting and when considering specific team issues, such as HR.

Working Methods & Tools

Depending on the M&A strategy and the transaction/ purchase phase (pre-closing phase) information, one of several approaches can be chosen:

- Business teams/streams using representatives from both entities
- Functional teams/streams organized by the Buyer's and Target's experts
- One or several cross-functional team(s)/streams for quick decision-making
- Paired experts by function or specialization (commonly used in addition to the above)

Goals, Measures & Compensations

The integration teams/streams require:

- Clear goals and measures
- Good guidelines
- Clear management and responsibilities
- Continuous support
- Good reporting tools

Integration activities are commonly performed in addition to the normal daily responsibilities – thus requiring long working hours and often, a lot of traveling. This impacts not only the work of the people involved in the integration, but also puts great pressure on their personal life.

Kickoff Meeting

The integration work starts with a kickoff meeting in which all team members and integration management typically participate. Some line managers and specialists may also attend. Typically, a kickoff meeting is a two-day session, including time to socialize.

The purpose of the meeting is to:

- Introduce management and let members get to know one another
- Bring participants up to speed on events in both predecessor entities and explain the joint strategy, team goals, etc.
- Provide instructions, guidelines and templates
- Start the teamwork

Agenda issues for the first integration team meeting may include:

- Present responsibilities and career history
- Discuss each entity's pre-deal vision, strategy and decision-making processes
- Share market data
- Review summarized due diligence findings and identify items to be noted later in the project
- Review vision and strategy for the new company and their implications for the team's work
- Agree on the team members' roles and tasks
- Specify goals and measurements
- Set project plan with timetable
- Assess the need for outside support, information and cooperation with other teams

Best Practice (Internal & External)

The M&A integration project enables a critical review of business structure, operations and performance. The value of new ideas and any best practices should be examined.

Early Warning Signals

List and analyze the most critical issues in the integration. These may include:

- Losing key personnel
- Retention of key customers

Measures and actions

- Loss of employees:

- Not losing more than x% of employees within the first year
    - Continuous follow-up on departing individuals
    - Interview to establish reasons for leaving
    - Loss of key customers:
    - Top management to meet with key customers
    - Relevant sales individual to keep in close contact
- Reduction in customer visits due to integration disturbances:
    - Continuous monitoring of sales funnel: additions per sales visit versus historical trend
- Complaints from the Buyer's or the Target's customers:
    - Monitoring of quality indicators
    - Measures for service delivery processes

Reporting & Reviews

As with any project, effective post-merger integration management includes regular reporting, reviews against set goals, feedback and summaries of the results. A smart M&A platform such as Midaxo, which provides clear, concise reporting in real time, enables the Buyer to monitor all aspects of the integration process and take advantage of all potential synergies. It also makes it faster and easier for acquirers to complete post-integration retrospectives. This feature is especially important for serial acquirers because it allows them to determine which practices were effective in contributing to deal success and which may need to be adjusted to maximize value creation in the future. Best practices can then be captured in playbooks to ensure future process improvements.

At the integration kickoff meeting, it is imperative to set dates for intermediate review meetings.

Report examples for post-merger integration

- Team/stream reports
- Integration manager's reports
- Market/country reports
- Integration steering group reports
- Board reports
- Owner's reports

Intermediate Reviews

The purpose of the intermediate review is to see that the integration moves forward as scheduled, that there are no pitfalls or bottlenecks and that the streams work well. In larger and lengthier integration projects, there is typically more than one intermediate review organized after the kickoff meeting. There can be a lot of variation in how the intermediate meetings are organized and who participates in them. For example, steering group meetings could include integration stream leaders together, all streams, or one stream leader at a time.

The key to the integration success is speed in decision-making. It is critical that the integration management stays up to date on progress, makes decisions and provides quick feedback and information to the streams and to the whole organization. Intermediate reviews are a great way to keep track of progress and developments.

Final Reporting

Each global business team and market/country team should prepare a final report at the end of the project. This will initially be at the end of the first 100 days, but follow-on reporting is recommended. This will need to be decided on a case-by-case basis (for instance after six months or a year). A key factor to consider is that the steering group reserves enough time to discuss the reports and any finding and recommendations.

It should also be determined how the reporting will be carried out/delivered. Meetings can be held with single team managers, single team managers, with all team members, or with just the team managers without the team members.

Final reports should cover at least the following issues:

- Results achieved
- Comparison of results to initial goals, with

explanation of variances

- Suggestions for next steps — transition to line responsibility
- Feedback on teamwork — what worked and what did not
- Feedback on the integration project — suggestions for improvements/lessons learned

A post-integration meeting, similar to the kickoff meeting, should include:

- Highlight the end of the integration project
- Continue to build joint spirit
- Provide a forum for presentation and discussion of learning reviews and feedback from customer/employee satisfaction studies

Securing Sales & Customer Relationships

During post-merger integration, there is a significant risk operations will become introverted, focus on the customer will be lost, and the support to the frontline organization will weaken. In addition, individuals who are not part of the integration work may feel their work is less valuable due to a lower level of support from their managers. This introversion can result in a reduction in sales and damaged customer relationships.

Measures to ensure ongoing sales include:

- Setting clear goals (linked to special bonuses)
- Closely following-up the sales funnel
- Management stime with customers
- Celebrating short-term wins by communicating them with staff
- Regular presentations & info sessions to staff by top management

Support for the Salesforce

Sales and service personnel may react emotionally if clear information and guidelines are not available. If the Buyer and the acquired organization were previously competitors, the situation can be difficult. Immediate information and instructions on sales and marketing-related issues for frontline personnel is needed to ensure people feel secure and are able to face customers with confidence.

Some methods to help reduce uncertainty include:

- Answer the question, "Why this deal?"
- Explain the implications to sales personnel (changes in territories, products, salaries and benefits, etc.)
- Be clear about whether the sales and service forces are to be integrated or kept separate
- Explain what the deal means to customers (contact individuals, products sold, prices, delivery and other terms, etc.)
- Listen to the need for top management to meet key customers
- Arrange training (products, services for cross-selling, etc.)
- Explain changes in the distribution channel

A so-called "double commission" (paying commission to both sales representatives) may be used in instances where the Buyer/Target sales representatives collaborate.

Transition to Line Responsibilities

A post-merger integration process does not end when the work of the integration team finishes. Depending on the size or type of integration, the first 100 days may result only in agreement on the key priorities and initial operational structure for the new organization.

As integration progresses, more personnel become involved and affected by the changes taking place.

Each time a new individual or a new group of personnel becomes involved in the integration, the following is required:

- Provide the same information that was given to the first integration team members

- Answer questions and concerns, which often are the same as those expressed by the 100-day team members
- Offer support
- Show attention from top management
- Provide training in cultural co-operation (critical in cross-border/multi-country M&A).

Change Management

Change management is crucial for the success of any M&A. Facilitating implementation of necessary changes will accelerate the integration process

Change is always driven by the Buyer's strategy. After the first integration phases, the goal of the integration continues through change projects.

How change in an M&A context differs from a "normal" change project:

- Multiple change projects simultaneously
- Cultural differences
- High visibility
- Customer expectations
- Shareholder expectations, for a publicly traded Buyer

Financial Integration

The new organization is dependent on the finance function to ensure a successful integration process and the capture of synergies to maximize deal value. This covers integrating business operations, streamlining the internal controls environment, providing accurate and consistent financial reporting, ensuring tax compliance (with consideration given to overseas jurisdictions if the deal is cross- border), and founding interim legal structures and business processes, which provide the newly combined organization with the flexibility it needs to grow. It is vital for the finance functions of the Buyer and the Target to be aligned for the new organization to move forward in the right direction.

A deal, similar to other types of corporate change, presents an excellent opportunity to set a new course both operationally and across the various support functions of the new organization. Across all business functions, setting the new course requires establishing clear leadership and roles during the transition. This enables members of the integration team (including the finance function) to communicate effectively and make decisions in line with the new strategy.

Setting the right direction for a streamlined finance function requires early and immediate consideration to tackle critical matters in the early stages of a deal. These may include establishing clear reporting lines and accountability for financial operations, management reporting, control of expenses, and accounting closing procedures.

Establishing such areas of accountability and control should ideally be covered as early as possible in the PMI process to allow for immediate actions to be taken. Areas such as accounting policies, expense approval authorization limits, financial reporting requirements, and month close procedures are examples of areas that can be established in advance to expedite the financial integration process.

Once the immediate areas requiring action have been identified the longer-term strategy for financial integration can be outlined. The financial integration strategy must be aligned with the organization-wide integration strategy to guarantee alignment in capturing synergies, realizing deal value and achieving wider integration objectives.

The financial integration strategy defines all decisions within the finance function – it sets out the extent of integration (what will be combined, what will be kept separate) and covers people, processes and systems.

As with other areas of the PMI process, to effectively manage the multitude of financial integration activities, it is imperative for leadership to identify a financial integration leader. This leader must establish a financial integration team, define the structure of the finance function and ensure it is realized. The financial integration leader should pick a team with thorough knowledge of the Buyer's organization (and ideally the Target) in the key areas of focus in context to the integration strategy.

Area of Focus	Financial Integration Plan
Overall Organization	• Day One reporting lines should be established. • Establish a transition plan aligned with process and systems migration plans.
Internal Controls Environment	• Establish controls procedures from Day One. • Establish a controls environment to mitigate risks and ensure regulatory compliance. • Any changes to controls resulting from the integration process need to be established and communicated.
Cash/Treasury	• Cash flow requirements should be planned and assurance over adequate funding should be gained. • Cash controls should be established. • Banking arrangements should be understood. • Bank account authorization thresholds should be implemented and communicated. • Debt covenants must be understood. • Align treasury policies. • Commence combined cash forecasting and cash management. • Align investments, foreign currency and any hedging arrangements (if applicable)
Financial Statements	• Establish interim financial reporting procedures. • Develop integrated budget and planning protocols. • Ensure management information is prepared on the same basis for both the Buyer's and Target's financial results. • Develop a tool to monitor the capture of synergies. • Develop a tool to monitor cost reductions achieved and map targeted economies of scale.
Procurement	• Ensure capital expenditure requirements covering the first year are aligned with the objectives and strategy of the new organization. • Procurement authorization limits to be established and communicated.
Financial Planning	• Establish interim financial reporting procedures. • Develop integrated budget and planning protocols. • Ensure management information is prepared on the same basis for both the Buyer's and Target's financial results. • Develop a tool to monitor the capture of synergies. • Develop a tool to monitor cost reductions achieved and map targeted economies of scale.

Cash Controls	• Reconcile the bank statements of the Target to confirm its liquidity position. • Reconcile any customer variances/discrepancies in the receivable's ledger. • Establish a common revenue recognition policy if possible (the Buyer and Target organizations may differ to the extent that this is not possible).
Tax	• Consider tax planning and the design of a tax efficient combined organization • Ensure tax filings are submitted (consider overseas filing requirements if the deal is cross-border) • Ensure compliance with all tax matters (consider overseas filing requirements if the deal is cross-border) • Ensure the business combination has been reported to the relevant tax authority (it is most likely the deal will have been reported at the point at which the Letter of Intent was signed by both the Buyer and Target) • Consider transfer pricing

Those working in the financial integration team may have had exposure to the Target prior to commencement of the PMI process if they were also part of the due diligence team (or they may have been exposed to some of the key financial issues identified during the due diligence process). In either case, it is conceivable that the financial integration team may have the benefit of a slight head start. They may have knowledge of month close processes, accounting policies (including disparities between those adopted by the Buyer and the Target) and even issues pertaining to SEC reporting.

For financial integration to be successful it is important that the integration team sets detailed and clear milestones for the integration of finance-related technology, processes and personnel. The financial integration team should manage these milestones and position themselves so that risks and problems can be tackled as they are encountered. The financial integration team must also work closely with the Buyer's and Target's IT team to ensure financial integration essentials are met and the intended future financial framework will be achievable (taking account of any IT constraints). The financial integration team should also consider using the PMI process to build ideas for larger scale transformations in the future (such as more extensive consolidation between the Buyer and Target).

Financial Integration – Operational or Complete

As part of the financial integration process consideration should be given to the extent of the integration and whether this should be "Operational" or "Complete".

Operational integration entails low-level integration but without affecting the continuing operations of the Buyer and the Target (which remain operating as distinct entities). In essence, it results in low-level integration that is reversible, if necessary.

Financial integration at the operational level may include:

Treasury

- Assignment of existing loans to realize borrowing costs
- Renegotiation with the finance providers over the terms and conditions of borrowing (such as relaxation of covenants in the first year)

Procurement

A common supplier is agreed upon to bring about economies of scale. At the same time alternative suppliers may be evaluated.

Beneficial payment terms may be negotiated now that the combined organization has additional buying power.

Logistics may be considered – for instance, combining of shipments between the Buyer and Target. Additionally, a joint goods dispatch depot may be considered rather than operating separate Buyer and Target locations.

Sales

A reorganization of customers may be considered to achieve cost and logistics efficiencies. For instance, a customer of the Buyer may move to being supplied by the Target if the Target's production facility is in closer proximity to this customer than the Buyer's.

Production

If the new organization is involved in production consideration could be given to a reorganization of suppliers, customers, logistics and production efficiencies. Again, the Target may begin producing products for the customer of the Buyer if the Target's production is situated in closer proximity to this customer than the Buyer's.

Complete financial integration entails a permanent, long-term decision that seeks to achieve a new "financial identity" for both the Buyer and the Target in the form of a combined organization.

Accounting

Complete financial integration from an accounting perspective requires the merging of financials within the existing regulatory framework with an overarching objective of preventing adverse impact to shareholders' value.

The choice of method of accounting for consolidation is of great significance to other areas of the accounting function – which may impact on shareholder value. For instance:

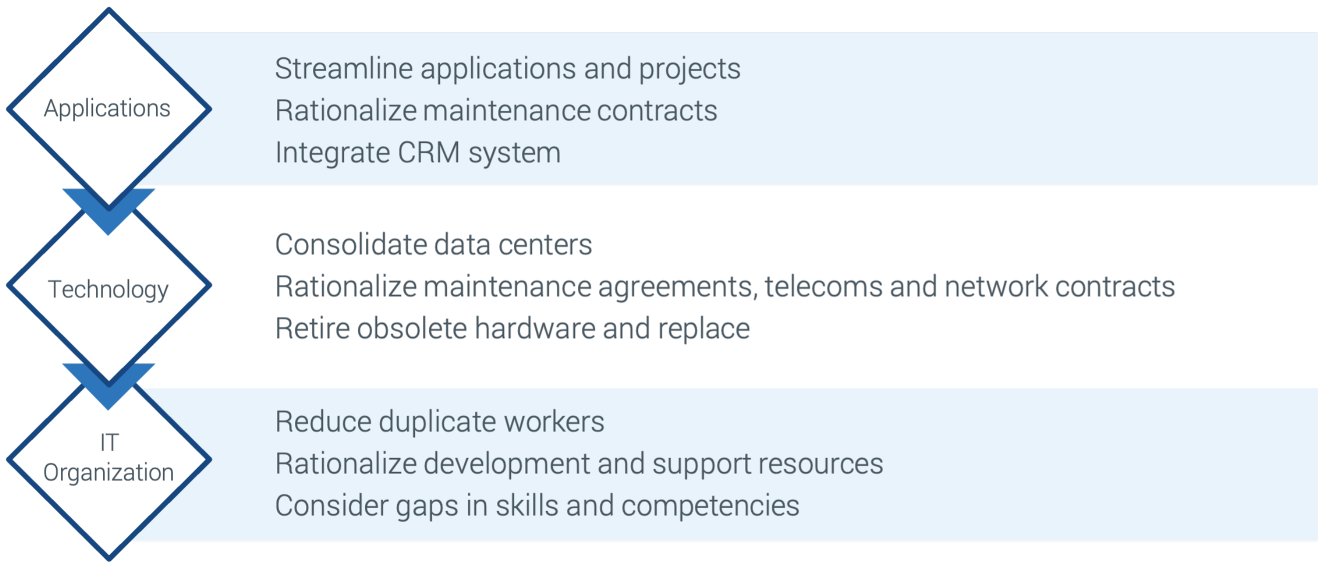
- Integration of the financial statements where the Buyer and Target have different year-ends and accounting policies
- Redefining of Management Information Systems
- Rethinking of the internal controls environment due to changes in the size of the combined organization, the hierarchical structure of the combined organization and access to more advanced technology

It is vital that the combined organization sets measures for gauging how much change the finance function can tolerate before the risk may become unacceptable. The availability of resources (internal and external), budget constraints and the complexity of the changes being implemented should be given due consideration when determining the extent to which the finance function should be integrated. Furthermore, other projects and priorities should not be forgotten. Indeed, it is vital that a balance is reached in terms of realizing integration efforts while ensuring the continuance of day-to-day operations.

IT/Systems Integration

The new organization will encounter many technology challenges post-deal and will need to work to streamline business processes. It is unusual for the Buyer and Target to be using identical IT systems and supporting applications. Therefore, it is it vital for the Buyer and Target to integrate systems, applications, and databases as quickly as possible and run these in a synchronized manner. The primary challenges that the organization faces in integrating the IT function include:

- A lack of synchronization across IT infrastructure can create problems with everyday business processes (for instance, the onboarding of new employees or customers) and therefore,



create complications and produce inefficiencies which detract from the capturing of synergies and achievement of cost reductions. Moreover, without the integration of supporting/operational applications (for instance, HR, finance, Customer Relationship Management, sales, marketing) mistakes and data replications are inevitable. This can distract the new organization from concentrating on core business operations. Therefore, it is vital to ensure that a universal standard is developed and adhered to by both the Buyer and Target.

- If the Buyer and the Target are operating in the same market it is conceivable that duplicate customer information will be held. It is therefore important that a single customer view is achieved so that a single customer is not contacted by two sales representatives (which would portray the new organization as being disorganized).
- Data integration ensures that the new organization has access to up-to-date information across the entire organization regardless of whether it is stored on internal servers or is cloud-based. With the absence of an effective data integration solution, accessing information saved across numerous servers or applications is complicated and prone to mistakes.

Top 10 Tips for PMI Success

1. Top 10 Scoring

It is important to convey how the value of a deal will be captured (and where the risks lie). An organization may want to map out the top 10 most important value drivers and top 10 risk factors to establish the direction of first actions to be taken. Some risk areas may have been flagged during the due diligence process. If so, appropriate remedying action may have already been considered. Integration teams may be structured based on the key sources of value. Teams must understand the value for which they are accountable and how this will be unlocked via the PMI process.

2. Consider the Nature of the Deal

Any organization driving M&A activity must be clear as to the nature of the deal (scale, expansion, scope or a mixture). This may dictate follow-on decisions including what is to be integrated and what is to remain standalone, what the adopted culture will be, and which people are to be retained. Scale deals are usually engineered to facilitate cost savings and will typically generate economies of scale. Scope deals are usually engineered to increase revenue. They may take longer to realize since cross-selling and other revenue channel growth initiatives can be challenging and time consuming. In any case, it is critical to design the PMI process with the nature of the deal in mind.

3. Prioritize People

The newly combined organization should be planned around the deal and the new vision. It is important to appoint people from both the Buyer and Target who are enthusiastic about the new vision and happy to contribute to it. The more quickly new leaders and key staff are appointed the more quickly roles below can be filled, therefore minimizing the chance of talent flight.

Needless delays can exacerbate anxiety among staff, create unwanted speculative conversations, or result in staff responding to approaches from headhunters.

4. Be on Time

The Buyer should begin planning the integration process before the deal is announced. Once announced, the Buyer should identify everything that must be done prior to closing. A possible approach to facilitate getting the Buyer "up-to-speed" is for teams to operate under a nondisclosure agreement (or similar legal document) so the Buyer can review key data/information in a "clean room" environment before the integration process begins in earnest.

5. Decision Roadmap

Organizations may create a myriad of templates and processes to manage the integration process. However, too much paperwork and bureaucracy can detract from the key issues and exhaust the integration teams before the PMI process has even begun. The new organization may employ a Decision Officer who drafts a Decision Roadmap to manage the integration by ensuring that the right people make the right decisions, at the right time, with the best available information to hand.

6. Follow the Leader

A successful deal requires a strong leader. They must have the authority to make decisions and be comfortable doing so, have the skills to coordinate teams, and set the pace and ensure it is being adhered to. The selected individual should ideally possess a strong strategy background and have capacity to dedicate at least 75% of their time to the integration process.

7. Evaluate & Re-evaluate

Once the integration process is complete, it is important to review how the process went – what worked and what should be done differently next time. This is most important for frequent acquirers since implementing an incorrect PMI process repeatedly can lead to the loss of synergies and a significant proportion of the potential deal value not being captured across several deals.

8. Culture Is Key

The two organizations coming together will have their own cultures, norms, values and rules – perhaps fashioned over many decades. Therefore, one of the most significant challenges of the PMI process lies in determining which culture to adopt. Typically, the Buyer will aim to maintain its own culture. It is important the desired culture is discussed from the outset and put into practice as soon as possible. The CEO downward must manage and encourage the adoption of the chosen culture. Compensation and benefits systems to reward behaviors fitting with the chosen culture may be considered. Furthermore, new organizational core competencies may be mapped out to harmonize culture.

9. Win Friends & Influence People

Deals can cause worry and anxiety. Those involved are often uncertain as to how the deal will change things. Employees may wonder how they will fit into the new organization or whether there will be a place for them at all. This means that those driving the deal must not only sell the idea of the deal to customers, shareholders and other stakeholders, but to employees as well. It is important the message conveyed is consistent and focused on people rather than the value the deal will create via synergies and cost savings (which can infer job losses and exacerbate anxieties).

10. Set the Direction

It is important that management does not allow itself and the organization to get distracted by the integration process or the glamour of the deal if the M&A process is new to the Buyer. Doing so will hurt both organizations – to the detriment of the combined business. The CEO should set the course. They should dedicate most of their time to the core business and focus on existing operations. It is crucial to ensure customer needs are a priority – particularly at a

time when systems may be changing. To ensure things remain on course, the core business should be monitored closely across the integration process – with the course being corrected if necessary and the strategy either confirmed or redirected.

Appendix: Playbook & Integration Checklist

Finance & Control

At Closing, the Target's finance and control (F&C) department needs clear instructions and templates for financial reporting. The better the information, the fewer surprises there will be due to poor reporting or absence of data.

Organization – Global/Local

The Buyer's head of F&C normally has a key role in M&A deals during the purchase phase, and in most cases they continue as the head of the F&C function in the new organization for the joint company.

When the deal involves local operations or markets, business needs and personnel competences should be evaluated in each market. Issues to be checked include:

- Existing F&C organization
- The quantity and quality of the existing resources versus the Buyer's own requirements
- International Financial Reporting Standards (IFRS) – awareness and language skills of control function
- Internal or outsourced accounting (it has an impact on head count)

Handover From Due Diligence

Findings made during due diligence need to be reviewed immediately after change of ownership. It is important to check all pre-signing notes and recommendations. Going through these with the acquired operation's finance department/managers as quickly as possible is recommended.

Statutory Reporting and Group Accounting

The Buyer should have its own guidelines, instructions and reporting content (and possibly formats) available to the acquired entity's F&C personnel from Day One, or earlier, if cooperation between the parties has been possible. Although ICT systems cannot be changed rapidly, the Buyer's accounting principles need to be implemented from Day One.

Follow-up of Due Diligence Findings/Stock Purchase Agreement (SPA) Issues

- At change of ownership there are a variety of issues that must be addressed. These include: Evaluation of allocations and balance statement
- Check of data validity
- Review of pensions, taxes, liabilities, etc.
- Issues based on the SPA, including:
    - Final price allocation

- Possible impact of related agreements
- Special management bonuses, such as retention bonuses
- Earn-outs

Setting Up the Opening Balance Sheet

The Buyer needs to provide its guidelines and templates for “closing the books” and the opening balance sheet.

- Closing the books at the closing date should be done according to the Buyer’s corporate (or its local company’s) accounting rules with adjustments to the Buyer’s accounting policies and standards (based on IFRS)
- The opening balance sheet includes all assets and liabilities
- It is important to start accounting from the opening balance sheet immediately after closing because it creates the basis for systematic financial reporting
- Written confirmation from the (local) auditor is recommended to help ensure the new reporting is based on reliable figures

Implement Buyer’s Corporate Accounting Principles

Benchmark differences in the accounting principles of the Target and the Buyer, including:

- Compliance with IFRS
- Coverage of reporting, types of report

Fulfilment of Local Legal Requirements

- Implement local country bookkeeping and accounting requirements, if applicable.
- Companies are responsible for the statutory closings according to local legislation.
- All statutory documents need to be filed according to local law – tax returns, annual filings, etc.
- Local auditing is the responsibility of the local company.

Arrange Auditing

Good practice dictates that the Buyer makes a full audit at the closing of the deal, including auditing of:

- Inventories
- Demonstration equipment, monitoring systems, etc.

The Buyer’s Corporate Governance Rules Set Guidelines for:

- Selection of appropriate auditors

- Annual audits
- Internal audits

HR & Personnel

The HR integration team is managed by the Buyer's HR manager.

Responsibilities of the HR Team

- Participation in planning and managing the integration
- Holding welcome meetings and informal social events when the deal is announced
- Organizing a two-way communications structure
- Scheduling communication meetings – monthly or weekly – in different locations
- Ongoing support at each location to address emerging issues
- Responsibilities of the internal network include:
  - Arrange links (on an individual level) between the acquired and the Buyer organization(s) for a two-way transfer of knowledge
  - Focus on individuals by addressing the "me" issues
  - Search for answers to the question, "What is in it for me to join the Buyer?"
  - Identify fears among personnel and try to find appropriate solutions
  - Develop "in-house ways" to act

Depending on the size of the acquisition, local task teams may need to be organized to plan integration activities related to:

- HR organization and procedures
- Organizational structure and processes
- Culture and personnel processes
- Legal issues
- Liabilities and potential claims and terms of employment

Organizational Structure and Top Management

Plan staffing for the new organization, considering issues such as:

- Definition of roles and responsibilities
- Competences required for each position
- Alignment of task titles
- Recruitment of CEO/managing director and other key positions in consultation with integration steering

group

- Confirmation of places in the joint organization
- Introduction plan for new managers
- Prior to employment, screening individuals using credit checks, background checks, drug screening and reference checks

Assessment of Key Personnel

- Identify and assess key personnel
- Understand the motivation for key personnel or groups and act accordingly
- Keep key personnel well informed, ensure that they are given responsibilities and involve them in the decision-making processes
- Fill key positions by new hires only if internal candidates lack the right mix of knowledge, skills and experience

Assess the Acquired Entity's Management & Other Key Personnel in Detail

- How key personnel have performed in the past
- Assessing the talent, skills, competencies, style and motivation needed in the new organization for key personnel
- Identifying capable successors for key personnel
- Identifying motivation and successors for retention for key personnel
- Identify possible successors both in target and acquirer organizations
- Ensuring that key personnel succeed
- Create individual retention plans for key personnel
- Use successor plans to identify key individuals (use management review templates)
- Analyze the impact of losing an individual on the business to verify/evaluate retainer incentives
- Plan how, when and who will communicate to the individuals their status as a key contributor
- Determine who will stay and who will be replaced
- Reserve sufficient replacements if the acquired entity's personnel are not retained
- Assess how long it will take to find replacements and how long will it take for them to get up to speed

Target's staffing costs:

- Assess the costs the Buyer is willing to sustain for staffing the Target
- Calculate the cost of meeting staffing requirements
- Financial bonuses/rewards for integration work
- Plan for severance pay, if needed
- Estimate approximate total staffing synergies

- Develop scenarios for workforce reduction, including cost estimates; in some European countries, employees will be entitled to redundancy pay if they are not transferred on substantially similar terms

The following defines a fair process when staffing levels are affected:

- Information should be communicated throughout the organization
- Employment offers made to transitioning employees reflect the objectives and philosophies of the acquiring company
- When approaching an employee with a layoff decision, always communicate in a timely and honest manner and show respect
- Arrange an appeal process for employees who feel they have been treated unfairly

Issues Identified In HR Due Diligence

- HR due diligence should be executed prior to signing (or in some cases between signing and closing). Review the due diligence report and identify issues to be addressed during the integration project.

Legal Issues

HR legal issues are mostly evaluated for their financial impact and risk to the new organization. These can be issues such as pending lawsuits or other legal complaints against the company. Plans are needed to minimize the impact/risk of HR legal issues.

Agreements

Agreements (employee, labor union, etc.) need to be compared against the standards of the Buyer.

Issues to be checked include:

- Severance and redundancy obligations
- Confidentiality, noncompetition and nondisclosure
- Intellectual property
- Employment terms
- Impact on trade union agreements

Employment Terms

Examples of employment terms/templates to be checked include:

- Collective agreements
- Local agreements and additional conditions
- Standard employment agreement templates for each employee category
- Management contracts
- Bonus and incentive agreements

- Global assignment contracts and conditions
- Expatriate agreements
- Special agreements (e.g., study commitments)

Impact on Trade Unions

Laws and agreements impacting the new organization include:

- Applicability Cooperation Act
- Applicable agreements
- Rules for negotiations
- Worker representation/trade union representatives
- Cooperation procedures
- Responsible individuals

HR Fact Base

Check the personnel database and align it with the Buyer's practices, when appropriate.

Employment

Unify HR reporting – organize names and physical location of personnel by:

- Staffing level
- Education, other qualifications
- Age structure
- Permanent employment
- Fixed-term employment
- Length of employment
- Project tasks
- Maternity/parenthood leave, childcare leave
- Study leave, task alteration leave
- Part-time employment
- Military service
- Freelance arrangements

For outsourced personnel, evaluate:

- Staffing level
- Education, other qualifications
- Age structure
- Location
- Length of employment

- Employees to be relocated
- Relocation benefits

Relocation must be considered carefully. Poor handling may result in a loss of talent.

Severance payment may be required if an employee is not offered employment within a certain geographical distance from their current position.

HR Administration

Compare and align issues, including:

- Financial
    - Granted company loans
    - Savings plans
    - Credit card practice
- Working Hours
    - Daily, weekly, periodical
    - Overtime arrangements and rules
    - Compensation for travel time
    - Emergency work, add-ons, separate compensations
    - Flexible working hours, flexible working schedules, accrued hours, extra days off
- Vacation, holidays and other leave
    - Accrued vacation days
    - Parenthood leave
    - Sick leave
    - Study, celebrations, other agreed leave
- Other
    - Nonstandard promises and agreements to individual employees
    - Present/gift policy

Occupational Health & Safety

Compare and align, when possible, occupational health care regulations, instructions and training:

- Occupational safety
- Organization, resources
- Work accidents, statistics
- Deficiencies, risks
- Procedure at company premises

Legal

- Instructions
- Training practices
- Confidentiality obligations
- Risk management

The role of the legal function does not end at deal closing. Many legal items need to be listed and considered immediately after this phase. Special events, such as acquisitions of minority shares or the formation of joint venture companies must always be considered separately.

Follow-up Memo to SPA or APA

The business control function (finance department) of the Buyer needs to be aware of the key terms and conditions of the SPA (Sales Purchase Agreement) or APA (Asset Purchase Agreement) to follow up on post-closing and potential claim items and to react quickly, as needed. This goal is best achieved by drafting a memo covering at least a summary of:

- Claim-making procedures and instructions on how to contact the Buyer's legal department
- Deadlines relating to the central representations and warranties of the Target
- Specific indemnity clauses
- Purchase price-related issues
- The seller's non-compete obligations
- Post-closing obligations
- Other items needing follow-up

The acquisition follow up memo is to be used regularly in the monthly management reviews to ensure a continuous follow up mechanism is in place and potential claims and other necessary follow-up actions are noted and executed on time.

There are always deadlines – the absolute latest date – for making claims. It can also be required that a claim is made "immediately" or "without undue delay" after the Buyer becomes aware of an event that is entitled to a claim for compensation/damages. As there may also be some other aspects or procedures that need to be observed, the Buyer's legal department should be contacted immediately in the event of potential claims, representations or warranties. List at least the deadlines for making claims under the representations and warranties. Ensure that such deadlines are understood and noted by the relevant business control function.

Indemnity Provisions

List and explain all the specific indemnities given by the Target in the SPA/APA so that the business control function can follow up.

Purchase Price-Related Issues

The purchase price mechanisms are often such that only part of the purchase price is paid at closing. The rest is paid in arrears and/or is dependent on the financial performance of the Target. Again, the business control function should be made aware of the purchase price mechanism to properly follow up. If an escrow arrangement is used, this also needs to be described and the relevant contact information of the escrow agent should be stated.

Seller's Noncompete Undertaking

The Target is, without exception, required to undertake obligations:

- Not to compete with the sold entity (either directly or indirectly by holding interests in competing companies)
- Not to recruit or induce any key employees working for the Target to leave the Buyer's employment

Normally strict penalties are attached to breaches of such obligations.

Post-closing obligations

- Frequently the seller, the purchaser or both have obligations that, by agreement, will be handled after closing – with or without a deadline
- The obligations need to be listed and explained in the acquisition follow up memo

There may also be other items agreed to in the SPA/APA. These need to be listed and explained in the acquisition follow up memo.

Follow Up on Due Diligence Findings

Due diligence is made to ensure representations made for the Target are true. When properly conducted, due diligence should reveal the main deficiencies and shortcomings in the legal matters of the Target. The exercise of due diligence is mainly done to spot "deal breaker" issues that may also affect the purchase price as well as to follow the principle of "caveat emptor" – let the Buyer beware.

The results of due diligence should be used during integration to remedy flaws found and maximize the contribution of the Target to the Buyer. Opportunities identified in the due diligence exercise should also be capitalized on.

Attending to Critical Shortcomings/Processes

- Communicate the findings of legal due diligence to the relevant personnel
- If any noncompliant activities were identified during due diligence, such activities should be stopped immediately on change of ownership and, where applicable, the activities replaced with new procedures in line with the Buyer's code of conduct or other relevant policies or guidelines
- Attention to findings in the due diligence material related to competition law are of special significance because after the closing date, any penalties due to a breach will be calculated from the turnover of the entire Buyer group, not just the turnover of the Target
- Pending litigation: critical information on all pending legal cases needs to be communicated to the legal department for their records and to enable monitoring and follow up

Employee Participation Mechanisms/Union Relations

Identify and evaluate the need to hold meetings with unions or employee representatives. In some cases, this is a legal requirement sanctioned with penalties. In any case it is good practice to keep the personnel of the Target (as well as the purchasing) entity informed about the transaction and its immediate effects.

Risk Management

The adequacy of the insurance coverage of the Target needs to be evaluated (often done in connection with due diligence).

Information on the insurance base covers at least the following issues:

- General third-party and product liability insurance
- Directors' and officers' liability insurance
- Property damage and business interruption insurance
- Construction and erection all risks insurance (CAR/EAR)
- Business travel and other individual insurances
- Risk management also needs information on the following: current insurance administration (brokers), claims history over the last five years by insurance lines and open claims by insurance lines
- After closing the acquired entity's insurance policies need to be consolidated with the Buyer's group insurance policies

All of the Target's insurance policies overlapping with the Buyer's existing insurance policies should be either terminated or allowed to expire. For this purpose, the Buyer's risk management function (and the Buyer's insurance broker) should be notified of the deal.

Risk management needs the following kind of information:

- Type of company (manufacturing, service, sales, other)
- Main property owned by the company by country
- Main activities, products and services
- Sales of products and services by country
- Main suppliers

Communication

Successfully using the Buyer's and the Target's corporate or marketing communications functions for announcing and explaining progress in the integration project is a net sum of many factors:

- Building motivation among personnel requires proactive communication
- Focus effort on explaining the strategic objectives
- Communication should be timely, open and honest: clarify expectations and reduce ambiguity
- Use interpersonal communication as extensively as possible
- Information flow should be two-way at all levels of the organization

Integrating the procedures and practices of the communications functions needs careful planning. Done effectively, it supports the business during integration. Consistent messages help organizations adapt to change. Using multiple communication channels ensures that the messages reach as many personnel as possible.

A detailed integration communications plan is important as it will include the following tasks:

- Announcing appointments of key individuals involved in the integration
- Communicating the main messages
- Establishing the target groups
- Selecting tools and channels
- Integrating actions and timetables in the communications functions
- Preparing press releases or other media materials
- Arranging kickoff meetings
- Describing the business processes that are subject to change
- Announcing the progress of integration

The target groups addressed and the communication tools used may vary in each case. However, in every M&A event the employees of the Target and the Buyer's employees are the most important groups. Other groups may include customers, vendors, authorities, shareholders, local society, analysts/investors and media. The communication tools and channels used depend, in part, on what the acquired entity used previously. These likely include:

- Email
- Intranet
- Newsletters
- Magazines
- Presentations
- Workshops, discussions
- Video conferences
- Conference calls ("T-cons" ensure two-way information flow better than traditional printed media)

The sharing of success stories can be key tools in integration communications.

Issues Transferred From Due Diligence

Review and act on tasks listed during due diligence-related communications. Even when no clear tasks were identified and delegated, a review of due diligence and management review notes can bring up important issues that need further action or planning after the change of ownership.

Review Current Practice of the Acquired Entity

Review prior practices of the acquired entity and those of the Buyer. Select the best practices for the integration project. Introduction of new methods can be gradual if existing corporate communications meet current needs.

Internal communication issues to be analyzed include:

- Tools used currently
- Composition of personnel receiving information
- Language used
- Distribution lists
- Photo and video material
- Organization
- Corporate culture
- Use of external services

External communication issues to be analyzed include:

- Media contact lists
- Organization
- Language
- Distribution (news wires, mail and email)
- Press service
- Service providers

For external communications, the legacy functions need to be integrated rapidly to avoid confusion. Typically, the Buyer's corporate communications function takes control of all decision-making and often all activity.

Marketing communication should be reviewed at the early stages of the integration because this is the visible face of the new organization toward its customers. Many marketing activities (e.g., exhibitions and product launches) are planned far in advance and changes can require long-term planning. From a marketing communications point of view, the impact of the integration needs to be assessed on issues including:

- Graphic design
- Business cards
- Crisis communication
- Exhibitions/conferences/customer events
- Advertising gifts (and their suppliers)
- Products/parts (colors, signs, names)
- Communication suppliers (possible co- operation)
- E-business
- Image banks/stock libraries

Information and Communications Technology

The goal of the Information and Communications Technology (ICT) integration process is to link the ICT networks of the acquired entity with the Buyer's corporate ICT network. This is necessary to facilitate access to systems and services provided by the Buyer and needs collaboration with business/market areas.

The ICT integration process consists of:

- ICT infrastructure and services implementation
- Information security assessment and risk analysis
- Information systems integration planning

The ICT integration process requires participation of the ICT manager, ICT staff or other ICT contact individuals in the acquired entity. Depending on the number of sites and the differences between the sites, representation from each site may be required. The integration process is typically led by an ICT individual from the Buyer's corporate/company ICT or business/market area ICT (the individual is referred to as the ICT integration manager).

Issues Transferred From Due Diligence

Given that most activities are linked with ICT, the due diligence findings contain important information for integration work. A thorough review of pre-closing findings is necessary.

ICT Infrastructure & Services, Process Description

A common understanding of the structures and processes can be established within the organization, for example, by sending a survey. Returned documentation can be verified with the local ICT individual(s) during a site visit by the Buyer's ICT integration manager.

- The Buyer's ICT integration manager or integration team manager provides the ICT manager or the contact individual of each of the acquired entity's sites with a "Pre-integration ICT Survey" document
- The document is completed by each site in the acquired entity
- The document is returned to the Buyer's ICT (the format of the document is maintained by the Buyer's corporate ICT function)
- Issues included in the survey may include present ICT personnel, ICT needs and ICT agreements (local ICT agreements, license agreements, service agreements and ongoing development project agreements)

The ICT integration manager arranges an information meeting with the local ICT personnel regarding the Buyer's ICT standards to discuss:

- Technical issues
- Centrally managed ICT agreements
- Centrally provided and managed ICT services
- Security guidelines
- Business or market area specific standards (business applications)

Deviation reports (based on site visits) are made to reveal items (hardware, software, communication, security, etc.) that do not comply with the Buyer's standards.

Assess ICT Security

An ICT security assessment is carried out during site visits The assessment is done as part of the ICT survey or as a separate effort, depending on the size, location, and business/market situation of the acquired entity.

Decide on the integration strategy and draw up an integration plan

Based on the deviation report and the standard integration task list, the ICT integration manager outlines an ICT integration project plan for implementing the required changes. The next steps include the following tasks.

Verify the integration plan with the project owner and local contacts:

- Review the ICT integration project plan with the integration project owner
- Make adjustments, as necessary
- Present the final plan to the local ICT functions and the local businesses
- To implement standard ICT infrastructure:
    - Local site connects to the Buyer's wide area network
    - Applicable standards are implemented, including IP address space, client security, etc.
    - All mandatory changes noted from the deviation report are implemented
    - The site is connected to the corporate network

Local ICT personnel and other contact individuals are trained to utilize the standard ICT services and to support their local organization. All documents and reports are maintained and stored by the Buyer's corporate ICT function, with copies kept by each local ICT team.

Culture

An M&A deal will impact corporate cultures, both on the Buyer's and the Target's side. Personnel in the Target may notice the changes faster. For personnel of the Buyer, changes may be noticed later and even come as a surprise when operations become more deeply integrated.

Culture has increasingly become a critical factor in integration success. This is especially the case in cross-border M&A. Even companies working in same line of business and the same area can have very different corporate cultures. Factors that impact corporate culture may include:

- Line of business (service, manufacturing, construction, etc.)
- Company structure
- Age structure
- Geography, local area, city
- Nationality
- Ethnic group

- Religion
- Language

History, Pre-deal Identity & Experiences

Companies and personnel are products of their respective histories. Different owners and business situations have certain values that influence behavior. Culture is never right or wrong, what is important is how well the culture fits and support the overall company strategy. The Buyer's top management and individuals in charge of integration should become familiar with the acquired entity's history, national culture, educational systems, society, arts, sports, etc.

Comparison of Corporate Cultures

The better the Buyer's management knows its own corporate culture, the faster it can learn to understand the differences in corporate cultures and how they impact personnel behavior and decision- making. There are many cultural assessment methods and systems available that can be used during the purchase phase to speed up integration.

Developing Joint Company Culture & Values

The Buyer should decide to what extent it wants to import and implement its values and work patterns. It is also important to communicate what the global "must" issues are and how local cultures are integrated to everyone in the new organization.

Change takes a long time. Culture and values are lived. If spoken values differ from the way management behaves, the culture will not change. Indeed, the outcome may even be the reverse of what is desired. True corporate culture becomes visible through decisions made in stressful situations, when spontaneous opinions and emotions arise. To develop a joint corporate culture, the following is recommended:

- A clear, well-communicated corporate vision and strategy
- An understanding of what company values mean to the individual's work
- Ensure individuals understand their own position within the company structure
- Use common terminology
- Measure conduct, highlighting deviations, and openly communicate the results

When implementing the "Buyer's way":

- Assess the need for cross-training
- Prepare a training plan
- Implement appropriate training (e.g., for sales, service, leadership)

Sales & Marketing

Sales and marketing is often a difficult and sensitive area to be changed in the integrated organizations.

Consideration needs to be given to issues such as:

- Key customer retention
- Momentum in ongoing sales
- Stabilization and motivation of the sales force
- Level of integration of the sales and service forces
- Level of integration of other sales channels

Issues Transferred From Due Diligence

Sales and marketing information is often restricted or limited. During due diligence important recommendations or notes can be found.

Organize Integration Review Meetings

The sales forces need to have rapid and full access to detailed information regarding customer service, sales force structure, and the employment terms. Several meetings may be required. The first meeting should be held immediately after the joint management meeting. Issues to be covered include:

- Review of the M&A strategic targets and goals
- Presentation of the Buyer's strategy, operations and key individuals
- Presentation of the acquired entity and its key personnel
- Review of the standard/typical sales/marketing processes by Buyer, Target and local market
- How to execute sales force integration
- Establishment, if needed, of smaller groups for further work on the issues

Inform Customers

Together with the Buyer's corporate communications and legal departments, prepare the content of an introductory customer letter and a "script" for individual visits.

All customers should be informed either by a personal visit or by mail. Decide which key customers are to be visited individually, by whom and when (at least one individual from both parties). Keep records of all customer visits and feedback.

Prepare a Sales Protection Plan

The Buyer needs to try to ensure the M&A process disturbs customer relationships as little as possible. If customers regard the deal positively, this is not a major issue. But if customers express fears that, for example, the offering may be limited or prices may rise, then actions need to be taken to protect sales.

Identify:

- The most critical/largest deals (ongoing/starting)

- The most critical/largest customers
- Prepare and implement action plans including customer visits (by whom and when/message)

Revise sales targets:

- Review and agree upon revised sales plans and budgets for the balance of the current year
- Allocate resources to meet sales targets (critical in the case of overlapping business)
- Make sure each sales team member has a clear understanding of the targets, strategy and goals
- Set up a sales funnel monitoring system, reporting monthly at minimum
    - The first months are usually critical for customer retention
    - Active follow up is needed from both the sales department and the integration team

Review the sales and service distribution (agent and representative) network:

- Review the sales and service network
- Identify and review the current sales distribution agreements
- Decide which distribution relationships will continue
- Make a plan for transition of business from relationships that will not continue

Ensure the Continuity of Customer Contracts

In asset deals, the running contracts are exposed to evaluation from the customer's side (price, terms, etc.). Contracts can only be transferred to the Buyer after customer consent.

On Day One, and with the Buyer's legal department, immediately prepare consent letters for all customers (using available data). Plan to visit the most important customers. Confirmations need to be received from all customers in writing and should be filed. Consider carefully before opening current contracts for renegotiation.

After Sales & Service

Service is increasingly important in value creation. Consequently, planning and implementation of service integration is a key part of future success for many companies.

Review Due Diligence Findings

Check due diligence recommendations and notes. Ensure the integration team is fully aware of all relevant findings made during the due diligence phase. Distribute due diligence reports (internal and/or from advisors) to the integration team.

Key After-Sales Processes

Organize an integration review (meeting) to determine key after-sales processes:

- Inform the service personnel of the acquisition and explain the strategic goals

- Present the Buyer company, its vision, strategies, operations and individuals
- Arrange a presentation by the Target and its personnel
- Go through the typical service and sales/marketing processes
- Plan and decide how to execute the integration
- If needed, establish smaller working groups

The general method to be followed can be described by the following steps:

- Review the current processes/work routines
- Benchmark the best practices within Buyer and Target companies
- Review and allocate resources
- Agree upon and implement the processes to be used

Review, agree upon and implement a common spare parts process:

- Clarify the order processing for spare parts
- Define variations allowed from the Buyer's standard process
- Starting process can differ from standard process – plan actions of standardization process

Review and agree on ICT changes:

- Agree on the ICT system to be used/continued
- Ensure training is offered for all personnel, with HR's assistance

Review, agree upon and implement spare parts logistics process and work routines:

- Review current work routines for spare parts logistics including forwarding agencies and courier services
- Agree on service providers to be retained

Review, agree upon and implement processes for:

- Maintenance and service contracts
- Implement conversion/refurbishment
- Modernization

Review, agree upon and implement the warranty/guarantee process for sales and service functions:

- Review the current processes/work routines by business area/product line
- Benchmark with best practices
- Review and allocate resources
- Agree upon and implement processes

Review, agree upon and implement accessories process:

- Review the current processes/work routines
- Review and allocate resources
- Agree upon and implement the processes to be used

Review, agree and implement approval/certification process:

- Review the current processes
- Review and allocate resources
- Agree upon and implement the processes to be used
- Set a training plan to introduce the program
- Ensure competence levels

Supply Chain Management

A reduction in supply chain costs is often one of the key sources of synergy savings. These are typically gained through elimination of overlapping activities, lower purchase prices, and improvement in purchase terms due to increased volumes.

Initially, the focus of integration is primarily on securing continuity. Since fundamental change requires detailed planning and calculation, it is left to a later phase of integration.

Review of Due Diligence Findings

Ensure the integration team is fully aware of all relevant findings made during the due diligence phase. Distribute due diligence reports (internal and/or from advisors) to the integration team.

Complement and refine the knowledge gained during due diligence:

- Calculate the Target's annual purchasing expenditures by category and supplier
- Assess key supplier relationships, including annual volumes, prices and other contract terms
- Assess, from a risk management perspective, any critical supplier relationships

Leverage the Joint Company's Purchasing Power

Meet with the key suppliers and build mutual commitment by explaining M&A strategy and plans. Assess supplier quality, etc.

- Ensure availability of key components
- Seize opportunities to cross-utilize the Buyer's and the Target's supplier bases
- Where prior entities had shared suppliers, negotiate discounts based on consolidating volumes to preferred partners
- Address non-product-related spending, including travel, ICT, telecoms, etc.

Production

Although decisions regarding the continuity of production sites are sometimes made before closing, these decisions often require more experience and planning and are thus made at later stages.

Review of Due Diligence Findings

Ensure the integration team is fully aware of all relevant findings made during the due diligence phase by distributing summary reports and memos:

- Complement and refine the knowledge gained during due diligence
- Learn and understand the Target's "make vs. buy" situation
- Analyze key subcontractor relationships, including annual volumes, prices and other contract terms

Securing Deliveries

Ensure customer deliveries continue uninterrupted during the integration phase.

Plan to Leverage Buyer's Scale in Production

- Assess the value of consolidating production or insource/outsource production based on calculation of annual return versus a one-time implementation cost
- Develop transition plans if potential for consolidation or other change exists
- Calculate ramp-up schedule per item/category, sequencing of items/categories to be moved
- Assess resource requirements for transition period, risk management, etc.
- Set milestones for volumes and quality from new production set-up

Implement Production Reorganization

Execute the transition plans once the actions have been agreed on. Monitor progress of the project against set targets and take corrective action if required.

Technology

To what extent the integration focuses on technology and R&D depends on M&A strategy. If the reason for the acquisition is to gain new technology or strengthen existing capabilities, then integration will also be more focused on these issues.

Since technology and product research and development are deeply rooted in a company's corporate culture and values, change tends to take a long time.

Review of Due Diligence Findings

Ensure the integration team is fully aware of all relevant findings made during due diligence.

Technology Portfolio

Prepare a comprehensive assessment of:

- The current focus areas for development activities and technology investments
- The IPR situation: focus, relevance, expiry dates
- Level of technology standardization

R&D Capabilities

Prepare a comprehensive assessment of issues including:

- Internal resource profile: number of personnel, experience, age, skills, education, turnover rate
- Identify key individuals
- Design/development applications in use
- Testing facilities
- Subcontractors: extent of use, nature of use
- Key partners, quality of relationships

Documentation Practices

Assess the level and quality of the acquired entity's standards and resources versus the Buyer's equivalent levels.

Leverage of Buyer's R&D Scale/Power

Develop a plan to assess the opportunities for future project-based co-operation and focus areas for R&D investments.

Synergies

For many, the term "synergies" has unfortunately become a synonym for cost-reductions and redundancies. Still, synergies can mean new strengths and opportunities from combined knowledge and experiences.

From the Buyer's point of view, the purpose of an M&A deal is value creation and ultimately an increase in long-term shareholder value. Integration of the Buyer and the acquired entity creates opportunities for an increase in value. However, the risk for value destruction, due to the integration of the deal failing to meet its objectives, must also be considered. Integration costs must also be included in the calculations. A solution such as the Midaxo Value Tracker that enables forecasting, monitoring, and post-merger analysis of synergy can be a powerful tool.

Review of Due Diligence Findings

One of the reasons for due diligence is to ensure that the Buyer's estimated strategic fit and synergies would not be threatened after closing the deal. The integration owner, the steering group and the integration manager need to review the due diligence findings before starting the integration stream work.

Value Creation Items

Value can be increased through both financial actions and operational activities, including:

- Revenue generation through cross-selling
- Expanding sales to new customers
- Increasing prices
- Product life-time extensions
- Cost reductions