



The Advantage

Get the Edge with Intelligent M&A Strategy

Lifecycles of Mergers and Acquisitions – Are you Prepared?

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There are five phases of a merger or acquisition that, if fully respected and developed, can make the difference between a successful transaction that works for all parties involved and lay the groundwork for seamless transition, or if ignored or under-executed can spell disaster.

1. Pre-Deal Preparation and Evaluation of Transactional Assumptions
2. Due Diligence
3. Pre-Close Planning
4. Post-Close Planning
5. Post-Close Execution

Intelligent Strategy makes the difference between success and failure. We hope you will appreciate the condensed version of our whitepaper: "Lifecycle of Mergers and Acquisitions." Or for a complete copy of this whitepaper, [click here](#).

Phase #1: Pre-Deal Preparation and Evaluation of Transactional Assumptions.

Mergers and acquisitions have received mixed reviews in terms of their success. While there are plenty of reports and studies about mergers and acquisitions that have failed, there have been, in fact, more instances of highly successful mergers and acquisitions in discrete one-time transactions by organizations that have an intelligently designed M&A strategy.

All of our clients know the state of their industry on the domestic level and some are aware of the state of the international industry. Often times, an examination of the current metaview of the national and international economies, traditional and untraditional avenues of deal financing or structuring, and/or tax avenues can bring strategies to the table that would not have been possible otherwise.

The management that is disciplined and takes the time to gather necessary information and take prudent actions before they begin to move ahead with their plans is the company that will end up with the best transactions. Pre-Deal preparation and evaluation of the transactional assumptions is not just about unearthing potential issues in the transaction but it's also about assessing one's thinking. Consequently pre-deal valuation requires not only an examination of the balance sheet and operational strengths and weaknesses that you have, or seek, but a keen analysis of the macro conditions both domestically and internationally that can impact your world. Spend more time in the pre-deal preparation and evaluation phase than any other phase because we know that a pound of planning is worth a ton of results.

Phase #2: Due Diligence

Closely related to Pre-Deal Preparation and Evaluation of Transactional Assumptions is the Due Diligence phase. Due diligence is one of the most overlooked and poorly executed aspects of M&A deals. Far too often transactions are penciled on paper and many strategic discussions are held. Yet all too often the grounding of the underpinnings of the deal through sound due diligence is not validated.

We all know that due diligence involves investigation of the financial, legal and strategic elements of a transaction, and involves obtaining detailed information not usually found from public information. Due diligence is meant to validate transactional assumptions, unearth possible problems, and begin to plan for transition.

Firms often overlook the fact that strategic due diligence should be done with the assistance of experts in that type of analysis. A fatal mistake is made by business owners or acquirers who believe that their knowledge of the industry is sufficient. Don't let pride or arrogance keep you from engaging the support of people with considerable experience at designing and validating a solid strategy.

Phase #3: Pre-Close Planning

While merger and acquisition activity increased at a steady pace over the last decade, thanks largely to a stable economy, a low interest rate environment and the opening of international markets, we also know that many mergers failed to accomplish their goals. While there is no one reason why transactions fail, it's clear to MGA that underlying the success or failure of most deals is the quality of leadership that conceives, initiates, sponsors, drives, and is accountable for pursuing a given transaction.

One thing is clear -- today's deals should involve all levels of an organization as soon as the deal is cut. Planning and implementation are critical; i.e. making sure that key people as well as other important constituents including suppliers, customers and providers of capital are involved is essential no matter what size the merger, particularly in cases where leadership is staying on. Additionally, making sure that the vision and benchmarks that the acquirer is relying upon are well communicated and well-integrated in the Pre-Close process are essential.

Phase #4: Post-Close Planning

Understanding what methodologies and best practices make for successful mergers and acquisitions is critical. There is much data that indicates that the post-close execution destroyed many otherwise successful M&A transactions.

Management has at times been under the mistaken assumption that because they have been successful running an operation, that they are equally equipped to apply these same lessons to an acquired company that is twice the size and double the complexity. Information technology issues alone could make this a failed assumption.

Entrepreneurs have an admirable trait of conserving resources and capital with an often damaging consequence of not reaching out for expertise when they need it most. Some of the important questions that need to be asked and answered include: How can you keep morale high during a merger or acquisition? How can business drivers be used to add value for the merger or acquisition? What IT issues are involved?

Phase # 5: Post-Close Execution

There are several constraints to successful merger integration. The most important constraint is people. Without the support and buy-in of primary management the transaction is doomed for failure. Human elements need to be proactively managed throughout the process. Failure to do so may result in conscious and unconscious sabotage and other interventions in the smooth flow of a deal.

Clear communication of the vision behind the deal is important. Giving people the opportunity to raise concerns and have their concerns addressed to their satisfaction is even more essential as well as considering the customer's and the competition's reaction. The point is that merger integration does not end with the closing of the transaction and it doesn't end even when companies are fully integrated.

Conclusion

The measure of success of a merger or acquisition can be calculated by the amount of planning and quality of planning that is executed for each of these M&A lifecycle phases: Pre-Deal Preparation and Evaluation of Transactional Assumptions, Due Diligence, Pre-Close Planning, Post-Close Planning, and Post-Close Execution.

It is not enough to just complete the deal according to financial goals. Smart financial moves alone can still spell disaster after the deal is closed. A well designed M&A strategy will identify why the deal is a profitable undertaking and help position it to be positive for all involved. Asking for help early in this complex transaction may be the smartest move your company can make.