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Achieving your M&A value case: why the first 100 days is critical for success

Following a challenging year for mergers and acquisitions, the macroeconomic climate is now stabilising, and confidence returning to boardrooms. As a result, there is expected to be growth in M&A in 2024, with deal-making influenced by politics, new technology, and the regulatory response to it.

With increased confidence, CEOs are actively seeking to buy growth. But the stakes are high as many M&A deals fail to deliver the value case, struggle to drive the expected synergies, affected by a mass exodus of top talent from the seller and an inability to deeply integrate two businesses that are apparently similar but have different cultures and ways of working.

As we know the first big integration milestone of any merger or acquisition is creating your 100-day plan. It's important to have a clear blueprint of how the business will operate which everyone buys into, including how the newly formed organisation will work together. Every detail is important and needs to be well communicated. Getting this right is an important step in creating momentum and credibility and signalling the future organisation.

So, what are the common challenges and considerations for your 100-day plan so you can maximise your chance of being in the M&As that achieve the value case?

Agree your deal thesis.

First agree your deal thesis early on as different approaches drive different types of integrations. Consider what are you trying to achieve with the deal? Is it a real merger of equals adopting 'best of both' principles? An acquisition of assets or IP? It's worth being transparent in communicating the objectives of the deal early to set and manage expectations. You should also define and articulate how the acquired business fits within or sits alongside your strategy and then ensure this alignment is maintained throughout. An FS merger I advised on benefitted from signalling bold change at the start. It signalled to everybody – employees, customers, shareholders, and the market – that we had an ambitious plan and were not afraid to execute it and backed it up with a clear and coherent strategy.

Establish your IMO to keep everything well-paced and under control.

It's important to establish early your integration management office (IMO) well before Day 1. This is the air traffic controller of the integration that will plan, manage, sequence, and communicate the change efforts and keep the score on delivering the synergies set out. Any change needs to be sequenced, communicated, and well-managed. The scattergun approach, where you "try everything and see what sticks", is counter to what typically succeeds when making change work. Employees will quickly lose confidence and look for opportunities elsewhere. I would also advise not to try to run before you can walk as integration is a complex gradual process and too much change too quickly is the most common mistake. It's important to follow the money and focus the integration on the few critical issues that drive value. I often get asked how should I staff the IMO? You need a combination of integration and organisation expertise, independent experts who have done it countless times before and people who work in and understand the business and how it operates and will preserve the corporate memory.

Use the acquisition to make leadership changes.

In any M&A context is everything, and it's important to flex your leadership style according to the current culture and the one you want to create. People need the 'Why?' and then an opportunity to input into changes that impact them. Nothing brings out inflated egos more in business than a merger. A well-developed ego is needed to make a merger happen in the first place – it requires a brave and bold move. But that well-developed ego that is necessary to make a significant deal happen needs to be safely contained to make the strategy work.

The M&A might also provide the opportunity to make changes in the leadership that aren't necessarily related to the deal. In a context where change is already expected, there is a chance to look at teams and departments who might be underperforming or could use a shake up and position the move as part of the broader integration process.

It's worth investing time early on in building great relationships with the acquired organisation. This can pay dividends and will ensure the transition is as seamless as possible. Too often, leadership teams turn inwards and fail to build relationships with their new colleagues. I always settle leadership roles early so leaders can then help stabilise the rest of the organisation.

Prioritise culture and talent retention.

Careful integration of teams is fundamental for the success of any merger or acquisition. This often involves bringing together people with very different sets of values, behaviours, leadership styles, mindsets, and symbols. "The best people are staying, so I'm not super worried," are words I often hear. But endings also have a deep symbolic resonance with the people who stay. When exits are ignored, or worse, those departing are mistreated, it signals to the remaining employees that they, too, are unimportant. At a services company we prioritised talent retention early in the plan and understood the reasons that could lead to talent leaving so we could mitigate early on.

Organisations that have recognised a healthy corporate culture is a source of competitive advantage tend to do well in integrations. From a culture and ways of working perspective, to win 'hearts and minds', it is worth figuring out the organisations' cultures and how to knit them together. The best way to do this is through a steady cadence of visible acts of change or "symbols of change." For a professional service merger I led we shared success stories, ensured leaders were visible at key customer sites and worked to co-create a new vision and purpose together. I've found it's important not to try to resolve every cultural difference or issue immediately, it is impossible from a leadership perspective, and situations inevitably evolve and change over time.

Safeguard your customer assets to deliver revenue synergies.

It's also critically important to safeguard your customer assets through the integration – revenue synergies are often predicated on up-sell and cross-sell of new or enhanced products and services to customers and so it's important to retain and expand your customer base. Continue delivering the best customer experience throughout the integration process and outline in your plan how you will do this. This will prevent losing customers to the competition, who tend to strike when you are distracted. Also engage externally, speak to customers about the deal, if and how it will impact them and how the change can help them deliver more value.

Be aware that Technology can make or break the deal.

Not all M&A deals call for integrating technology assets. One party's IT stack, or significant parts of it, may prove far more valuable than another's. However, determining which systems to integrate and which to eliminate can be a difficult task. The goal is to arrive at a set of parameters for choosing which technologies to use, and which to lose. One of the challenges I saw in an Asset Management organisation is problems multiplying. They were caught up in this cycle of not having finished Transaction A and then moving onto Transaction B and C and D. As a result, the technology teams were bogged down by support requests and distracted from more strategic, future facing work.

The reality is that integrating IT environments during an M&A deal can be a significant challenge, posing risks to a company's cybersecurity landscape, brain trust, and even reputation and so need to be well managed.

Measure success on impact made rather than activities completed.

Finally measure the success of the integration in terms of how it has achieved the desired impact on the business and unlocked the opportunities as set out in the value case rather than activities completed. I always establish a roadmap for cost and growth synergies that starts in your 100-day plan, manage 'cost-to-achieve' with the same rigour as synergies and monitor and challenge investment costs to preserve net value. Integration is also starting to shift from a one-time event to companies becoming 'always ready' acquirers, switching capability on as needed and well before the deal is closed. It's therefore important to document approaches, methods and lessons learned for future M&A activities.

Taking these critical integration steps starting in your 100-day plan really helps maximise a company's chances of realising the value case and increasing shareholder value – the ultimate measure of M&A success.

Need help? If you are about to embark on a M&A or indeed would value a fresh pair of eyes on your current set up, please get in touch as we would be delighted to help.

This piece was kindly contributed by Karen Thomas-Bland, a member of the Barton Partnership Fractional and Interim practice network.

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