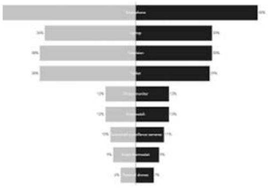
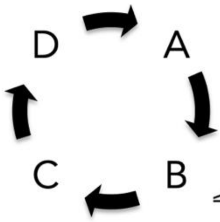
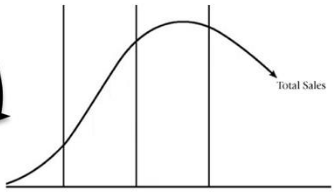
Integrating acquisitions:
a higher challenge in the post-Covid world.

By Christian Barbier, CRB Resources







Integration is a classic post-acquisition problem for corporations; most of the attention is generally focused on executing the deal and identifying synergies to justify it. Once the deal is completed, management faces the daunting task of the integration. Although an integration plan is typically prepared before the deal is finalised, it often appears inadequate once the reality of the acquisition becomes clear.

While not taking control can be the right approach in some - relatively rare - cases, most acquiring companies agree that it's important to promptly fill the new owner shoes. However hard control risks antagonising the workforce. The task is complicated by the absence of a common information system and by differences in corporate culture, and even more so when it involves different countries and languages.

A couple of quarters down the track, if the synergies achieved start lagging the target, management becomes under pressure to catch up and starts looking for new ways of generating results. This often leads to losing sight of the business' core strengths and to a subsequent loss of focus. The temptation to "chase every rabbit" takes over and results in not achieving any of the opportunities identified, even those that are aligned with the core strategy. Teams are confused about what really matters, and rapidly become exhausted, losing their sense of direction.

There are solutions. Post-acquisition, here are 6 key elements to be mindful of:

1. The integration benefits and objectives need to be reviewed, and if necessary the business strategy should be revisited; this seldom happens, as it's too early for management to admit the initial plan developed for the acquisition needs adjusting.
2. Leaders must establish an integration team that comprises members of both entities, to work together with common tools, processes and governance. Beware: it's easy to lose those who aren't on the team.
3. Speed is critical; the integration taskforce must be initiated as early as possible, with detailed planning and rhythm in the action plan. Delays sap morale and risk losing the momentum.
4. Companies can get stuck between imposing their culture and respecting the other's. The reality is that a new culture should emerge, and staff must be engaged to create it, recognising strengths and differences of both teams, using fact-based analysis.
5. Leaders who don't embrace this outcome can block the process, with costly consequences. Any adverse situation needs to be promptly defused.
6. Open and clear communication is required to ensure alignment between all stakeholders, create certainty for employees and build trust which, in turn, will enhance motivation and speed.

With the COVID-19 pandemic, managing this process is even more difficult since face-to-face meetings have become rare. Companies have somehow learnt to work remotely, using new tools, but this new way of operating has created blind spots, resulting in miscommunication, misunderstandings, mistrust...

In the post-COVID-19 recovery that has begun, unfinished integrations, weak strategies and poor internal communication entail the risk that the combined entity does not respond as effectively as its competitors, missing opportunities or even falling behind, which ends up destroying value for shareholders and morale for employees.