



# Risk Advisory Services

## POST-MERGER INTEGRATION: MAXIMIZING YOUR BUSINESSES PROBABILITY FOR POST-MERGER SUCCESS

Today's business landscape is more competitive and aggressive than ever before. As conventional opportunities grow, develop and expand they are limited by increased global competition and overly saturated markets. Companies are seeking to meet organizational goals and satisfy shareholder expectations via mergers and acquisitions. And while there's no doubt the practice of merging and acquiring businesses can yield great rewards, it can also pose some worrisome risks if a finely-tuned post-merger integration plan is not in place to synchronize and harmonize future business operations.

### What is Post-Merger Integration (PMI)?

Post-Merger Integration (PMI) is a detailed process which assists in maximizing the cohesiveness, synchronization and operating synergy of merged companies. Creating a thorough, in-depth PMI initiative serves as the definitive link between simply planning for a merger and successfully bringing that merger to fruition; it effectively combines the organizational and cultural philosophies of respective companies to create one singular, harmonious entity. Creating a plan to ensure a smooth transition phase will help the actual integration proceed efficiently and enable the 'new' organization to meet strategic goals and objectives.

### Issues Likely to Arise as a Result of PMI

Amalgamating two or more separate entities into one collective enterprise is an intricate process which requires much planning, preparation and foresight. The complexity of merging companies can lead to many peripheral issues which may hinder the post-merger assimilation process and lead to unachievable organizational strategies. Some common issues which arise from poorly planned PMI initiatives are:

- New collaborative value targets are not achieved because a proper value analysis was not performed prior to the implementation of a PMI strategy
- Small-scale or narrowly focused post-merger processes were not wide-enough in scope because post-planning initiatives did not begin early enough

- Lack of a clear, definitive organizational work culture which harmoniously blends the work ethos of the two formerly independent enterprises into one cohesive unit
- Longer transition period – sometimes lasting up to one year

### Ways to Avoid and Mitigate PMI Issues

The process of merging is difficult and seeking the help of a qualified, experienced third-party could greatly assist the merger and acquisition process. Below are some key recommendations which could ensure a smooth integration process:

- Identify and assess issues which could become barriers to PMI success
- Anticipate and plan for major issues and monitor them after they have been addressed and mitigated
- Begin the Post-Merger Integration process early
- Create and appoint a specialized PMI management team to seamlessly assist with the integration process
- Pinpoint cultural differences between organizations and work to craft a clear, new, all-encompassing work ethos
- Delicately balance the need and desire to generate value against managing daily operations
- Candidly assess the value generated from the merger and truthfully gauge the success or weakness of the post-merger strategies implemented

## BDO Post Merger Integration Methodology

The successful merger of organizations requires navigating clients through the deal lifecycle from pre-deal to the post-deal merger integration process. By examining integration at the preliminary stages of the deal, your organization can clearly estimate the resourcing, timing and negotiations that must take place for merger synergy to occur.



### Phase 01: Pre-acquisition analysis and organizational due diligence

The first step in achieving a successful post-merger integration requires developing a common vision and goals between organizations. Maximizing the value of combined companies can only be assessed by performing a thorough due diligence. We believe it is an important information-gathering phase that involves looking at inventories, systems, budgets and organizational culture. Phase one deals with the engagement phase, your organization must identify matters such as customer realignment, retention strategies and selecting the merger management team.

### Phase 02: Post deal analysis and Integration Implementation

The merger has occurred at this phase – the management team has been selected and is working towards implementing the transition plan. During this phase BDO would be providing guidance to the key decision makers by identifying and resolving integration issues across the merging organizations. This would include qualifying integration initiatives, outlining integration programs, managing the communication between organizations internally and externally and continual leadership assessment.

### Phase 03: Synergized Organizations

Synergized organizations are a result of pre and post merger planning and execution. During this phase the new organization will reiterate their plans and goals going forward. Fine-tuning of the transition plan will take place at this stage along with cementing the vision of one company, culture and technology.

## Implementing a Successful PMI:

### Top Tips for Maximum Organizational Synchronicity

In order to ensure a synergistic and harmonious merger process, a means for identifying, assessing and developing key organizational goals must be created. The following steps are instrumental in creating a sound PMI procedure for virtually any organization:

- Developing clearly defined organizational goals and objectives for the newly merged enterprise prior to the implementation of any PMI strategy
- Performing business operation reviews to assess current pre-merger processes in order to assess and determine how to best combine practices post-merger
- Assess and compare existing operational and cultural differences and similarities in order to best determine how to integrate operations and forge a satisfactory ethos
- Clearly assigning roles and responsibilities to key team players from both enterprises and creating an overlap between team members to foster collective growth and synchronicity
- Creating support resources and services to assist in the integration process
- Integrating business processes and Information Technology
- Designing new controls for the merged processes

### Common PMI Issues

- Lack of planning pre-merger
- Retaining key staff
- Tax compliance or general compliance issues
- Misapplication of capital/operational expenditures
- Operational changes – logistics, IT systems, business processes
- Understanding cultural change

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