Ready, set, integrate
Using an M&A Integration playbook to deliver deal value

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The heart of the matter

The M&A Integration playbook: setting the standard for speed, consistency, accountability, and repeatability
Mergers and acquisitions (M&A) can be a powerful vehicle for growth, offering companies a stronger cash position, higher market share, broader customer base, and access to new technology, products, and distribution channels.

M&A is an important strategic option that companies can leverage to make necessary leaps in a competitive marketplace. Leaders must consider the opportunity costs of failing to move forward with a merger or acquisition that could make their companies more profitable or productive.

Yet, despite the best of intentions, many companies fall short in their efforts to integrate people, process, and technology — much to the detriment of their business. Unsuccessful integration efforts can take far too long, and squandering valuable time, personnel, money, and other resources that do not support objectives. As a result, opportunities to create value go unrealized while business disruptions increase.

- Executives and other staff with hard-to-replace institutional knowledge can grow frustrated and leave.
- Shareholder value drops, damaging the company’s reputation and ability to raise capital.
- Ambiguity damages the company’s ability to operate and impair its relationships with vendors and customers.
- Unplanned expenses and missed deadlines can make the entire venture much more costly than expected.

That said, there’s much that goes into the execution of a successful integration — one where goals are met, synergies are captured, and value gets delivered.

Playbooks are one of the most important tools a company can deploy in high pressure integration efforts. A well-developed playbook functions as both a business plan and how-to field guide, keeping the integration team focused on creating value while providing step-by-step guidance for tactical implementation.

A playbook can help set the standard for speed of execution, consistency of approach, and accountability for performance. And by formalizing the game plan for each deal, an integration playbook makes it far more likely that good results can be repeatedly delivered, again and again.

M&A Integration teams need a resource to help them work quickly, coordinate efforts, and see the entire picture — from the overall business goals to the smallest details of a transaction. A playbook can keep everyone on the same page and moving forward effectively to deliver deal value.
An in-depth discussion

Playbooks are a shared point of reference for structure, planning, cooperation, and discipline
Imagine a football game in which every player runs on the field unprepared, not knowing his team’s strategy or its plans for calling offensive plays, mounting an effective defensive scheme (e.g., coordinating the right tackles, blitzes, etc.), and the other on-field maneuvers necessary to win a game. Or consider what would happen to a theatrical play on opening night if the actors had not learned their lines, or at a concert where the orchestra had not rehearsed from the same sheet of music.

This rarely happens because coaches, directors, and conductors work with players and performers long before kickoff or curtain rise, helping them work together to achieve common goals. At the heart of this effort lies a carefully prepared guide — a game plan, script, or score — a “playbook”, if you will — which serves as both strategic overview and how-to guide for everyone.

Leading companies develop playbooks to help keep M&A integration teams and individuals focused and coordinated. We have discovered that companies use playbooks to:

- Establish a rigorous, systematic framework to integrate target companies, and understand how to tailor processes to meet the needs of individual deals
- Improve speed, consistency, delivery, and control throughout the deal process
- Establish a team-based governance structure that links integration strategy with task-level actions
- Prioritize initiatives and allocate resources that will deliver the highest shareholder value
- Clarify process ownership and hand-offs among internal teams
- Share tools, information, knowledge, and other resources
- Provide training, or even a certification in integration practices, for everyone involved across functions and geographies
Ask questions to establish a strong playbook foundation

Just as no two companies are the same, no two playbooks will be the same. Each company’s integration playbook should reflect its particular strategy and goals, appetite for risk, operating structure, corporate culture, IT capabilities, communication capabilities, and relationships with stakeholders.

As your company begins to develop its own playbook, or improve its existing one, it should analyze its existing integration strategy, objectives, methodology, support systems, policies, standards, resources, and capabilities.

Consider the following questions:

| Methodology | • What is the company’s integration strategy and approach?  
|             | • What governance structures, tools, and communication methods are in place, or should be created, to support integration? |
| Leadership  | • Who will be the key integration leaders and extended team members?  
|             | • How will roles and responsibilities for integration be assigned?  
|             | • Who on the extended integration teams have been trained on leading practices? |
| Process     | • What are the specific integration planning steps to take during the evaluation, due diligence, closing, and post-closing phases of the deal?  
|             | • What tools will be used, and which ones need to be established, to help the integration teams collaborate to work more efficiently, quickly, and consistently? |
| Standardization | • How will the integration teams interact with executives, business group leaders, and other stakeholders?  
|             | • How will important guiding principles be captured and shared?  
|             | • What standards need to be adopted so that data can be analyzed efficiently and decisions made quickly? |
| Communication | • How will the organization address the specific concerns of each group of stakeholders — employees, investors, customers, vendors — while it maintains a consistent message and tone?  
|             | • How does the company engage stakeholders in an ongoing dialog?  
|             | • How can the company use communication as a tool to retain critical stakeholders, such as employees and customers, during a period of disruption?  
|             | • Can the company clearly articulate its deal thesis and its reasoning behind individual business decisions made during the integration? |
| Knowledge management | • What has the company learned from its previous integration activities?  
|             | • How will the company retain the knowledge it accumulates in upcoming integrations? |
Consider the playbook at each stage of the integration

While it may not be possible to eliminate uncertainty in a transaction, advance planning and a strong playbook can help companies during each step of the integration. By providing clear guidance for decision making and a framework for action during the critical periods of a deal, a well designed integration playbook can help a company transform M&A activity from a series of fire drills into a repeatable, methodical business process.

A thoughtful M&A Integration playbook will typically address each of the major stages involved, including:

- **What to do** – Where do we start? What happens next? The playbook should outline the major steps and a timeline to help the M&A team plan and execute the deal. These steps should be repeatable and consistent, so that teams aren’t forced to invent new steps or create new timetables for every deal.

- **Who’s involved** – The playbook should describe a formal leadership and approval structure for each individual workstream, along with an overall reporting hierarchy.

- **What’s been done before and where are the necessary resources located** – It’s likely the same employees won’t be involved in all M&A activities.

The playbook should serve as a centralized repository of information that can help all team members — whether on their first deal or their thirty-first. Using such a collaboration tool allows the team working on one integration to benefit from the lessons learned from a previous integration.

- **What other companies are doing** – As team members learn about leading practices at other companies, they should consider adding them to their playbook.

- **How the team will share information with other business units** – M&A teams need to work closely with numerous business units. Inconsistent processes and siloed communication can slow down the evaluation, due diligence, and post-close integration. Teams should adopt a standard format for capturing information across organizations to accelerate the integration process, and strengthen its business relationships.

- **How the team will preserve the lessons it learns for future integration teams** – When integration teams capture and maintain a repository of knowledge from previous teams, they can quickly learn what works and what doesn’t. This can speed up the transaction, reducing the disruptive period and helping the organization achieve its objectives more quickly. An integration playbook should describe how the team captures this information and how to share it with future teams.
Prepare resources for careful, objective assessments before the close

A general counsel for a software firm once said that an acquisition strategy without an integration strategy was like impulse shopping: You often end up with something you do not want, you do not need, or you cannot use with something you already have.

During the evaluation and due diligence stages, your company should focus only on deals that move its corporate strategy forward, while considering how to make this happen upon close. You should understand where opportunities for value creation exist, and what obstacles to value are inherent. Consider where your company is today, and determine where you want to be in the future. Through market analysis and internal evaluation, your organization can begin to discuss how the integration can play a role in combining technological capabilities, improving customer access, onboarding skilled workers, and migrating critical systems.

This careful planning can help your company determine an integration strategy. Consider: What is your company’s overall strategy for growth and defense of existing competitive position? What sorts of deals are best suited to these plans? Using this information, your company can establish a controlled, disciplined process to evaluate potential M&A based on a set of established criteria, including benefits, costs, and risks of an acquisition. This approach can spare companies from the irrational, emotional decisions that frequently lead to post-deal disappointment, underperformance, and finger-pointing.

If the initial evaluation is favorable, a potential deal moves into the more rigorous due diligence phase. Often, this phase is frantic, with many business units and individuals involved in reviewing the target company. An integration playbook can help the groups involved in due diligence coordinate their autonomous efforts, working together to look beyond the perfunctory issues to put together a more complete picture of the target company. This coordinated approach could help uncover integration risks that may not have emerged otherwise, allowing them to begin planning earlier for identified obstacles.
**Set the tone on Day One**

It is often said that you only get one chance to make a first impression. In a M&A transaction, that first impression usually comes on Day One, when the deal is closed and large groups from both organizations come together to begin to operate as one company. The tone established in events and communications on Day One can reverberate for months, and possibly years. An integration playbook should help the company plan Day One activities, including presentations by the CEO and other senior executives explaining the reasons for the deal and its benefits for stakeholders.

As every M&A transaction is different, it would be fruitless to create a one-size-fits-all integration plan that meets the need of every deal. However, a company should design a playbook that helps integration teams develop effective plans quickly, pulling together knowledge and resources at critical times. On Day One, for example, the playbook could outline the steps needed to help each functional team create its own work plan. These work plans could spell out tasks, resources, due dates, and cross-functional dependencies needed to meet integration goals.

Also remember the importance of sharing information. Before Day One, most of the activities related to M&A happen behind the scenes. Once the deal closes, stakeholders want to see results. Pursue projects that can be completed quickly and broadcast success to customers, investors, employees, and others. Be sure to provide managers and workers with clearly defined objectives and tasks, so they understand what they are expected to do, and how the deal will impact them and their respective function. Design the playbook to provide a framework for fast action and decision making, so a new, combined workforce can hit the ground running on Day One.
**Develop a framework for an accelerated, orderly integration**

In any M&A, there is no value in delay. It is critical to generate results as quickly as possible to justify the transaction, reward shareholders, retain skilled staff, and satisfy customers and vendors. Accelerate the transition® results in more rapid return on deal investment, better capitalization on post-deal opportunities, and less organizational uncertainty. And all of this can result in a real, sustainable competitive advantage.

Prolonged transactions, on the other hand, can slow growth, diminish profits, destroy morale and productivity, and lead to missed opportunities and loss of market share.

An integration playbook can Accelerate the transition® by providing the steps, resources, and information needed for quick action, strong communication, and informed decisions. A strong playbook will help set timelines and goals, define the guidelines for integration, plan the communications that are critical to keeping stakeholders informed, and identify opportunities for value and synergy.

The playbook should help integration teams identify and focus on priorities. In any deal, resources will be constrained and integration efforts will need to be prioritized. The playbook should help leaders and integration teams determine which projects deserve attention first, based on their ability to capture or create value, which relates directly to shareholder value, overall financial impact, probability of success, and timeline constraints.

The playbook should also describe how the company intends to integrate the infrastructure of both companies into a single business. Of course, the factors driving each deal will be unique, so the company will need to be adaptable and responsive to the specific facts and circumstances of each transaction.

Consider the following questions:
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<th>Infrastructure component</th>
<th>Questions to consider</th>
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| **Organizational structure** | • How will we migrate different management structures into a single management team?  
• What are the short- and long-term impacts of these changes? |
| **Workforce** | • How do we determine the impact of employee selection and retention?  
• How do we combine two workforces that potentially may come from different corporate cultures?  
• How do we communicate transparently with all our workers, even those whose jobs may change or be eliminated because of the deal? |
| **Business processes** | • What are the critical processes at our company and the target company?  
• Which processes will be used in the combined company? |
| **Systems** | • What systems will be redundant once the two companies are combined?  
• How do we decide which company’s systems to adopt for the future company? |
| **Data management** | • How do we consistently migrate systems and data, and understand the requirements for key systems throughout the integration and for the go-forward company? |
| **Policies** | • How do we identify key governance and operating policies required for the integration and for the go-forward company? |
| **Contract management** | • How do we understand contractual obligations?  
• How do we leverage favorable terms? |
| **Legal entity structure** | • Do we need to change the legal structure of the go-forward company?  
• What are the impacts on accounting, taxation, operations, sales, manufacturing, and support functions? |
| **Customers and vendors** | • How can we align our sales forces and customer assurance programs?  
• What message do we need to communicate with our customers and vendors? |
Use the playbook to unlock value by aligning M&A activity to business objectives

In a 2017 PwC M&A Integration Survey Report, only 50 percent of executives surveyed said they felt their deals were a financial success and 47 percent considered their deals to be an operational success. This is not surprising. In M&A, the disruption surrounding delayed post-deal activities often impedes a company’s ability to simultaneously focus on maintaining current operations, carry out an integration plan, and realize the synergy and value predicted when the deal was approved.

In preparing an integration playbook, consider the following questions about the post-integration period:

- Is there alignment on the key integration priorities and objectives?
- What does short- and long-term success look like? How will you measure success?
- What is the target operating model for the combined business?
- How are you communicating to all stakeholders?
- How will you create a fit-for-purpose organization with one culture?
- How will you ensure a smooth transition and set the right future direction of the business?
- How should the integration program be structured and tracked?
- What are the key value drivers of an acquisition for your company?
- How will you avoid business disruptions during integration?
- How can you leverage the merger or acquisition to transform your business?
PwC’s Seven Fundamental Tenets of Successful Integration

Capturing sustained economic value in a merger or acquisition is a significant challenge. Regardless of deal size, complexity, or geographic reach, some fundamental tenets are key to success for realizing deal objectives.

1. **Accelerate the transition®**
   There is no value in delay. It is critical to focus on obtaining bottom-line results as quickly as possible to maximize shareholder value. Prolonged transitions slow growth, reduce profits, destroy morale and productivity, and lead to missed opportunities and loss of market share.

2. **Define the integration strategy.**
   Integration is a highly tactical effort, and the tactics must be implemented in ways that capture and protect the value of the deal. Integration priorities are easier to identify and execute when a clear integration strategy is well defined and communicated.

3. **Focus on priority initiatives.**
   Shareholder value must drive the allocation of resources for meeting those priorities. First, potential sources of value capture and value creation must be chosen. Then resources get allocated based on potential financial impact, probability of success, and timeline requirements.

4. **Prepare for Day One.**
   Critical Day One tasks need to be identified early, before longer-term, more detailed planning commences. This allows for prompt identification of long lead-time items, well before they can turn into closing day surprises.

5. **Communicate with all stakeholders.**
   Communicate early and often with all stakeholders, including customers, employees, investors, suppliers/vendors, and the general public. Communications should give the reasons behind the deal, specify the timing for key actions, and be candid in about what is known and also what is unknown.

6. **Establish leadership at all levels.**
   Integration efforts require significant, high-quality resources, including committed members of the executive team. It is critical to assign accountability, define functional authority, and establish role clarity.

7. **Manage the integration as a business process.**
   The larger the transaction, the more challenging the integration, and the greater requirement for a well-defined process to focus resources and capital on the right activities at the right times.
What this means for your business

Every deal is different, but a common playbook lays the groundwork for smart tailoring
No playbook — no matter how thoughtful or carefully planned — can guarantee success. However, playbooks can serve as a resource and offer a detailed framework to keep your company focus on objective evaluation, clear communication, accelerated integration, and a quick return to business as usual.

It’s not surprising that most M&A fail to meet financial and operational expectations. What’s surprising is that some companies attempt integration without a thorough plan for coordinating activities, keeping evaluators focused on strategic goals, and accelerating efforts. Without a playbook, companies increase the risk of acquiring or merging with a company that does not align to their strategic objectives, thereby losing valuable staff, customers, and vendors as efforts to combine the two companies extend beyond expectations.

Some organizations choose not to go-it-alone. Instead, they work with third-party consultants in preparing an integration playbook that reflects their company’s goals and culture, and that works as an extension of their existing operations and methodologies.
Acknowledgements

For a deeper discussion on the content of this paper or other deal considerations, please contact one of our practice leaders or your local PwC partner.

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