Creating Shareholder Value Via Successful Integration

It is an oft-quoted statistic that around two-thirds of all quoted merger deals create, at best, no shareholder value, and the inability to achieve effective integration is a major contributor to these failings.

In many cases it is the 'human factors' that are overlooked. Merger and acquisition situations create huge amounts of uncertainty for the employees of both firms, and mishandling the people issues is likely to affect not only the speed and quality of the initial integration; it may also have longer-term consequences for profitability.

It is vital that a plentiful, consistent and credible communication process takes place. In certain situations redundancies may be an unavoidable consequence, and whilst these are unlikely to be well received in most circumstances, damage can be limited if there is a perception of logic behind the decisions and openness and honesty in the process.

Inclusive Approach

In the integration phase it is vital to ensure that the best practices of both companies are absorbed into the operating model of the new organisation, particularly in a takeover situation where the temptation is often to force the acquiring company's model onto new firm. By adopting this inclusive approach management consulting firm Anpro has helped numerous organisations to achieve successful and accelerated integration.

Anpro Management Consultant's core business is helping clients to effectively implement their strategies. Managing director Sean O'Hara (pictured above) and the Anpro team have extensive experience of operational due diligence, post-acquisition integration, value growth during ownership and business turnaround projects.

Arla Foods Christiansfeld Dairy centre is a case in point. One of the largest fresh milk production sites in Denmark, Christiansfeld employs more than 600 people. The dairy and the distribution terminal had seen substantial volume growth as a result of the merger with one of Arla's main competitors, Clover Milk. In order to fully realise the synergies from the merger Arla worked with Anpro on an integration and profitability improvement project. In addition to successfully integrating the two diverse cultures, the Christiansfeld management team achieved substantial efficiency and profitability improvements in both the dairy and distribution operations, and simultaneously improved customer service.

In the UK too, Arla has a strong track record of successfully integrating businesses. The UK operation has grown via acquisition, and in the late 90's it consisted of seven separate sites across the UK. Although consolidated under the Arla name, each of the businesses to a large extent retained the systems, practices and culture of their previous owners.

Maxplus Project

As part of integration exercise, Arla worked with Anpro on the 'Maxplus' project to create a homogenous 'way of working' and standardise the operation's planning, management information systems and reporting across the group, taking the best each of the sites had to offer to create the overall 'blueprint' for the firm.

Building a Platform for Success

No magic success formula exists for integration programmes, but as Arla's successes demonstrate, adopting effective communication techniques and ensuring the active participation of all parties in the creation of the new firm will build a platform for success. Research shows that in many newly acquired businesses, the people best qualified to run the acquired firm are often distracted and overloaded.

During these early phases of ownership companies like Anpro have the know-how and experience to make a difference by providing specialist resources to assist with integration programme management, troubleshooting and the realisation of early wins. ■

Planning for integration success – Recognising the potential pitfalls

- Do your homework thoroughly in terms of operational due diligence – go beyond the data room numbers to understand the operational drivers of current and projected performance.
- Create a clear vision for the merged entity with key individuals from both firms.
- The integration cannot be delegated by top management – it has to be driven and led by them.
- Be open and honest about the consequences, risks, costs and benefits for all involved and carefully plan your communication strategy – the workforces of both firms may be de-motivated and confused after the deal period.
- Top Management must merchandise the benefits from the merger as they arise.
- Top Management should be pro-active in listening to the input of their staff and their concerns. The proposed actions can then be put into a context relevant to the staff.
- Although one firm's business model is likely to dominate the other, allow the merged entity to benefit from best practices from both cultures.
- Project manage the integration process with early wins, milestones and metrics.
- Ensure that adequate resources are in place and do not underestimate the integration workload – it is after the deal is complete that the hard work really begins!