

# A MATTER OF APPROACH

## AVOIDING M&A PITFALLS

*Reap Reward, Not Risk From Your Integration*

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A sound M&A strategy, supported by due diligence, does not translate automatically into a successful merger or acquisition. How you approach the initiative can make the difference between success and failure.

Managing the integration of two companies is extremely challenging (70% to 90% of mergers and acquisitions fail, according to Harvard Business Review<sup>1</sup>), but it is not impossible. Make M&A a critical component of the success of your company's growth strategy, and prevent disappointing results by applying a structured approach to avoid these three pitfalls:



**PITFALL  
NO. 1**

### **FAILURE TO BUILD THE RIGHT TEAM**

As a matter of convenience, companies often assign internal personnel to run the integration; however, this approach may result in a team lacking the time or necessary skill sets to address the integration's specific challenges. Select personnel may have day-to-day responsibilities that conflict with their new assignment, or capable, experienced personnel may be passed over in favor of readily available, less experienced individuals. Internal personnel biases may present another challenge when building a team from within; internal team members' points of view relate to their current organization or their respective functions, not necessarily to the needs of the new, combined organization. Both of these conflicts can create tension and poor team dynamics.

## To avoid this pitfall:

- » **Understand the integration.** Each integration is unique – strive to identify the critical challenges and unique requirements of your integration so you can build your team accordingly. Are operations to be consolidated to gain efficiencies? Is organizational culture alignment required? Will multiple business systems co-exist or be combined?
- » **Appoint a leader.** Define the integration manager role, and then select the individual with the skills needed, specifically the unique blend of business, technical, and interpersonal skills. Find a leader who will maintain a balanced perspective.
- » **Be selective.** Create a tailored integration team that can dedicate the time and address the full scope of the integration. Match individual knowledge, experience, and ability with the unique challenges of the integration. Avoid compromise and be wary of making choices based on convenience.
- » **Minimize bias.** Include personnel from both organizations in the planning process to ensure all voices are heard and all bias is uncovered, managed, and mitigated.


**PITFALL  
NO. 2**
**LACK OF DETAILED PLANNING**

Organizations may feel motivated to integrate quickly to meet senior management or investor expectations and realize deal synergies. In many cases speed is prioritized at the expense of proper planning, which can lead to disorganized teams, dysfunction, and extended integration timelines. Often integration teams are asked to execute based solely on a few milestone dates that were created early in the initiative when the necessary data and knowledge did not exist. Moving forward without a detailed integration plan carries great risk, including lack of organizational alignment and failure to work on the activities that matter most.

In order to create an efficient integrated organization, cultural differences should be considered early in the planning stages, and organizational culture should be

addressed and built into integration activities. Establishing sustainable operations is key to realizing the growth objective of the integration, and, without a thoughtful plan for how to achieve a unified culture based on personnel buy-in and understanding, this establishment can be difficult or impossible. Plan for change early and often.

Lastly, ongoing operations are an oft-forgotten aspect of integration planning. An integration is arduous, and trying to do too much, too fast can cause major disruption to the current state, particularly as key resources can be distracted from day-to-day operations. Failing to manage and sustain operations during a period of dramatic change can result in missed product launches, lost customers, and out-of-control costs.

## To avoid this pitfall:

- » **Define success.** The expectations for each integration are different – strive to understand and document the expected synergies and underlying assumptions. As defining requirements are a key to building the team, defining the objectives and deliverables of the integration are a key to successful planning.
- » **Think it through.** Break down the work to integrate each function; determine the interdependencies; develop a comprehensive schedule; vet the schedule with key stakeholders to ensure the pace of change doesn't overwhelm the organization.
- » **Manage the business.** Sustaining ongoing operations during stressful times must be part of the integration plan to ensure that each business is meeting internal and external expectations. Ensure that team members have sufficient time designated to support integration plans.



Integration success hinges on effective communication to stakeholders, all of whom have unique interests and needs. Lack of quality communication can breed significant risk within the integration. The causes are varied and may stem from trying to maintain confidentiality as the integration ensues, a lack of decision-making, or poor

planning. Inadequate communication also may cause personnel confusion or negative attitudes, creating risks to maintaining ongoing operations; employee turnover, customer attrition, and delays in completing the integration in a timely manner are just a few of these risks.

To avoid this pitfall:

- » **Stay ahead of it.** Be proactive and thorough in defining communication requirements for each stakeholder group; create unique plans related to each integration objective.
- » **Stay on it.** Continuously monitor integration progress and performance of ongoing operations. Tailor communications to meet the needs of the new organization, and don't be afraid to implement new communication tools to generate the necessary attention. Be consistent. Establish and maintain a cadence of communication to all stakeholders, and don't waver from the plan. Recognize that sending a message stating that nothing has changed can be valuable.

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Mergers and acquisitions can be challenging and risky endeavors, but they can be executed properly by taking a step back and developing a thoughtful approach. The formula may be simple, but success comes down to a matter of approach: building a strong team, developing and executing an integration plan that is aligned with the deal synergies, and planning and providing robust communications.

*Integrated Project Management Company, Inc.*

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