



Post-M&A Integration: the Board's role

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Speaker



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Agenda

Why is integration important?

What is the role of the board?

Tips for successful integration

Why is integration important?

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The hardest thing about an acquisition is integrating it and thereafter achieving the objectives and financial goals.

Bob Emmins, Finance Director for The Silver Spoon Company

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- Only around half report that a recent M&A deal was a strategic, operational or financial success
- Fewer than 5% report significant success in all 3 areas

Source: PwC/Oxford Economics of Fortune 1000 senior management, PwC's 2017 M&A Integration Survey Report

Why does integration sometimes fail?

Most common cause – poor due diligence

Lack of integration planning and monitoring

Cultural fit and communication

Loss of talented staff and poor morale

Lack of a plan for workforce transition

Lack of co-ordination between respective teams

IT: *"the systems aren't talking to each other"*

Management distraction from the core business

PwC's seven drivers of a successful programme



What is the Board's role?

Duty to act within powers
(s.171)

Duty to act in good faith to promote the success of the company
(s.172)

Duty to exercise independent judgement
(s.173)

Duty to exercise reasonable care, skill and diligence
(s.174)

Duty to avoid conflicts of interest
(s.175)

Duty not to accept benefits from third parties
(s.176)

Duty to declare interest in a proposed transaction or arrangement (s.177) or an existing transaction or arrangement (s.182)

NEDs

“

It is plainly arguable, I think, that a company may reasonably at least look to non-executive directors for independence of judgment and supervision of the executive management.”

Judge Langley in Equitable Life v Bowley 2003

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- Constructive challenge of executive management
- Avoid “*group think*”
- Probe and question the “*soft*” issues which do not show up in the numbers eg culture, communication, staff morale, overlapping responsibilities

Recommendations (1)

Identify targets and KPIs, align financial reporting procedures, rationalize bank accounts, invoicing etc.

Review signing authorities and bank mandates

Post-completion diligence and change of control consents

Define the integration strategy; avoid "*gun-jumping*"

Transfer of functions/business or harmonization of worker terms and conditions - beware TUPE

Recommendations (2)

Create a plan with clear and specific

Objectives, goals and tasks

- Responsibilities
- Dependencies
- Escalation procedure for tricky issues or delays
- Timelines and goalposts

Regularly review goals, periodic progress meetings as necessary, report to the steering committee and update plan as necessary

Appoint an integration team including overall project leader and workstream heads

Recommendations (3)

**Governance model
eg steering committee**

**Communications
strategy**

**Staff training on new
systems and processes**

**Consider retention
bonuses, incentive
plans etc.**

**Confidentiality and
non-compete
restrictive covenants**

**IT system integration?
Website, customer
services etc.**

Lease obligations

If unsure, take advice!

Operational

Commercial

Legal

Accounting/Financial

Tax

Technical





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This document provides a general summary only and is not intended to be comprehensive. Specific legal advice should always be sought in relation to the particular facts of a given situation.