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5x5 series: Insights and actions

Turning diligence insights into actionable integration steps

Throughlines should be established and enforced from one stage in the deal lifecycle to another to recognize the benefits of an acquisition. Below are some insights and actions that can help you translate due diligence into long-term advantages that can ensure the success of your transaction.

***5** insights you should know*		***5** actions you can take*
Adhere to the deal thesis throughout the integration – Executive leadership and corporate development—in conjunction with advisers—author a detailed model based on the due diligence performed, which should drive behavior and decision-making throughout the integration and stabilization phases to increase deal value.	1	Develop a cohesive plan to execute on the integration and synergy opportunities identified during diligence and identify additional value creation opportunities throughout the integration process. Regularly revisit the principles and assumptions in the deal model and compare with acquisition trajectory to assess alignment and consistency.
Manage interdependencies – Diligence findings often impact more than one functional area/workstream. Items such as legal entity reconfigurations, revisions to the collective IT roadmap, contract creation/synthesis, and workforce planning can affect many functions simultaneously. Often, there are upstream and downstream impacts of integration activities that require appropriate timing, sequencing, and communication among functions to effectively execute on an integration plan.	2	Employ a sound governance structure from the diligence phase through integration to facilitate cross-functional collaboration in areas of mutual impact. Take steps to enable effective coordination through clear communication across the organization, disciplined project management, and commitment to integration goals. The ability to break down silos and team cross-functionally is pivotal in achieving an effective integration and mitigating pitfalls.
IT is often one of the most costly parts of the integration journey – IT integration can account for upward of 50% of an integration program's costs. In addition, technology is typically one of, if not the most significant driver of functional synergy benefits (e.g., transaction processing efficiencies, workforce reductions that are dependent on the combination of processes and systems, and other types of operational enhancements driven by more effective use of technology).	3	Perform technology diligence across the organization and IT landscape focused on identification of the one-time project costs to achieve integration, go-forward run rate costs, and potential synergies. Identifying the broad view of IT-related transaction costs is not only an important input into the deal model, but can also serve as a guardrail during integration planning.
Expect large variation between the cultures and processes of buyer and target – Depending on how each company has evolved, there can be cultural differences based on geography, history, leadership philosophies and values, size, regulatory and compliance requirements, and customer/supplier relationships. The diligence process should shed light on these variations so they can be proactively addressed.	4	Apply an integration methodology that includes some degree of formalized assessment, process and cultural harmonization, communication, change management, cross-functional teaming, employee engagement, flexibility, and the ability to measure and monitor results. Establishing a program collaboratively with the target can mitigate the target employees' potential adverse reaction to integration.
Recognize how carve-outs can create another layer of diligence and integration challenges – In addition to the normal course challenges in a transaction, carve-outs require additional focus on entanglements with the target and its parent.	5	Assess whether transitional services and purchase agreements are negotiated to account for the particular needs of the carved-out business, including the potential need for a longer integration timeline.

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