

# Mastering Mergers and Acquisitions: Accelerating Success Through Playbooks

## Abstract

Mergers and acquisitions (M&A) are an integral strategy for companies seeking to gain access to innovative ground-breaking products, processes and solutions that give them an edge in the market. Such inorganic tactics offer significant benefits if carried out effectively, but destroy potential advantages if they are not executed with plenty of thought and precision.

This paper details how companies can successfully navigate the M&A path by leveraging an M&A Playbook, ensuring success is repeatable, time and time again.

## Challenges to Successful M&A

Top executives are continuously looking for ways to thwart digital disruptors, outperform industry rivals and ensure long-term fiscal viability. Sometimes organic growth and in-house improvements are not enough to satisfy these and other performance objectives. Now more than ever, executives are looking to M&A as a fast-forward option in their strategic arsenal.

However, M&A deals have always been challenging to execute as shown in Figure 1. Historically, a significant share of deals have yielded below-average results. Globalization and exponential innovation have created an ever-increasing need for executives to lead enterprises through bigger, faster, more complex transformations, raising the risk of falling short of realizing expected synergies and more.

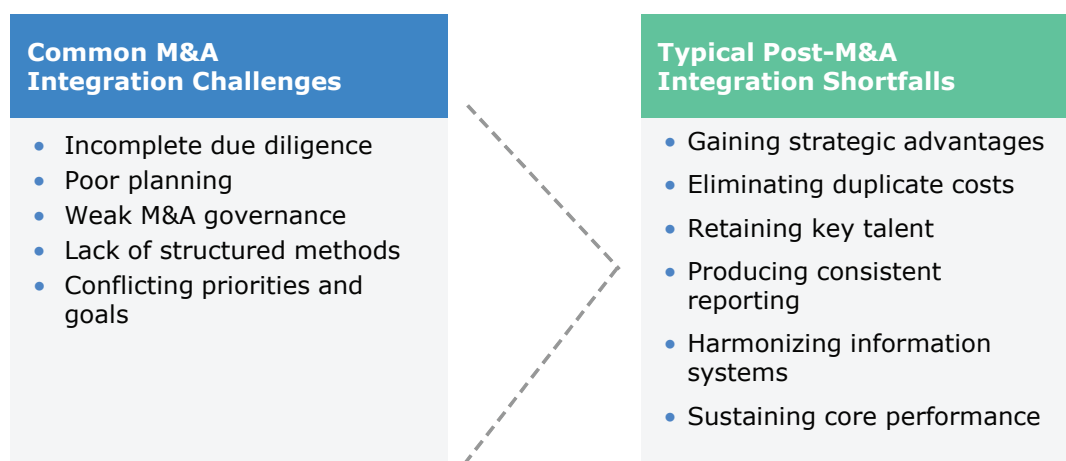


Figure 1: M&A Integration Challenges and Shortfalls

Successful acquiring companies have learned, often through costly trial and error, that deliberate and early preparation for success leads to lower risks. It paves the way towards improving the odds of achieving the strategic, financial, operational, and cultural goals. But how does one prepare for rapid, challenging, unsettling enterprise-wide transformation through M&A?

## Addressing M&A Challenges

Each M&A deal is essentially unique, defined by the company's people, culture, history, size, geographic footprint, operating model, competitive position, as well as the nature of the transaction, whether it is a new line of business, tuck in, or a marriage of equals. But all successful deals have one thing in common—the adoption of simple, easily understood guiding principles and good practices.

Simply acknowledging common M&A risks and success factors is not enough to guarantee success. Enterprises must make the deliberate choice of creating, adopting, and systematically leveraging a well-defined M&A Playbook to increase their chances of integration success.

An M&A Playbook is a detailed, prescriptive roadmap, which sets standards and provides guidance and tools for all areas and levels of the company in each successive phase of the M&A life cycle. It helps accelerate and ensure achievement of the intended business outcomes. The Playbook is used to consistently formulate and communicate the M&A event's purpose and integration strategy, as well as to formalize the tactical aspects of delivery. The M&A Playbook's content is structured to convey best practice prescriptions, incorporating lessons learned across M&A events, and to mitigate the risks spanning all aspects of integration.

## Constructing a Best Practice M&A Playbook

The first chapter of a Playbook should delineate the integration scenarios that might apply to a specific deal that informs the baseline game plan to follow. In Figure 2, we see four popular models with examples of distinguishing characteristics about when to use and how to increase the chances of success.





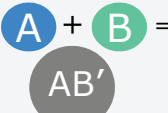



	Best Used	Success Factors	Risks & Challenges	Change
<b>Absorption</b> 	The acquirer has more mature processes and technology than the target or is buying a competitor.	<ul style="list-style-type: none"> <li>Detailed implementation plans</li> <li>Rapid systems conversion or extraction</li> <li>Uniform and consistent implementation</li> <li>Immediate, efficient disposal of surplus assets</li> </ul>	<ul style="list-style-type: none"> <li>Squandering exploitable assets</li> <li>Alienating key people</li> <li>Overlooking possible synergies</li> </ul>	
<b>Best of Breed</b> 	Both entities have similar business operations and mature processes and technologies, or for mergers of equals.	<ul style="list-style-type: none"> <li>Compelling vision of the new organization</li> <li>Unwavering focus and leadership commitment</li> <li>Substantial expertise in change management</li> </ul>	<ul style="list-style-type: none"> <li>Organizational resistance to change</li> <li>Setting unrealistic goals</li> <li>Failing to balance desire for long-term solutions with need for short-term benefits</li> </ul>	
<b>Transformation</b> 	Both companies have out-grown their current operating model and need a new target operating model and technology to pull them into the future.	<ul style="list-style-type: none"> <li>Collaboration across both companies</li> <li>Commitment to preserving the most valuable parts of both organizations</li> <li>Proficiency at synthesizing disparate systems</li> </ul>	<ul style="list-style-type: none"> <li>Drawn-out assessment exercises</li> <li>Unresolved issues that delay implementation</li> <li>Inefficient and complex patchworks of information systems</li> </ul>	
<b>Preservation</b> 	Financial acquisition or when the acquirer is a highly diversified conglomerate of unrelated businesses.	<ul style="list-style-type: none"> <li>Protection of autonomy within a broad corporate framework</li> <li>Restrained management involvement augmented by rigorous operational monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Excessive inefficiency and unnecessary duplication</li> <li>Missed cost and operational synergies</li> </ul>	

Figure 2: Four Popular Models to Increase M&A Success

Chapters two and beyond are dedicated to the core phases of work that must be completed along the M&A lifecycle, phases such as those outlined in Figure 3.

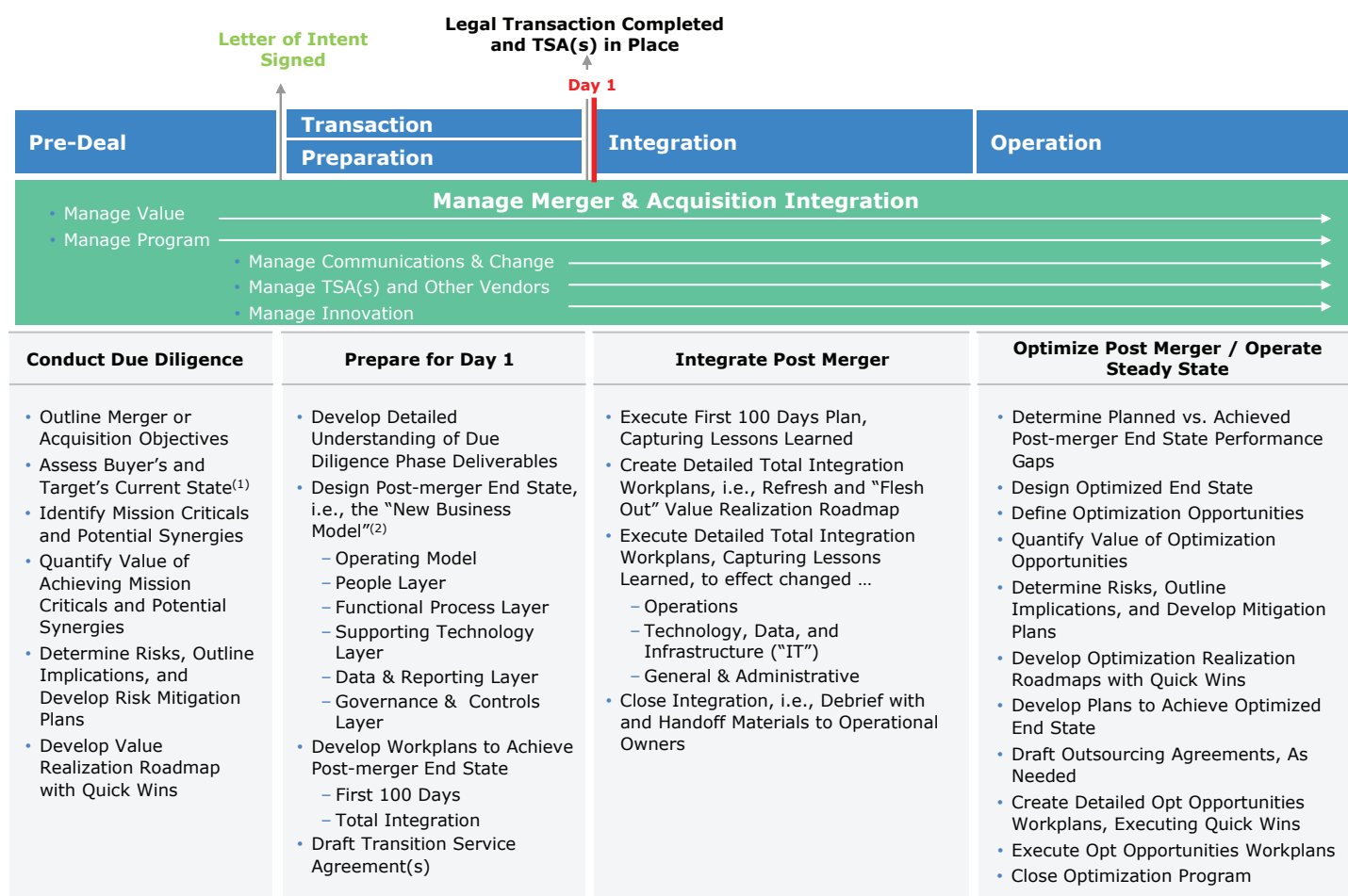


Figure 3: Core End-to-End M&A Life Cycle Activities

Within each chapter of this M&A reference execution guide, the Playbook should detail the why, what, when, how, and who of each phase of work, reflecting differences driven by the various integration scenarios most relevant to the enterprise. Differences such as those related to the data layer of the new business model first designed in 'Prepare for Day 1', and iterated and more fully detailed in 'Integrate Post Merger'. For example, in an Absorption, virtually all of the acquired entity's data is migrated to the buyer's applications. This elevates the importance of data stewards and a clearly articulated data migration strategy. However, with a Preservation, only a limited subset of data related to regulatory reporting is transferred.



To ensure completeness and ease of use, each chapter contains a similarly organized collection of the materials needed to execute efficiently and effectively the specific phase of work. For example, each chapter has four main sections:

- **Why:** Overview of the phase's main objectives, core activities, and key outcomes and deliverables
- **Who:** Baseline team structure of the phase's pre-defined roles and responsibilities with effort and duration estimates, and RACI (Responsible, Accountable, Consulted, and Informed) charts encompassing the larger ecosystem involved
- **What and When:** Baseline work plans for the phase breaking down tasks with estimated relative timings and linkages to key outcomes and deliverables
- **How:** Essential tools for the phase, such as the sampling shown in Figure 4 below

Examples of Essential Tools by Major Activity	Manage M&A Integration	Conduct Due Diligence	Prepare for Day 1	Integrate Post Merger	Optimize Post Merger / Manage Steady State
Baseline Integration Management Office ("IMO") design, i.e., organizational structure, roles & responsibilities, and governance model	X				
Integrated Project Management System	X				
Integrated Quality Management System	X				
Baseline information/data room requests, interview guides, and assessment surveys (e.g., talent and culture)		X			
Benchmarks for Operations, IT, and General & Administrative performance		X	X		
"Value Calculators", i.e., pre-formatted tools to estimate synergies and other benefits and costs for Operations, IT, and General & Administrative		X	X	X	
Reference enterprise, people, functional process, support technology, data & reporting, and governance & control architectures			X	X	X
Work plan templates, e.g., First 100 Days and Total Integration			X	X	
Baseline approach documents or "methodologies," e.g., New Business Model Design, Organizational Change Management, and Application Rationalization & Decommissioning		X	X	X	X
Inventories of trusted business process and IT outsourcing vendors that can stand up new or take over existing capabilities			X	X	
TSA and Outsourcing Agreement templates by business capability			X	X	
Data extraction, transformation, and loading solutions, e.g., Windshuttle			X	X	
"Gap closing" initiative description templates			X	X	
Baseline initiative prioritization criteria			X	X	
Table of contents and illustrations of key content for critical work products or deliverables	X	X	X	X	X

Figure 4: A Sample of Essential Tools for Each Phase of M&A Integration

The final chapter should outline the guiding principles or mantras, such as the ones described below, which affect the strategic, financial, operational, and cultural changes needed:

- **Plan the integration end state early:** 'Start with the end in mind' during due diligence; and throughout the integration, keep asking how resource allocation and other decisions support realization of the business value of the transaction.

- **Run the M&A event like an integrated business process:** Integrations are fast and intense, lending themselves to become states of permanent emergency. Avoid that by engaging and mobilizing ‘running the business’ people to help ‘change the business’, while keeping in mind the strategic rationale of the deal.
- **Hire and partner with M&A management, functional and technical specialists:** Consider why do alone what others could do for you or with you; provide the platform (Playbook) through which the right parties at the right time can do what needs to be done better, faster and cheaper.
- **Define, measure and reward integration success:** Working backwards from the desired business outcomes, identify the critical few key performance indicators (KPIs) and milestones to track progress, tying budgets, and management compensation accordingly.
- **Communicate top-down, bottom-up, and across:** Enterprises are complex adaptive systems, how they change is as much a matter of what is said as what is not said, being mindful, of course, of regulatory and legal compliance requirements.

## M&A Playbooks Deliver Results

Following the integration of its first strategic restructuring acquisition, executive leadership of a global, luxury lifestyle brand realized an opportunity existed to get more out of future M&A events by using an enterprise-wide approach across the entire deal lifecycle. TCS was engaged by the C-suite to codify and enhance the enterprise’s lessons learned with tested best practices and practical tools to ensure the business and IT work in lock step from as early as target scouting and due diligence through pre-close integration planning and beyond. As a result, the return on future M&A transactions were more accurately projected and resources more effectively leveraged, delivering greater business impact faster with fewer surprises.

A global semiconductor manufacturer, using a TCS Playbook and advanced data migration tools, overcame time and distance in completing a carve-out necessitated by regulators to complete an in-process M&A transaction quickly and effectively. Employing an almost entirely India-based team, a handful of TCS carve-out specialists co-located with company leadership planned and managed the stand-up and transition of business capabilities across six different sites in record time with minimal distractions to ongoing operations.

## Repeating Success Through Alignment on M&A Playbooks

A great track record in running a business is no guarantee of success in transforming the business. In a sophisticated, ultra-competitive global marketplace, continuous business relevance and financial viability are constantly at stake. This is therefore at the forefront of executives' minds when driving the evolution of their company through complex M&A endeavors. To make the reward worth the risk, ensuring the company has a winning execution plan is essential to converting the strategy into results.

An M&A Playbook is a necessary investment into a company's capacity to harness M&A best practices. It lays the foundation for determining the deal's value as well as successfully realizing the deal's promise. This being said, humans are greater than the tools they invent. To ensure a Playbook's prescriptions are systematically and diligently leveraged by all players, strong leadership guidance, enthusiastic ecosystem-wide adoption, and sustained organizational commitment is required to build it, use it, and refine it.

## Notes

[1] The current and target post-merger end states encompass operations, IT, and general & administrative functions. Generically or non-industry specifically speaking, 'operations' includes product and service development, product and service, marketing and sales, product and service access or delivery, talent management, knowledge and intellectual property management, supply chain and strategic alliance management; 'IT' includes technology, data, and infrastructure management; and 'general & administrative' includes financial, risk and compliance management.

[2] In TCS' vernacular, a 'new business model' includes the target operating model and its corresponding people, functional process, supporting technology, data and reporting, and governance and control layers.

#### About The Authors

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Randy Mabie is the global leader of TCS' M&A Services, applying over 25 years of professional services, enterprise software, and IT operations experience. With a focus on the business advisory discipline, Mr. Mabie supports executives and leads teams in the delivery of the full value chain of strategic planning, design, and implementation of transformation programs, including TCS' end-to-end M&A Business-in-a-Box solution for completing M&A integrations and divestitures faster and with less risk.

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