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5 Stakeholders to Consider During Post-Deal Integration

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When two parties sign on the dotted line to finalize an M&A deal, it bookends a long process of research, vetting and negotiations that can take months or even years.

Though closing the deal might feel like a conclusion to those involved, the reality is that it marks the beginning of a new, far more important season for the buyer. New owners are often hyper-focused on getting to the end of a deal without fully considering what will happen after. But once terms for a merger or acquisition have been decided, they then must be executed — which can lead to either success or failure, depending on the quality of the post-merger integration plan.

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Everyone who is responsible for a major function of the company — including managers of customer relationships, operations, finance and accounting — should be able to offer input on a post-integration plan. This leadership team should work together to create a three- to four-month program that focuses on meeting the needs of five key stakeholders of a business: customers, employees, suppliers, capital providers and the organization itself.

1. Customers

The goal of every organization is to create a loyal customer base, but in reality, consumers are always looking for better alternatives — which could be distinguished by lower prices, better service, more convenience or something else. A major organizational change, such as a merger or acquisition, only gives them an excuse to think about their options. And if you follow up the organizational change with some type of hiccup in service, the odds of losing clients become much higher.

Customers are arguably the most important stakeholder to consider during post-merger integration, so you should provide regular communication and exceptional service to make them forget there was ever a change. If they do remember, it should be because of the higher quality of services and products they receive, not because they were neglected while executives spent months working out the new business's kinks.

It's even more crucial to prioritize your customers if you've promised investors that you'll gain clients because of the deal. In this case, losing clients to competitors because you made a mistake would result in two unhappy stakeholders.

2. Employees

Similar to customers, your employees might not have been actively looking for a new job before the deal, but they likely freshened up their resumes upon hearing the news. Even if they didn't go out looking for new opportunities, they were probably prepared to if they were unhappy with new management, job cuts or general organizational changes.

It's important to be extremely detailed with internal communication to create as much stability as possible for your employees. Fully convey the company's integration plans, but also voice how important employees are to the organization's success and remind them of the value each person adds. Ultimately, it's about doing what you can to make employees feel safe and appreciated during this change so they won't go out looking for a new job.

Not only does turnover waste time and decrease productivity, but it also affects the customer experience. Your employees are the ones in direct communication

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with customers, so it's important to have them on your side, especially during big changes. Happy, stable employees go a long way toward making your clients feel good, too.

3. Suppliers

One way many businesses make money in the retail industry is by qualifying for volume discounts from suppliers. This is one justification of acquisitions: By obtaining another company, you're able to increase your volume of purchases, whether the price stays the same or not. Be sure to carefully tend to supplier relationships and renegotiate contracts that achieve the volume discounts you were aiming for.

Related to this is another often-overlooked part of post-deal integration: simplifying your internal business processes. For example, if you don't have a plan to rapidly get everybody onto one accounting system, you can't very easily run single management reports about how well the business is doing. The extra time required to digest two separate reports may be a luxury you don't have. And if you delay integration in several areas (calendars, email systems, chat applications, CRMs and employee benefits plans, to name a few), you multiply the time unnecessarily wasted.

4. Capital providers

Shareholders, bankers and other financial sponsors have a commitment to your business unlike any of the other stakeholders mentioned thus far, as their comfort with the deal is directly related to the company's success. Communicate to them how you're doing frequently and in detail, with a clear view of how you're progressing on the business plan they agreed to — especially if you have bad news to report. Depending on the terms of the investment, capital providers could push to get their money back more quickly and could even cost you your job, so it's important to keep them updated on all the things you promised regarding returns and cost savings.

5. The organization itself

Your organization may have been a healthy, cohesive whole before the M&A deal took place. Now, you're tasked with adding new employees, customers and processes and turning your newly enlarged company into a new cohesive whole. Unity is accomplished when workers have a sense of teamwork and growth about them — they value strong culture and understanding each other. As the manager, you've introduced new people into a community that existed before, so it's your job to create new norms that encourage people to work together on their own.

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Integration is a detailed process involving both small steps (such as getting everyone on the same calendar system) and huge projects (like renegotiating deals with suppliers). Because of the many intricate details involved, many organizations push parts of the integration process further and further into the future, sometimes waiting years to finish. At best, waiting this long takes an effective company and makes it ineffective. At worst, it makes the company more prone to mistakes and causes a crisis — such as an investor firing the leadership team because they weren't following through with promised returns.

The good news is that a detailed post-merger plan significantly minimizes the chances of neglecting any of these key stakeholders. My company, Oaklyn Consulting, recently ran the integration process for an insurance company that acquired another organization. In managing the integration, we:

- Listed everything that needed to be combined across the whole company,
- Mapped the impact back to a financial model so they could keep their numbers on track, and
- Kept a visible priority list to ensure progress was being made.

As a result, the company successfully integrated and is now thriving as a new, larger organization.

The close of a deal clearly doesn't mean the work is done — in fact, it's really just beginning. By prioritizing your five key stakeholders and starting post-deal integration conversations before the deal is complete, your transition will be a smooth beginning to a promising future.

Frank Williamson is the founder of Oaklyn Consulting, which helps private companies complete mergers, acquisitions, joint ventures and other strategic transactions; arrange financing; and manage investor relationships. Working as consultants, not brokers, and billing hourly, the team extends the capabilities of clients' Boards and management teams. Learn more at OaklynConsulting.com.