SteelBridge Insights

A management consulting view of private capital’s evolution

Mergers & Acquisitions:
The Transaction is Only Half the Battle

Building a better Private Capital marketplace
Key Highlights:

- Complex integrations require careful consideration of more than just the transaction itself.
- Engaging resources to facilitate smooth transitions create greater odds of a successful acquisition implementation.
- Challenging integrations may cost more in time and resources than the benefits gained with two or more good integrations.

Integration

Your business is stable, the balance sheet is solid, and you’ve arrived at the “build, buy, or partner” discussion on how to continue growing the company. The decision to “buy” is made to gain critical mass quickly — so what’s next? Typically, you hire an investment bank and begin targeting acquisitions. It seems simple in concept and should be fairly straightforward, right?

Unfortunately, less than 50% of all M&A activity is successful. Why is that?

When doing an acquisition, there is a specific set of activities needed beyond the actual transaction to successfully complete the integration. These critical pre- and post-integration activities provide a tactical blueprint for management teams to integrate quickly and seamlessly, putting the acquisition in the rear view mirror and continuing focus on growth.

Engaging the right resource is critical to being on the right side of that 50%.

Successfully integrating an acquisition into a business requires special due diligence and careful planning. Setting coordinated action items and clear goals, and sticking to them, is critical to success. This preparation allows companies to:
SteelBridge Proprietary Integration Matrix

At SteelBridge, we have created a proprietary integration matrix that every company should contemplate when making the acquisition decision:

- **Strategy:** Each deal needs a thesis that is thoroughly vetted against corporate strategy. Address key strategic needs to yield greater value far beyond the cost of integration. Conversely, if it detracts from core strategy, it could become a very costly mistake.

- **Culture:** Corporate culture compatibility assessments pre-merger is a must. The common mistake is thinking that because their business **model or product** aligns perfectly, their business **culture** is just like yours. We rate corporate cultures on a proprietary scale that will help guide decision-making before heading down the aisle.

- **Price:** Determining the actual integration cost is as much art as it is science. Companies that do not effectively execute on the pre-merger planning often find themselves overpaying for deals and seeing their ROI push out or, even worse, go negative.

- **Capacity:** A distracted management team is an ineffective management team. A realistic accounting of a team’s capacity may find a disconnection between the rate at which the team can effectively integrate while running the company and the growth rate expected by capital partners.

“One of the most frequent integration mistakes we see is that integration execution is handed to a company manager who is already capacity constrained.”

- James Haluszczak, SteelBridge Managing Partner
So what can you do to achieve integration success?

To greatly improve odds of a successful integration, we recommend:

- **Repeatable and measurable processes to facilitate the integration**
  - Having a measurable process facilitates daily reviews and encourages periodic communication to company leadership.

- **Dedicated teams to manage and review the integration process**
  - Handing the integration responsibility to a company manager risks not only integration failure but negatively impacting manager responsibilities.

We are of the opinion that if the cost of the integration does not allow for the above recommendation then the company should review the integration matrix to re-evaluate chances for success.

What should be considered in an integration plan?

The integration plan should be viewed from all angles of the company. It should have built-in decision-making triggers related to people, process, and technology to alleviate possible bottlenecks. The plan should be systematized to allow for resource and contingency planning that optimizes results from deal to deal.

Below lays out the simplest considerations that an integration plan should factor in:

- Sales/Acquisition Revenue/Volume of Business
- HR/Employee Benefits/Internal Communication
- IT Systems and Infrastructure/Data Migration
- Staff/Culture
- PR/External Communication
- Management/Reporting
- Marketing/Branding/Distribution Channels
- Production Development
As integration plans are built, companies must bear in mind that, as more factors that come into consideration, the more complex the integration becomes.

Why Work with SteelBridge?

When you work with SteelBridge, you gain a partner experienced in pre-acquisition due diligence and post-acquisition integration services. Our dedicated staff allows you to focus on the getting the deal done and integrated efficiently. Clients have called upon SteelBridge to execute specific pieces of billion dollar integrations to ensure that a plan is defined, and that the team integrates according to the plan. Our experience will better position you for integration success.

Finding a partner who can guide you through the entire integration process can make the difference in success.

Partner with SteelBridge for M&A integrations

We have applied process control to help bring difficult integrations to successful completion. Our goal is to develop controlled operating environments in which the management team can focus on identifying and delivering on required tasks rather than identifying, organizing, delivering, tracking, and the many other tasks that come with integration. Let us help you go from target, to LOI, to the closing table, to full integration, and avoid just becoming another dead deal statistic.
About SteelBridge

SteelBridge is a boutique advisory services firm with deep expertise in Private Capital. We have a passion for helping our clients identify and affect change to improve process and technology for more effective organizations. We help general partners, limited partners, third party administrators, software vendors, and portfolio companies. At SteelBridge, we hold ourselves to the highest standards by providing exemplary services for our clients.

To learn more call us at 646.737.7960 x1008, visit us at www.steelbridgeconsulting.com, or join us on our Facebook and LinkedIn pages for more information:

Let us show you why we are the leading boutique advisory services firm in the Private Capital space.

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