

Dr. Karl Popp

Success Factors in Post Merger Integration

<http://www.mergerduediligence.com>



AGENDA

What are success factors (in merger integration)

Factors

Within the buyer

Within the acquired company

Between acquiring and acquired company

Determining the effects of success factors and their fit to merger types

Summary

Success Factors in Post Merger Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



What are success factors?

Success factors influence the success of a merger integration project. Success factors can be described by:

- influenced object (employees, revenue stream, timeline)
- effect (retention of employees, more revenue, faster completion)
- measures to support (increase salaries, hire salespeople, provide more budget)
- tracking, e.g. by Key performance indicators (employee number retained, revenue, progress of project)

Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



What are success factors in merger integration?

By looking at a large number of successful and non-successful merger integrations you can identify the following success factors for merger integrations. The success factors are classified to be:

- within the acquiring company,
- within the acquired company,
- between the companies,
- in the business case for the merger,
- environmental factors.



Success Factors in Post Merger Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Factors within the buyer 1

High M&A capability maturity

how well can the acquiring company integrate a target? it goes in three dimensions: number of people in corporate functions, amount of M&A experience in the acquiring company, number of dedicated M&A resources. for more information click [here](#).

High IT Integration Readiness

how well is the buyer IT organization prepared to integrate the target?



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Factors within the buyer 2

Integration plans in place before close

semper preparatus. you cannot execute when you have no plan to execute, it is simple but true and holds for acquisition integration, too.

Blueprinting workshop in place before close

if possible, you should work with the target to check your integration plans and create a joint plan. the advantage is buy-in from the target and you save time to discuss and agree on plans post close.



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Factors within the acquired company 1

Target is a private company

While integrating a public company carries some delays in planning and integrating, a private company does not have these restrictions.

High IT Integration Readiness

how well is the buyer IT organization prepared to integrate the target?



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Factors within the acquired company 2

Low need for restructuring during merger integration

Merger integration is a huge change management challenge. Why not add some more change like restructuring? maybe not a good idea.

Low need for EBIT improvement

Same as for restructuring.



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>





Factors between acquiring and acquired company 1

High Similarity of organizations

the more similar organizations are, the less change will be anticipated and employees tend to find a new home and comfort more quickly. but there is a caveat: more similarity might also mean more overlap and redundancy between organizations.



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>





Factors between acquiring and acquired company 2

High Similarity (or complementarity) of business models
the more similar business models are, the better the operations of these business models can be integrated. For software companies, this means easier integration in development and support but also in administrative functions. Look for similarities by listing/modeling the business models of target and acquirer.



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Factors between acquiring and acquired company 3

High Connectivity of operations, production, business models, customer base, partner base

If there is a direct connection possible between companies a merger makes sense. An example is the connection between an ecosystem of limo drivers of Uber with the transportation ecosystem of another company, because they can easily leverage one another. A special case is a horizontal merger, where companies with a connection of production are merged.



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Factors between acquiring and acquired company 4

High Similarity of operations models

How a business operates is a key thing to understand and to integrate a business. the closer an operational model is, the easier it is to integrate. You may use operations maturity models to determine the current and desired state of target and acquirer operations.



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Determining the effect: Types of mergers

- 1 Preservation
- 2 Symbiosis
- 3 Holding
- 4 Absorption
- 5 horizontal merger
- 6 vertical merger



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>





Impact of success factors and fit to merger types 1

	Fit	Impact			
	Types	Term	Effort	Speed	Risk
Cap.Maturity	all	short	Lower	higher	Lower
Integration plans in place	Esp. 3,4,5,6	short	Lower	higher	Lower
Blueprint	Esp. 3,4,5,6	short	Lower	Higher	Lower
Target private	1,3,4,5,6	?	Much lower	Much higher	?
Low restructuring	1,3,4,5,6	short	Lower	Higher	Lower



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>



Impact of success factors and fit to merger types 2



Success Factors in Post Merger Integration

© Dr. Karl Popp

<http://mergerintegration.eu>

	Fit	Impact			
	Types	Term	Effort	Speed	Risk
Low Ebit improvement	all	long	Lower	higher	Lower
Org. similarity	Esp. 3,4,5,6	Long	Lower	higher	Lower
Business model sim.	Esp. 1,2,3,4,5	Long	Lower	Higher	Lower
Connectivity	All, esp. 2,6	?	Lower	?	Lower
Ops similarity	3,4,5	short	Lower	Much Higher	Much Lower
IT integration readiness	1,3,4,5,6	Long	Lower	Higher	Lower



SUMMARY

- Collections of success factors are available
- Their effect and their fit to merger types still needs research
- This presentation shall spark further discussions and research



Success Factors
in Post Merger
Integration

© Dr. Karl Popp

<http://mergerintegration.eu>





Success Factors in Post Merger Integration

© Dr. Karl Popp

<http://mergerintegration.eu>

Synomic Academy

Risk

Mergers

Due Diligence

Acquisitions

Deal Breakers

Karl Michael Popp
**Mergers and Aquisitions
in the
Software Industry**
- Foundations of due diligence -



More information here:
<http://www.mergerduediligence.com>

