

BEST PRACTICE

— in Post-Acquisition Integration

Dan R. Bradbary is the Founder and CEO of V-Rooms Virtual Data Rooms. He talks to Acquisition International about best practice in post-merger integration.

● Prior to founding V-Rooms in 2006, Dan started and ran a project management consulting firm that grew to 150 people specializing in systems and staffing for a wide variety of projects, including post-merger integration. With that background V-Rooms is able to orient its program to providing a cloud-based, customizable virtual data room (VDR) solution that is designed to streamline document management, collaboration, exchange and archiving for financial, legal and corporate professionals.

The company is finding that clients are increasingly wanting to provide the virtual data room, that has been assembled for completing the M&A transaction, intact to the acquiring company, with all of the due diligence information. The acquiring companies are requesting this because all of the critical information provided is in one very organized location for ongoing post merger integration and downstream financial reporting.

WHAT ARE THE INITIAL STEPS THAT ARE CRITICAL TO MOVING FORWARD WITH A SUCCESSFUL POST-MERGER PLAN?

“To clearly define the vision and business benefit of the merger or acquisition, and assign a dedicated cross-organizational integration team is paramount.”

Management must specifically define the vision for the integrated organization, while identifying the expected sources of benefit, including accurate forecasts over a specified timeframe. The expected synergies resulting from a merger or acquisition must be clearly identified and communicated if the company expects subsequent financial benefits once the deal is complete.

Step two is assigning a dedicated integration team to ensure that the integration program does not divert attention from managing day-to-day operations. Executives should allocate specific resources, including members from both of the organizations, to managing the integration. By appointing a project manager and securing strong executive support, businesses are in a much better place to quickly tackle risks and ensure a smooth transition following the merger. It may even be useful to provide key team members with incentives throughout the integration process or until specific results are realized.

IN ORDER TO ADDRESS THE POST-MERGER INTEGRATION REQUIREMENTS, HAS YOUR ORGANIZATION DEVELOPED ADDITIONAL PROGRAMMATIC FEATURES TO ASSIST IN THIS EFFORT?

About two years ago, we began to recognize the need to expand the utilization of our VDR program from just a secure document exchange tool into more of a project management platform. So, we added a segment that we call the “V-Rooms Home Page” which incorporates project management features such as identifying the team players (with photos and contact information), an interactive calendar, space for announcements and status reporting, etc. For post-merger integration projects, these features have been well received by our clients.

WHAT METHODS AND PRACTICES DO YOU USE TO CREATE THE PERFECT HUMAN RESOURCE STRUCTURE FOR AN INTEGRATION PLAN?

First of all from a human resource standpoint, the acquiring company must create protection plans for their “A-Team” players because a merger makes those “A” players especially vulnerable especially to headhunters, regardless of whether they are with the acquiring or the acquired company.

Too often senior managers of the acquiring company are surprised to learn that their own staff members may be ready to make the leap because of the uncertainties about reporting relationships. Job insecurity can lead to a loss of critical talent when they need it the most. Executives who have ready-to-roll “re-recruiting” campaigns will be less likely to lose their best employees and can engage them to lead the integration.

WHAT ARE THE KEY CHALLENGES THAT YOU FACE ON A DAY TO DAY BASIS?

It is increasingly apparent that what ultimately makes mergers work is the people collectively working together for a common mission. As a result many managers, often from organizational development backgrounds, concentrate on managing and aligning the different corporate cultures by creating a new common vision. This is quite difficult, especially when different mindsets from different national cultures and languages exist on top of the differing corporate cultures, then the task becomes increasingly complex.

WITH CROSS-BORDER ACTIVITY PROVING SO POPULAR, WHAT ARE THE KEY CHALLENGES WHEN INTEGRATING FOREIGN COMPANIES? AND HOW DO YOU SOLVE THEM?

As cross-border mergers and acquisitions become a common way of creating international growth and expansion, it is critical for companies to be able to achieve success in the post-merger integration phase. Increasingly it is clear that cultural differences play a very significant role in this.

These mergers and alliances are fundamentally different from domestic ones, and have to be viewed in a slightly different manner. Since our virtual data rooms have the ability to host information in numerous languages, we provide a platform for cross-cultural communication and collaboration. Information may be presented simultaneously in a variety of languages, as well as in a Standard English format.

WHAT ARE THE KEY FACTORS IN ACHIEVING SUCCESSFUL POST ACQUISITION INTEGRATION?

Although the demand for M&A transactions has slowed recently, there seems to be a stronger focus on making those deals work. Historically, 50% of deal outcomes do not meet their goals and some turn into financial disasters. The buyer’s mindset must recognize that the agreement to acquire a company is just the beginning of the project. Like with any long-term deal or activity, M&As are marathons, not sprints, and a lot must be done to get the acquisition team “in shape” before pursuing acquisitions.

By attending conferences and workshops and studying the results of other successful and failed mergers, executives can better prepare themselves and their teams for the project ahead. By testing their own limits and knowledge of M&A practices, executives can approach these complex tasks and target a litany of new business opportunities.



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