A Post-Closing Checklist for Successful Integration

By Paul V. Reilly

NEW DIRECTION PARTNERS

"Closing" as in closing an M&A transaction has a nice ring of finality to it, and to be sure, bringing the deal to a successful conclusion is the objective that everyone connected with it wants to achieve.

But, like everything else in an M&A, closing is a process with a time frame and its own set of milestones. It doesn't happen simply by virtue of a handshake or a stroke of the pen. Instead, it's a sequence of events that can be managed to a point where the parties can at last say, "Congratulations – we did it!"

Most of the responsibility for managing the process of closing rests with the buyer, but the seller has a part to play as well. The seller's main task is give the buyer everything he or she needs to validate the final computation of the purchase price: something that can't be completed without auditing balance sheets, inventory, accounts receivable, and related financials. It's up to the seller to provide the necessary documentation, ensuring that all of it is up to date and accurate.

For the buyer, the closing sequence begins about a week before the formal announcement of the deal. In that period, the new owner's paramount concern is communication with three primary constituencies: customers, employees, and suppliers. The run-up also is when the buyer takes a careful second look at the economics of the transaction, aiming to verify that the numbers established in due diligence remain the numbers on which the closing can take place.

The buyer's introductory meetings with customers and other key stakeholders should be completed concurrent with the official closing date. In cases where there is customer concentration or risk of customer flight, the buyer's introductory meetings may occur a day or two before the official closing date.

The final step is to begin carrying out the implementation plan: a detailed strategy for making all aspects of the transaction work as the buyer wants them to.

The plan should address operations, sales, accounting, administrative systems, human resources, professional services, and the marketing and brand strategy of the combined business going forward. Its broad aim is to demonstrate why the acquisition is a good thing, particularly for customers.

Implementation plans are complex, and overseeing the execution of one almost always is a full-time job. The buyer should appoint a manager whose sole focus will be administering the plan and setting targets for its accomplishment. If the seller can recommend someone from within the acquired company who would be a good fit for the position, there'll be no need for the buyer to fill the slot with a member of his or executive team.

The mantra for successful implementation always is, customers come first. After closing, what the buyer expects customers to do and what they actually do can be very different things. Of the buyer's three constituencies, customers are the least susceptible to control – they act upon what their business instincts tell them. When customers aren't on board with an acquisition, it's at risk of failure.

This is why it's vital to keep a close watch on their moods and their behaviors as the implementation plan unfolds. Customers want to be reassured, first of all, that there will be no interruptions to their jobs in progress while the buyer absorbs the seller's operation. They're also keen to know whether the service relationships they've grown used to will continue under new management.

The key to satisfying their expectations on both counts is retaining trusted sales representatives and customer service personnel. Buyers should be cautious here. Transitions of ownership make employees prone to snap decisions about staying on, especially when they're not certain their positions are secure.

In today's low-unemployment job market, and especially within the recruitment-challenged printing industry, loss of talent can be a real threat to the success of an acquisition. The implementation plan should include measures to hold people in critical sales and CSR roles, including the payment of "stay bonuses" where appropriate.

Monitoring and measuring the progress of the plan is the key to keeping it on track. Weekly meetings, either in person or via conference calls, are the norm during the early stages of implementation; the frequency can change to monthly or quarterly later on. Benchmarks for customer relations, employee retention, and transaction economics should be made clear, along with strategies for meeting them.

Candor and transparency go a long way toward assuring a smooth integration after closing. While everything can't be disclosed to everyone, the buyer should share enough information to keep confidence up and rumors to a minimum. If there is bad news, such as staff reductions, to communicate, be up front about it. Employees usually can intuit what is happening, and the more details they get straight from the source, the less disruptive to morale the disclosure will be.

Generally speaking, it takes at least six months to a year after closing to fully confirm that the transaction economics are working and that the integration of the seller's operation with the buyer's is complete. In this industry, most selling owners move on to other stages of their lives and won't go through the experience again. Serial acquirers, on the other hand, can learn from each episode and build a playbook of do's and don'ts for the next deal.

Think of closing an M&A transaction not as shutting a door, but as opening one. This is, after all, why buyers pursue acquisitions in the first place. Buying a company or its assets is a first step. Making the most of the purchase after closing is a business objective with no time limit to restrain it.

New Direction Partners is an investment banking and financial advisory services formed by Peter Schaefer, Paul Reilly, Jim Russell and Tom Williams to serve the printing and related industries. Services include merger advisory services through the representation of selling shareholders as well as buy side representation, valuation services, financing and refinancing efforts, turnaround and restructuring services, and temporary/interim management consulting. To learn more about New Direction Partners, visit New Direction Partners' website at www.newdirectionpartners.com.