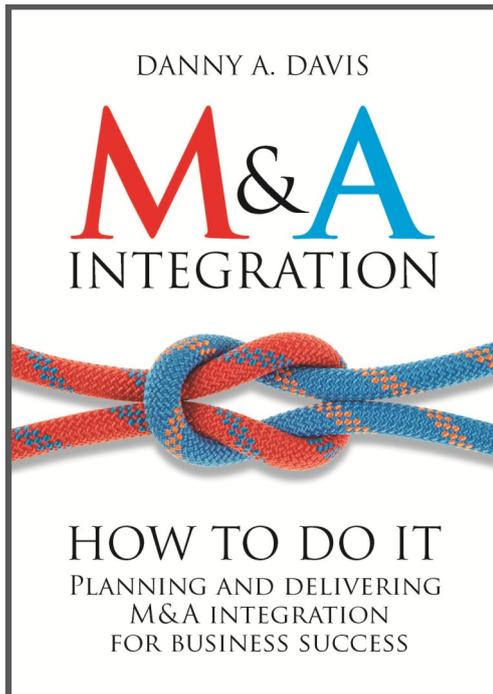


Interview with Danny Davis, author of 'M&A Integration—How to Do It'



Any MBA student can tell you that it is easy to find the M&A section in business school libraries. Here, you have a wealth of titles offering strategic advice with a focus on the pre-deal process, managing cultural and communications challenges. However, finding a good book which provides practical advice on M&A Integration proves to be much more difficult. Four years ago Danny Davis decided to address this shortage and set about turning his two decades' worth of integration experience into a practical, step-by-step guide on how to effectively manage M&A Integration. Danny has been through three mergers himself as an employee. He has acted as Integration Director for FTSE 100 businesses as well as small companies on deals ranging from £35m to £6bn, and is a guest Speaker at a number of the world's top business schools. He has also been published in numerous magazines. In short, Danny is well qualified as both an academic and a practitioner to share his insights. We asked him more about his book and his approach to M&A Integration.

Who is the book for?

The book is aimed at senior executives who will go through mergers. It aims to highlight the problems, dilemmas and the pros and cons of the various options available to them even though there is no perfect answer. It seeks to address the fact that many of the pre-existing M&A books lack explanation about why the various steps are important and don't go into any real detail. They are not really useful to the people actually on the ground doing the integration. My book goes into the detail of the full lifecycle of M&A integration, from strategy through to implementation and beyond and covers each business function, with advice on how to prioritise and how to navigate the internal politics which are always at play in an integration environment. It also seeks to highlight the home truths which come up in mergers and helps to save time and effort by providing possible answers to the key questions which come up in the integration process.

What are the biggest challenges and common pitfalls which organisations face when it comes to integration?

The biggest problem is that people don't plan. A solid plan is absolutely essential to a successful integration and you need it as early as possible before the deal goes ahead. To formulate a robust plan you need to involve someone who knows the business but also someone with merger experience to ensure you create a thorough '100 day plan'. A common mistake many companies make is failing to plan or failing to do this early enough. Subsequently they have little or no idea what they are doing on Day 1 and don't get the desired efficiencies in the required timescales from the merger.

What do you consider to be the most successful integration ever?

Funnily enough successful integrations are not often talked about; we hear a lot more about those that go wrong! I have recently been working with a Dutch company whose planning and self-awareness has made them very good at integration to date. They decided to buy their key competitors in a variety of countries and have so far completed 50 deals, with 20 more to go. All bar two of these deals have been a success, partly because they were aware, for example, that buying their second business in France would require a different integration approach to the first time around. Academic research generally shows that companies get better the more integrations they do with a blip between 50 and 60 deals before they improve again.

What do you consider to be the most unsuccessful integration ever?

There are many examples I can think of but I won't name names. One FTSE 100 business had successfully completed 6 small

acquisitions ranging between £20-£50m. It was their belief that they knew what they were doing when it came to the £450m acquisition and their failure to acknowledge that a change of approach was required that made this integration a real challenge for them. Another business I worked with still hadn't integrated the sales and marketing functions of both businesses 12 months after the acquisition which was having a huge negative impact on their revenue. They simply hadn't considered sales and marketing in their integration plan.

What is the key to a successful integration?

Good holistic planning which considers the impact on every business function is absolutely essential. Companies need a clear vision of what they are heading towards and how to get there. They need this as early as possible before the deal goes ahead. As part of the planning and integration process, they also need to ensure they involve people who are aware of the history and background behind the deal and who are familiar with company politics. A common mistake some Private Equity firms make is to remove the entire management team if mistakes are made during the integration process, removing knowledge of company history and links to the teams below.

In order to reap the rewards of good planning, a strong integration team and robust governance that enables clear decision making are required. The Integration Director must report into the board and connect all decision makers. This avoids slowing down the speed of delivery and helps benefits to be delivered at pace by making sure problems are raised and dealt with more quickly. Finally, the Integration team should include experts who have been through mergers before. Consultants (whether they be experienced interims or management consultants) may seem expensive, but their involvement will help the business reap the benefits of the integration more quickly and will be worth the investment.

What advice would you give someone who is about to take an Integration Lead role?

Ensure you are reporting into the board and have access to the key decision makers, especially at the beginning of the integration process. Ensure you are aware of the options available and are therefore able to facilitate difficult discussions and make decisions. Don't be afraid to hire someone who is an integration expert to work alongside you. Integration roles are often given to talented people in companies who haven't done deals before. This can mean that the integration process is painful for them and post-integration they move into another role vowing never to be involved in an integration again. The next Integration Lead in the same business will most likely be in the same position. By working alongside someone who can provide a framework and a process to help you manage the integration, things will go a lot more smoothly.

How would you describe the relationship between integration and change management?

They are interlinked as a deal seeks to improve a business by changing it. Change management is part of integration, as are the principles of programme and project management.

Is integration always the right strategic choice after an acquisition?

It is always the right choice but there are many possible degrees of integration. In some cases some functional heads will talk about 'consolidation' for example of IT systems after a deal. This still falls under the banner of integration. The key thing is for the business to have a clear strategy about the extent to which they plan to integrate before they go ahead with the deal. This ensures the planned synergies are accurate and factored into the deal price and that they are able to deliver on them.

Do you use the same skills in separation/carve out as in integration?

Yes. It is the same skill set but backwards. For one business I acted as the Integration Director for the purchasing company but the selling company didn't have a Separation Director so I also had to perform that role. I would say though that there are less politics at play during a separation than during an integration and so I personally find separation less complex on the whole.



M&A Integration: How to Do It - Planning and Delivering for Business Success.

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In this book Danny Davis takes the reader through the deal process, integration planning and final delivery. The chapters include tools and checklists that will prove invaluable in delivering the changes and improvements needed whilst planning. The book is a very practical and useful guide to anyone thinking about being involved with integration.

Acclaim for Danny Davis and the Book

"This book gives a good introduction and comprehensive overview to the topic 'M&A/ PMI'. Every company has to find its own approach and requirements but Danny Davis provides a pragmatic and practice orientated guide."

Bernhard Falk, Head of Practice Group PMI Excellence, BASF

"Every M&A expert recognizes that implementing a well thought out post-merger integration plan is the key to value creation. Davis draws on his extensive experience to provide a useful roadmap of issues to consider. This book will help managers face the complexities of post-merger integration with confidence and insight."

Phanish Puranam, Professor of Strategy and Entrepreneurship, London Business School

"I think this is one of the most comprehensive and straightforward guides to M&A's hat I have read. It demystifies a lot of the consultant speak and is pitched at the right level for managers and leaders who are most likely to face the M&A challenge."

Richard Beaven, Customer Service Director, Lloyds Banking Group – Insurance division, Lloyds Banking Group

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