M&A Integration: Choreographing great performance

PwC's 2017 M&A Integration Survey Report

March 2017

A publication from PwC's Deals M&A Integration practice

Table of contents

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The heart of the matter

As companies do more transformational deals, complexity rises and success increasingly depends on coordinated leadership over the integration process.

Dealmakers today are more ambitious than ever before. They're using M&A not only to improve the bottom line but to stretch their business, adding new and often unfamiliar capabilities.

Reaching into unknown territory for growth is, of course, riskier than combining organizations that have a lot in common. It requires leadership to take a coordinated approach to integration, with a focus on fostering a cohesive culture. After all, if people across the organization aren't on board with the transaction strategy, integration execution will likely falter.

PwC's tri-annual M&A Integration survey, here in its 20th year, has tracked the integration strengths and weaknesses of public-company M&A since 1997. Many lessons have held up well, regardless of the economic environment: Early planning, rapid execution, and long-term commitment to integration completion improve the odds that M&A will meet objectives and deliver value.

But this year's survey reveals new challenges. Even as companies get better at achieving certain goals, they're struggling to reach others—perhaps because their expectations are changing. Workforces are increasingly diverse and multigenerational, and most industries are undergoing some form of digital disruption. Though many business leaders judge it more prudent to buy than to build talent and capabilities they need to join the ranks of the disruptors. By definition, that may mean integrating a completely different type of organization, with capabilities far outside the acquirer's core.

The 2017 M&A Integration Survey Report explores the challenges in detail, allowing you to see what dealmakers are getting right about integration and where they need to improve. Along with the survey results, we offer our insights to assist you in making decisions when choreographing your organization's next big performance.

An in-depth discussion

When transformation is the goal, organizations find strategic success more elusive, particularly in go-to-market areas.

Finding #1:

Companies are achieving greater financial and operational success with their deals, but strategic success is getting harder to come by.

M&A goals are changing. Without question, many companies still use deals to achieve economies of scale and improve efficiency. But increasingly, they're also trying to achieve transformation.

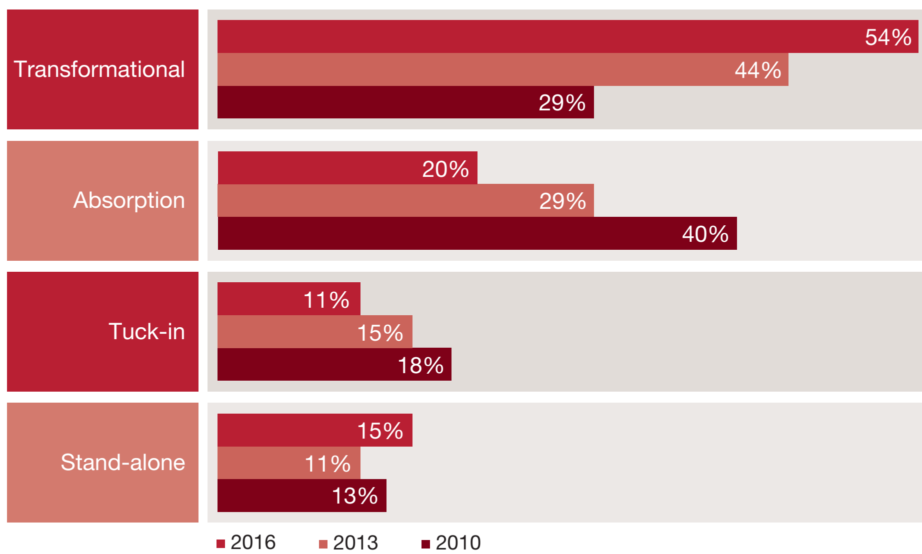
As Figure 1 shows, this trend continues to build. More than half of Fortune 1000 survey respondents described the largest transaction they completed in the last three years as transformational, up from 44% in 2013 and just 29% in 2010. Meanwhile, the number of absorption deals has halved since 2010, while tuck-ins show a modest but steady decline.

To some degree, the ongoing shift toward transformational deals reflects the global economy's steady recovery since the recession of 2007–2009. After the consolidation that many sectors experienced, there are simply fewer absorption targets available. However, other forces are at play.

Technology is radically remaking the way people all over the world work, shop, communicate, travel, get an education, invest, buy a home, entertain themselves, and even find love. Under intense pressure to innovate, many companies are clearly using deals to attain the capabilities they need to stay competitive. For some, that can mean integrating two very different business models and cultures.

***Figure 1:* Transformational deals continue to increase**

Acquisition type of the largest acquisition in the past three years:



Question: As for the largest merger or acquisition your organization has undertaken in the last three years, how would you characterize it by integration type?

Acquisition Type: A Quick Glossary

- **Transformational**—Deals that involve acquiring new markets, channels, products, or operations in a way that is transformative to the fully integrated organization.
- **Absorption**—Deals that involve acquiring and integrating similar companies as their own, such as industry competitors. This is sometimes called consolidation.
- **Tuck-in**—Deals that involve acquiring and integrating relatively small companies, generally to pick up key products or technologies.
- **Stand-alone**—Deals that involve acquiring but not integrating, and keeping the newly acquired entity operationally separate from the rest of the organization.

When a deal is transformational, strategic and execution risks are high. It's not surprising that under these conditions, survey respondents are reporting strategic success less frequently than in former years. As illustrated in Figure 2, more dealmakers say their transactions achieved operational success, and exactly half report a financially successful deal, up a smidgen from 2013. Only strategic success has grown harder to come by.

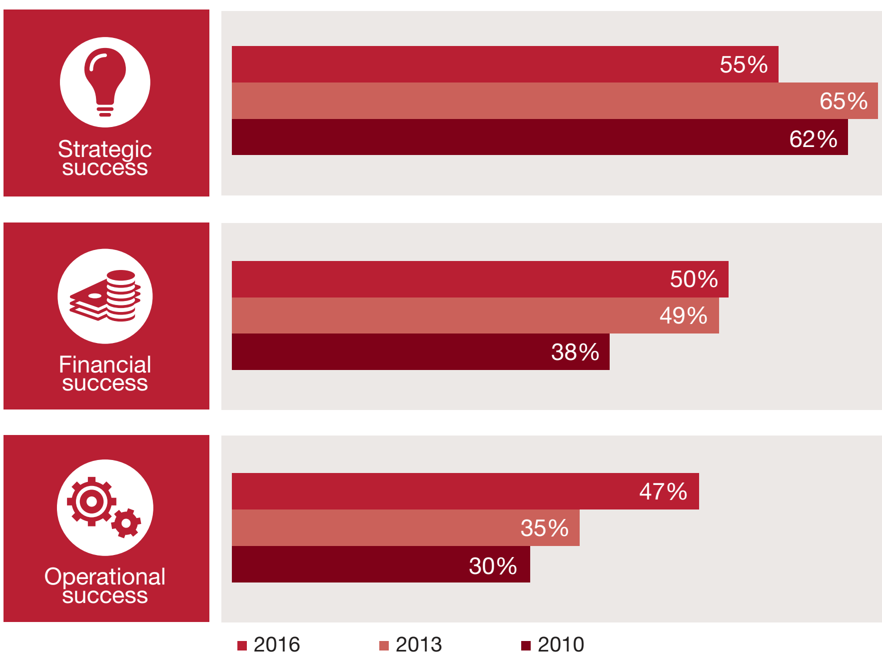
The higher financial and operational success rates represent an encouraging trend. Yet the decline in strategic success is striking and underscores the difficulty of realizing full value from a transformational deal. But this decline doesn't come as a surprise; in another PwC study, we found that deals enhancing or leveraging what companies do well consistently outperform others.[1]

Another finding in this year's M&A Integration survey highlights the difficulty: a sharp decline in the number of high performing deals. These are transactions where respondents report significant success in all three areas—strategic, financial and operational. High performing deals dropped to fewer than 5% of the total in 2016 vs. 24% in 2013.

Interestingly, only 50% of serial acquirers—respondents who have done eight or more deals in the past three years—reported strategic success, compared with 66% of respondents who did three deals or fewer. When it comes to meeting strategic goals, it appears practice doesn't make perfect.

***Figure 2:* Strategic success is getting harder to achieve**

Percentage reporting "significant" strategic, financial, and operational deal success:



Question: How would you judge the overall success of the largest merger or acquisitions your organization has undertaken in the last three years from the following perspective?

1 The Capabilities Premium in M&A, S+B (Issue 80, 2015)

Finding #2:

Regardless of the deal objective, reported success rates in go-to-market areas have declined.

Fewer companies in 2016 reported complete success in achieving their M&A goals—no matter what the goal. Figure 3 shows, on the left, the objectives that respondents described as "very important" in doing their deals; on the right are the objectives described as "completely achieved."

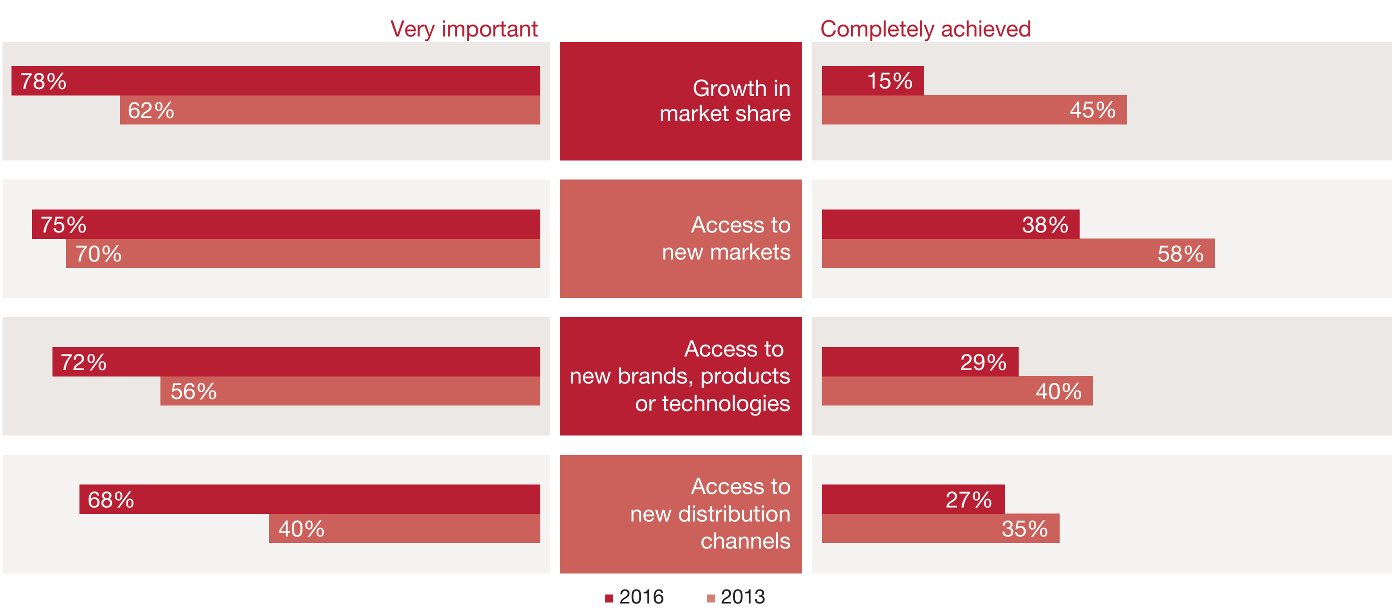
Growth in market share; access to new markets; access to new brands, products or technologies; and access to new distribution channels have all grown in importance as M&A objectives since 2013. For all four, the number of companies saying their transaction completely met its objective declined. Success rates fell dramatically—from 45% to just 15%—for those seeking growth in market share. And the percentage of companies that reported complete success in gaining access to new markets plunged from 58% to 38%.

The results suggest that go-to-market goals are getting tougher to reach. This makes sense given the rise in transformational deals, as companies increasingly want their deals to deliver new offerings to their existing customers or sell to an entirely new type of customer. In either case, this is harder to achieve given lack of knowledge and capabilities in the new spaces they are entering.

It's clear that regardless of the deal objectives, transformational deals prove to be the most difficult to integrate. This requires more executive leadership to better understand how the target company should be integrated, or not. Leaders should emphasize more discovery and openness to appreciate what capabilities are different about the acquired business, and how to protect and harness those capabilities.

***Figure 3:* Go-to-market goals are not being realized**

Percentage reporting deal objective was "very important" and "completely achieved":



Question: Considering the largest merger or acquisition your organization has undertaken in the last three years, how important was each of the following objectives for undertaking the deal? How successful was your organization in achieving your stated objectives?

An in-depth discussion

A disconnect exists between the difficulty of reaching strategic goals and the positive financial results many deals achieve.

Finding #3:

Most dealmakers are effectively capturing synergies and improving profitability.

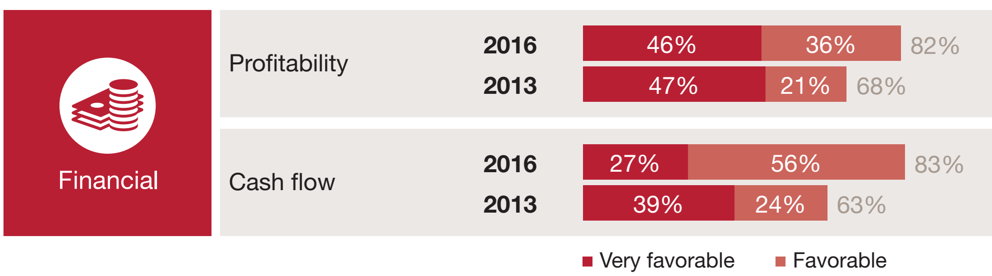
It's welcome news that companies are getting better at realizing financial benefits from their M&A transactions. As Figure 4 illustrates, on the whole, survey respondents reported encouraging success in profitability and cash flow, two critical areas of performance.

Figure 5 shows companies have made dramatic progress in realizing both revenue and cost synergies, with almost twice as many respondents as in 2013 reporting "very favorable" results.

What accounts for the remarkable improvement in financial results and synergy capture? One explanation may be that more companies are implementing leading practices in M&A Integration and value realization. As we'll see later, this year's survey shows integration teams getting involved in deal planning earlier than ever, and significant emphasis is being placed on tracking cost and revenue metrics. Synergies are also increasingly being tied to relevant corporate budgets and management compensation.

Figure 4: ***Financial results are improving***

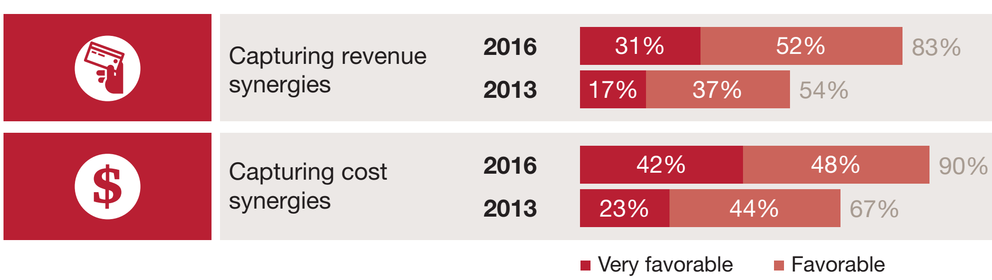
Percentage reporting "very favorable" and "favorable" results:



Question: How would you characterize the results your organization achieved in the following areas?

Figure 5: ***Synergy capture is on the rise***

Percentage reporting "very favorable" and "favorable" results:



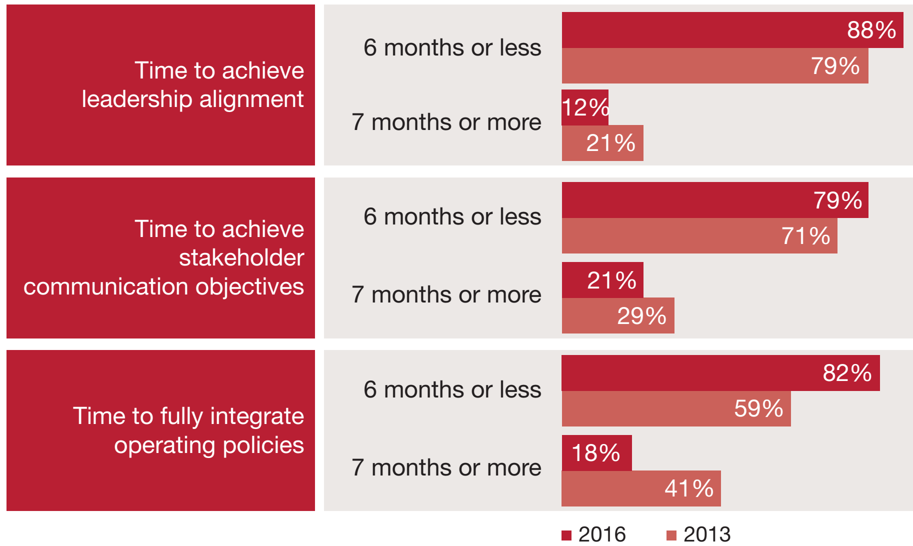
Question: How would you characterize the results your organization achieved in the following areas?

Survey respondents say they're integrating faster than ever before, particularly those in high performing deals. The period of time between deal announcement and close, and the initial period post-close, are critical to realizing quick wins and setting the course to deliver value over the long term. Figure 6 shows a shift towards accelerating integration in three key areas within six months of deal close.

- **Leadership alignment** – increase to 88% from 79% in 2013. People naturally follow leaders, and the sooner leadership selections are made and organizations are aligned, the faster people focus on listening to leadership and mobilizing to implement integration tasks.

- **Stakeholder communication objectives** – increase to 79% from 71% in 2013. Early and comprehensive communication increases customer focus, employee commitment and productivity, the speed at which decisions are made, and overall confidence in the direction of the integrating business.

***Figure 6:* Speed of integration has improved**



Question: How long did it take your organization to achieve the stakeholder communication objectives that were established at the outset of the deal? How long did it take the organizations to align leadership styles and speak with one voice? How long did it take to fully integrate operating policies?

- **Operating policy integration** – a huge increase to 82% from 59% in 2013. Employees better understand how to focus their efforts when operating policies are integrated. Quickly integrating operating policies helps solidify awareness of the company's direction and better positions employees to focus on the activities that matter most.

Another explanation for the improvement in realizing deal synergies may be found in the shift to transformational deals. Capturing revenue synergies is known to be a significant challenge, requiring company executives to better choreograph the integration and be held more accountable for performance. Unlike absorption transactions, with their heavy focus on cost synergies, transformational deals are more likely to rely on revenue synergies to justify their valuations. Furthermore, CEO and Board of Director compensation is increasingly tied to deal success, an incentive that encourages commitment from company leadership.

Finding #4:

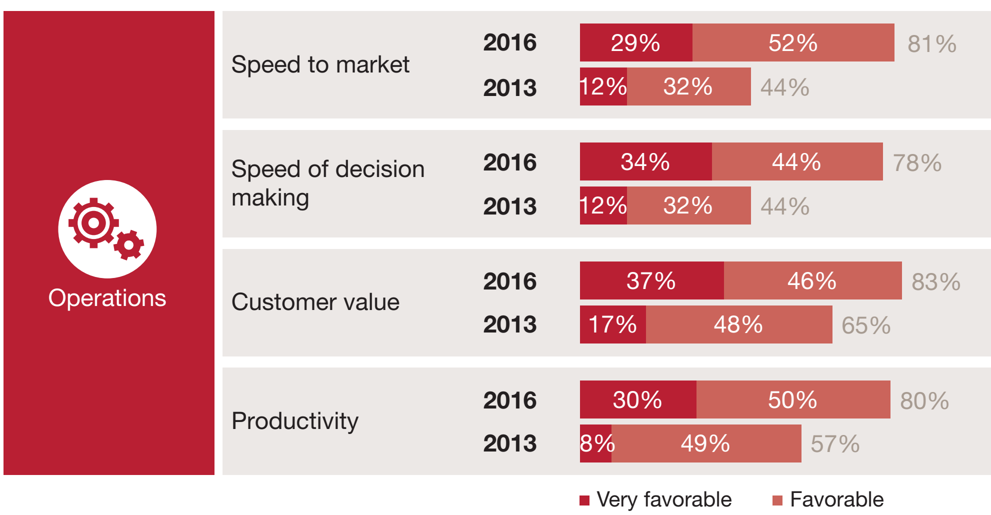
Transactions today more often achieve operational targets, though they are still hard to reach.

Among the most consistent findings of PwC's M&A Integration surveys has been respondents' difficulty in meeting their transactions' operational goals. As Figure 2 shows, operational success remains the highest hurdle—an indicator of the challenges of integration. Only 47% of respondents say their most recent transaction was an operational success.

However, that percentage has been steadily improving, and this year's survey shows companies have gotten better at integrating operations in some critical areas. As illustrated in Figure 7, speed to market, speed of decision making, customer value, and productivity have all significantly improved.

***Figure 7:* Integrating operations is improving**

Percentage reporting "very favorable" and "favorable" results:



Question: How would you characterize the results your organization achieved in the following areas?

An in-depth discussion

Many organizations are climbing the maturity curve in integration skills, though integrating people and across functions and geographies continues to be a challenge.

Finding #5:

Companies are focusing on integration earlier in the M&A process and shifting integration skill sets to meet their deal needs.

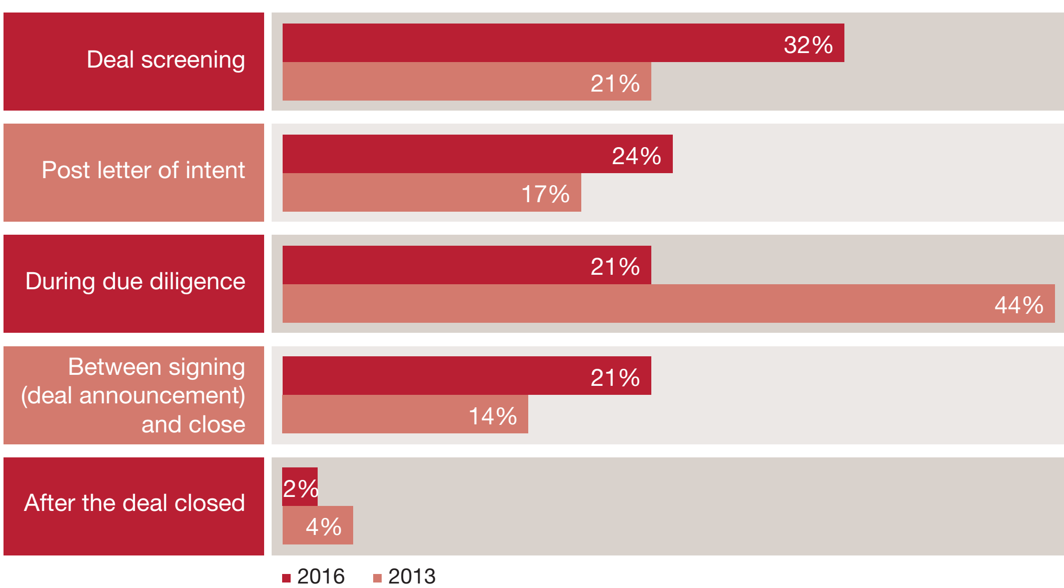
Even as companies are improving operational integration results in many areas, the challenges are mounting as acquirers reach beyond their comfort zone to do transformational deals. When transformation is the strategic goal, early involvement and having the right skill set to deliver become more urgent.

If you want a deal to transform your business, due diligence is too late in the process to begin asking how people will actually work together. Many more companies now address that question during deal screening. As illustrated in Figure 8, the percentage of respondents that brought their integration team into the M&A process during deal screening rose to 32% from 21% in 2013. The number of respondents that waited until due diligence dropped by more than half.

When respondents were asked when they should have started integration, reflecting back on their deal, the feedback was clear: They wish they had started earlier in the deal process. Since our surveys began in 1997, companies have been launching the integration team into action earlier and earlier in the deal process, as many aspects of integration evolve into more science than art. This accelerating trend helps explain the financial and operational improvements that organizations are reporting in many areas.

***Figure 8:* The integration team is getting to work earlier**

When did the integration team get involved:



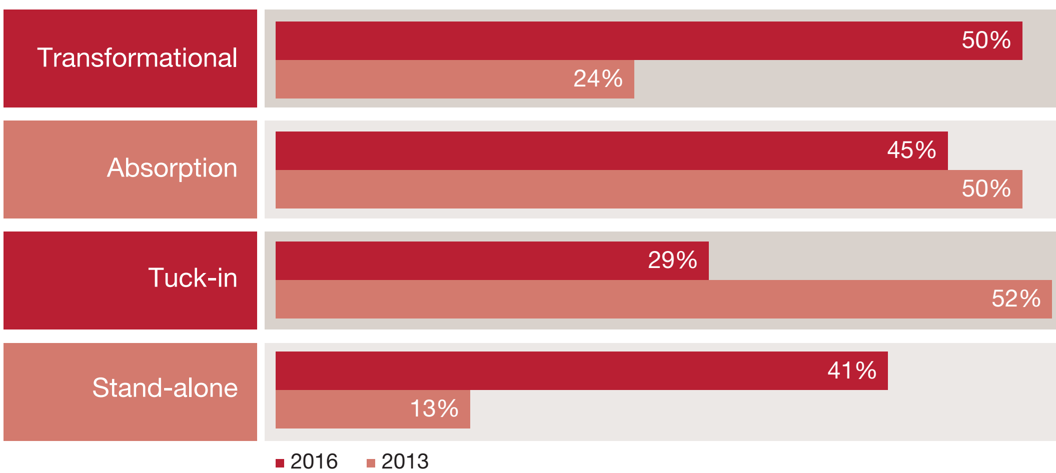
Question: At what point in the deal process did the integration team get involved?

The integration team's earlier involvement is another result of the rise in transformational deals, whose far-reaching strategic implications require earlier efforts to realize value. C-suite executives, with Board members close behind them, are scrutinizing these deals more closely and demanding that integration planning begin promptly—almost as soon as the deal rationale is developed.

As companies build capabilities to meet deal requirements, integration teams' skill sets are shifting to reflect the increase in transformational deals. Figure 9 shows significantly more dealmakers report competency in integrating transformational transactions. The percentage of respondents who rate themselves competent in such deals has more than doubled to 50% from 24% in 2013. Meanwhile, core competence in absorption and tuck-in deals has declined, while stand-alone deals have increased. All these changes are consistent with the types of deals being done, as previously illustrated in Figure 1.

***Figure 9:* Organizations are shifting integration skill sets to meet their deal needs**

Experience level of "core competence" by acquisition type:



Question: How would you rate your organization's experience level across the following acquisition types?

Finding #6:

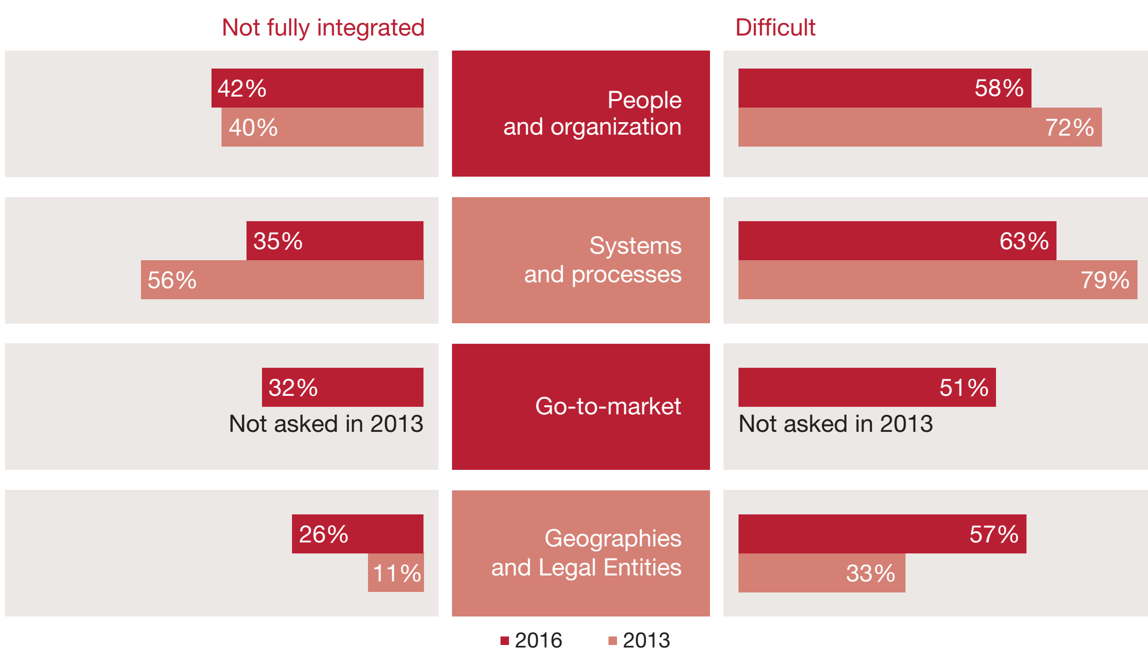
Integration across functions and geographies is a challenge.

As we found in the 2013 survey, companies tend to lack commitment to integration completion over the long term, and have difficulty completing integration in critical areas. In this year's survey, too, we find that despite earlier involvement in the deal process and better alignment in integration skills, Figure 10 continues to highlight some of the most difficult areas to integrate, along with their respective results for integration completion.

The most striking increase in reported integration difficulty was in the area of geographies and legal entities, where 57% of respondents said integration was difficult, up from 33% in 2013. This isn't surprising, considering that 80% of respondents' deals in 2016 involved cross-border integrations, an increase of 20 percentage points from 2013. Integrating country by country often requires significant resources and substantial coordination, and it is considered a significant challenge as a result. Time zone differences, cultural differences, and geographic distance are common hurdles to integration efficiency.

***Figure 10:* Cross-border deals and cross-functional areas are the most difficult to integrate**

Percentage reporting "not fully integrated" and "difficult":



Question: What areas do you feel were not fully integrated? How difficult did your organization find integrating the following areas?

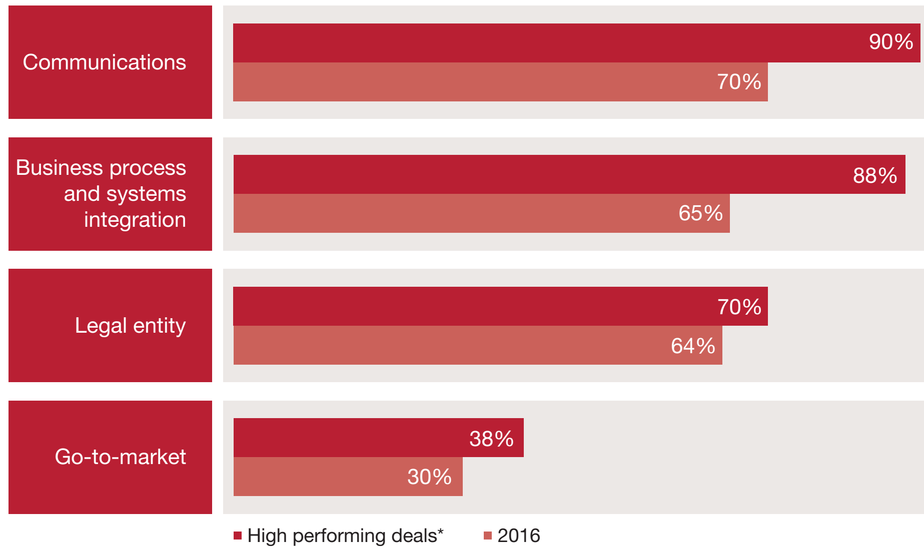
As we discussed earlier, go-to-market (GTM) objectives are rising in importance as transformational transactions increase. Yet according to Figure 10, almost one third (32%) of respondents weren't able to fully integrate GTM functions, and over one-half (51%) found GTM integration difficult. (Note that GTM was not asked in 2013.)

Integrating business processes and their underlying information technology systems has been a significant challenge ever since our surveys began. People and organization have also been difficult to integrate. In fact, respondents have named these areas as the top two post-close integration challenges since 1997—not surprisingly, as IT and people integration often require the longest commitment.

As Figure 10 shows, this year's survey is consistent with former results. The good news is that IT integration shows improvement from 2013, with the percentage of respondents reporting difficulty dropping from 79% to 63%, and those not achieving full integration declining from 56% to 35%. People and organization integration is also less frequently described as difficult, although 42% of respondents report integration in these areas was incomplete. Not coincidentally, fewer than half of respondents (45%) described themselves as "completely committed" to integrating people and organization over the long term.

***Figure 11:* Dedicating resources to cross-functional areas can increase deal success**

Percentage reporting cross-functional teams engagement:



Question: Which cross-functional teams does your organization include?
**Deals where respondents report the highest level of success in all three areas of performance—strategic, financial, and operational.*

These results reveal where companies most often get hung up and where executives should ensure commitment and focus on choreography. In fact, Figure 11 shows that deal success improves when cross-functional teams are more engaged.

Our experience shows that a well-designed Integration Management Office (IMO) helps an integration stay on course and focus on the right activities at the right times. On larger-scale transactions, the IMO should be effective at launching cross-functional work streams with dedicated project leaders. Integrations often force individual functions to choreograph and execute activities outside their normal (non-integration) day-to-day operations. Cross-functional workstreams in an integration are coordinated to manage interdependencies and better enable the transition to end state operating models.

Finding #7:

People integration remains a challenge.

Figure 12 shows the importance in gaining access to management and technical talent as a deal objective has more than doubled (from 15% in 2013 to 33%), yet there has been a 20% decline in completely achieving this goal (from 36% in 2013 to 29%).

As discussed, people integration can be particularly difficult in a transformational deal, which may involve different business models, go-to-market approaches, and capabilities. Often, the difficulty is due to lack of a cohesive, choreographed plan for the workforce transition and insufficient involvement by human resources staff in deal planning and process. Leadership must also address "soft" issues like culture and communication that are tough to track with conventional metrics, but can be crucial to strategic success. Successful integration involves detailed planning and execution when assessing leaders, retaining the right people, designing the organization, aligning cultures, and communicating effectively.

***Figure 12:* People objectives are not being realized**

Percentage reporting deal objective was "very important" and "completely achieved":

Question: Considering the largest merger or acquisition your organization has undertaken in the last three years, how important was the following objective for undertaking the deal? How successful was your organization in achieving your stated objective?

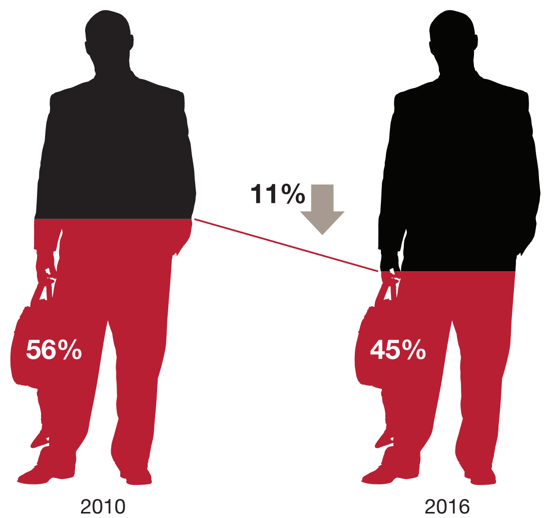
Commitment to integrating people and organization should focus on engaging and retaining pivotal talent. Finding the right incentives for retaining key people during the transition and for the long term can be a challenge. Figure 13 shows that fewer than half of the 2016 survey respondents were successful at retaining employees through the transition, and the percentage has fallen by 11% since 2010. (Note that this question was not asked in 2013.)

One reason for the decrease could be lack of clear direction for employees and suboptimal morale, as shown in Figure 14. Fear, indecision, and just plain confusion can often paralyze companies until people have some sense of where—and even if—they fit within the new organization and what will be expected of them.

Good talent is hard to come by and even harder to replace. This is why people issues must be a priority before and after the transaction closes. More complete commitment to people integration over the long term (as mentioned above) and a comprehensive change management program can make a difference. But until integration leaders rise to these challenges, dealmakers will continue showing poor results on people matters.

Figure 13: ***Retention has become harder***

Percentage reporting “significant success”:



Question: How would you characterize your organization’s success at retaining key employees for the transition period in which they were most needed?

Figure 14: ***Employee morale and understanding needs to improve***

Percentage reporting “very favorable” results:

Question: How would you characterize the results your organization achieved in the following areas?

Change Management in M&A Integration:
PwC's Seven Critical Drivers of a Successful Program

Companies commonly miss the opportunity to design and implement an effective change management program to align and motivate people in delivering deal objectives. Integration strategy and structure may be well planned and organized at the forefront, and tactical implementation at the functional level may be designed for discipline and rigor over the long term. But these may not be enough, particularly in large-scale or transformational transactions.

Even if a company shines a light on the need for change management, the approach is often "soft" and without a set of concrete and actionable items, or fragmented and addressing only one or a few of the critical drivers to succeed.

Companies that implement an effective change management program concurrent with the establishment of integration structure and launch of tactical implementation can significantly improve employee commitment and productivity, speed and effectiveness of decision making, and confidence in the direction of the integrated business.

Designing an effective change management program in integration should include seven critical drivers of success, all in sync with the integration strategy, and centrally managed at the executive level.

1. ***Culture:*** Corporate culture is the set of entrenched behaviors that characterize how a company gets things done. Cultural integration is about behavior change—not rhetoric. Changing cultures in an integration focuses on three critical areas: 1) defining desired behaviors, 2) deploying key role models, and 3) providing meaningful incentives.

2. ***Communications:*** Communication is the voice of the change management program for the integration. Communication is a stabilizer. It keeps people focused and energized rather than confused and perplexed. It builds support for a new business proposition, new leadership and organization, new ways of working, and other changes on the horizon.

3. ***Leadership:*** People follow leaders. Swift selection of key management positions early in the transition is critical to clarifying authority, assigning accountability, and mitigating the crippling effects of uncertainty.

4. ***Organization:*** Changing roles and complex interrelationships are not clarified with the publication of a traditional organization chart. People want to know what is expected of them, what they are accountable for, what decisions they own, and what decisions they share.

5. ***Policies and Procedures:*** Organizations enter transactions with fully functioning, self-contained processes and practices. During integration, the combined company should clearly define the go-forward policies and procedures that will enable new ways of working to achieve desired results.

6. ***Employee Onboarding:*** A change management program would not be complete without appropriate employee onboarding and training. The integration will have many changes in policies, procedures, systems, and processes that will alter the way people work. Companies should identify areas that require integration training and design effective development programs.

7. ***Incentives:*** Incentives play a key role in changing behavior. During an integration, it is important to recognize the contributions of people that exhibit desired behaviors. Incentives can be in the form of both monetary and non-monetary rewards that will change behavior.

An in-depth discussion

Dedicated integration leaders and a well choreographed integration team can drive better deal performance.

Finding #8:

Executive incentives and dedicated integration leadership drive deal performance.

As we've seen, companies increasingly expect their deals to drive transformation and provide a competitive edge in a fast-changing environment. Leadership is critical to making this happen, and with the bar for M&A so high, C-suite executives and even Board members are increasingly accountable for deal success.

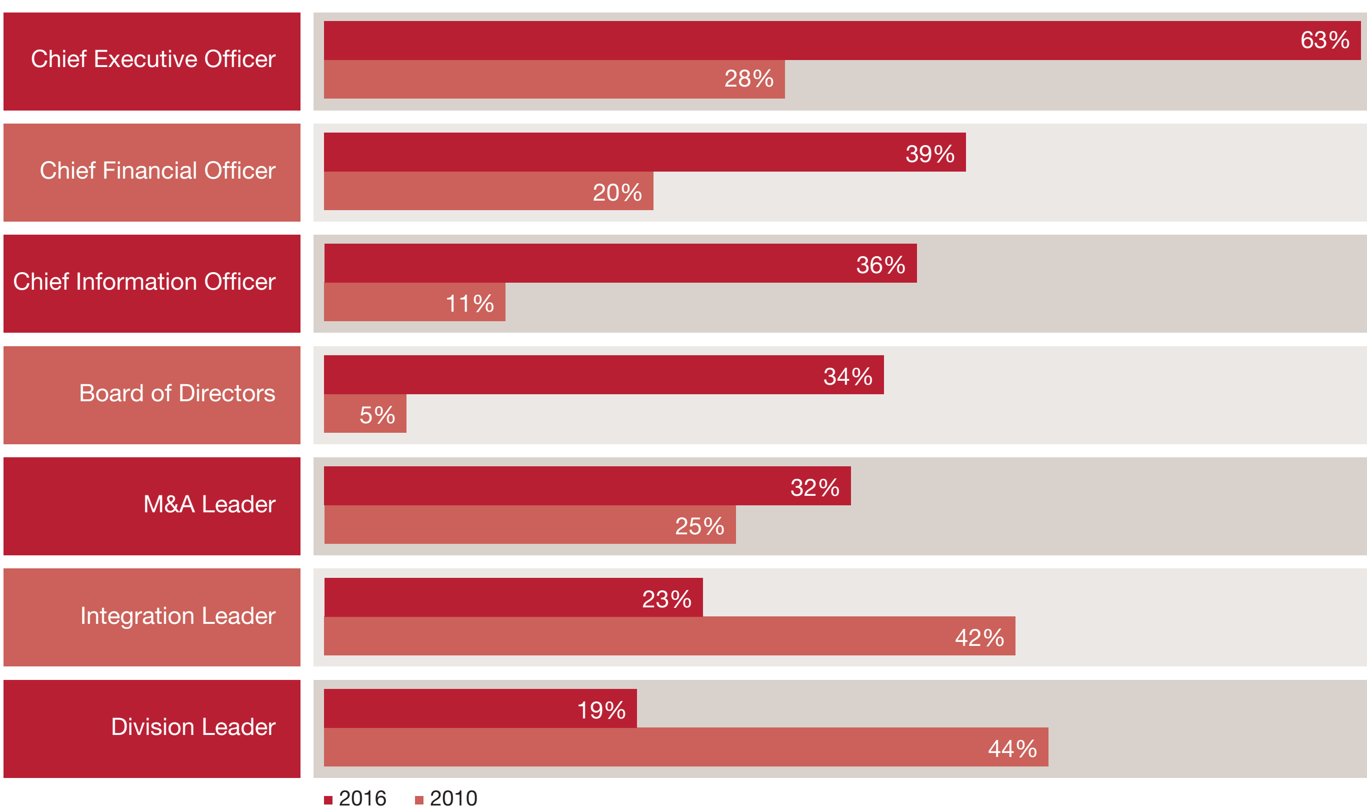
Our experience shows that companies often lose integration momentum between six months and one year after transaction close. Some common reasons observed include:

- Changing economic, competitor, or business landscape that shifts focus to other priorities.
- Unbudgeted or limited budget for integration costs to execute long-term business process and systems integration.
- Lack of discipline or set of integration processes to manage the long haul.

Who then is ultimately responsible for the deal? Figure 15 shows that 63% of survey respondents in 2016 tie CEO compensation to achievement of M&A goals, up from just 28% in 2010. (Note that this question was not asked in 2013.) Surprisingly, the increase in Board member incentives has been just as dramatic, reported by 34% of respondents vs. a mere 5% in 2010. By contrast, the percentage of respondents tying division leaders' pay to deal success has plummeted to 19% from 44% in 2010.

***Figure 15:* Board members and senior management are increasingly accountable for deal success**

Percentage reporting compensation linked to deal success goals:



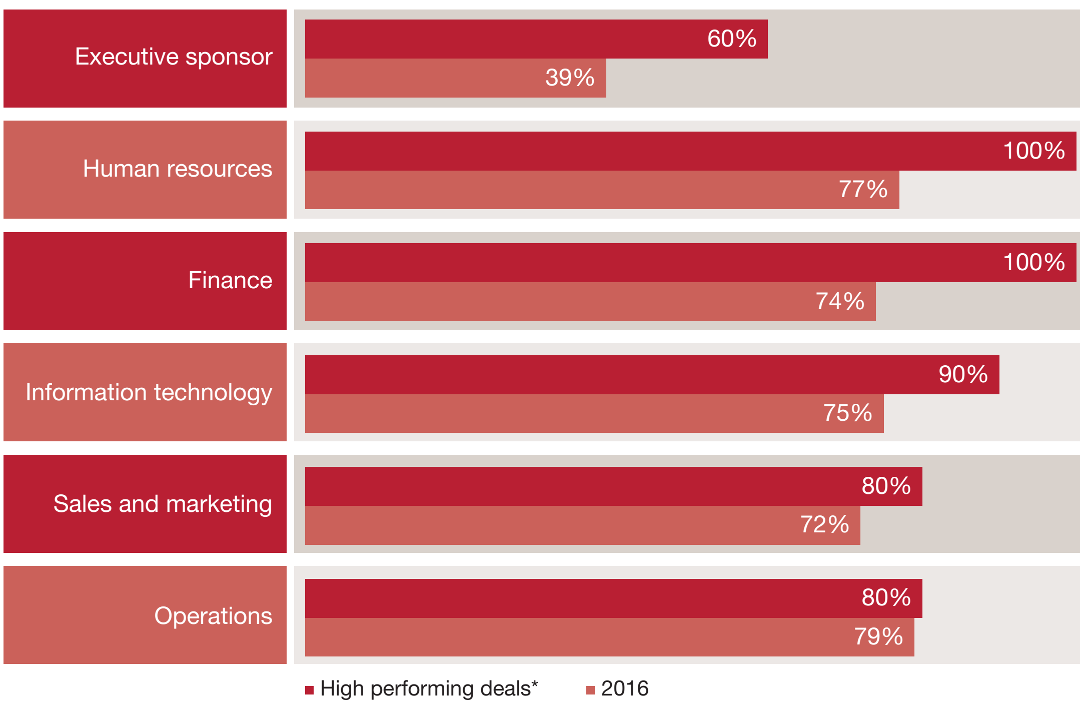
Question: Whose total compensation, if any, was directly linked to the achievement of deal success goals?

Accountability for deal performance also increased substantially for the Chief Financial Officer (almost doubled) and the Chief Information Officer (over tripled). This trend may be contributing to the improvement in capturing synergies and financial success, along with the improvements in IT and systems integration.

However, while the Board and C-suite may have more skin in the game, that doesn't always translate into coordinated leadership during M&A Integration. As Figure 16 illustrates, surprisingly few respondents have full-time executive sponsors or dedicated functional personnel to choreograph activities. The percentages are markedly greater for high performing deals. This isn't a surprise, as our experience shows that dedicated leaders, committed over the long term, are able to sustain focus on deal objectives and synergies.

Figure 16: ***Deals do better with dedicated leaders and personnel***

Percentage reporting personnel "full time (permanent job or special project)" results:



Question: What type of personnel are dedicated to the integration?

** Deals where respondents report the highest level of success in all three areas of performance—strategic, financial, and operational.*

Finding #9:

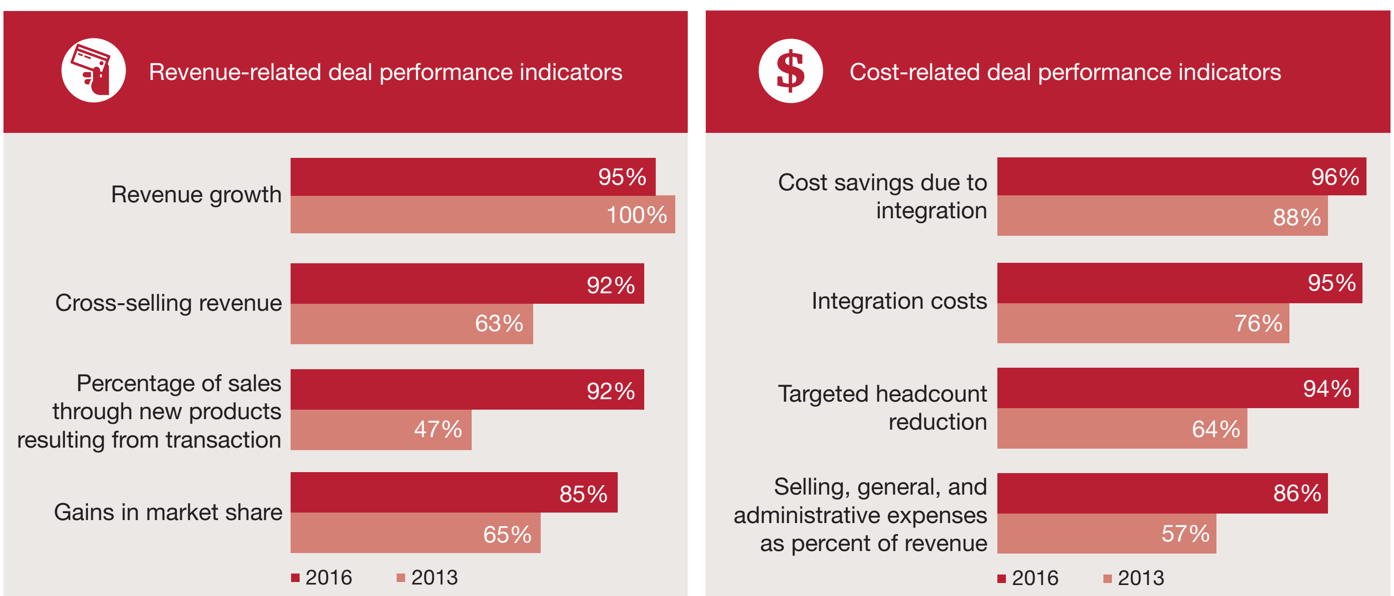
Deal performance should be monitored frequently and include key metrics.

As the old adage says: If it doesn't get measured, it won't get done. Without synergy tracking, there's no synergy reporting, and without synergy reporting, there's no evidence that the deal is being measured or managed effectively. Figure 17 shows organizations are tracking deal metrics more than ever before. Some revenue metrics that were tracked on a limited basis in the past are now more common.

As discussed, companies reporting greater overall deal success also report a stronger connection between executive and Board total compensation and the achievement of integration goals. It is important for senior management to take a visible role in championing these goals and metrics to help promote consensus, commitment, and accountability.

Finally, to improve deal success, companies should stay focused on the value drivers behind the deal and have a disciplined approach to delivering synergies and other integration objectives over the long-term. This includes developing sound operating and synergy targets during the due diligence process, planning robustly during early integration, and committing both capital and human resources to deliver against goals.

***Figure 17:* Deal performance indicators are important to track deal success**



Question: Please indicate what types of cost/revenue-related KPIs or metrics your organization used to measure the success of the deal.

What this means for your business

Choreographing great integration performance requires early involvement of integration leadership and a long-term commitment to achieving transaction objectives.

There's no mystery to delivering deal value. Dealmakers know what to do and are getting better at doing the right activities at the right time.

But the chance to falter increases if there isn't a dedicated leader to take a coordinated approach to integration. Transformational deals require more choreography across functions and geographies than ever before.

In the deals you undertake, start by asking yourself a few key questions, answering them candidly and completely:

- **Is your integration strategy aligned with your deal strategy?**
- **Is your integration team involved early enough?**
- **Do you understand the capabilities of the business you are targeting?**
- **Who is your choreographer? Do you have the right leader(s) driving the deal and integration?**
- **Do your leaders and key people have the appropriate incentives to achieve your deal and integration goals?**
- **Do you have dedicated leaders and teams in complex and challenging areas, such as go-to-market, people and organization, systems and process, and geographic and legal entity integration?**
- **Is your change management program linked to your integration strategy? Does it include the seven critical drivers of a successful program?**

Only you know the answer, but your shareholders also may have opinions, as the value of their portfolios rise and fall based on the success of your deal making.

With a good strategy, the right target, and appropriate deal terms, M&A success becomes all about execution.

If you start integration planning early, Accelerate the Transition®, sustain commitment over the long term, and drive a comprehensive and coordinated change management program, you have a better chance of enjoying great performance.

Choreographing great performance will be highlighted in the deal results and create rewards that benefit both you and the company.

PwC's Seven Fundamental Tenets of Successful Integration

Capturing sustained economic value in a merger or acquisition is a significant challenge. Regardless of deal size, complexity, or geographic reach, some fundamental tenets are key to success for realizing deal objectives.

1. **Accelerate the transition®.**
   There is no value in delay. It is critical to focus on obtaining bottom-line results as quickly as possible to maximize shareholder value. Prolonged transitions slow growth, reduce profits, destroy morale and productivity, and lead to missed opportunities and loss of market share.

2. **Define the integration strategy.**
   Integration is a highly tactical effort, and the tactics must be implemented in ways that capture and protect the value of the deal. Integration priorities are easier to identify and execute when a clear integration strategy is well defined and communicated.

3. **Focus on priority initiatives.**
   Shareholder value must drive the allocation of resources for meeting those priorities. First, potential sources of value capture and value creation must be chosen. Then resources get allocated based on potential financial impact, probability of success, and timeline requirements.

4. **Prepare for Day One.**
   Critical Day One tasks need to be identified early, before longer-term, more detailed planning commences. This allows for prompt identification of long lead-time items, well before they can turn into closing day surprises.

5. **Communicate with all stakeholders.**
   Communicate early and often with all stakeholders, including customers, employees, investors, suppliers/vendors, and the general public. Communications should give the reasons behind the deal, specify the timing for key actions, and be candid in about what is known and also what is unknown.

6. **Establish leadership at all levels.**
   Integration efforts require significant, high-quality resources, including committed members of the executive team. It is critical to assign accountability, define functional authority, and establish role clarity.

7. **Manage the integration as a business process.**
   The larger the transaction, the more challenging the integration, and the greater requirement for a well defined process to focus resources and capital on the right activities at the right times.

Methodology

PwC has been conducting its M&A Integration survey since 1997. In late 2016, PwC partnered with Oxford Economics, an independent survey firm, to survey senior management from a sampling of Fortune 1000 companies that had completed mergers or acquisitions in the previous three years. The goal of the study was to understand the current state of M&A Integration practices and evaluate their impact on management's assessment of deal success.

We asked Oxford Economics to conduct telephone interviews with these executives. Respondents participating in the telephone survey were guaranteed anonymity for themselves and their companies and were screened to ensure they had direct, firsthand knowledge of the issues their organizations dealt with during the M&A Integration.

Industry:

- *27%* Industrial products and services
- *25%* Technology
- *13%* Pharmaceuticals
- *12%* Media and Communications
- *10%* Financial Services
- *7%* Health Services
- *6%* Retail and Consumer

Revenue:

- *43%* $10 + billion
- *31%* $5–10 billion
- *26%* $1–5 billion

Of the ***151 respondents*** participating in the survey, ***32%*** were at the senior executive management level, with titles including CEO, President, COO, CFO, CIO, EVP, and SVP. The remaining ***67%*** were Vice Presidents from corporate development, strategy, sales and marketing, operations, information technology, finance, and human resources.

If you would like to participate in future surveys, please contact ***pwcdeals@us.pwc.com***.

Acknowledgments

For a deeper discussion on the content of this paper or other deal considerations, please contact one of our practice leaders or your local PwC partner.

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