Effective Acquisition Integration Requires Focus and Speed

We work with private equity firms to conduct operational due diligence and to create an implementation plan to rapidly realize full potential. In our experience, the first two years are critical to ensuring effective acquisition integration. Learn about strategic priorities for ensuring success.

When It Comes to Acquisition Integration, Make Changes Quickly but Don't Lose Your Focus on the Business Strategy.

Everyone knows, when a private equity firm buys a company, there are going to be changes.

We recently attended a PE Operating Partners conference in New York where several on-site polls underscored this point. Of the roughly 300 operating partners in attendance, 9 out of 10 said the first two years offer the best opportunity to generate new value, which starts with major organizational changes. And 8 out of 10 said the incumbent executives at acquired companies typically aren't capable of driving that value creation, and a new leadership has to be brought in. While this wasn't a scientific sample, it's both intuitively true and borne out in my experience. To paraphrase the popular saying, doing what's always been done with the same people and expecting different or better results is the definition of insanity.

While structural and leadership changes are often necessary following an acquisition by a PE firm or by any company, strategic consistency must be maintained during the integration process. Too many companies lose focus. One reason is that the acquisition team is typically working on multiple targets. That's their lifeblood. As soon as they close one deal, they hand everything off and move on to the next one.

Outside of PE firms, individual companies make comparatively few acquisitions. As a consequence, the integration process is not a core competence of the business or of managers, making it more likely to drift away from the original purchase objectives. For example, acquisitions are often justified as an opportunity to expand market share. In such cases it makes no sense for the transition team to go in and start shrinking product offerings by focusing on demand segmentation and trimming dead SKUs.

We've seen this happen in large part because the integration team thought their mandate was to focus primarily on costs. Similarly, if the objective is to integrate the acquired operations into your company's existing footprint, there's no point in spending time trying to improve processes where they currently are. The focus needs to be on moving the production operations into your business as quickly as possible.

Unless the due diligence was flawed, to achieve the anticipated returns the integration process must stay aligned with the rationale and strategy that drove an acquisition in the first place. Our next blog post addresses the impact of sub-par leadership and provides some real-world practices that can help maintain this strategic alignment.

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Bill Remy is the former CEO of TBM Consulting Group and currently serves on the TBM Board of Directors. His career expertise includes deep knowledge of operational performance improvement, site transitions, acquisition integration, new product development and supply chain management.

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