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M&A Integration Checklist

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PRACTICAL LAW CORPORATE & SECURITIES

A Checklist highlighting key steps in the integration process following the closing of a merger or acquisition.

Post-closing integration is an important driver in determining the overall success of an acquisition transaction. The buyer must approach integration thoughtfully and in an organized manner. This Checklist highlights the key elements in the post-closing M&A integration process.

Post-closing integrations are usually complex and involve hundreds of individual tasks and action items. This Checklist is not intended to represent a comprehensive integration plan. Integrations vary by company and depend on the strategic goals of the business, the structure of the transaction and industry in which the companies operate.

This Checklist provides a general guide to organizing the process and highlights some of the key areas where the buyer should focus its integration efforts. For more information on M&A post-closing integration, see *Practice Note, Preparing the Buyer for Post-closing Integration (http://us.practicallaw.com/8-580-2005)*.

UNDERSTAND THE STRATEGIC REASONS FOR THE ACQUISITION

- Be clear on the strategic objectives of the acquisition. These reasons drive the direction and pace of the integration.
- Determine if particular synergies were identified and included in the valuation of the acquisition. If so, ensure that the integration plan addresses and incorporates those synergies and dependencies on other groups.
- Determine if specific revenue or cost cutting targets were identified, and if so, if deadlines were assigned for achieving those targets.

EARLY ACTIONS RELATED TO THE INTEGRATION

- Define the integration strategy and scope. Identify the strategic objectives and guiding principles for the integration plan.
- Determine if the integration should be run with either a:
  - "light touch," with most of the target company's operations and management remaining intact; or
  - "full" integration model where the target is completely folded into the business.

  (See *Practice Note, Preparing the Buyer for Post-closing Integration: Understanding the Integration Process (http://us.practicallaw.com/8-580-2005#a660552)*.)
- Develop the framework of the integration plan. Consider the major objectives of the various business functions and how the integration steps should be prioritized.
- Assess the target company from an integration perspective. Perform due diligence to determine how to customize the integration process. Consider if the purchase agreement (specifically, the post-closing covenants) requires any modifications based on the results of the assessment (see *Practice Note, Preparing the Buyer for Post-closing Integration: Completing an Assessment of the Target (http://us.practicallaw.com/8-580-2005#a392229)*).
- Understand and comply with any antitrust requirements under Hart-Scott-Rodino Act or other foreign competition laws. This may impact the timing and pace of integration (see *Avoiding Gun-jumping in Corporate Transactions Checklist (http://us.practicallaw.com/6-507-3328)* and *Practice Note, Information Exchange and Integration Planning in M&A: Antitrust (http://us.practicallaw.com/5-383-7853)*).

BUILD THE INTEGRATION TEAM AND GOVERNANCE MODEL

- Appoint an integration team leader. This is an important and time-intensive role. Like the quarterback of a deal team, this person coordinates with specialists in the various core areas of the business, known as workstreams (such as human resources (HR), information technology (IT), marketing, sales, accounting, finance and legal) and ensures that the integration remains on track. This person must also be available to address, and if necessary, escalate any issues that arise throughout the integration and manage resolution of the issue (see *Practice Note, Preparing the Buyer for Post-closing Integration: Building the Integration Team (http://us.practicallaw.com/8-580-2005#a835498)*).
- Build the integration team. The team should include a point person from each of the workstreams, known as the workstream leads. Workstream leads appoint members who have the resources to carry out the workstream tasks.
- Design the governance model for the integration team and reporting structure. This involves an executive or steering committee that has ultimate oversight of the integration and decision-making capabilities, with the integration team leader reporting up on a regular basis. Workstream leads should meet with their workstream members frequently and report progress to the integration team leader (see *Practice Note, Preparing the Buyer for Post-closing Integration: Governance (http://us.practicallaw.com/8-580-2005#a1037154)*).
- Identify which team members will support employees through the transition.
- Consider how involved employees should be in integration and ensure messaging from senior management supports their efforts. This is a balance between keeping employees positive and engaged in the integration process and maintaining a business as usual posture.

DEVELOP THE INTEGRATION PLAN

- Identify the tasks that need to be accomplished (set out by workstream) to integrate the target according to the strategic objectives. Be as specific as possible. If there are any other required actions that are related to a task, clearly identify them (see *Practice Note, Preparing the Buyer for Post-closing Integration: Designing the Plan (http://us.practicallaw.com/8-580-2005#a591129)*).
- Identify the responsible persons for each task and deliverable.
- Determine when the tasks need to be completed and set deadlines.
- Determine the integration's critical path. This path ties directly to the strategic objectives.
- Review goals and progress with the executive or steering committee and update the integration plan accordingly.
- Review and update the integration plan regularly.

CREATE A COMMUNICATIONS STRATEGY

- Appoint communication leaders (ideally from both the buyer and the target) to oversee all employee communications relating to the integration. In some cases, it may make sense to have an entire team devoted to communications. If so, determine the governance and structure for that team.
- Decide how the integration team communicates with employees. This may be done through a variety of ways such as employee town hall meetings, an employee welcome package, an internal website, regular newsletters or emails and open office hours (for HR questions). Coordinate closely with HR on all employee-related communications (see *Practice Note, Preparing the Buyer for Post-closing Integration: Communications (http://us.practicallaw.com/8-580-2005#a116024)*).
- Prepare a script for the closing date (referred to as "Day One"). This script is used during the Day One session with employees and senior management representatives from both the buyer and the target company.
- Determine the frequency and timing of communications during and after Day One. There may be regular communications (such as a weekly email) along with specific communications before major integration events (such as a change in employee benefits).
- Decide how to best communicate the acquisition to the market and customers (see *Sales and Marketing*).
- Draft a letter or prepare talking points for sales and other customer-focused personnel to ensure that there is consistent messaging to the market. Key customers and other third-party business partners should be notified of the acquisition on Day One. For example, prepare messages for vendors around the deal, changes in customer payment protocol, changes in the organizational structure and other tax-related matters.

INFORMATION SHARING AND SITE VISITS

- Understand and comply with any antitrust restrictions on early information sharing (see *Early Actions Related to the Integration*).
- Identify information that could not be shared during due diligence that is crucial to the business and the appropriate individuals to receive that information (for example, customer lists).
- Identify what information could benefit the wider group of employees to help with integration or ongoing business and create a plan for dissemination. This may involve in-depth trainings on work systems and processes.
- Identify personnel from the buyer that should make an in-person site visit. This may happen as part of integration assessment. If in-person visits are not possible due to budgetary or other constraints, explore technological alternatives such as web-based meetings and video conferencing.