DealRoom

TOP 10 M&A TIPS AND PRACTICES

Top 10 Best Practices for Completing Successful M&A Transactions

ABOUT THIS GUIDE

This guide of best practices was written to give teams actionable steps to implement into their next transaction, in order to increase productivity, collaboration, and deal success.

These practices can be used by anyone going through an M&A deal.

Let's take a look at each actionable step.

1. PRIORITIZATION

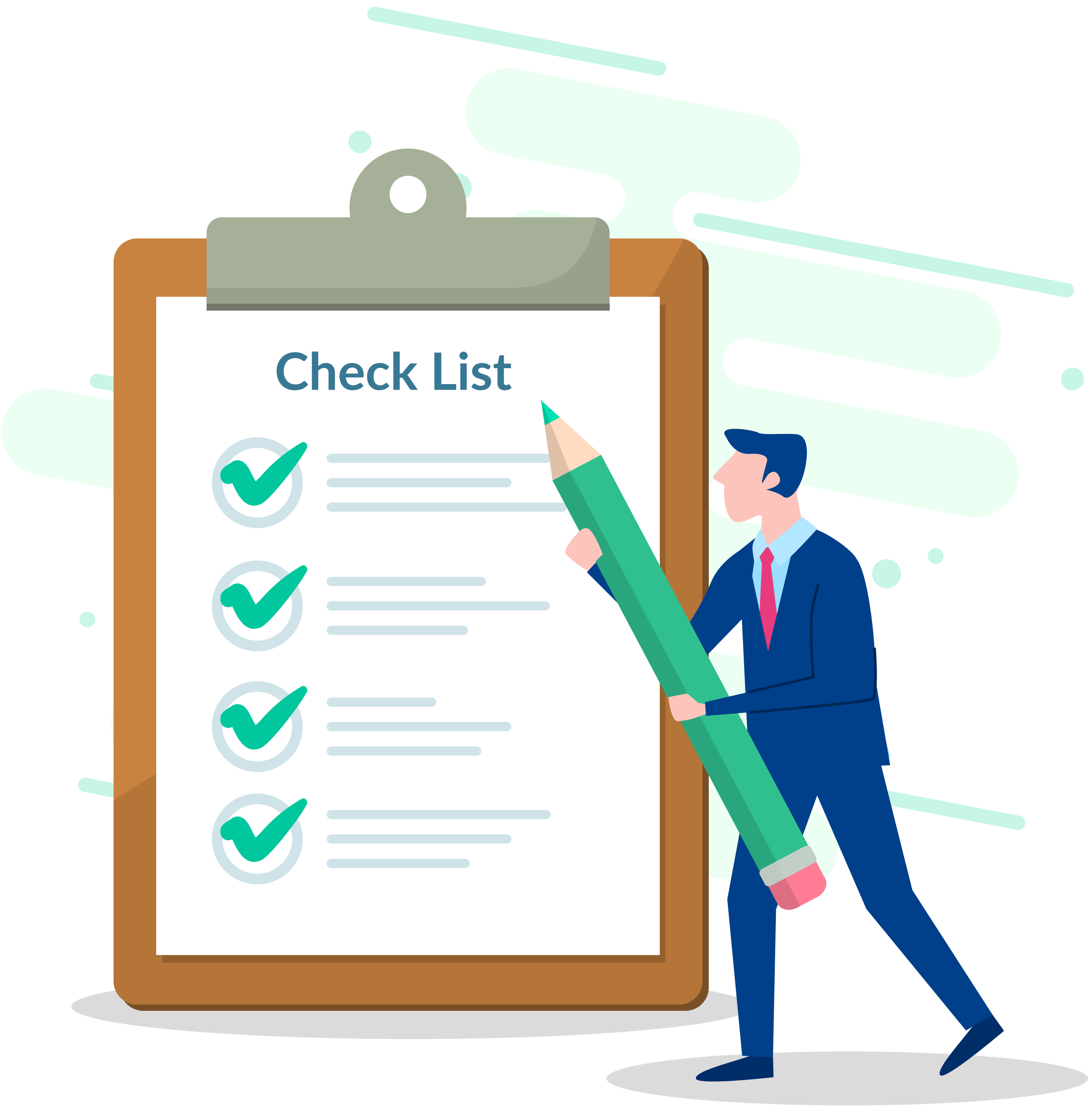
KEEP LISTS IN DESCENDING ORDER OF PRIORITY

Managing details and making sure everyone is working on the highest priority tasks throughout the deal process is one of the biggest challenges in M&A.

Priorities are constantly arising and fluctuating throughout M&A deals. In order to keep track, we often tag tasks as a high priority on diligence or integration trackers, then share with our team and counterparties so they know what the focus on. However, when the number of items tagged as high priority grows, half the list becomes a top priority. This causes the list to lose its meaning and disorganizes the team's valuable efforts.

Keeping lists of tasks in descending order of priority that is visible to your team and appropriate stakeholders will create a focus on top tasks to keep the deal moving forward despite evolving variables and distractions.

In any project, no matter the scale, keeping a list of highest priorities and tracking their progress is important for a successful outcome. Although this seems intuitive and painfully obvious, almost all of the M&A deals that we've observed do not have a centralized list that updates in real-time for all practitioners to view and track.



A project management platform will make it very easy to change the order of priorities as deals evolve and new information is uncovered. For example, DealRoom's project management capabilities allow simple drag and drop reordering in a centralized place to keep all team members updated and on the same page.

This type of prioritized list is often referred to as a backlog that reacts quickly to new requests or changing priorities and allows for collaboration on completing big-picture goals with clarity and agility.

PRIORITIZATION IN DUE DILIGENCE

Due diligence is the deal phase impacted most by a lack of clear prioritization.

Practitioners are often given large Excel trackers of due diligence requests which they answer in full before sharing and moving forward with the deal.

In reality, 20 to 40% of answered requests go unread and have little bearing on deal outcomes. However, with a lack of clear priorities deal teams wait on all completed answers before moving forward with what's most important.

By communicating which items are highest priority stakeholders can focus on fulfilling and returning those requests first. This type of focus, efficiency, and communication makes for a much faster and more successful deal.

It also helps to have periodic meetings with team leaders to go through priorities and adjust them, particularly during integration which has many moving parts and is completed cross-functionally. Bringing cross-functional leaders together to discuss shifting or steady priorities will increase the feeling of collaboration and focus their many differing projects.

PUT IT IN PLAY:

To put this practice into play during your next deal simply follow these steps:

- **Consolidate your project lists down into one if possible:**

  Depending on the phase or complexity of the deal, teams or stakeholders could have multiple different lists of priorities or tasks. Consolidating these into a master list that everyone can view and follow shifting priorities allows for congruency and more efficient workflow.

- **Next, make this list in descending order of priority for organization and congruence:**

  Start by grouping your current 'high priority' items to the top of the list followed by mid to low. Then adjust the list to be in descending order of priority. Even if team members shift their attention to smaller tasks and responsibilities that come up throughout the day, they will have clarity on big-picture goals to refocus their efforts.

- **To make this as effective as possible, you should quickly train your team on how your backlog works.**

  And make it clear that the sequence determines the order of priority. This can be done in a quick 5-minute meeting that will unify efforts and describe the new practice.

Overall, producing a centralized list of top deal priorities, whether conducting preliminary research, diligence or integration will align team members and stakeholders of key goals and keep the deal moving with a focus on the value-add activities.

In Play: Prioritization

1. Consolidate and Centralize List
2. Descend order of priority and adjust
3. Get team up to speed

2. HAVE A GAME PLAN

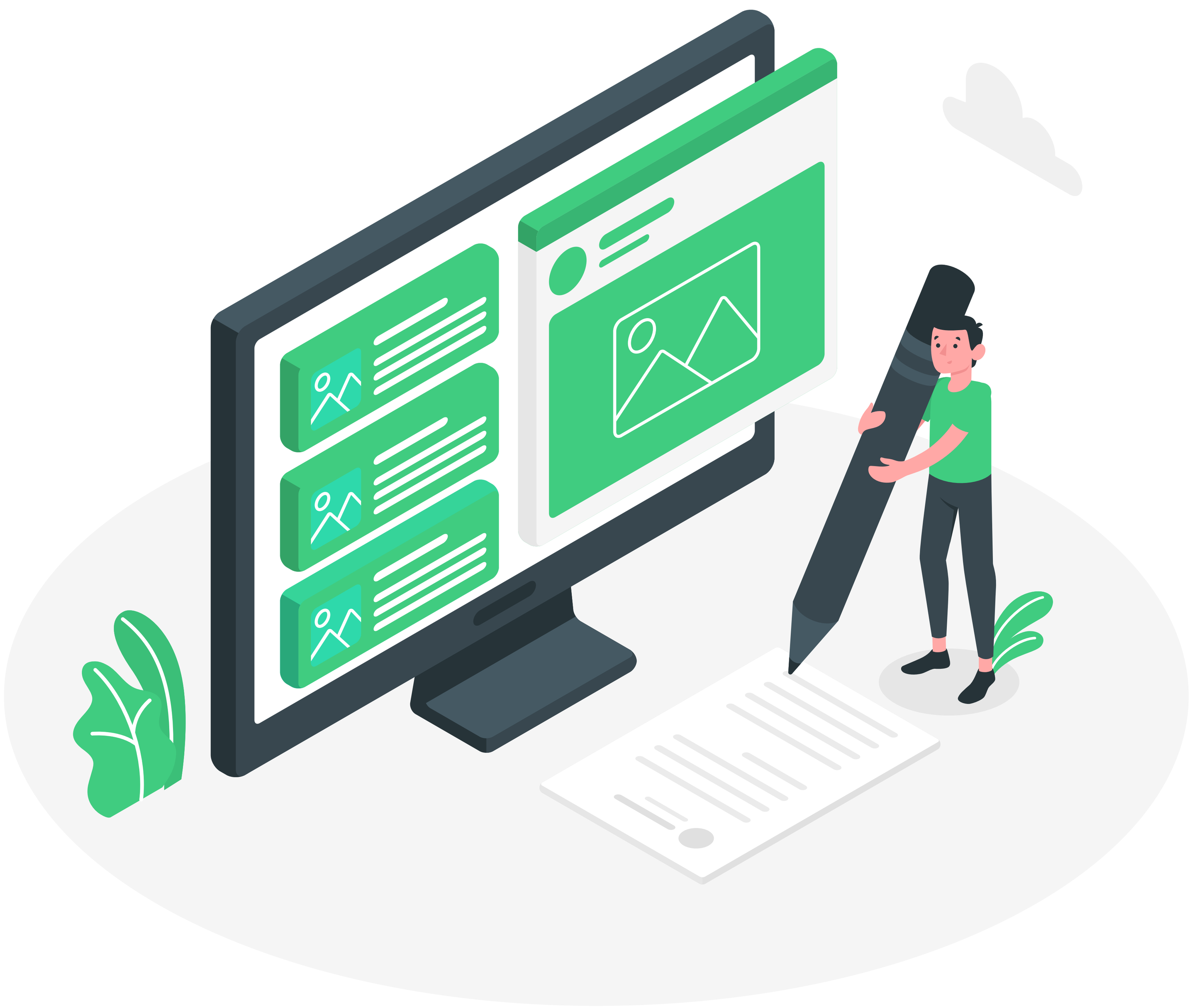
FOLLOW A PROJECT MANAGEMENT METHODOLOGY

M&A practitioners often become overly fixated on following strict playbooks and miss out on unwritten value drivers that are unique to the deal. They lack a clear operating framework that defines how teams work together. This second best practice, creating and following a game plan addresses this issue and allows practitioners to approach each unique deal with increased flexibility and organization.

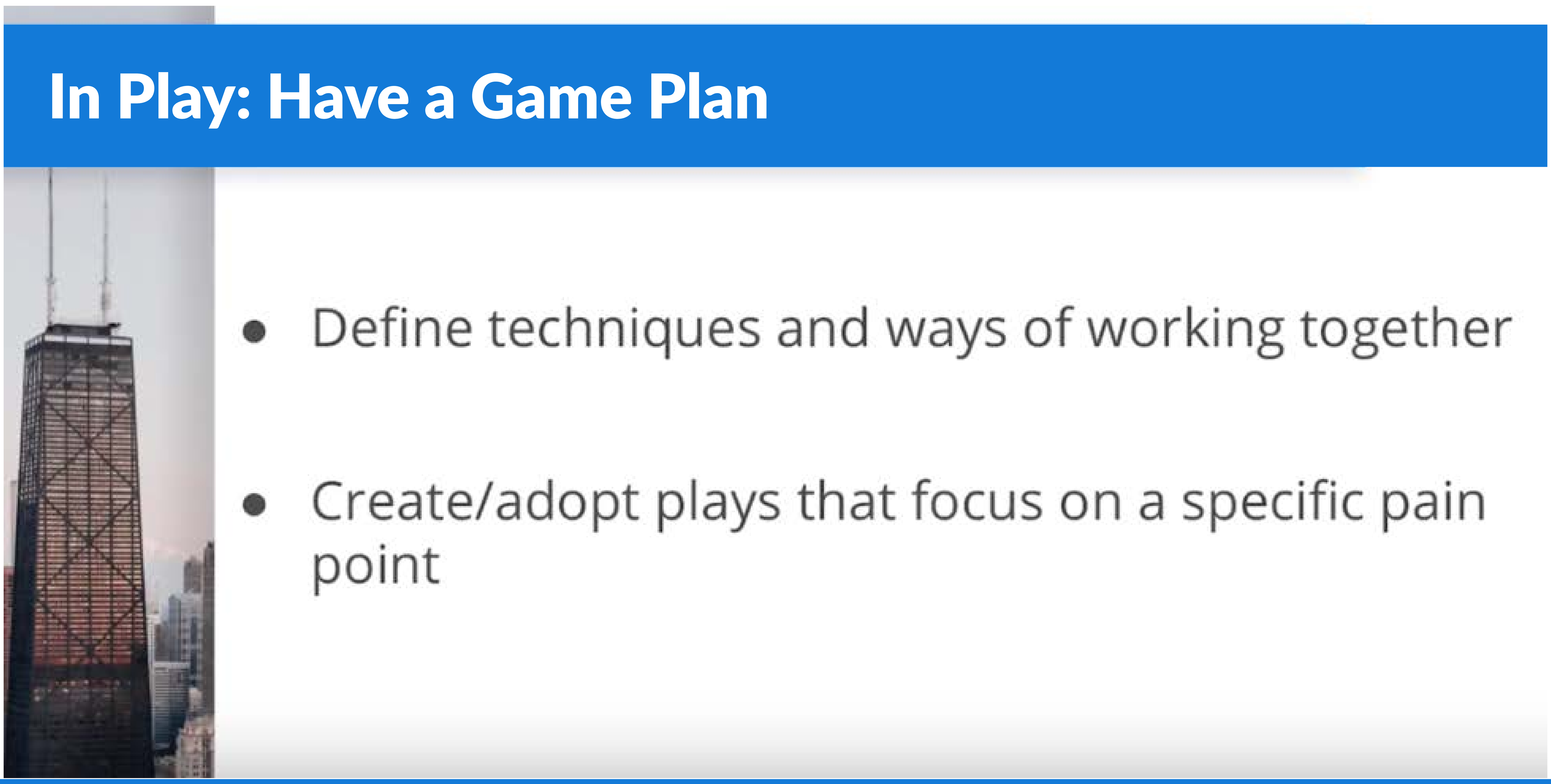
Playbooks are uniform sets of strict objectives or guidelines for each M&A initiative usually set on Excel spreadsheets. During due diligence playbooks typically cover the information needed from stakeholders and post-close playbooks usually set integration objectives, timelines, and goals.

Setting and following playbooks are useful in order to keep the deal on track and focus efforts, however, as an industry we tend over overfocus on them which can keep practitioners from realizing unwritten deal capabilities and from establishing a strong operating framework. The nature of M&A is unpredictable and no two deals are alike, therefore applying a static playbook can cause tunnel vision, hurt big picture alignment and fail to recognize the uniqueness of each deal.

Game plans define the cadence of meetings, how information is shared both internally and to external shareholders, and how to handle dependencies that arise during the deal. This gives teams the tools to process and share the constant flow of new information while setting deal goals that iterate as information is discovered. Teams can also quickly realign to these new goals as set in the game plan.



PUT IT IN PLAY:



Different plays represent a specific technique the teams have adopted in their workflow. By laying this out and making it visible, teams can start working together more effectively and efficiently. In order to put game plans into play during your next deal simply define the specific ways in which your team will work together. How will your team communicate on a daily basis, when and how often will meetings take place and how are teams designed? If your team has experienced specific pain points during past deals, focus on techniques that will elevate that during your next transaction. It is then important to hold a meeting before the next deal begins describing this framework and getting all practitioners on the same page.

As for playbooks, allow and encourage team members to use them as a starting point, but not overly focus or fixate on them for deal solutions and goals.

3. STAND-UPS

During transactions, new information, requests, and dependencies are constantly occurring, changing and blocking important progress. Therefore, the way deal teams communicate and collaborate with one another is vital for these issues to be addressed quickly and effectively.

Stand-ups, short status meetings to keep your team in sync, are perfect for combating this challenge. Stand-up meetings generally run 15 to 20 minutes and are ideally conducted daily with the goal of focusing the team on key objectives for the day, identifying any obstacles, and increasing knowledge transfer.

In the case of daily stand-ups, each team member will quickly discuss what they completed yesterday, what they will do today and any show stoppers they are facing. This greatly encourages collaboration, reduces roadblocks and improves the understanding of shared goals.

In reality, many deal teams will be unable to meet daily and stand-ups should be formatted accordingly. For example, if teams can only meet on Monday mornings, they can discuss what they accomplished last week, plans for the upcoming week and any obstacles impeding progress. Our team at DealRoom holds these meetings every Monday, Wednesday, and Friday with updates from the previous meeting to what we hope to accomplish before the next.

As business development practitioners, we're incentivized by deal outcomes and we're often curious about the status of our projects.

PUT IT IN PLAY:

In Play: Stand-ups

1. Stand in a circle near your desks
2. Share progress since last stand-up, plan for the day, any roadblocks
3. Keep the meeting short: 15-20 minutes

Ideally, stand-ups should happen daily. Try this cadence initially and then adjust accordingly. If daily stand-ups do not work best for your specific team, figure out a cadence that is most effective. Here's a few tips to put these meetings into play:

1. **To start each meeting, stand in a circle near your desks. Standing reminds members that this meeting is meant to be brief and to the point. Share only what's important to the group and have needed sidebars once the meeting is over.**

2. **Practitioners should only share their progress since last stand-up, what they will be working on and any blockers they are currently facing which the group should be aware of or can help solve.**

3. **Overall, these meetings should only last 15 to 20 minutes with the objective of sharing status, progress and increasing team collaboration.**

4. PREREAD BEFORE MEETINGS

This best practice is one that all business professionals should follow. During long weekly, monthly or quarterly meetings members tend to focus on information they are about to present instead of actively listening and contributing to the meeting's agenda.

Instead, information and presentation material should be distributed prior to these content-heavy meetings. This creates a culture and expectation that content will be pre-read so that practitioners can better listen to colleagues while having the ability to add important comments and address possible concerns. Meetings will move along much faster, be more productive and produce better outcomes.

Project management software can help with the distribution of these documents and allow for conversations to take place prior to the meeting.

PUT IT IN PLAY:

In Play: Pre-read Before Meetings

- Ideally, implement a centralized project management tool to distribute and organize information
- Create the expectation of pre-reading information prior to meetings
- Give employees the chance to gather their thoughts before meetings
- Encourage and engage discussions and feedback around pre-read information

In order to put this practice into play, a system must first be put in place in order to distribute information. The most organized and efficient way to do so is through some form of project management software or instant chat tool. Create a centralized location that all practitioners can reach and does not get lost in an inbox. Then, create the expectation that all information provided will be pre-read prior to meetings. Also, give employees the chance to gather their thoughts before the meeting to create a smoother workflow and more engagement between attendees. This will enable better discussions, more organized and efficient agendas and an overall more collaborative team.

5. KEEP INFORMATION ORGANIZED
WITH PROJECT MANAGEMENT SOFTWARE

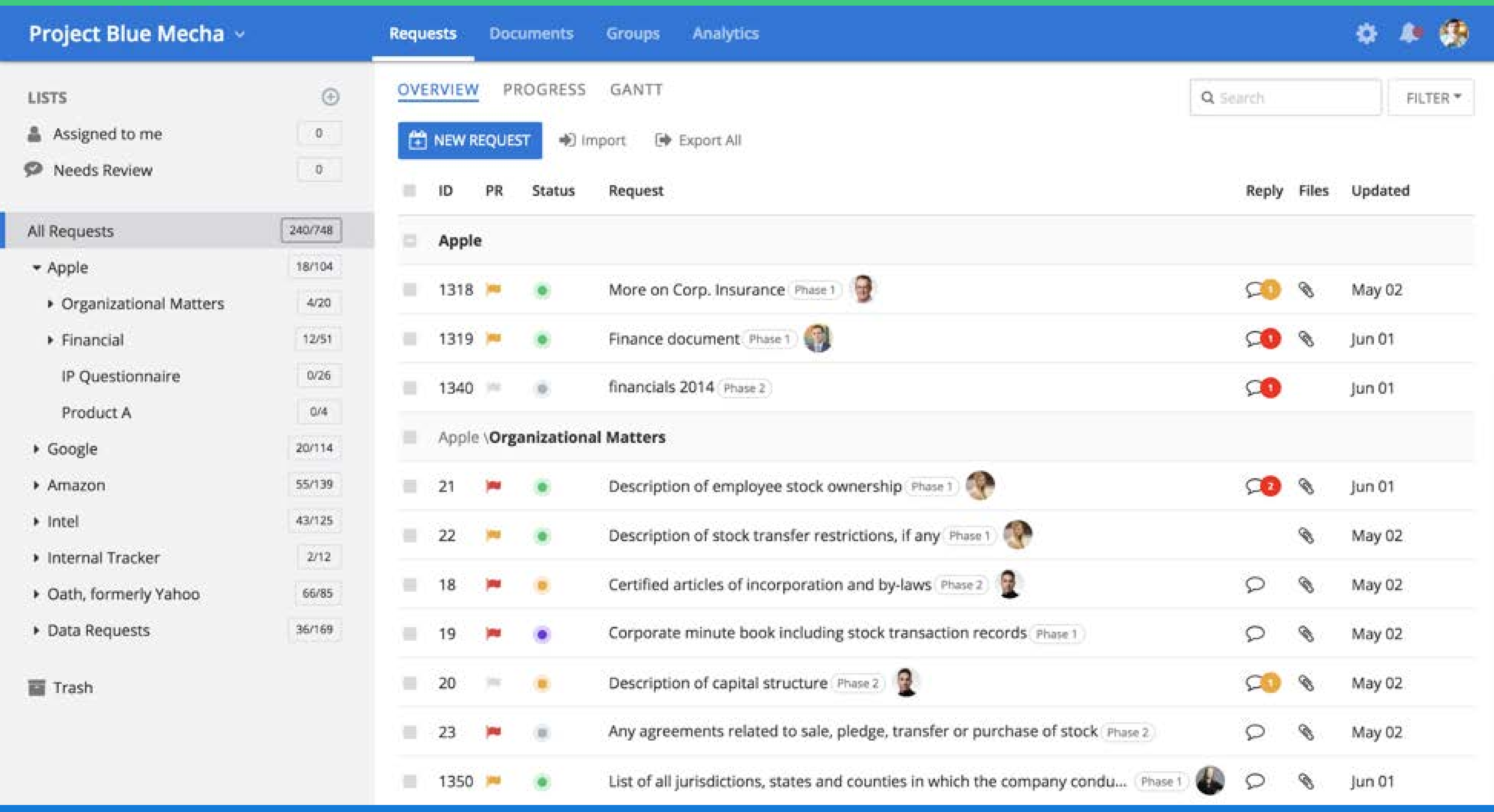
Another major challenge in M&A is keeping information organized. As deals progress, and even after they close, new information is continually flowing in. When information becomes unorganized, time is wasted looking for it, fetching data, and completing duplicate work. This greatly extends deal timelines and adds a lot of unnecessary frustration. In any industry, keeping information organized and centralized is incredibly important to ensure team members are working collectively on highest priority tasks, collaborating on outcomes and proactively identifying and solving complications. The fifth best practice is simply about keeping information organized, ideally with project management software.

Change to excel vs pm software:
Project management software that enables organization is already replacing Excel in many industries but has not yet become standard practice in M&A. The traditional Excel and data room approach that many M&A practitioners take is prone to disorganization, mistakes, version control issues, and is overall an inefficient process.

Managing diligence and integration trackers on Excel leads to batching. Batching causes unnecessary delays. The data fetching process also becomes unnecessarily tedious when practitioners have to manually update-index numbers and worry about having the most up-to-date version.

DEALROOM EXAMPLE:

Project management software allows deal teams to centralize, organize and collaborate on information, important tasks and possible roadblocks. Here's an example of how our DealRoom product simplifies collecting and organizing data (show drag and drop files into requests).



List of requests are clearly visible and users can simply drag and drop files to the request and the software will organize them in the data room and link directly to the request. This eliminates the time manually updating Excel trackers and data rooms. Along with speeding up the process to answer requests, not having to email an Excel tracker around 18 times during the deal will also save time.

When working on sell-side deals with multiple bidders, it's also easy to batch the process so that you can keep the deal in competitive stages. However, when an LOI is signed you can move right back to a real-time flow and get the deal to the finish line as quickly as possible, with no batching delays.

PUT IT IN PLAY:

In Play: Keeping Information Organized

- Implement a project management tool
- Import Excel trackers into this tool
- Hold a meeting to review the new workflow and the tool's functionality
- Introduce tool as early in the process as possible

Organizing information for your next deal is simple and will have immediate returns. In order to do so, implement a project management tool that will work best for the function and structure of your deal team, import your Excel trackers into the tool then review its functionality and workflow during deal kick-off with team members.

The biggest challenge with this will be adoption. However, by introducing the tool early in the process and clarifying the benefits, adoption will become easier. Most project management tools, like DealRoom, allows you to import Excel lists, making switching costs minimal.

If you haven't tried using a project management tool before...

Give it a shot, it will lead to less frustrations, confusion and duplicate work.

6. ENABLE CROSS-FUNCTIONAL COLLABORATION

CONNECTING THE DOTS

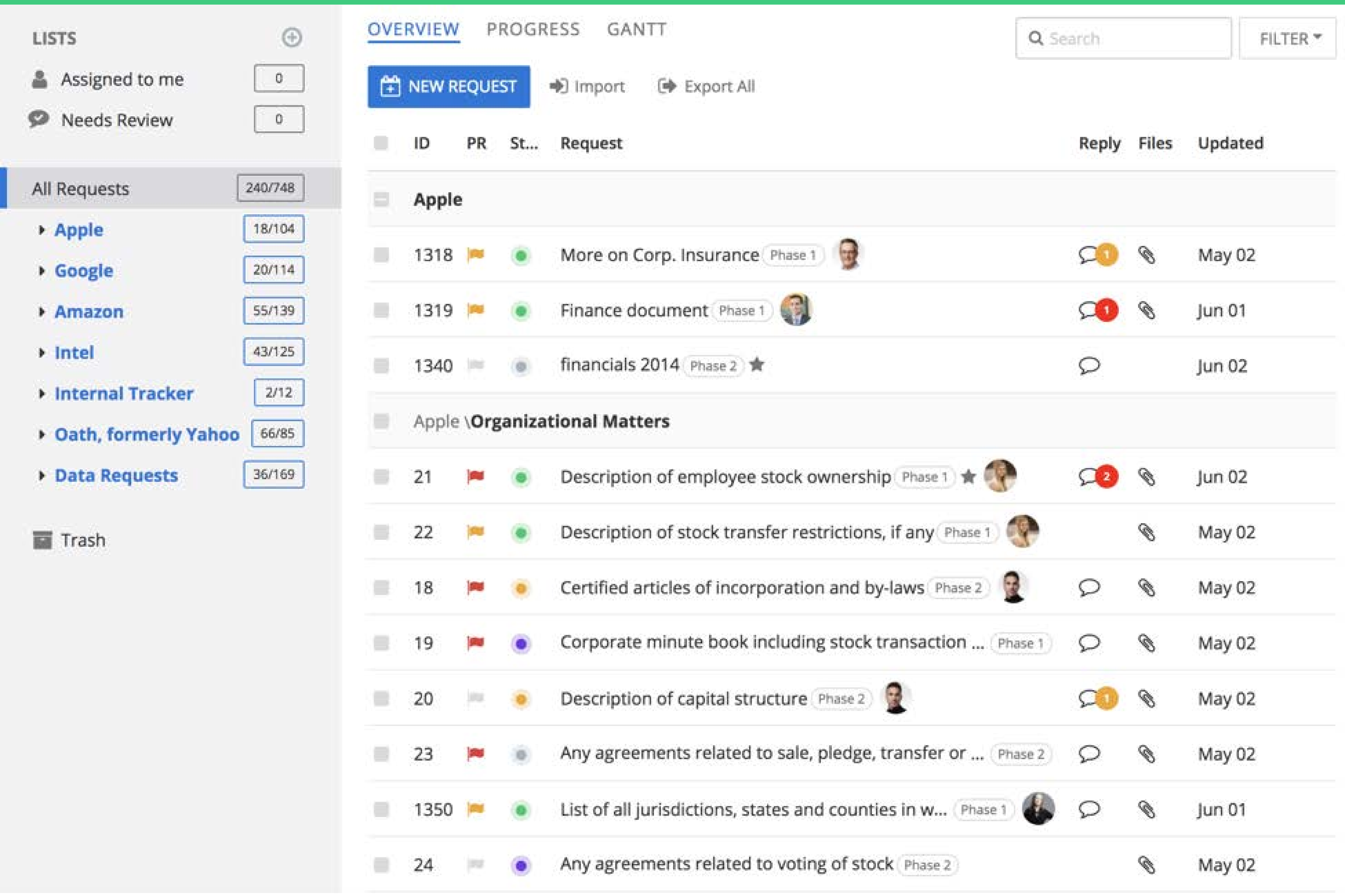
Enabling collaboration between business functions during diligence can be incredibly challenging as functional leaders are often in silos and do not work with each other on a regular basis. When functional leaders are conducting diligence in silos, they tend to go down checklists to look for immediate doomsday-tomorrow type risks. These memos are then reported in weekly meetings where everyone is focused on what they will say instead of listening to others. The reality is that leaders conducting diligence need to be collaborating with each other to be able to connect the dots and identify the underlying or unobvious risks. As we all know, missing these findings during diligence can lead to big surprises that erode value during integration.

This problem only becomes worse during integration as workstreams become increasingly siloed. They become less likely to deliver on the deal's big picture goals while becoming narrowly focused on checklists. A great deal of duplicate work is also created and ends up overwhelming the company being integrated. Key people can potentially leave out of frustration, things don't get done and deal value gets lost.

In order to conduct effective diligence, it is important for functional leaders to collaborate. Bringing functions together and discussing the deal's big-picture plan, conducting regular cross-functional meetings is a starting place. Implementing tools that enable effective communication beyond scheduled meeting times will break silos and increase deal collaboration. By doing so, practitioners can improve sharing information, better identify risks and delivery on predicted value drivers.

DEALROOM EXAMPLE:

Under this capability, functional leaders are able to create tickets or requests when they come across a finding, log notes and easily tag other team members. These team members then receive a notification directing them to the ticket with links to the related documents. It gets better, you can also see every ticket created that links to this document so it's easy to see and contribute to others findings. This ensures that leads can work together in a centralized location so that they are all on the same page throughout the deal process. And the enhanced distribution of information leads to more productive meetings and a faster process.



PUT IT IN PLAY:

In Play: Enable Cross-functional Collaboration

- Implement tools for effective communication
- Ensure every member of the project understands how to contribute to the overall effort
- Ensure clarity on interaction model
- Review process with team members and align around shared goals

In order to put this practice into play, all functional leaders must understand how to contribute to top priorities, have clarity on the new communication framework and understand how to use implemented tools. After implementing a project management tool that will allow for effective communication across functions, conduct a program or deal kickoff meeting to align everyone on the big-picture plan, tools and workflow.

7. INTEGRATION PLANNING IN PARALLEL WITH DILIGENCE

STATIC VS LIVE PLAYBOOK

Traditionally, M&A due diligence and integration is executed as separate and linear processes. However, managing due diligence and integration separately creates a high risk of communication breakdown, discourages valuable information sharing and leads to unpredictable bottlenecks. Managing these processes separately leads to poor integration preparation. Not to mention an information chasm between diligence and integration that greatly reduces knowledge transfer and incurs wasted time and resources recapturing information.

This is a common challenge faced by many corporate development professionals and can be addressed if integration planning starts as early as possible, ideally in parallel with due diligence. The integration lead should work in partnership with corporate development or lead diligence. This person can add immense value by validating value drivers of the deal as they will be the one responsible for delivery.

This is the trend we've been seeing from leading tech serial acquires such as Cisco and Google. At these companies, integration teams are involved in the deal as early as the first conversation with the target company.

Thorough integration plans are critical to post-close success, which is why the earlier practitioners start planning, the better. That's why, M&A deals greatly benefit from following an integrated approach where diligence activities and integration planning efforts are carried out in parallel. Doing so will enable deal teams to share knowledge more effectively across workstreams, allowing for deals to close quicker with stronger, more detailed and successful plans. With a parallel process, teams are able to share critical information uncovered during due diligence with those in charge of planning and executing integration. Practitioners can then eliminate duplicate work, collaborate on strategy and create better outcomes. This also allows for a live plan to be created in iterations that is highly tailored to the transaction.

PUT IT IN PLAY:

In Play: Integration Planning

- Assemble teams and team leads
- Identify key value drivers and deal goals
- Hold a kickoff meeting to discuss operational structure

For companies that are merging with or acquiring another organization, ensuring that integration is planned in unison with due diligence is an easy practice to put into play that will greatly increase the success of your deal.

- **First, assemble teams and team leads for clarity and organization.** Teams can be organized by function and role within diligence or integration with a clear goal and responsibilities. Putting this practice into play means rethinking the structure of your team so that integration planning is conducted in unison with diligence.

- **Then, it is important to identify key value drivers and goals of the deal so that diligence and integration is carried out with a clear vision.** Create a centralized list of descending priorities and tasks that are assigned to specific teams or practitioners. This will organize efforts and make changing priorities clear as information is discovered during diligence that may impact integration planning.

- **It is also important to then discuss the operational structure and tools your teams will use in order to collaborate throughout the process.** Make this clear to all team members during the kickoff meeting. This meeting should also identify how cross-functional teams will handle dependencies and issues that arise throughout the transaction.

8. ORGANIZE TEAMS BY GOALS

INSTEAD OF FUNCTIONAL WORKSTREAM

Traditional M&A integration is highly focused and organized by functional workstreams. Workstreams organized by functions create deep silos and allow for a limited ability to share important information as the deal progresses. This leads to duplicate efforts and data requests to the target company, as well as high overhead when managing cross-functional dependencies.

That's why, this best practice requires organizing teams by goals instead of functional workstream. Organizing teams by goals simply means setting the deal's key objectives and structuring teams based on who is best suited to execute the goal. By organizing cross-functional teams by goals there becomes of clear focus on the big picture and it becomes much easier to manage dependencies and risks.

Throughout integration, all teams will meet periodically to review and identify top priorities and document as well as mitigate potential risks.

PUT IT IN PLAY:

In Play: Organize Teams by Goals

- Identify and prioritize the key drivers of the deal
- Create and prioritize goals
- Assemble cross-functional teams to complete the goals

In order to organize your integration team by goals during your next M&A transaction, hold a meeting with all practitioners before execution to identify the key drivers of the deal. What are the value drivers, ultimate end goal and potential risks? Ideally, clarify and prioritize goals before an LOI is signed so that there is an established basis to start forming cross-functional teams.

Once these are identified, create a prioritized tasks that directly relate to short and long term goals. Lastly, assemble and assign cross-functional teams to complete these goals. Meet as frequently as needed to discuss shifting goals and collaborate on challenges.

Teams moving from a traditional, functional-based workstream organization may want to start off by augmenting their current structure with goal-based teams with the goal to eventually have all teams goal-based.

9. PRIORITIZE CHANGE MANAGEMENT THREATS

Managing unseen threats during integration is a challenge deal teams often face, slowing down the process and decreasing value from the deal. And dealing with people issues are by far the most challenging!

In order to adequately identify and prepare for change management threats, in-depth cultural assessment must be completed as early in the deal process as possible. It is extremely beneficial for practitioners to familiarize any themselves with the target company's culture before integration takes place in order to take note of possible cultural clashes and address them accordingly.

Also distinguishing differences in operational style, business structure and finances as early as possible will allow practitioners to mitigate and minimize change management threats before they become serious roadblocks or undermine the value of the deal.

PUT IT IN PLAY:

In Play: Prioritize Change Management Threats

- Identify potential roadblocks
- Prioritize by likelihood and impact (high,med, low)
- Mitigate or minimize the threat

Putting this practice into play is critical to maximize deal value and create innovation. One approach to prioritizing change management threats is to build a matrix that lists potential roadblocks. Then, prioritize by the potential impact and the likelihood of the threat. Also add the best way to mitigate or minimize the threat.

10. Retrospectives encourage continuous improvement

Developing a culture of continuous improvement is difficult yet vital to evolve an M&A function into a value delivery vehicle. How can deal teams best learn from their mistakes and productively move forward and improve when they are so busy keeping up with day-to-day activities? That brings us to the tenth best practice: conducting retrospectives to encourage continuous improvement.

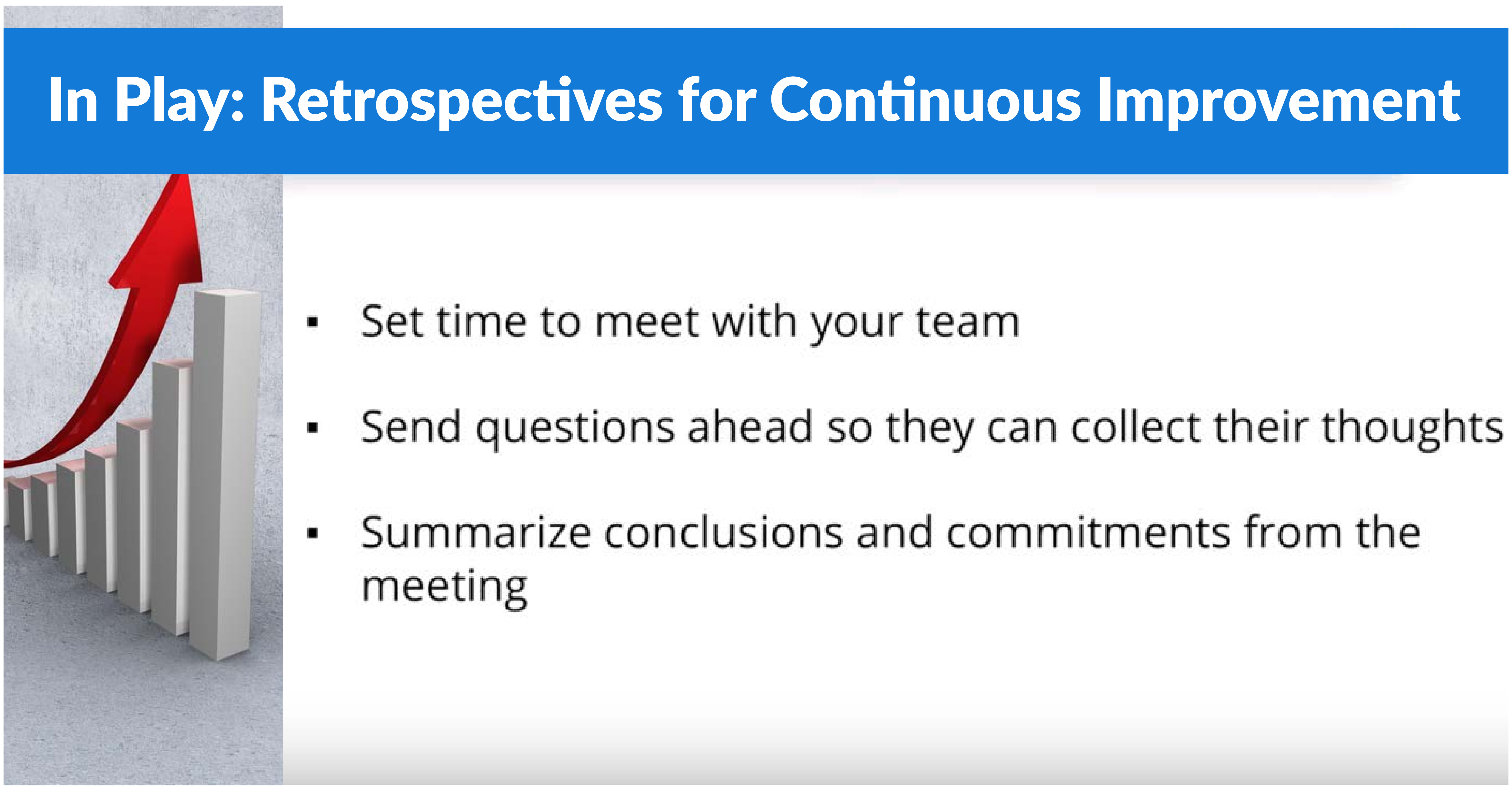
Retrospectives are meetings which take place during deal milestones or after a deal closes to review what's going well, what's not going well and how to improve. The goal of retrospectives is to gage the effectiveness of deal processes, tools and to determine a plan for future improvement.

These open discussions will help identify ways to improve process and work better together as a team. In addition, when team members feel their voices heard, overall morale increases. Ideas originating from team members will likely have great commitment to follow-through by the source. You may even be surprised where the best improvement ideas come from.

For example, one of the most popular features in DealRoom, which links documents to requests and enables users to collaborate between teams, was initially designed and proposed by a junior level developer.

Ideally, these meetings should not only take place after a deal closes so that teams can learn and improve in iteration as the deal progresses.

PUT IT IN PLAY:



In order to put this practice into play, set time to meet with your team and send the questions you will ask ahead of time so they can collect their thoughts. These questions should be, "what worked really well for this deal?" and "what lessons have we learned that we can apply to the next deal?", and "what did not work this time that we should avoid doing on this next deal?"

Conduct the meeting and emphasize the importance of openness. Then, summarize the meeting's key conclusions and commitments for improvement. This will not only improve your next deal but will build a strong culture of trust and collaboration.

BONUS: EMPATHY IS KEY

FOR SUCCESSFUL PEOPLE INTEGRATION AND OVERALL M&A

M&A can be an incredible source of innovation and value creation for a company and for the larger market. However, it can also be extremely disruptive to the companies which are being transformed and the people who work in them. A great amount of fear, uncertainty and doubt immediately arise as soon as a deal is announced.

Have and practice empathy. Truly practicing empathy is key during any M&A transaction for successful outcomes and successful people integration.

Often, practitioners rightfully focus on synergies, value creation and the bottom line while conducting a deal. However, in order to have a truly successful deal, alignment of people is key, to achieve empathy for all parties involved is greatly needed.

Take for example M&A integrations, one of the most disruptive events to happen to a company, on both ends. The ability to empathize with the workforce's concerns, shift in responsibilities and change in routine can go a long way in ensuring that integration is completed in a productive and equitable way.

Making a conscious effort to look beyond the numbers and practice empathy allow practitioners to understand what needs to be done in order to make the transition easier for the target company with the transition as well as retain the team members key to post-close success.

STUDY: According to research conducted by Harvard Business Review, a company's financial performance is directly correlated to empathy in the workplace. The study, called the Empathy Index, measures a company's empathy by breaking down categories such as ethics, company culture, brand perception, and CEO approval ratings. After ranking the companies as most to least empathetic, the study then compares the company's financial performance to their ranking. The study found that the 10 most empathetic companies increased in value more than twice as much as those at the bottom of the index. These companies generated 50% more earnings from one year to the next.

Empathy impacts retention, productivity, diversity, inclusion, and innovation, making it key to an organization’s growth and success. Especially during disruptive processes like M&A.

PUT IT IN PLAY:

In Play: Empathy is Key

Establish a culture of empathy:

- Put yourself in their shoes, understand their biases and where they are coming from
- Take in what they are saying and really listen

Establishing a culture of empathy does not have to be dramatic or costly. Putting empathy into play during an M&A deal simply requires putting yourself in the shoes of those being impacted. Whether you’re an investment banker, corporate development professional, serial acquirer or M&A advisor, actively take the time to listen to and understand the thoughts and feelings of those impacted. Then, consider them when making decisions or planning communication. Practicing empathy will create more valuable, productive and equitable deal outcomes while making all the previous best 10 practices easier to implement.

DealRoom

We hope you find this guide useful. If you are interested in a demo or learning more about how DealRoom helps teams implement the “Top 10 Best Practices” please reach out to sales@dealroom.net.

You can also check out our library of premade M&A checklists and templates at

https://dealroom.net/resources/project-management-template-boards