



Unlocking Value After M&A: Leveraging Due Diligence Findings for Innovative Integration Strategies

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Mergers and acquisitions (M&A) can be transformative events, but the real value lies in the execution of the post-merger integration (PMI) plan. Due diligence plays a pivotal role in identifying opportunities and challenges across financial, operational, and several other aspects of the target company, and a well-structured PMI plan leverages these key findings. By structuring these findings effectively in the integration phase, organizations can implement better, or best, practices tailor made for that merged, or acquired, entity to create substantial value post-transaction. In this article, we explore specific examples of key findings from each due diligence area and how to maximize their impact during integration.

1) FINANCIAL DUE DILIGENCE (FDD). Financial due diligence delves deep into the target company's financial health, helping the acquirer make informed decisions. Key findings can identify cost-saving opportunities, risks in vendor or customer concentration, highlight potential revenue growth areas, differences in margin profiles, and risks in financial policies and controls.

a. Example: Cost Rationalization

Findings from financial due diligence revealed redundant functions and inefficient cost structures. By leveraging this information during integration, the merged entity implemented cost rationalization strategies, such as centralizing procurement and streamlining back-office operations. This not only led to cost savings but also improved overall efficiency and profitability.

2) OPERATIONAL DUE DILIGENCE (ODD). Operational due diligence focuses on evaluating the target's operational capabilities and efficiency. Key findings can uncover process inefficiencies, capital investment areas, resource utilization gaps, and opportunities for process optimization.

a. Example: Process Standardization

Operational due diligence revealed that both the acquiring and target companies have different processes for similar functions in the packaging department. By structuring the integration phase around process standardization, the merged entity eliminated duplication and established best practices that maximized productivity. This harmonization fostered collaboration and facilitated a smooth transition for employees.

The next step is now taking these findings and building them into a cohesive, structured, and transparent PMI plan. Each M&A transaction is unique and requires a bespoke strategy to achieve success, but there are certain core principles that can be used to set the foundation and framework.



By adopting these four principles across every PMI plan, companies can effectively make the transition from a static, slow-moving PMI process to a dynamic, high-ROI methodology that can be implemented across any business combination.

1) Build Cross-Functional Teams: To ensure a comprehensive approach to integration, it is crucial to establish cross-functional teams that bring together experts from multiple departments such as finance, operations, sales, and others. These diverse teams can collectively review the due diligence findings, analyze different perspectives, and devise innovative strategies that leverage the strengths across the organization of both companies. An outcome of this collaboration is a holistic assessment of potential synergies and refined understanding of roadblocks, resulting in well-informed and effective integration decisions.

2) Develop a Prioritized Project Plan: Not all findings from due diligence can be addressed simultaneously, making prioritization and sequencing of initiatives essential. Developing a clear and prioritized project plan based on the potential impact and complexity of each initiative is crucial. This approach ensures that high-value opportunities are addressed first, allowing the integration team to focus on initiatives that yield the most significant benefits.

3) Implement Change Management Strategies: Change management is an overlooked step in the PMI process, but it's essential when trying to build a culture of innovation that embraces continuous improvement and can facilitate a smoother integration process. It's important to recognize the key aspects of the current process, both strengths and opportunities, and showcase to the team the key benefits of the proposed change. If executed correctly, this will encourage employees to embrace change, adapt to new processes quicker, and propose innovative ideas to further the improvements. This kind of involvement at all levels allows an organization to drive ownership and commitment to the shared goals, promoting a successful outcome.

4) Communication and Involvement: Transparent communication is vital throughout the integration phase. Sharing due diligence findings with employees and involving them in the decision-making process fosters a sense of ownership and commitment to the integration goals. Further, acknowledgement of team members and sharing of key milestones and wins shows commitment to the entire organization. This form of open and clear communication helps manage expectations, alleviate uncertainties, and reduce resistance to change. Ultimately, engaging employees in the decision-making process empowers them, leading to better acceptance of integration initiatives and a more collaborative work environment.

Structuring findings from due diligence is a fundamental step in creating value in the post-close merger integration phase. By building relationships between the integration and diligence teams and implementing these core principles, organizations can optimize their integration efforts and achieve successful value creation. A strategic and well-structured approach to post-merger integration ensures that the merged, or acquired, entity is poised for long-term success and delivers the desired outcomes of the M&A transaction.