Baker McKenzie.

Corporate Structures

Newsletter | January 2018

Nine tips to improve post-acquisition integration

Part 1 of 3

Closing the deal is just the beginning. Where the acquirer and target businesses operate in the same or complementary fields, the acquirer will often want to integrate the two businesses with a view to saving costs and generating value for its shareholders through meeting synergy targets.

However, bringing together businesses with different trading relationships, histories and cultures inevitably poses substantial challenges, especially in the case of multinationals. Thus, over the course of the next three newsletters, we will provide you with nine tips to improve post-acquisition integration.

1. Have internal staff and outside advisers work closely together

Since the company's staff need to focus on day-to-day business operations, it seems attractive to leave the integration process to outside advisers. Internal staff, however, are the best source for the detailed information that is critical to creating an effective implementation plan. They understand how the business works in practice, not just on paper. In addition, the internal team needs to be sufficiently familiar with the new plan so that they can both be an integral part of the change management process required for its implementation and be in a position to manage and sustain the resulting structure at the end of the process. The best outcomes are achieved when outside advisers and internal staff work closely together to strike a balance that makes the best use of internal resources but layers on the particular experience and expertise of the outside advisers.

2. Do due diligence

It is necessary to undertake a due diligence investigation of the legal entities involved in order to identify legal, tax and employment relations issues that need to be dealt with before or during the integration. Ideally, the integration due diligence should be combined with the acquisition due diligence and start upon reaching deal certainty. As time passes, people who worked for the acquired company often depart, taking institutional knowledge with them, and those who remain are often not as highly motivated as they were during the pre-acquisition phase. Furthermore, it is often much more cost effective to leverage off of the, often considerable, resources marshalled for the acquisition due diligence to address integration due diligence issues.

3. Establish how to combine local companies

In countries where both the acquirer and the target company both have subsidiary companies, ideally, the two are combined into one company. In general, there are two methods to achieve this:

- a statutory merger; or
- an asset transfer followed by liquidation of the selling entity.

In each jurisdiction, these methods should be compared to see which one best achieves the integration goals. An asset transfer involves the separate transfer of all assets and contracts of one company to the other and can therefore be cumbersome, especially when it concerns assets with additional delivery requirements like real estate, shares in foreign subsidiaries and contracts. A statutory merger is often advantageous because all the assets and contracts of the disappearing company automatically transfer to the acquiring company upon the merger. In addition, local merger regimes often have tax benefits.

Our remaining tips will follow in the next two newsletters. In the meantime, if you would like to learn more about how to face the challenges involved in integrating two businesses, please take a look at our Post-Acquisition Integration handbook. You can download the handbook or request a copy by clicking on one of the red buttons below.

Download handbook | Request a hard copy

Contact us

We would be happy to provide you with further information or discuss any development that could be relevant to your business. Please contact your regular Baker McKenzie counsel, or visit our website.