In the same way that constructing a building from a vision cast in the blueprint requires intimate knowledge of the innerworkings of the components and coordination of the subcontractors, the same is true with post-merger integration and carve outs/divestitures. Time inexorably marches on, and without extensive integration knowledge and experience, along with well-honed methodologies, tools, and resources, the process can become bogged down, costs can soar, and synergy targets can rapidly fall by the wayside.

Many companies tend to underestimate the effort, workload, costs, and resources required for smooth functional integration and carve outs. Yet without focusing on these elements, the rest of the process can stall. Even active serial acquirers may only do one or two M&A deals each year. Most businesses do far fewer. Why not tap into the knowledge, experience, and resources of Deloitte, where we assist clients with hundreds of integration and carve-out projects each year?

**Cross-functional dependencies are a critical part of integration**

Functional integration and carve outs involve significant cross-functional dependencies that can be planned for. In fact, hidden costs surrounding functional integration can exceed all of the other costs of the transaction combined. Yet most companies underestimate the functional complexity involved, which potentially diminishes the value of the deal.
Even active serial acquirers may only do one or two M&A deals each year. Most businesses do far fewer. Deloitte does hundreds.

How we can help
Deloitte’s M&A Functional Integration and Carve Outs practice offers the knowledge, experience, and effective practices gained over the course of thousands of transactions. We have clearly defined integration and carve out methodologies by corporate function, including finance, human resources, information technology, research and development, sales and marketing, and supply chain. We can provide a tailored plan based on tried and tested experiences. This approach can save time and mitigate risk at each step of the integration or carve out.

Our Functional Integration and Carve Out services include:
• Day One functional readiness and execution
• Functional synergy targeting and realization (integrations)
• Stranded cost identification and minimization (carve outs)
• Operating model and organization design
• Supply chain, suppliers, R&D, and innovation acceleration optimization
• Customer, sales, marketing, and back-office alignment
• Carve-out financial statement development
• Functional transition services agreement development and exit

Potential bottom-line benefits
• Faster integration speed
• Reduced transaction costs
• Exceeded synergy targets
• Established methodologies, tool kits, and templates by functional area
• Streamlined cost structure

Learn more
Functional integration and divestitures are an important core step in the M&A process. To learn more about how Deloitte can help, visit www.deloitte.com/us/FunctionalIntegration, or follow us on Twitter at @DeloitteStratOp.

Jeff Weirens, Principal, Deloitte Consulting LLP
jweirens@deloitte.com

Five ways you can get more value now

Develop internal capabilities and associated processes. Document procedures and what they support in advance to allow for quick action when a deal arises and reduce time spent during the integration process.

Invest in “time box” decision-making. Keep the process moving on schedule through informed decision-making that involves people with required skills given a finite amount of time to assess and resolve an issue.

Critically evaluate existing projects. Determine whether to accelerate, defer, or cancel in-flight projects based on their importance to the transaction.

Put the most effective people on the job. M&A transactions require top talent, so identify the most qualified candidates to work on it full time and backfill for their regular jobs.

Aim high when internally socializing a synergy target. Set an internal synergy target that safely exceeds the market’s expectations to position you to meet or exceed external targets.

The big idea
If a company does not effectively address functional integration, the transaction will be at risk, whether it’s a merger, acquisition, or divestiture.

About Deloitte
This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.


Copyright © 2014 Deloitte Development LLC. All rights reserved. Member of Deloitte Touche Tohmatsu Limited