Beyond the Deal

Crafting an M&A Playbook for Long-Term Success

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Abstract

The complexity of mergers and acquisitions (M&A) results in frequent mistakes that can be costly. Surf Internet has executed multiple acquisitions over the last several years, and the results of these mergers have not been as expected. The CEO and founder of Surf Internet requested help with developing a structured approach for M&A integration, cognizant of the need for cultural integration tactics and profitable strategies to drive a successful exit strategy.

Problem Statement

The specific problem is that Surf Internet has yet to successfully achieve consistent targeted M&A results or deliver exceptional deal value for all stakeholders as the leaders actively pursue an opportunistic exit strategy in the near term. While recognizing the need for a well-developed plan for consistent M&A results, Surf Internet was uncertain about how to design and implement an M&A integration plan that would establish standards for speed, consistency, repeatability, and accountability and ensure the achievement of expected financial performance.[1]

Research Question

Based on best practices and prior merger and acquisition lessons learned, what content elements should be included in the customized design of an M&A integration playbook to help Surf Internet consistently achieve targeted M&A results and deliver exceptional deal value for stakeholders through standards set for speed, consistency, repeatability, and accountability in light of their planned exit strategy?

Methods

❖ Secondary research included a literature review of best practices, metrics, and lessons learned, including failures.

❖ Primary research included mixed methods, utilizing surveys and focus groups at multiple partner locations and interviews with two subject matter experts.

Multiple Perspective Framework

Figure 1
The Eight Pillars of Trust
(Horsager, 2021). Used with permission.

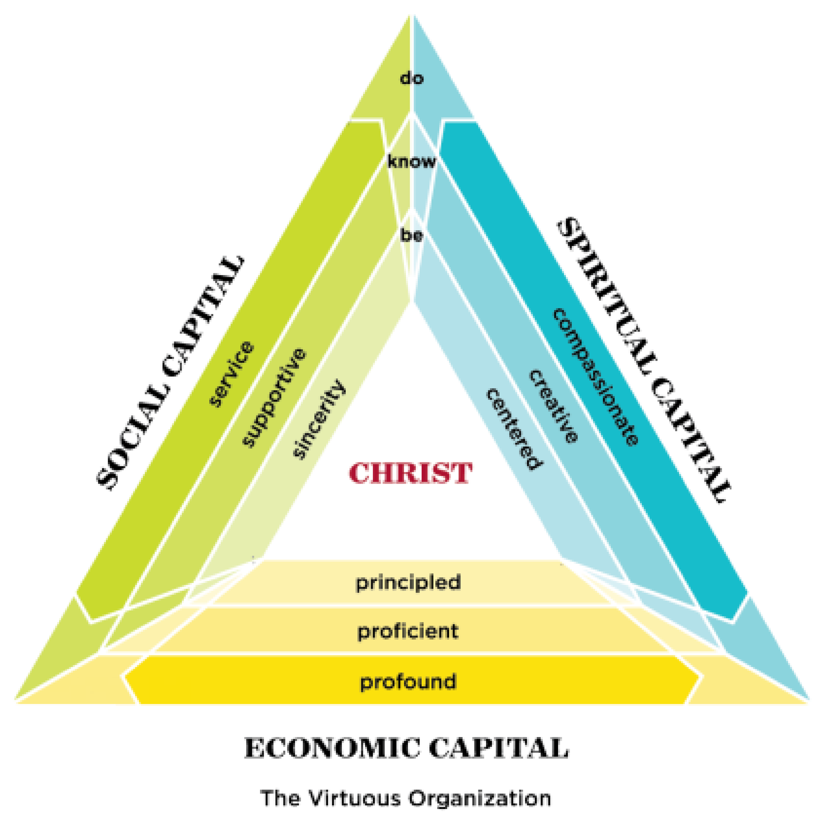

Figure 2
The Virtuous Organization
From Virtuous Business Model, Devoe School of Business, Technology & Leadership, 2022. Copyright 2016 by Indiana Wesleyan University. Reprinted with permission.

- Figure 1 shows the concept of the eight pillars of trust, based on the book *Trusted Leader* by Horsager,[2] was also integrated as a complimentary multi-frame way of thinking because of the high incidence of M&A failure (~70%) and that "loss of trust is at the root of most of these failures.[3]
- Organizations can foster a resilient and trusted business environment by aligning economic capital management with the Virtuous Business Model's (VBM) principled, proficient, and profound framework[4] and the eight pillars of trust.[2] This approach ensures that financial health is maintained without sacrificing ethical commitments, thus creating a competitive advantage rooted in long-term stability, stakeholder trust, and meaningful impact. It allows a company to fulfill its economic and ethical obligations, reinforcing a cycle of sustainable value creation that benefits all stakeholders.

- The VBM framework seen in Figure 2, developed by Indiana Wesleyan University, integrates Christian ethics with business practices. It emphasizes how businesses can operate profitably while upholding virtuous values like integrity, justice, compassion, and humility to operate as virtuous organizations.
- The Virtuous Business Model addresses the challenge of aligning organizational activities and decision-making with core values. This alignment ensures ethical and socially responsible actions, which are foundational principles of a virtuous organization.
- The VBM serves as a framework to operationalize the organization's ethical principles and promote long-term sustainable value creation for all stakeholders.[5]

Analysis

- Quantitative analysis was conducted using Intellectus software. The survey data uncovered six main variables pre-identified to be part of the survey related to employee experiences and perceptions during the M&A integration phase: never threatened (feeling secure), motivated/engaged, communication, opportunity for feedback, went well, and understanding of the impact.
- The qualitative analysis confirmed that communication with employees during integration needs improvement. Another noticeable trend is that the employees at the headquarters location consistently rated the merger experience as better than the two acquired locations. Themes in the qualitative data indicated that employees perceived that roles were not clearly defined during the integration and there was a lack of clarity and communication.
- The subject matter experts identified cultural fit as a significant factor. They highlighted the need for frequent communication, role clarity, and a leadership presence at acquired locations.

Recommended Solution

The McKinsey 7-S Model, by Lakhanpal (2023), provides a structured framework for navigating the complexities of M&A. By examining seven interconnected elements—Strategy, Structure, Systems, Shared Values, Style, Staff, and Skills—all critical components are aligned during the integration process with the help of the model.[6] Placing shared values as the "center" of the model reflects the crucial nature of changes in the other elements. This holistic approach helps organizations address potential challenges and optimize the combined entity's performance.

The solution provided to Surf Internet was a customized M&A integration playbook. AI was used to sort the secondary and primary research findings per the 7-S categories. The playbook offers best practices, enhances accountability, and allows for further customization. By ensuring consistent application, it supports improved outcomes, more robust organizational learning, and better employee retention to grow the talent pool.

Conclusion

This research and the customized M&A integration playbook mark a transformative step for Surf Internet, ensuring streamlined integration processes. By focusing on cultural alignment, shared values, and leadership, the playbook minimizes disruptions, enhances talent retention, and fosters trust. Standardizing best practices supports sustainable growth through acquisitions, key to Surf Internet's exit strategy. Future M&A success will drive investment in employees, the organization, and communities, promoting virtuous business and sustainable value creation for a stronger exit.

References

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