

# Integration Management Office

*Achieving effective integration  
across the enterprise*

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## **At a glance**

Failure to capture deal value is rarely due to a flawed strategy, and most often a result of not executing the strategy in a timely way.

Converting integration strategy into detailed actions that align people, process, and systems with integration objectives requires an effective governance structure – an Integration Management Office (IMO).

A well designed IMO will make sure an integration stays on course and sustains focus on the right activities at the right times.



# Introduction

Doing deals is risky and too many acquisitions don't achieve the expectations set for them.<sup>1</sup> Carefully developed strategy too often does not translate into integration success.

Yet failure to capture deal value is rarely attributed to a flawed strategy, and is most often a result of not executing the strategy in a timely way. Converting integration strategy into detailed actions and managing those actions across the combining enterprise is critical for success. To succeed, a governance structure must be in place to align people, process, and systems with integration objectives. This is the role of an Integration Management Office (IMO).

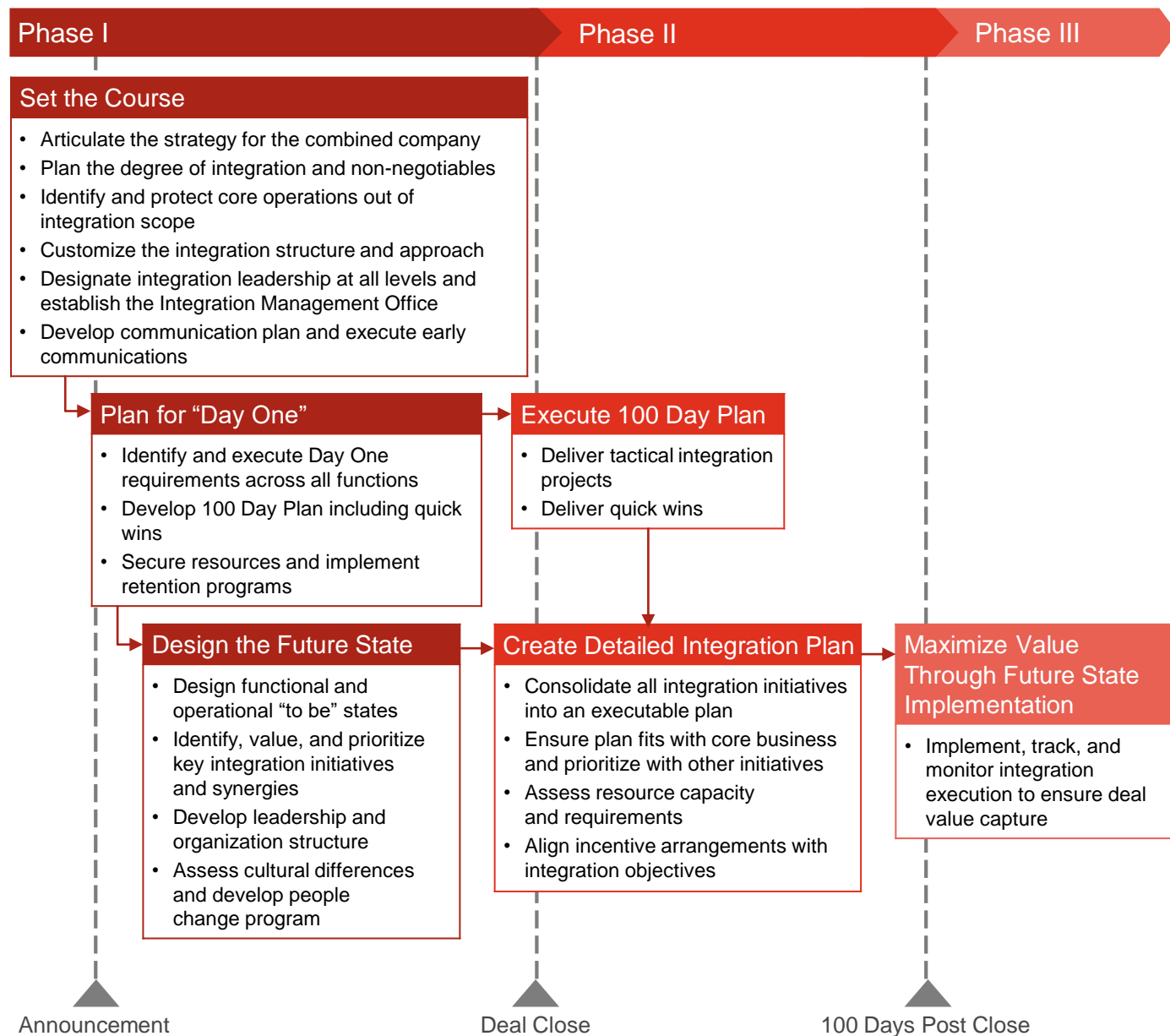
An IMO is the glue that holds an integration together. It is the nerve center of the effort. It serves as the central contact point for every function and individual involved. And it must be designed specifically to meet the needs of the deal it serves. An IMO staffed by experienced people working with a common timeline and applying a common methodology is necessary to make sure an integration stays on course and the people involved stay focused on the right activities at the right times.

The integration process and underlying IMO activities laid out in this paper provide a successful framework for managing an enterprise wide integration that has been tried and proven time and again, and allows managers to focus their effort on sound execution.

<sup>1</sup> [PwC's M&A Integration Survey Report 2017](#)

# PwC integration process

An effective integration process emphasizes the importance of getting the fundamentals of integration in place as quickly as possible during a deal to minimize disruptions and achieve synergies. Rapidly launching integration efforts to Set the Course, Plan for and Execute Day One, and Design and Maximize Future-State Operations is a critical success factor. Figure 1 illustrates the integration process.



**Figure 1.** The PwC integration process follows a sequence of coordinated steps to focus resources and capital on the right activities at the right times.

A disciplined process is important for all large and midscale integrations, but the process must be flexible enough to adapt to each transaction's unique facts and circumstances and evolving needs. The primary purpose of an IMO is to put in place the management structure, people, and processes that match the integration requirements in pursuit of capturing deal value. An IMO accomplishes this by:

- Defining the integration basics, including the degree of integration and non-negotiables across functions and geographies
- Coordinating integration activities across the combining organizations through a disciplined and structured approach, including functional and cross-functional workstreams
- Rolling out the integration methodology and tools, including status reporting and dependency and issue management
- Implementing a centralized value driver process, including methodology, tools, templates, and a tracking mechanism
- Identifying issues, decisions, and resource constraints, and escalating to management for resolution
- Launching key communications and the communication planning process

### **Integration management is more than project management**

Integration Management is more than project management. While some elements of traditional project management are found within an IMO, an IMO is much more. All too often even the best senior management can underestimate the complexity and level of effort it will take to drive an integration. Sometimes management makes a common mistake by assuming that general project managers have the experience to manage the exponential complexity of an integration.

On one hand, traditional project management usually involves a very targeted audience and goal, often focused on only a few workstreams or functions. Scope is also typically limited, as is time frame. Integration management, on the other hand, is much more pervasive. It normally involves all aspects of two organizations over a longer period of time, and with a greater need for the integration organization to be flexible, adjusting to the needs and requirements over different phases of an integration. And the levels of executive support and oversight required are often much higher given the strategic nature of a transaction. Failure to recognize and address these complexities early is the first warning sign of integration problems to come.

# Set the course

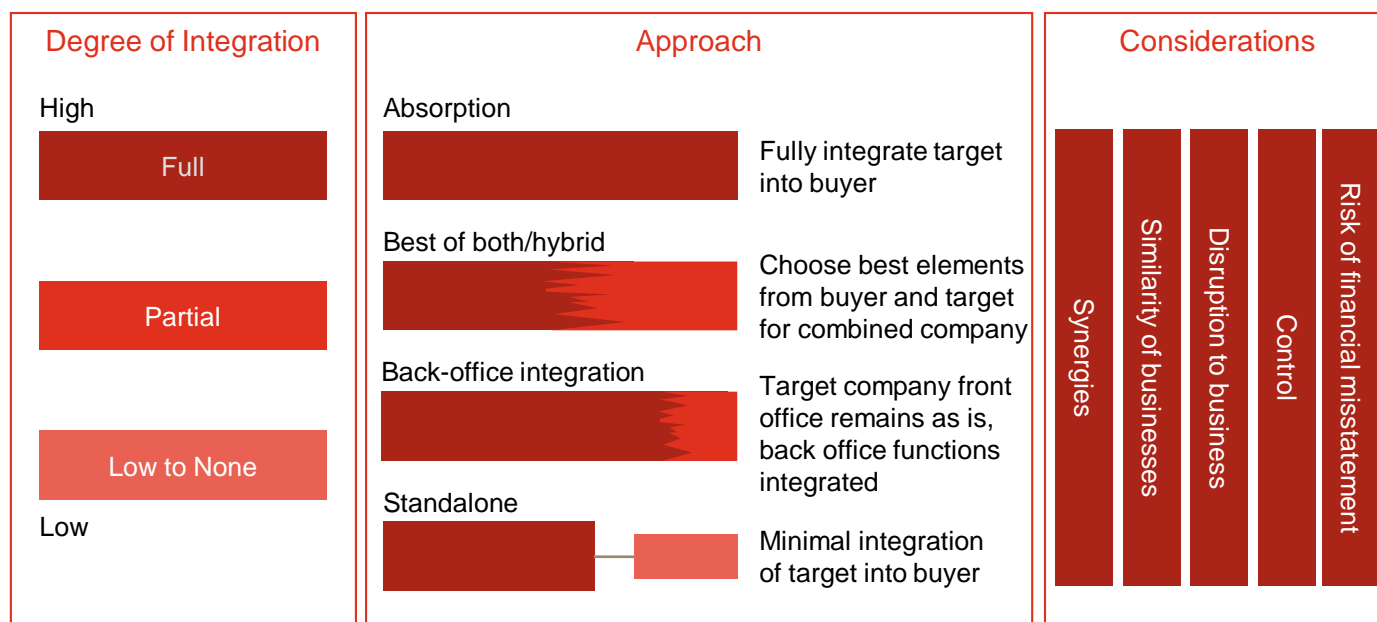
An acquisition, like other large-scale corporate change, is an excellent opportunity to set a new course, both operationally and across the various support functions of the newly combined business. Setting the course involves defining clear objectives and establishing clear leadership and role clarity during the transition.

Key areas for the IMO to set the course include:

## Planning the degree of integration

Every organization is different, and every deal is different. So it's critical for the IMO to assist in defining the degree of integration across functions and geographies and to effectively communicate that information to the integration organization. This will serve as the initial target operating model and set of guiding principles each business unit or function will use to develop and execute its detailed plans. Without such guidance, people are more likely to focus on the actions easiest to accomplish and most personally rewarding, as opposed to the actions most likely to create shareholder value and result in sustainable returns.

The degree of integration often depends on the type of transaction, the similarity—or dissimilarity—of the businesses involved, synergy targets, the potential for disruption to core operations, and control decisions. For example, in an absorption-type transaction commonly based on industry consolidation, the degree of integration across functions and geographies tends to be high, with significant cost synergies expected. On the flip side, in a standalone-type acquisition—common when the acquirer is expanding into a new product or market—the degree of integration tends to be lower, with more of a so-called nurture, or investment, approach to the new addition. Figure 2 illustrates the types of transactions and the degrees of integration typically associated with them.



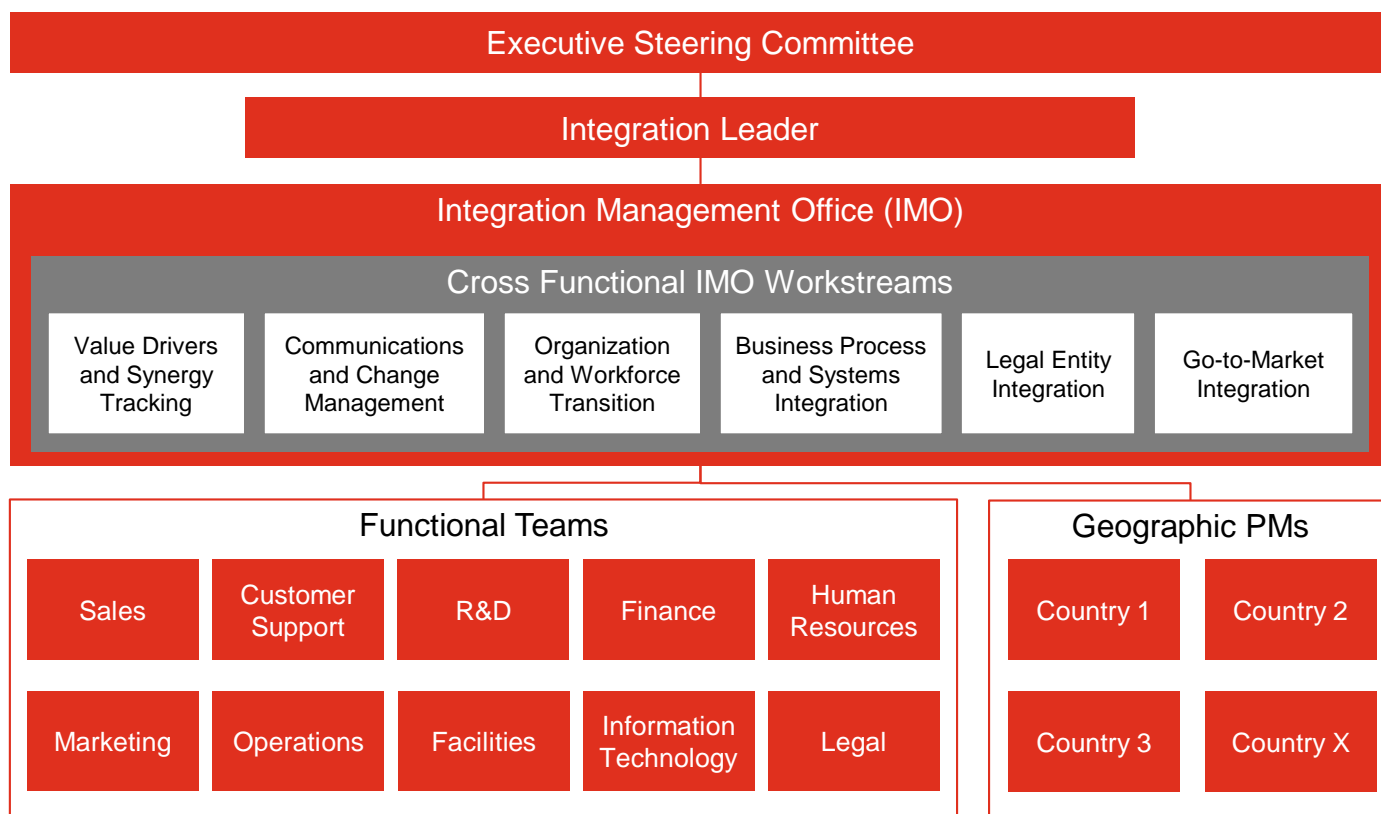
**Figure 2.** The IMO plans the degree of integration and assists in defining the target operating model after evaluation of several key factors.

## Establishing the integration organization

The integration organization comprises the team responsible for executing integration action plans within each business unit or function. It is a team-based control structure that links integration strategy and leadership with task-level actions. The integration organization is best assembled once the overall integration strategy has been translated into guiding principles that define the desired degree of integration across functions and geographies.

To achieve success, an integration management structure must be established with clearly defined responsibilities and reporting relationships. Teams of functional specialists are tasked with integration of core functional areas.

They in turn report to an IMO, which consists of the team of individuals with responsibility for managing the overall integration. Cross-functional workstreams are established to manage dependencies across functional teams. Finally, a steering committee of senior leaders oversees the effort. Figure 3 illustrates what a typical integration structure may look like.



**Figure 3.** A team of specialists responsible for integrating core functional areas reports to individuals responsible for the overall integration. Cross-functional workstreams are established to manage dependencies across functional teams. This structure ensures that tactics are closely aligned and dependencies are coordinated to directly support strategy.

The IMO is responsible for coordinating actions across workstreams, ensuring cross-functional dependencies are resolved, reporting to executive leadership, and monitoring resource needs. The IMO is also responsible for starting the communication process to set the tone with stakeholders, and centralize the value driver realization and synergy tracking process. Figure 3 shows the most common cross-functional workstreams the IMO is responsible for launching, particularly on large-scale transactions.

## Global IMO Models

Designing an effective global IMO model for integrations involving multiple countries should consider several factors, including the existing in-country presence and capabilities of the buyer and target, the level of “control” desired, and the degree and complexity of integration intended across geographies, among others. Regardless of the model deployed, an effective governance structure with central IMO is required.

Integration Management Office						
Sales	Ops	HR	Finance	IT	Facilities	Legal
EMEA						
APJ						
US						

### Functional

- Functional leaders in Central IMO drive global integration planning and execution
- Leverage in-country resources or deployed team for execution

Integration Management Office		
EMEA	APJ	US
Sales		
Ops		
HR		
Finance		
IT		
Facilities		
Legal		

### Geographic

- Global IMO deployed within overall IMO structure
- Global IMO coordinates Regional IMOs and the activities of functional teams in each country
- Functional teams develop requirements in conjunction with Regional leads, but report to the Global IMO

Integration Management Office					
EMEA	APJ	US	Finance	IT	HR
Sales			EMEA		
Ops			APJ		
Facilities			US		
Legal					

### Hybrid

- Central IMO is deployed to coordinate activities for functional and geographic workstreams
- Each functional and geographic team drives the integration planning and execution, and report to the Central IMO

## Planning to resource the integration

Resource needs for integration are generally underestimated. The number of resources required and the associated time commitment to accomplish the many tasks from deal announcement to 100 Days Post Close and beyond sometimes catch management by surprise. Integration is typically complex—with many moving parts—and often demands lengthy commitments from an organization’s best and brightest, with greater involvement on the parts of senior managers than expected.

An IMO plays a central role in determining the level of resources required during the course of the integration. Of critical importance is the need to balance integration objectives and requirements with making sure to avoid disruption to ongoing business. The first matter to decide is where resources will come from and what their roles will be. Other considerations include staff availability and bandwidth, the degree and duration of their involvement, how to backfill the roles vacated by those serving on the integration team, and the transition of team members back into their former—or new—roles once their integration service is complete.

# Plan for and execute Day One

Even if the best decisions are made as you set the course, much can go wrong at close without proper planning and execution. While Day One is a milestone for celebration, it's also the time for a smooth transition of essential operations.

Key areas for the IMO to plan for and execute Day One include:

## Launching the integration

An effective launch to the integration effort is the first step in planning for Day One. The IMO would typically invest a large amount of time in planning a kickoff event—usually through a series of meetings—to ensure the event is executed flawlessly. After all, this event often sets the tone for the entire integration. Getting the integration launch right is critical because it's usually the first time a sizable cross-section of people from both organizations will meet face-to-face. Often, the buyer company will hold a prelaunch meeting with its functional team leaders and key team members to prepare to engage with the target company.

An integration kickoff event would include:

- An executive-level presentation on the deal rationale
- A general introduction to both companies, including their products, geographic footprint, etc.
- A discussion of the guiding principles based on the desired degree of integration
- A primer on the integration's organization structure and resources
- An overview of the role and processes of the IMO
- Functional break-out sessions that get teams working on defining integration activities, including important Day One action items

The integration launch should be an “output driven” meeting where the functional teams get focused on defining Day One, 100 Day, and longer-term activities. The launch should also outline executive issues to be resolved and decisions to be made, cross-functional dependencies, and communication needs. Identifying potential quick wins for capturing immediate synergies is another important outcome. The point here is to leave the launch event with a defined set of objectives and activities by functional area, including tactical requirements for closing.

The use and exchange of information between the deal parties prior to close are sometimes restricted by securities, antitrust, or other regulations. Those restrictions can impact the work of functional teams and information that can be shared—but more commonly information related to aspects such as pricing and customer agreements. Even with the limitations, a considerable amount of integration planning can still take place. If necessary, the most sensitive information can often be sequestered through use of a “clean room” or “clean team.”

## Developing the workplans

The plans made and the priorities set during the integration launch are major inputs to the workplan development process. Good, detailed workplans result in better integrations. But building comprehensive workplans takes time, and some companies overlook the importance of this activity. Failure to invest the time and resources necessary to build workplans is another warning sign of failure to capture deal value.

Each functional team should develop workplans that detail the tasks, resources, due dates, and cross-functional dependencies required to get the job done. These workplans are never static and should constantly evolve over the course of the integration as new details become known and milestones achieved. In the early stages prior to close, workplans should focus on the tasks most critical to Day One. This allows for timely identification of long-lead items well before they can turn into closing-day surprises.



The breadth of Day One needs will vary by transaction, though generally there is not enough information, time, or legal approval granted between deal announcement and close to make significant changes to front-office, customer-facing, revenue-generating activities. Progress in these areas is typically limited to ensuring good customer and sales force communications and a thorough review of customer information made available.

Day One efforts tend to focus more on gaining control and mitigating risk within back-office functions (e.g. finance, information technology, and human resources, legal).

An IMO should work with each functional team to ensure sufficient workplan detail, and then review each workplan to confirm its consistency and completeness. In reviewing the workplans, an IMO should also point out dependencies and critical-path prerequisites and assess resource gaps and requirements.

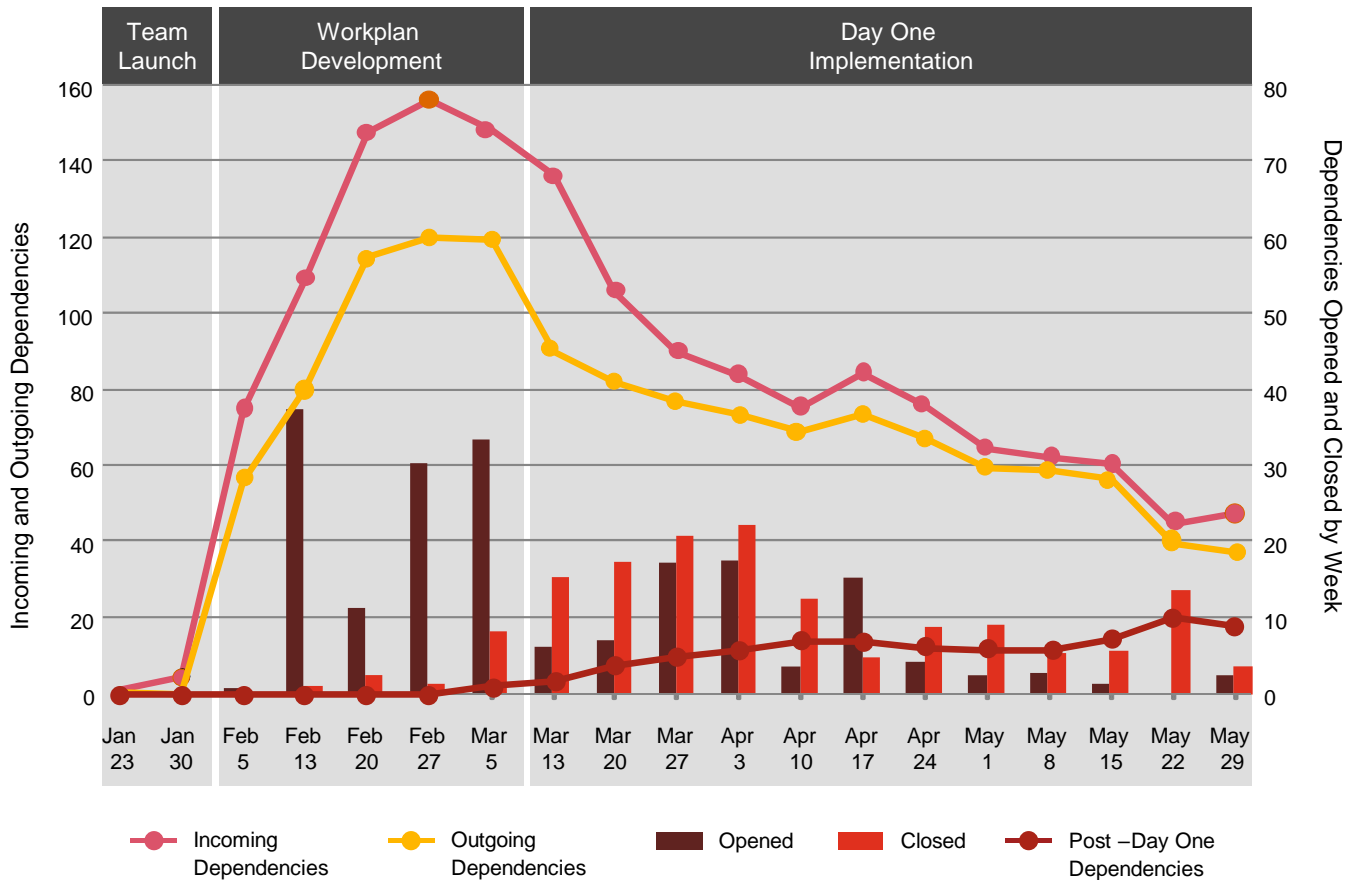
### **Rolling out processes and tools**

During the early phases of integration, an effective IMO will introduce the broader integration organization to common processes, tools, and templates to make sure the integration is executed in a coordinated manner. The job of the IMO is not to perform the detailed work of the integration, but to coordinate its completion by the functional teams.

An effective IMO manages by exception. If the integration launch is a success and workplans are sufficiently detailed, then the IMO can move to an exception-based-management approach. An IMO can accomplish this by several key processes, including regular status reporting and dependency management and tracking.

- **Status reporting.** A periodic reporting cadence is established with the functional teams as a safety net to ensure issues and risks are readily identified and quickly resolved. This is done by using standard reporting templates that capture progress on key milestones, decisions to be made, issues to be resolved, and cross-functional dependencies to be managed. A typical reporting cadence is weekly through 100 Days Post Close and either monthly or bimonthly thereafter.
- **Dependency management.** A dependency is a need by one functional area for action, information, or decision making from another functional area. Generally, a dependency must be satisfied by one function before another function can move forward with an aspect of its integration effort. Managing dependencies across functions can be complex, confusing, and time-consuming. But the activity is similar to tightening the lug nuts after rotating the tires on a car—if you don't do it, the wheels will come off. In a smaller transaction, the use of a simple dependency log may be all that is required. However, in larger-scale and cross-border transactions, a more rigorous process and a stricter set of tracking mechanisms may be needed. In either case, the main goal is to identify dependencies and then properly assign them to those tasked with resolving them in time to prevent integration delay.

Dependency tracking can provide critical insights into integration complexity over time, and “hot spots” requiring management involvement. For example, tracking the volume of dependencies identified and open at a particular time is a good indicator of integration complexity. Figure 4 illustrates a dependency tracking report for Day One.



**Figure 4.** Proactively managing dependencies is critical to understanding and reducing integration complexity.

Another indicator of integration complexity can be found by tracking dependency clusters. These result when a high number of multifunctional dependencies are concentrated on management decisions required, or key activities to occur in a common area such as people selection, legal entity structure, systems migration, and branding changes. These often require setting up a centralized multifunctional task force to choreograph the timing each function will have to meet and the steps each function will need to take to accomplish the overall objective. These centralized multi-functional task forces are most typically required for longer term activities.

# Design and maximize future state operations

When it comes to delivering an effective integration and realizing sustainable long-term synergies, the period before deal announcement through Day One is only the beginning. After that period, which can be as short as a few weeks, operational and cultural integration begin in earnest as the major components of the combined organizations are integrated.

Cross-functional teams play an important role over the longer term, particularly in large-scale cross-border or transformational deals when scale of effort and uncertainty are high. And they often include active executive leadership representation to free barriers and secure the support required to succeed.

The IMO is designed to manage cross-functional teams (as shown in Figure 3) in a robust manner to identify and resolve cross-functional issues and dependencies, without overly burdening the functional teams. Each cross-functional workstream has a dedicated project lead to drive dependency activity across functions with the goal of achieving the target operating model.

Key areas of focus for the IMO during this phase include:

## **Value drivers and synergy tracking**

The IMO can be instrumental in launching a value driver program, particularly once the Day One workplan building process is complete and tactical implementation is under way. The IMO can start a process that includes identifying, prioritizing, developing, and executing on key value driver and synergy initiatives. This includes both revenue-generating synergies, such as bundling buyer and target company products and cross-selling into new channels and geographies, and cost reduction synergies, such as eliminating redundant facilities, systems, processes, and people.

It is not possible to seize every synergy during an acquisition. For most companies in transition, though, nearly everything becomes a priority—the head of each functional area, business unit, or special project focuses primarily on the needs of its own group. Resource workload limitations, however, demand that integration efforts be prioritized, and the IMO is the management body best positioned to ensure that shareholder value will drive the allocation of resources for meeting these priorities.

As the integration progresses and synergies get realized, it is vital that company executives can communicate effectively and with confidence on what has been achieved. The IMO, often working with either the Corporate Development department or the Financial Planning and Analysis (FP&A) group within the Finance function, should design and roll out a centralized process and set of tools for monitoring, tracking, and reporting synergies. This will help keep the combined company on task to deliver measurable results.

## **Communications and change management**

When combining two of anything—let alone two things as dynamic and complex as productive, active companies—you first need to agree on a shared purpose, set common goals, and learn how to work as one to achieve results. Though none of this is possible without effectively engaging the people in both organizations, helping them to understand one another, and operating efficiently in an environment with clarity and purpose.

The IMO can play a critical role in helping formulate and initiate an overall change management effort. The IMO will often have unique insights on people matters by working through the integration planning process, and is in a good position to work with the Human Resources function in assessing and addressing core differences in the cultural and behavioral dimensions of the two organizations.

The IMO can also help coordinate communication specialists as they attempt to design effective communication programs that foster needed changes. The IMO is in a position to collect communication requirements and feedback from functional teams, and can work with the communications team to drive a well thought out and proactive communications plan for all stakeholders.

## Organization and workforce transition

It is widely acknowledged that — following deal close — integration will be slow and challenging without an organization structure in place. Fear, indecision, and just plain confusion often paralyze the new organization until people have some sense of where—and even whether—they fit within the new environment, and what will be expected of them. The sooner the go forward leaders are identified and assigned, the faster the combined organization can complete the remaining workforce planning and selection process.

The IMO, working with the Human Resources function, can leverage its cross-functional position to help design and roll out a centralized process and set of tools to each of the functions and geographies for people selection, retention, and restructuring. The IMO network can also be leveraged to roll-out many of the necessary workforce management activities, including employee onboarding and training and new policy and procedure communications.

## Business process and systems integration (BPSI)

Integrating systems and the business processes that surround them can be complex and fraught with risk. Often, this activity is at the heart and soul of integration success or failure (particularly in large-scale and cross-border transactions). Whether to support revenue-generating synergies or to drive cost reduction synergies, integrating multiple, disparate applications and their associated financial and business processes is a critical path prerequisite. And it's here where companies so often falter. Once again, developing comprehensive workplans takes time, and some companies overlook the importance of this step. Failure to invest the resources and time necessary to build these plans often limits an organization's ability to capture the desired synergies.

The IMO can play a critical role in launching business process and systems integration (BPSI) activities by working with primary functional teams (generally Finance and Information Technology) to govern the business requirements gathering process across the organization. The requirements often begin as outputs from the IMO dependency management process. In large-scale integrations, the IMO can sometimes be converted into a BPSI team at some point following 100 Days Post Close to centrally manage the requirements definition and prioritization essential to longer-term cross-functional BPSI initiatives

## Legal entity integration

Integrating legal entities is much more than a tax department initiative to optimize the combined company effective global tax rate and streamline the number of tax reporting entities. Once the tax efficient structure is established, the operational requirements of integrating country by country and across all functions begins. In larger-scale cross-border integrations involving numerous legal entities across several countries, legal entity integration can be core to integration success or failure. Coordination across functions and geographies to avoid triggering regulatory infractions and to accelerate operational integration is imperative.

The IMO can be instrumental in launching a legal entity program by working with in country resources and across functional teams to help define required integration activities and timing, country by country. The requirements are often significantly interdependent, and include everything from the Sales function's ability to contract with a customer to the Finance function's ability to process transactions for the combined company and produce a single customer invoice, all while balancing individual country works council and other regulatory requirements and limitations that can restrict and slow down the integration of people.

## Go-to-market integration

Revenue synergy goals, such as growth in market share, access to new markets, distribution channels, brands, products, and technologies are consistently the top reasons for pursuing a merger or acquisition. Yet, these Go-To-Market (GTM) goals are getting tougher to reach and typically have low success rates.<sup>1</sup> While a consistent, top-down enterprise-wide integration process is a key success factor for any M&A integration, it is critically important for the GTM functions, and achieving top line growth.

The IMO can be instrumental in connecting revenue related dependencies across sales, marketing, channel, sales operations, sales finance, product management, support/services, and other functions. GTM integration is defined as the activities taken to integrate an acquired company's customers, channels, processes, and systems into the buyer's GTM environment. By focusing on customer retention, sustaining the customer base and opportunity pipeline, and implementing robust customer communications, the GTM integration strategy increases the probability for success in achieving long term synergies and revenue growth from the deal.

While these cross-functional areas represent the most common for IMO involvement, whether to kick-start a program until a dedicated team is in place or to drive the activity long after transaction close, they are certainly not the only ones. For example, on transactions involving acquisitions of carve-out entities or assets from a parent company, a Transition Services Agreement (TSA) team may be needed to manage the cross-functional activities and performance monitoring over the TSA term. Every transaction is different, with its unique set of circumstances that should be assessed in determining the areas requiring cross-functional teams over the longer term.

<sup>1</sup>PwC's M&A Integration Survey Report 2017

# Conclusion

A disciplined approach to integration is critical to deal success. A well defined integration process and set of fundamental activities rolled out by the IMO helps achieve early wins, build momentum, and instill confidence among stakeholders.

Adherence to a well planned integration process and recommended set of IMO activities laid out in this paper can guide companies along the path to a successful integration and allow managers to focus their efforts on sound execution.

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