

# All Mergers Are Not Alike

Seven merger types and approaches to master the integration



**M**ost mergers fail. That's a fact. After the merger, many companies—often blinded by the pursuit of potential synergies—cannot sustain their initial growth momentum. Why the high failure rate? A.T. Kearney finds that the major cause for post-merger financial slowdowns is treating all mergers alike—while mergers are not alike. In a study of 175 mergers, we identified seven types of mergers. Each type has its own specific challenges, opportunities and success factors. Companies that tailor the merger approach to the merger type will not only increase merger success but also the value of the new company.

The message is nothing new: Most mergers fail.<sup>1</sup> This has been confirmed time and again by various studies. But traditional merger studies often ignore distinctions among merger types, thus failing to provide meaningful insights. For instance, most studies assess *general* performance indicators and patterns in determining a merger's success, such as the short-term development of market capitalization. Some cite the difficulties of merger integration and the lack of synergies as the major causes for failure. As a suggested remedy, they present a set of “would-be” success factors that offer generic advice: “Clear strategic rationale” and “effective communication” are the catchwords here. However, although most executives recognize these concepts, most mergers still ultimately fail to create value—so the advice is not particularly useful.

A.T. Kearney recently performed an in-depth merger study. Motivated by the lack of informa-

tion on “behind the scenes” merger challenges, few detailed performance assessments and the undifferentiated use of integration success factors, our aim was to shed light on the real reasons why some mergers succeed in achieving long-term, stable post-merger growth while many others (actually, the majority) fail.

From an analysis of 175 mergers, we identified seven merger types, distinguishable by their product and service offerings, regional footprint and value chain structures (*see sidebar: About the Study*). Each merger type was isolated for its operational impact on creating shareholder value, measured in terms of sales growth and profitability. We determined that the major cause of post-merger financial slowdowns (a failure to sustain growth momentum) is treating all mergers alike.<sup>2</sup> Merger success, we concluded, depends on taking a more nuanced approach to merger integration—tailoring approaches to each merger type.

<sup>1</sup> For simplification purposes, the term “mergers” in this paper also refers to acquisitions. We acknowledge that both deals have specific challenges and success factors; in particular, acquisitions should have more market and internal risks in the event of hostile takeovers. Many studies have analyzed acquisitions specifically, while our focus is on the overriding challenges and success factors of both mergers and acquisitions.

<sup>2</sup> See A.T. Kearney's 2008 study “Sustaining growth momentum is the key challenge for merger integration.”

This paper discusses the findings of A.T. Kearney's *Seven Merger Types* study. We identify and categorize each merger type, assess the characteristics necessary to achieve long-term, stable post-merger growth and outline the success factors and tailored approaches that will allow companies to continue their growth momentum well beyond day one.

### No Two Mergers Are Alike

Every merger is different. Mergers differ according to size and, most importantly, by their objectives and scope of integration. Typical merger

**Sustaining profitable growth is a key challenge in a merger integration — even more so than realizing synergies.**

objectives are to increase sales and market share, boost profitability, increase innovation and diversify risk. A merger's scope is directly or indirectly determined by the overriding merger objective and individual targets. Characteristics might include the portfolio offering (products and services), capabilities, regional footprint and the value chain structure.

After analyzing and segmenting mergers by objectives and scope, we identified seven distinct merger types, each with specific characteristics, challenges and success factors (*see figure 1*). If a

merger type in our database was ambiguous—for instance, if the objective was in more than one area—the merger was categorized based on its primary objective as reported in publicly available data and managerial interviews.

Of the 175 mergers studied, 120—more than two-thirds—were volume-driven mergers, designed to increase clout and market share (*see figure 2 on page 4*). Thus, capturing economies of scale and market leadership were among the primary motives for achieving external growth across industries. Regional extensions ranked second in popularity, which is not surprising in light of globalization. In fact, pursuing M&As in emerging markets can also be established companies' strategic response to keep new, rapidly growing competitors at bay.<sup>3</sup> Altogether, the first four merger types make up the clear majority, with more than 97 percent of the total, while the remaining merger types are far less common. Therefore, in this paper, our focus is on the four most common mergers.

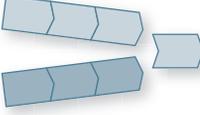
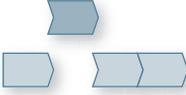
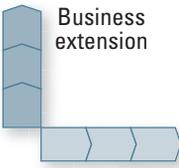
### Gauging Merger Performance

To determine merger performance, our study focused on the operational and financial success of mergers, not simply—as is the case with the majority of merger studies—on value creation as measured by market capitalization or total shareholder return.

The study examined the operational impact in terms of sales revenues and profitability for a period of three years before and after the merger. In this way, we excluded short-term effects and assessed the impact of the merger well after the integration was completed. Furthermore, the data was normalized against industrywide effects such

<sup>3</sup> See Juergen Rothenbuecher and Joachim von Hoenning-Huene, *The Rise of Emerging Markets in Mergers and Acquisitions*, A.T. Kearney, 2008.

**Figure 1**  
The seven merger types

Merger type	Description	Examples
<p>Volume extension</p> 	Horizontal integration of direct competitors to increase market share and achieve economies of scale. Acquirer often receives new products and competencies, but must spin off other parts because of competitive regulations.	Carrefour and Promodès
<p>Regional extension</p> 	Horizontal integration of companies in same industry, but serving different regions. Merging companies want to gain quick access to new geographic segments and local know-how or to increase global market share.	Anthem and Trigon Healthcare
<p>Product extension</p> 	Horizontal integration of non-competitors that serve the same customers with related products and services. The objective is to complement the portfolio and cross-sell products and services, and is often driven by economies of scale upstream in sales and marketing.	PepsiCo and Quaker Oats
<p>Competency extension</p> 	Partial horizontal integration of companies that generally were not competitors, and where target focused on one part of acquirer's value chain (often marketing, distribution or R&D). Acquirer gains access to key know-how and technologies to strengthen core competencies and increase customer value.	Bilfinger Berger and Rheinhold & Mahla
<p>Forward extension</p> 	Vertical integration of downstream suppliers or vendors to acquire additional market segments and, potentially, end customers.	Vodafone and Singlepoint
<p>Backward extension</p> 	Vertical integration of upstream suppliers or vendors to safeguard strategic resources or take advantage of the dwindling power of the supply market.	Mittal Steel and Kryvorizhstal
<p>Business extension</p> 	Merger between unrelated businesses to enter into attractive new markets and diversify business, reduce risk, or transfer brand, strategic and managerial skills.	Anglian Water and Morrison Construction

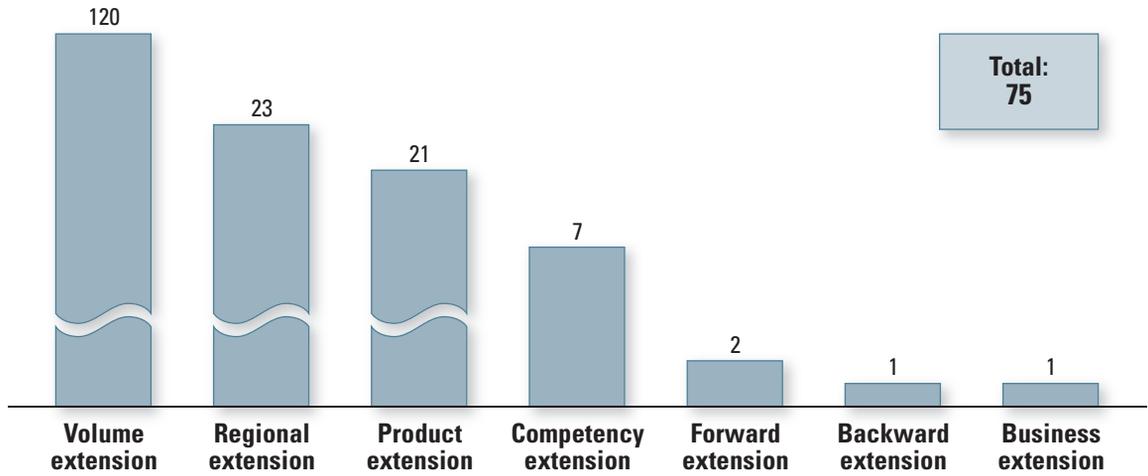
Source: A.T. Kearney analysis

 Acquiring company  Target company

**Figure 2**

Volume-driven mergers are the dominant type

**Number of mergers**



Source: A.T. Kearney analysis

**Figure 3**

Overall merger performance by type

Average change in performance	Volume extension	Regional extension	Product extension	Competency extension	Forward extension*	Backward extension*	Business extension*	Weighted average
Return on sales	1.43%	-1.56%	-2.06%	-1.11%	-0.88%	-22.08%	-13.76%	+0.3%
Sales growth	8.35%	-0.58%	-1.13%	-2.58%	0.78%	-62.38%	7.27%	-6.0%
EBIT growth	-9.36%	-4.75%	-7.75%	-2.92%	-25.10%	-142.08%	-13.00%	-9.4%

Source: A.T. Kearney analysis

EBIT = earnings before interest and taxes

\*Sample size

as a booming business cycle to pinpoint only those changes that resulted from the merger.

Overall merger performance was mixed (*see figure 3*). Post-merger synergies, measured by return on sales (ROS), increased by 0.3 percentage points on average, while sales growth slowed 6 percentage points and profit (EBIT) growth decreased 9.4 percentage points. Across merger types, we concluded that merger performance was hampered by the following:

**Illusion of synergies.** Although the mergers in our study achieved positive synergies overall, six out of seven merger types failed to realize a positive ROS, generating low or negative synergies. Buyers spend considerable effort assessing potential synergies in the pre-merger phase, but they often do not tap the synergies after the merger because of unforeseen costs and complexities.

**Loss of the growth momentum.** Five of the seven merger types failed to sustain sales growth, often producing dramatic slowdowns. The reason is that intense focus on cost synergies siphons attention and resources away from markets and customers.

**Erosion of healthy profits.** All seven merger types failed to make money. Profit growth declined sharply (falling by 2.92 to 9.36 percentage points for the first four merger types) due to poor sales growth—even for those mergers that increased ROS slightly. Additionally, shareholder value creation (measured by market capitalization) decreased 2.5 percentage points relative to pre-merger levels. Together, these findings illustrate that sustaining profitable growth is a key challenge in a merger integration—even more so than realizing synergies.

An in-depth look at the four most common merger types led us to some instructive findings. We found, for example, that volume extensions experienced the most negative effects from synergy. Sales growth decreased by 8.35 percent-

age points and profitability fell 9.36 percentage points. Companies pursuing economies of scale tend to launch an overly aggressive integration and synergy program at the expense of market focus and money-making ability. (The negative effects in the final three merger types are most likely the result of the small sample size.)

Product extensions had the steepest reduction in ROS (by 2.06 percentage points) and stimulated sales growth moderately (1.13 percentage points). Companies in product extensions focus on enhancing their product portfolio and cross-selling capabilities, boosting sales but at greater effort. Mergers in this segment also failed to sustain their pre-merger profit growth.

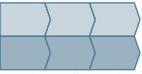
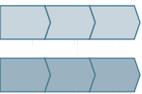
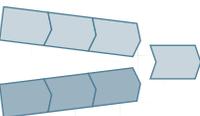
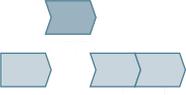
Regional extensions experienced a minor decline in sales growth (by 0.58 percentage points), often as a result of underestimating the challenges related to cross-border mergers such as cultural conflicts or operational complexities.

The differing performances for each merger type illustrate the necessity of evaluating both the opportunities *and* the challenges and risks inherent in each merger type. Indeed, a closer look at the four top merger types reveals specific opportunities and risks, with some mergers creating value and others destroying it (*see figure 4 on page 6*). For example, mergers to expand competencies provide access to new capabilities (such as experts, skills, patents, technologies, know-how) and markets. However, such mergers also have inherent risks, including the creation of integration barriers by both the target company (cast as a “cultural misfit”) and the acquirer (a tendency to resist new ways of doing things), which can drain key people and know-how.

### Tailor the Approach to the Merger Type

Differences in merger performance illustrate the importance of judiciously assessing both the opportunities and risks specific to each merger type.

**Figure 4**  
**Merger opportunities and risks**

Merger type	Opportunities	Risks
<b>Volume extension</b> 	<ul style="list-style-type: none"> <li>• Achieve economies of scale</li> <li>• Expand market and buying power</li> </ul>	<ul style="list-style-type: none"> <li>• Lose sales and customers</li> <li>• Realize few gains from synergies because of poor integration know-how</li> <li>• Create organizational barriers because of cultural misfit</li> </ul>
<b>Regional extension</b> 	<ul style="list-style-type: none"> <li>• Achieve economies of scale</li> <li>• Enter new growth regions</li> <li>• Diversify risk</li> <li>• Acquire new best practices and improve offerings</li> </ul>	<ul style="list-style-type: none"> <li>• Generate cultural clashes and resistance to developing synergies</li> </ul>
<b>Product extension</b> 	<ul style="list-style-type: none"> <li>• Develop customer base by cross-selling and combining products and services for unique selling proposition</li> <li>• Realize specific synergies, potentially in sales and marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Have insufficient product knowledge</li> <li>• Lose salespeople during integration</li> <li>• Trigger conflicts in brand and positioning</li> </ul>
<b>Competency extension</b> 	<ul style="list-style-type: none"> <li>• Gain new competencies (for example, experts, skills, patents, technologies, know-how) and markets</li> <li>• Complement services for the long term</li> </ul>	<ul style="list-style-type: none"> <li>• Create integration barriers                             <ul style="list-style-type: none"> <li>— For acquirer: resistance to new approaches (“not invented here” syndrome)</li> <li>— For target: cultural misfit</li> </ul> </li> <li>• Lose target’s sales, customers and key employees, acquiring company shell only</li> </ul>

Source: A.T. Kearney analysis

 Acquiring company  Target company

In fact, when presented with our findings, more than 60 percent of executives in our study said they would refrain from using a radical, “quickly-as-possible” approach in future mergers. This shift from fast, across-the-board integration to a more deliberate, selective approach became the focus of many of our conversations with managers of post-merger integrations. These interviews helped us identify the following post-merger integration success factors (see figure 5 on page 7):

**Sequence integration activities.** Both parties always have more to do than they can handle.

Therefore, only a few high-priority initiatives should be pursued. We maintain that, owing to their relative contributions, companies should focus on growth- and market-related activities before pursuing cost synergies. “You have to be very conscious about the integration approach and adapt it to changing situations,” commented one CEO.

**Integrate select parts of the value chain.** While companies should consolidate some parts of the value chain, such as operational and administrative functions, it is often better to leave other

## About the Study

A.T. Kearney's *Seven Merger Types* study was based on a longitudinal, quantitative assessment of 175 mergers across industries and regions taken from A.T. Kearney's global Merger Endgame database of 600,000 companies. The study also included interviews with key integration managers and M&A experts to validate our findings and gain additional qualitative insights.

We identified 8,300 mergers that took place from 2000 to 2003 with a threshold value of more than \$100 million for the acquirer (see figure). We then screened and excluded less relevant mergers on the basis of several predefined criteria, including eliminating private equity deals, mergers with no change in control, and those mergers that overlapped with other subsequent mergers. This allowed us to measure the specific operational impact of each merger analyzed. Out of the 700 mergers that resulted, we identified those that fulfilled our data requirements for a

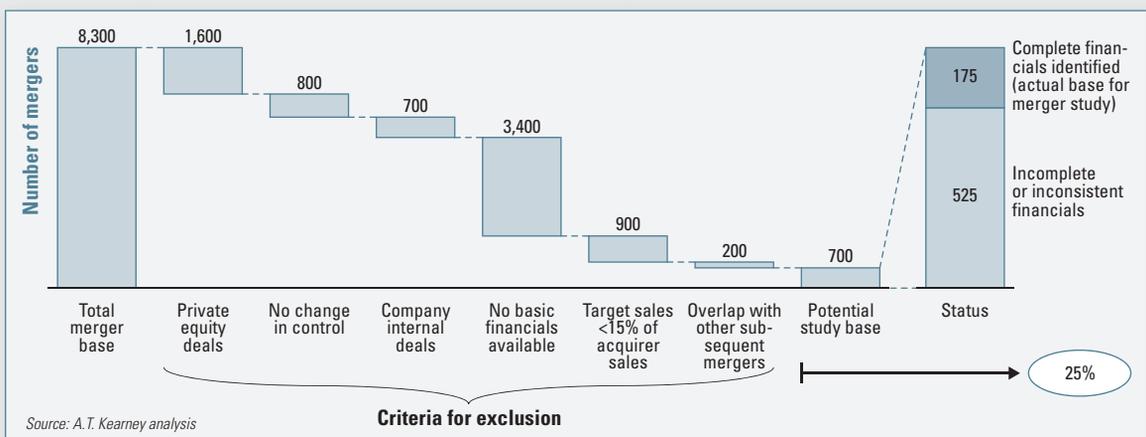
set of performance indicators over a six-year timeframe, thus selecting 175 mergers for further evaluation.

A mid-term framework is essential for determining what the impact after full integration is and how the measures in a merger are implemented. Therefore, the study analyzed financial data over a six-year period. The financials (market capitalization, sales and EBIT in absolute terms) of each company were assessed for three years after the transaction. This data was compared with the same performance indicators based on the total value (the hypothetical combination) of the two merger parties three years before the deal, when they were still stand-alone companies. The change in performance was measured in terms of value creation (market capitalization), growth (sales revenues), synergies (EBIT margin or return on sales) and profits (absolute EBIT) between the merged company after the deal and the hypothetically combined company before the

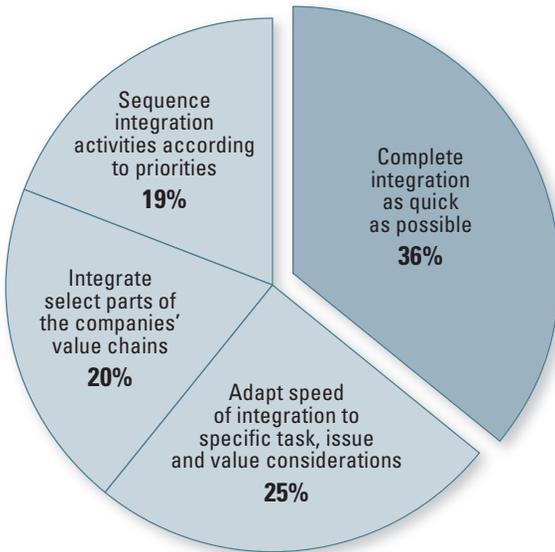
deal. All developments were referenced and normalized against industry indices to eliminate economic influences such as an upturn in sales and profit due to a booming business cycle. This allowed us to learn whether or not synergies were realized during the merger, and if shareholder value generation, sales and earnings growth picked up or slowed down.

On this basis, the study categorized mergers into seven types. We evaluated the operational impact for each merger type and conducted an initial diagnosis based on the financial performance with respect to specific challenges. The study analyzed the best and worst performers in depth to identify the underlying challenges, success factors and best practices and related patterns for each merger type. The latter analysis combined quantitative and qualitative data gathered by additional desk research and interviews with integration managers and M&A experts from approximately 30 mergers.

**Figure: Sample characteristics**



**Figure 5**  
**Success factors in post-merger integration\***



*\*Weighted averages based on interview responses  
 Sources: Interviews with post-merger integration managers; A.T. Kearney analysis*

functions, such as sales and marketing, alone. In some situations, integrating the companies is not useful at all. “Our merger was successful because we did not integrate the two companies,” explained one study participant.

**Adapt integration speed.** Integration timelines vary. Uncomplicated mergers may take just a few months, while full-scale restructurings may last several years. Recognize that your merger requires unique considerations and manage expectations accordingly. As one integration manager noted, “We had a reasonable schedule. Not too aggressive for us, but with clear milestones.”

### The Entire Picture

Traditional, widely recognized success factors provided only half of the picture, however. The whole picture began to emerge as we developed a systematic framework for fully exploiting success

factors according to each merger type, along each aspect of integration (see figure 6).

For example, in volume extensions, where the main objective is to increase scale, a key success factor is improving operational value. But no merger can capture long-term value if a company loses focus on its key customers. Customer retention activities are crucial to ensure that customers do not perceive a disadvantage in buying from the newly combined company (assuming that post-merger competition among suppliers is less vigorous). Customers that view the larger company as too dominant will either move to a second supplier or switch to multiple smaller suppliers.

Managing cultural differences is key in regional extensions, particularly in the case of cross-border M&A activities. For example, German retailer Wertkauf’s culture differed substantially from Wal-Mart’s, and as the U.S. retailing giant failed to gain ground in the German market, it abandoned its acquisition. If management had shown more cultural awareness and defined risk mitigation plans ahead of time, the integration would have stood a better chance of succeeding. Another success factor for regional extensions is sharing best practices among the various regions; this can be difficult, however, for companies that do not have the capabilities to transfer ideas and practices among intercontinental partners.

In product extensions, both parties must move quickly to achieve sales synergies, which requires pulling together an optimal product portfolio and identifying and tapping into all cross-selling opportunities. The newly merged company can also take advantage of positive spillover effects by strategically combining brands (for example, branding products and services under a common umbrella).

Finally, competency extensions are prone to internal risks. Therefore, anything and everything

that helps stabilize the business and ensure continuity is a key success factor. This includes focusing on internal communications and offering incentives to retain people with significant expertise and know-how.

Given the enormous risks that accompany most mergers, the pre-merger emphasis should be on establishing the merger rationale, verifying the cultural fit and ensuring proper leadership and direction. One takeaway lesson from this framework is that mergers require a more care-

ful and tailored approach. Companies need to address integration challenges based on the specific merger type and their unique circumstances.

### Learning from the Best (and Worst)

Managers of post-merger integrations often learn by reviewing the best practices of successful merger integrations and even the worst practices of failed integrations. With this in mind, the following offers insights from select case studies of two merger types: volume-driven and regional

**Figure 6**  
Success factors prioritized by merger type

Success factors		Volume extension	Regional extension	Product extension	Competency extension	Forward extension	Backward extension	Business extension
<b>Strategy</b>	Clear merger rationale and good fit	●	●	●	●	●	●	●
<b>Leadership</b>	Leadership and direction	●	●	●	●	●	●	●
	New management and organization	●	◐	●	○	○	○	○
	Resources dedicated to merger	●	◐	●	○	○	○	○
<b>Change</b>	Internal communication	●	◐	●	●	○	○	◐
	External communication	●	◐	●	○	●	◐	○
	Attention to cultural differences*	◐	●	◐	◐	○	○	◐
<b>Integration management</b>	Professional integration management	●	●	●	○	◐	◐	○
	Pre-closing period planning and preparation	●	◐	●	○	◐	○	○
	Integration approach	●	●	●	◐	●	◐	●
<b>Value creation</b>	Risk management: key people retention	◐	●	◐	●	◐	◐	●
	Risk management: customer retention	●	◐	●	○	●	◐	○
	Synergies: economies of scale	●	●	●	○	○	○	○
	Synergies: value chain integration	◐	○	◐	○	●	●	○
	Synergies: optimal product and brand portfolio	●	●	●	○	○	○	○
	Synergies: sharing of best practices	◐	●	◐	○	○	○	○

\*Most important for all cross-border mergers across merger types  
Source: A.T. Kearney analysis

○ Somewhat important      ◐ Very important      ● Most important

extensions, which accounted for 80 percent of the mergers in our study.

#### **The best (and worst) of volume extensions.**

In volume extensions, companies have numerous opportunities to create sustainable growth—from improved economies of scale to stronger market and buying power. The 2000 merger of French retailers Carrefour and Promodès provides our best-practice example. Although the newly formed company's market share initially fell, management moved quickly to define action plans that balanced losses with growth in new regions. Among the key challenges: aligning a supply chain with different logistical and IT requirements for the hypermarkets and medium- and small-sized stores, and handling tougher margin pressure from discounters. The company countered the latter with its increased buying power and eventually landed on its feet with sustainable growth of approximately 3 percentage points.

Despite the opportunities, volume extensions are also among the most challenging mergers. Companies run the risk of flagging sales, customer loss, disappointing synergy effects due to a lack of integration know-how, and organizational barriers brought on by mismatched cultures. The 2001 merger of Chevron and Texaco illustrates a volume extension that was unable to sustain its growth momentum (which decreased by 1.5 percentage points). Overlaps in the gas station network cannibalized sales, reducing the collective revenues of the merged company. Layoffs of redundant employees led to HR turbulence and a slowdown in oil field explorations. Eventually, however, the company increased profitability through its quick integration (within the first 100 days) and focus on bottom-line synergies by sourcing and eliminating redundant functions.

Based on our analysis of volume extensions, the following are key success factors:

*Clear merger rationale, good fit, and lead-*

*ership and direction.* Although these are equally important for all merger types, it is crucial to keep these success factors in the forefront at all times when pursuing a merger.

*New management and organization.* Define the organizational changes early in the merger process, allocating people to the new structures and nominating top management

*Resources dedicated to the merger.* Build integration teams with representatives from both merger parties. Maintain and attract dedicated and qualified employees with promising career opportunities based on their experience and development potential.

*External and internal communication.* Communicate the merger benefits to customers, shareholders, employees and suppliers at the beginning of the merger process and keep them updated through newsletters, websites and discussion forums.

*Professional integration management.* Establish a dedicated integration team headed by an integration manager who reports directly to an integration steering committee (ideally, full-time people with cross-functional backgrounds). Make program office tools available to the teams and manager.

*Pre-closing period planning and preparation.* Begin planning the integration in the pre-closing period, and establish a team as soon as the merger is likely to occur.

*Integration approach.* Outline a clear vision, direction and roadmap for the integration. Ensure continuity and speed of execution (supported by a clean team, if possible). Assign a dedicated integration team and resources for line management, and adjust the timing and speed of integration to merger requirements.

*Risk management: customer retention.* Stabilize revenues by dispelling customers' uncertainties regarding sales contacts, product availability and service continuity. Compensate for potential losses

by initiating a sales boost program and pursuing specific growth actions persistently.

**Synergies: economies of scale.** Eliminate redundancies in the new organization, such as manufacturing overhead and administrative functions such as IT.

**Synergies: optimal product and brand portfolio.** Map both companies' products and brands. Identify ways to streamline and improve offerings. Define the target portfolio and roadmap, and focus on building up the intangible value associated with the companies' brands.

**The best (and worst) of regional extensions.** Companies involved in regional extensions can enter attractive new regions, gain access to local market know-how and customers, and diversify risks. The 2002 merger of Anthem and Trigon, two complementary U.S. health care and insurance providers operating in different states, illustrates how regional extensions can achieve sustainable, enhanced growth momentum (in their case, approximately 6 percentage points). The merged company leveraged operational synergies to offer less-expensive health insurance packages, which attracted new customers and increased market share. Through internal communications, the company reassured salespeople about their employment security, and as a result the sales teams remained relatively intact. However, there are still challenges, especially in cross-border mergers. Consider the 2003 merger between Zimmer and Centerpulse, two medical instrument companies based in the United States and Switzerland respectively. Although pre-merger expectations were high, the new company failed to live up to its promise, and sales growth slowed by

approximately 4 percentage points. How did the merger go wrong? Zimmer underestimated cultural differences during its integration. It reduced sales, general and administrative (SG&A) expenses and staff in the wrong areas, breaking off key customer relationships. Moreover, Centerpulse's sales force performed poorly, blaming it on inadequate and unclear communications. As a result, the newly merged company missed cross-selling opportunities and lost market share to competitors.

The differing performances for each merger type illustrate the necessity of evaluating both the opportunities and the risks inherent in each merger.

The following are key success factors and best practices for regional-extension mergers as observed in our study:

**Attention to cultural differences.** Assess cultural differences before or immediately after the merger. Define a cultural integration program and a migration roadmap (for example, one that outlines global exchange programs, language courses, international workshops and training, and cross-country initiatives)

**Professional integration management.** Establish a global program management team and integration teams with representatives from each region. Set up time and action plans. Monitor the

progress of the integration according to predefined performance indicators.

**Integration approach.** Determine the scope of the cross-country integration (selective versus full integration) based on clear criteria. Define integration speed and sequence according to specifics such as value-added elements and strategic impact. Capture quick “wins” within the first 30 days.

**Risk management: key people retention.** Manage HR risks and establish retention plans for key employees, especially those in local sales and marketing positions. Define new incentives for cross-border selling.

**Synergies: economies of scale.** Define the global value-added structure early in the process (for example, the future manufacturing and supply chain network). Working from guiding principles, define an ideal post-merger state, considering current structures, risks and constraints. Optimize the network by making plans for consolidation, relocation and expansion.

**Synergies: optimal product and brand portfolio.** Define offerings and brands, setting out which brands will be retained and how to harmonize the various regions, product and service lines together to create a consistent brand identity. Establish a roadmap that outlines offerings for the middle term.

**Synergies: sharing of best practices.** Identify best practices from across regions and establish a strategy for transferring these throughout

the company. Plan the right number of cross-border meetings to encourage networking and the exchange of intellectual capital.

## What Is Your Merger Type?

The study findings and case examples discussed in this paper illustrate why only well-orchestrated M&As generate value. It is crucial to sustain growth momentum in a newly merged company and expand on that growth through the years. All integration activities that stimulate profitable growth—from managing market risks in the pre-closing period to strengthening sales and marketing functions—will increase shareholder value.

It is also essential to assess the integration challenges and success factors for each merger type. For example, companies pursuing volume extensions should prepare for the worst—from flagging sales to losing key customers and employees. Well-prepared companies can avoid the pitfalls and capitalize on the opportunities to increase growth and shareholder value.

Armed with such insights, companies can establish their priorities during the integration, focusing on the most critical success factors for their merger type rather than resorting to one-size-fits-all merger approaches. Allocating resources to the right areas and focusing management attention on urgent activities at the right time will increase the likelihood of a successful integration, profitable growth and, ultimately, increased shareholder value.

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