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Starting with the End in Sight: Integrating Finance After a Merger

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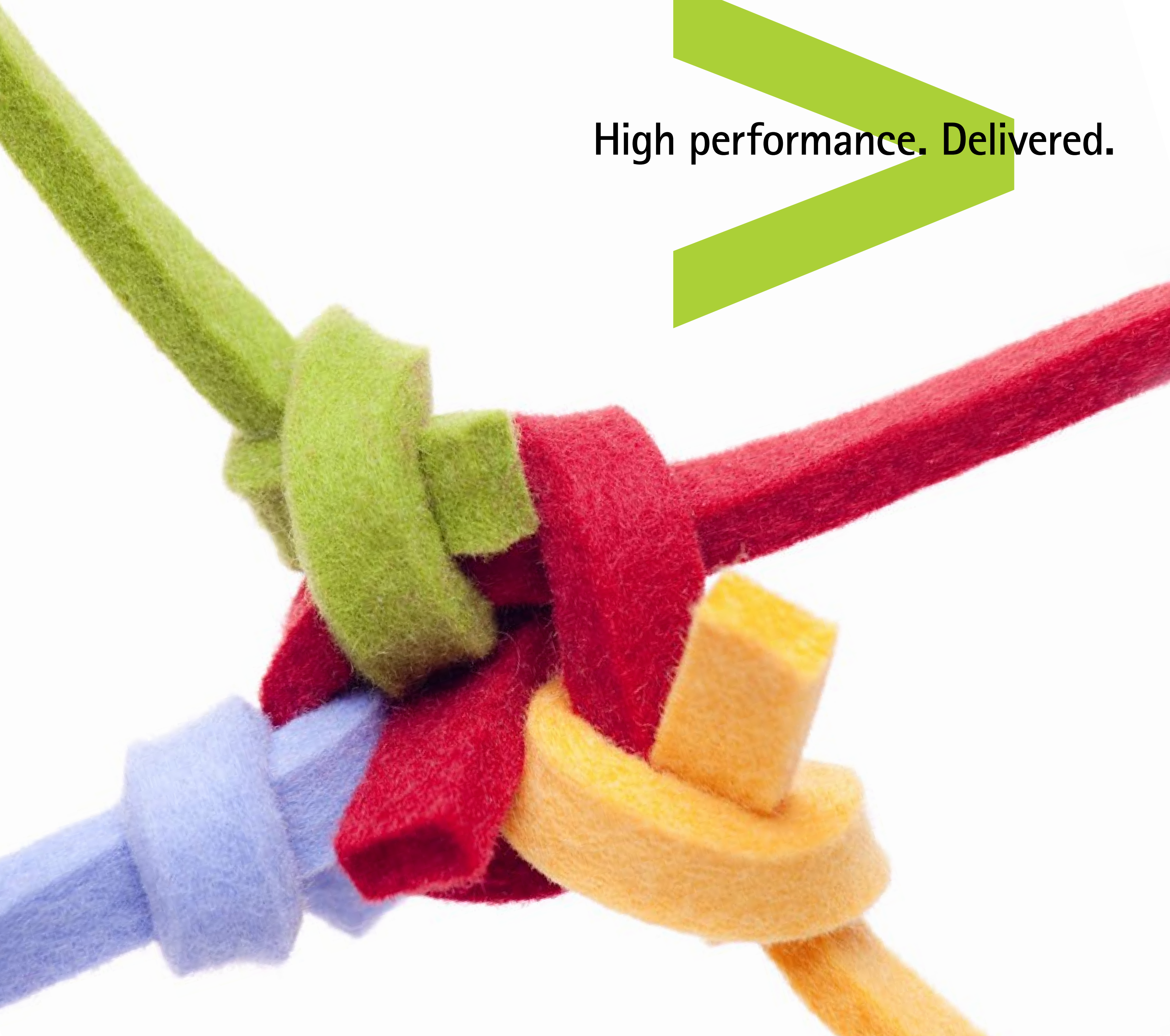

Podcast

Hello, I'm Oksana Kukurudza, global lead of Accenture's Finance Post-Merger Integration Offering. Welcome to *Starting with the End in Sight: Integrating Finance After a Merger.*

When two companies come together through a merger or acquisition, integrating their Finance function is often one of the top imperatives. Why might that be? Without an integrated Finance function, leaders and external stakeholders might not obtain the consolidated financial statements they need right away. The new organization often cannot carry out daily operations effectively. And the organization may miss out on Finance-related synergies promised by the merger.

Through Accenture's extensive work in this area, we have seen that many companies which excel at integrating their Finance functions are especially adept at managing three stages of post-merger Finance integration. First, they start with the end in sight—by formulating a well-thought-out Finance integration strategy. We call this the "planning" stage.

Second, they put the right people in place, endeavoring for the Finance function to have the technical and leadership skills that can support the integration strategy. This is the "resources" stage.

And third, they create a roadmap that can help them execute on the strategy. We refer to this as the "implementation" stage.

Let's talk about the planning stage. We've identified what we call critical success factors associated with this stage. For one thing, we recommend that, early on, leaders define the future-state operating model for the new Finance function. This model lays out how one or both of the previously separate Finance functions will deliver their finance operations in the future. For example, how will the integrated Finance function be organized? Where will specific Finance operations be carried out? Who will report to whom? What new policies, technologies and skills will the function require?

To answer these questions, leaders should keep the new company's larger competitive strategy in mind. That way, the future-state operating model they define may support the new entity not only on Day One but also in the coming years. In addition, the acquiring company's leaders may want to resist any temptation to fit the acquired company's financial processes into their current operating model. Even some of the best-run companies have inconsistencies and complexities in their financial operations. Folding these into a company's current Finance operating model may create costly inefficiencies. Instead, leaders can benefit from viewing and managing definition of the new operating model as a major change initiative.

In the planning stage, leaders should also identify and assign Finance-related synergies. Our experience shows that Finance is an area that's ripe for synergies after a merger or acquisition. In some acquisitions, we have seen the total cost of the function decrease by as much as 40 percent.

Establishing a centralized synergy management office is one of the most reliable ways to capture these synergies. This office helps develop synergy targets down to the department level and assigns an owner for each target. The office then monitors realization of the synergies in the years following the merger. In setting synergy targets, leaders should remember that the new entity may need some time to stabilize. So it makes sense to allow for a reasonable period to achieve synergies after the integration is complete.

Finally, leaders can identify integration "must-haves." These are the activities the Finance function believes it has to complete to meet its Day One commitments to stakeholders. "Must-haves" fall into numerous categories. For instance, Finance-related must-haves may include creating consolidated financial statements and core financial reporting. Must-haves related to operational controls may include establishing transfer pricing and sales reporting. Additional must-haves relate to how Finance will handle responsibilities to employees, customers and vendors starting on Day One.

We've just talked about several critical success factors for starting with the end in sight—the planning phase of Finance post-merger integration. To learn more about the next phase—resources—we invite you to listen to the podcast *Putting the Right People in Place: Integrating Finance After a Merger.*

About Accenture

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