Solving the Integration Challenges Surrounding Carve-Out Transactions

by Harvard Business Review Analytic Services

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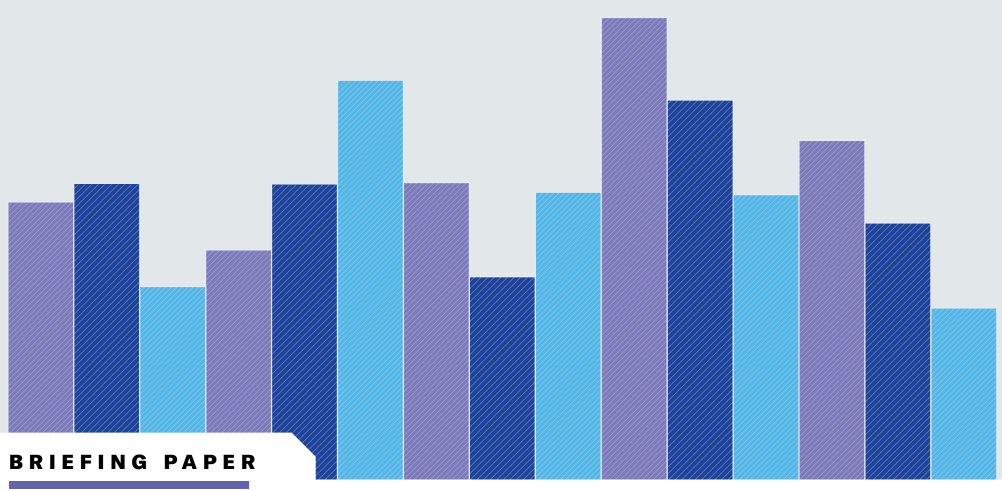

BRIEFING PAPER

Solving the Integration Challenges Surrounding Carve-Out Transactions

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In the realm of mergers and acquisitions (M&A), there is no operation more complex than the carve-out. Disentangling a business from its parent company gives rise to a web of potential pitfalls, ranging from structuring the deal to ensure regulatory compliance and operational readiness, to navigating the complex integration of people and culture. These complexities only increase when the carve-out is part of a cross-border deal.

However, as companies face mounting pressure to optimize shareholder value and deliver sustainable growth, carve-outs have become more attractive and they have increased threefold over the past decade.

The ability of a carve-out to improve business prosperity is legitimate, but only if both the buyer and seller do their homework beforehand to avoid costly mistakes and delays. Missed steps will end up with the proverbial goose being killed before laying the golden egg.

One of the main hurdles companies encounter is underestimating the time required to execute the various processes. Missed deadlines invariably lead to unforeseen expenses. In fact, a 2020 survey by TMF Group revealed that 92% of private equity firms experiencing significant cost overruns incurred an additional expense equivalent to at least 10% of the original deal value. Transitional services agreements (TSAs) play a crucial role in mitigating cost overruns, but on their own they are insufficient. Buyers must meticulously plan their exit from TSAs and the subsequent transitional period. Having a partner to support this process and ensure a smooth transition to independence is often the best solution for companies to minimize what can otherwise be an overwhelming burden.

In this report from Harvard Business Review Analytic Services, new research underscores the significance of thorough planning, beginning well in advance of taking a business to market, in ensuring a successful outcome. It emphasizes that preparation is paramount in carve-out deals, examining the requisite processes for successful integration and the groundwork that must be laid by both parties prior to signing a deal.

Through interviews with leading industry experts, including legal experts and M&A advisory firms, this paper offers detailed insights into the steps that companies should take at every stage of the process.

At TMF Group, we focus on helping corporates and private equity firms streamline every stage of their multicountry carve-outs. From the deal structuring to the exit of the TSA, we ensure operational excellence, shorten the dependency time on the TSA, and prepare the company for future growth. We are pleased to sponsor this practical guide to empower decision makers to take on the complexities of carve-outs and win.

Jan Willem van Drimmelen
Chief Commercial Officer
TMF Group

Solving the Integration Challenges Surrounding Carve-Out Transactions

Carve-out transactions—those deals that involve the sale of a subsidiary, unit, or division of a larger business—have increasingly gained traction in recent years and that trend is expected to continue in 2024 as companies look to streamline their businesses, raise capital, and avoid expensive debt financing.

"Companies lack the flexibility that they had five years ago," says Darcy Down, a partner at Chicago-based global law firm Baker & McKenzie LLP. "The end of central banks' zero interest rate policies has triggered a contraction in access to capital in the public and private markets. This decreased liquidity has increased the urgency to deal with underperforming business lines. Companies are under increased pressure to pay down debt and rebalance and optimize their portfolios for growth, so in addition to targeted headcount reductions, they are shedding noncore and underperforming operations, which makes for a market that is ripe for carve-out transactions. Carve-outs have been and will continue to be an effective tool to unlock capital and drive growth."

Carve-outs can quickly become complicated because the assets and people involved get severed from the seller's payroll, accounting, finance, and other back-office support systems, bringing an immediate operational burden for the buyer. As a result, buyers need to pay close attention to strategies to mitigate such operational risks and ensure that there is a smooth transition to operational readiness so that the carve-out creates business value as quickly as possible.

"The key component of a carve-out and what makes them complicated is the interdependence between the sold business and the seller's retained businesses," Down explains. "This presents difficulty in planning for and executing the carve-out transaction from both a financial and operational perspective."

HIGHLIGHTS

Carve-out transactions—those deals that involve the sale of a subsidiary, unit, or division of a larger business—have **increasingly gained traction in recent years and that trend is expected to continue in 2024** as companies look to streamline their businesses, raise capital, and avoid expensive debt financing.

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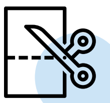


“Companies are under increased pressure to pay down debt and rebalance and optimize their portfolios for growth, so in addition to targeted headcount reductions, they are shedding noncore and underperforming operations, which makes for a market that is ripe for carve-out transactions,” says Darcy Down, a partner at Baker & McKenzie LLP.

Indeed, the post-acquisition integration planning must address filling this void involving finance, payroll, accounting, tax, and essential back-office systems that in most cases do not accompany the assets in a carve-out deal or the newly created legal entity, commonly known as NewCo. Planning must also deal with the people side of a mergers and acquisitions (M&A) deal, such as cultural fit and employee retention efforts, which is crucial for preserving the value of what was acquired. Not planning for integrating a carve-out immediately may not only cost buyers time, money, and stakeholder confidence but also lead to employee alienation, morale issues, and retention woes, especially if payroll isn’t met or workers feel neglected. Losing employees can have a direct impact on clients and service delivery that should not be underestimated.

To head off these post-acquisition challenges, acquirers are including transitional services agreements, or TSAs, in their pre-deal planning. Companies have found that the use of TSAs is a necessary step to setting themselves up for operational readiness. TSAs are agreements between a buyer and seller that clearly lay out the support the buyer needs from the seller during the transitional period. These agreements include the timelines, scope, and price of the services necessary to the buyer and often include transitional support for the buyer’s back-office needs for the carve-out assets once the deal has been completed.

This paper will explore how carve-out transactions can pose greater risks to buyers operationally if post-integration plans are not well-crafted in advance of a deal closing. It will seek to understand the challenges companies face from operational, financial, and other readiness issues if pre-deal planning is lacking. The paper will also explore how companies can best overcome these obstacles by planning ahead and how the use of TSAs and hiring the right partner to support a company through a transaction is necessary to the success of carve-out deals.

Carve-Outs Are Complicated

Buyers are being more selective when it comes to what they want to acquire. “Buyers are more discerning, and they are picking and choosing the parts of the target company that really fit their growth strategy, seeking to leave the rest behind,” Down explains.

Being more selective at the front end of the deal can create further complications because often the businesses/assets being carved out are part of a larger infrastructure and have to quickly become operational, despite being devoid of the support system they have always relied on.

Apparent immediately is the efficiency lost when once-shared departments such as human resources, IT, accounting, tax, legal, compliance, and purchasing, among other areas, must now be re-created in the newly spun-out entity, or NewCo. This construction becomes readily apparent in the carve-out’s profit and loss statement, which, once part of a bigger entity, now stands alone. Acquiring a company that’s already embedded within another company requires deconstructing and then reconstructing a standalone profit and loss statement to understand the expenses of the obtained assets without the benefit of shared internal resources.

“One complexity of carve-out transactions comes from having to tie the operations of the standalone business to the carve-out’s financial statements,” Down explains. “When a buyer looks at a transaction initially, they are looking to see if it makes sense from a financial perspective. To make the financial model accurate, however, the buyer needs to understand the assets and liabilities required to operate the standalone business and any gaps between those needs and what the seller is willing to sell. Buyers and sellers routinely underestimate the extent of entanglement between sold businesses and retained ones, as well as the supplemental costs and business functions required to ultimately generate the modeled financial performance for the buyer after the transaction has closed.”

A carve-out’s financial statements can take months to prepare and come with uncertainty because there may be accounting judgments and estimates required to calculate the performance of the target business on a standalone basis, she adds.

Moreover, the assets as part of a bigger entity likely had been included in all types of operational and purchasing

linkages, such as supply agreements, site service agreements, and power and energy supply agreements, and the terms of these various agreements should be modeled in the financial projections as part of risk mitigation, says George Casey, the global chairman of corporate at New York-based international law firm Linklaters LLP. "You need to look at where the links of the existing business are broken from the rest of the business that is remaining and figure out how you will reestablish the links," he asserts.

Meanwhile, cross-border carve-out transactions are an entirely new dimension, Casey says. "No jurisdiction is the same—you need to think about everything you may know and think about what you may not know and what type of questions you would need to ask," he explains. "In some countries, labor laws require works council [labor union] consultations and missing this requirement may lead to criminal prosecution. The structure of separating the assets and liabilities would differ from country to country. In some jurisdictions, liabilities will follow assets by operation of law even if the parties do not intend to have them included in the carved-out business. Even cultural differences may lead to misunderstandings and mistakes, and M&A professionals often have to help build a bridge to address cultural differences."

Norton Rose Fulbright, a London-based law firm, and AlixPartners, a New York-based M&A advisory firm, surveyed 85 management, M&A, strategy, and corporate law executives between October 2022 and April 2023 and found that the core challenges of carve-outs, when compared to more traditional deal types, involve the degree of integration of business units within the group (71%), IT separation (64%), transaction complexity (51%), and the establishment of day one readiness on the execution date (45%). **FIGURE 1**

The Lure of Transitional Service Agreements

Baker & McKenzie's Down notes that TSAs are a critical tool for implementation of a carve-out transaction but do not get the same attention as other agreements at the start of the transaction process. While buyers may not focus on TSAs at the start of a transaction, they are always front and center by the end of the process. It is best practice to focus on the TSA and services schedules early and often and not to wait until shortly before closing, Down says.

"From day one, the deal team and the integration team should be working together. It is important that both teams can understand and clearly articulate the transaction's key strategic objectives," she explains. "The deal team and the integration team should align on what it is the buyer is trying to achieve when the target business becomes part of the buyer's organization. Best not to wait until the deal has closed to reach that alignment."

If buyers fail to plan for integration, they will need to find post-deal workarounds for all types of operational challenges, and these tend to be costly and can come with risks. For example, if IT infrastructure and data migration won't be completed by the time the deal needs to close, certain agency or subcontracting arrangements can be put into place so that the seller can help the buyer operate its business during a transition period, but these arrangements come with tax, finance, accounting, and operational complexities and

FIGURE 1

Carve-Out Deals Face Many Challenges

Integration issues and IT separation are cited most prominently in such transactions

What are the core challenges of carve-outs compared to classic company sales/straight share deals?

Challenge	%
Degree of integration of business units within the group	71%
IT separation	64
Complexity of transaction	51
Establishment of day one readiness on the execution date	45
Increased time compared to classic M&A transactions	18
Effects of the carve-out on the remaining group of companies	16
(Cultural) change management	13
Increased involvement of employee interests	12
Increased stakeholder management	9
Identification of value-enhancing measures within the framework of the carve-out process	7
Different price expectations of seller and buyer	7

Source: Norton Rose Fulbright and AlixPartners survey, April 2023

require in-depth analysis from a multifunctional and multi-jurisdictional perspective, according to Down.

"IT infrastructure and data migration are almost always the longest pole in the tent, so the parties need to determine which IT infrastructure the target business operates on, which includes hardware and cloud infrastructure, reviewing the applicable applications, and then determining who is going to be tasked with developing and executing the IT separation, migration, and integration plan for the systems, which is costly and very time-consuming and crucial to the day-to-day operations," she explains.

Another issue that surfaces frequently involves payroll and benefits, because this work stream has a long lead time. "There are times we'll get to closing and aspects of payroll and benefits won't be set up somewhere. In the U.S., we may be able to deal with this through a transitional services agreement, but not in all jurisdictions," Down notes. "Best to look at things from a multi-jurisdictional perspective and make sure the buyer is not implementing a U.S.-centric plan across the globe, but instead considering tax, operational, and legal issues on a jurisdiction-by-jurisdiction basis."

Moreover, hastily cobbling together a patchwork solution will not make up for a lack of preparation. "Most of the issues that I see when there is a failure to plan ahead are resolved with arrangements that haven't been fully thought through, and can have negative financial, accounting, tax, or operational implications, which cost time and money to fix and can be value destructive," Down says.

Small wonder that TSAs have become such critical elements of carve-out transactions. These agreements have become vital bridges to normalizing operations for buyers. Under them, the seller often will continue to provide certain back office-type services for anywhere from 12 months to two years. These services can include things like finance, legal and human resources, tax functions, IT functions, and, sometimes, real estate arrangements, Down explains.

"TSAs are ubiquitous in carve-out transactions because few buyers are ready to independently operate the target business day one," she continues. "TSAs also shorten the time period between signing and closing, because rather than wait until the parties are ready to operate independently, they have the comfort of that support for a period after the closing."

According to the Norton Rose Fulbright and AlixPartners survey, TSAs are most significantly used for compliance (89%), IT (89%), legal (71%), and accounting and finance (68%) support. Other significant uses for TSAs include human resources (29%), manufacturing (27%), purchasing (18%), and sales (16%) support. **FIGURE 2**

"TSAs let the buyer know that it can receive certain services for a period of time post-closing so that they have time to get up and running on their own," Down says. "But, of course, there is a cost. Typically, the seller doesn't do it for free."

FIGURE 2

Transitional Service Agreements Provide Continuity

Buyers especially value them for the compliance and IT support they provide

Source: Norton Rose Fulbright and AlixPartners survey, April 2023

She says that parties heavily negotiate TSA details and terms can vary—sometimes the seller will provide the services at cost and sometimes there is a markup for the services. If the buyer needs to extend the service beyond the initial agreement, it may have to pay significantly higher service fees to do so. Both the buyer and the seller are usually eager to move away from the TSA, since the seller may not have the same resources to execute the services after the sale and the buyer is reluctant to keep the seller involved in the business and keep making additional payments after having already paid a hefty sum for the business.

"A buyer doesn't want the seller to operate the business for it," Down notes. "It's just a matter of how long it will take the buyer to get up and running."

However, Linklaters' Casey notes that there are also agreements referred to as TSAs that aren't temporary, such as a lease on a site that could run from 10 to 30 years or more, or supply agreements for raw materials that have a much

longer term than a truly temporary service agreement. "It's very important to identify what types of services you will need on a temporary basis as part of a TSA, such as help with payroll, and where you will need to put permanent agreements in place that will enable the carved-out business to operate properly," he says.

Operating Beyond the TSA

When the TSA comes to an end, the buyer must "fully assume responsibility for the operations, services, and functions previously covered under the TSA," says Shane Goodwin, professor of practice in the finance department at Cox School of Business at Southern Methodist University in Dallas, where he is also the associate dean for executive education and graduate programs. "Transitioning from a TSA requires careful planning and execution to ensure the company can operate effectively and grow independently. It involves strategic planning, operational readiness, financial management, and risk mitigation. This transition is critical to ensure that the acquirer can operate independently."

Goodwin notes that there are six main areas where buyers must ensure that they are ready to function without the TSA: compliance, operations, employee transition and training, financial management, IT systems and security, and legal and intellectual property (IP) considerations.

The buyer must ensure all operations are in compliance with relevant laws and regulations without the oversight or infrastructure of the seller. The buyer also needs to review and fulfill any remaining contractual obligations under the TSA, including final payments or service adjustments. For operational independence, the buyer needs to establish or finalize the setup of necessary IT systems, financial systems, HR platforms, and other operational tools. It must also transition vendor contracts from the seller to the buyer or establish new vendor relationships as needed; ensure all relevant data has been migrated from the seller's systems to the buyer's systems, with attention to data integrity and security; establish processes to maintain or improve the quality of products or services post-TSA; and negotiate and establish new service-level agreements with vendors or partners to maintain service quality, Goodwin explains.

Employee transition and training is important to do well when a TSA ends, and buyers should implement training programs to ensure employees are proficient in new systems, processes, or tools that were previously managed under the TSA, as well as clearly define roles and responsibilities for all employees at the company post-TSA, according to Goodwin. It is also important to ensure financial reporting and management systems are fully operational and independent and to adjust budgets to account for the new costs of operations previously covered under the TSA.

"When parties consider a transitional services agreement (TSA), they need to focus on what's after from the outset," says George Casey, the global chairman of corporate at Linklaters LLP.

Lastly, the buyer should be ready to finalize the migration of IT systems and ensure they are fully operational, scalable, and secure post-TSA, and to implement robust cybersecurity measures to protect data and systems now under the company's direct control. It must also ensure that all the necessary IP rights have been properly transferred or licensed, as needed, and assess and mitigate any legal risks associated with the transition, including compliance with all agreements made during the TSA, Goodwin says.

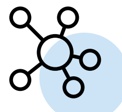
According to Casey, "TSAs by their nature are intended to be transitory, to help address a particular operational need or gap for a short period of time. When parties consider a TSA, they need to focus on what's after from the outset."

For example, a TSA may be put in place to enable the buyer to set up its own payroll system or transfer the payroll to its existing system, he adds. The buyer will need to start the process early on and have full coverage under the TSA to enable a smooth transition. Similarly, the buyer may need to rely on the seller's permits for a period of time, but it would need to estimate the time needed for getting its own permits and start the process right away so that it can independently operate its newly acquired facilities.

There are many other issues that go into a smooth transition after a TSA expires, such as training employees on the buyer's systems, setting up new control systems at the manufacturing facilities, and hiring people for corporate functions that may be covered for a period of time under a TSA, among other things. "Planning with respect to these integration issues initially covered by a TSA is paramount, and precise execution is key to success," Casey says.

Preparation Starts Early for Successful Integration

Planning for a carve-out transaction really has to start well in advance of any TSAs even being negotiated. In fact, the planning for a successful transaction starts with the sell side of the deal, because when the seller prepares, it will make



> "Ideally, when a seller goes to market, they would be able to clearly articulate the business they are selling and the perimeter of the assets and liabilities included," Baker & McKenzie's Down says.

integration easier for the buyer of its assets. Companies looking to sell a unit of their business can do much of the work ahead of even putting the division on the market by organizing it into a proper corporate structure before selling it. Doing so enables the assets to be sold to a variety of buyers instead of just one buyer. This circumstance not only opens up the buyer pool and makes the sale process easier for the seller, it also means that the buyer will have an easier time integrating it into its business.

For example, sellers can have a plan in place for any shared assets with a potential buyer, since there is always a need to work out a deal for commercial contracts, intellectual property, real estate, licensing agreements, and the like. These shared assets can also be worked out in TSAs to give the buyer and seller more time to find a solution for agreements that are already in place.

"Real estate brokers say, 'Location, location, location,' and M&A practitioners who work on carve-out transactions say, 'Preparation, preparation, preparation,'" Casey says.

And preparation starts early. When a company identifies a business line that it would like to sell, it needs to think about the scope of the sale by exploring what is included, understanding the demand for the asset; working with the right partners—namely legal and financial advisors, as well as consultants and providers of administrative services—to organize, structure, and package it as a newly created operating business; and to simplify the experience and make the sale process run smoothly.

"If you do the right work upfront before you take the business to the market, then it's a much smoother, much easier sale process and then it's much easier for the buyer to integrate the business, but this involves a lot of time, effort, and significant internal and external resources over many months," Casey asserts.

Down agrees. "Ideally, when a seller goes to market, they would be able to clearly articulate the business they are selling and the perimeter of the assets and liabilities included. They would have carve-out financials for the standalone business and a general sense for the types of transitional services they expect to provide," she explains. "They should also have a strategy for shared assets, such as commercial contracts, IP, IT, real estate, etc. These are the issues that, if you can get ahead of them, make your closing and transitional services negotiations more efficient and streamlined and allow the buyer to plan for post-closing integration and achieve a standalone operation faster."

When a buyer receives the necessary information from the seller and can plan thoroughly, it may even lead to the seller receiving more value in the sale. "Not only does it make the process more efficient when the seller understands and can articulate the business they are selling but it also gives the buyer confidence and a better understanding of what they are buying. And this helps to increase the value the buyer is willing to offer for the business," Down says. "If the buyer has to factor in the unknown, that will impact their offer price."

According to Casey, when sellers identify a business line that they want to divest, take it to market too early, and try to find a buyer without putting in the upfront work, "it's a challenge for both the buyer and the seller since they start discovering what works and what doesn't work between signing the deal and closing the deal," he asserts. "Everyone is playing catch-up."

He notes that he has worked on deals where he represented the buyer and it was clear that the seller didn't put in enough work to make sure that the business it was selling was going to be truly operational. He has even seen situations where the seller couldn't confirm that it, in fact, owned the assets that it was trying to carve out and sell. "When buyers identify those issues, it means that the seller and the sell-side team didn't do enough to prepare the business for sale," Casey adds.

Leveraging Due Diligence for Integration

Meanwhile, when buyers have a deal and integration team working together during the due diligence process, the implication is that the integration team is part of the team gathering information, asking questions, and making risk assessments. "The savviest buyers leverage due diligence for integration, because during the diligence phase of the deal, you want to ensure that the synergies sought, and their integration goals, are realistic," Down explains.

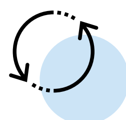
If the integration team is involved in due diligence and is exploring things like redundancies, terminating contracts, consolidating manufacturing facilities, or closing stores, then the buyer can factor its findings into its purchase price, she continues. The better the buyer's understanding of the actions needed to achieve the post-merger integration and how much it will cost, the more easily it can account for those costs in the purchase price it is willing to pay for the business.

Once the buyer identifies key issues during due diligence and creates plans and remedies for them, the buyer can ask the seller to cooperate in certain actions or pay for certain remedies during the deal documentation phase. "If buyers wait until the deal has already closed, then it's always going to be on the buyer's dime," she notes.

Down says she has clients who engage in multiple acquisitions each year who have very robust integration programs in place to try to automate the process as much as possible, and the deals go much more smoothly because of how organized these efforts are. These clients' integration teams are very engaged with its deal team, "because it creates a more efficient process and increases the likelihood of realizing synergies and overall deal value."

Southern Methodist's Goodwin asserts that companies are more successful at M&A when they apply the same focus, consistency, and professionalism to it that they do to other critical disciplines. Companies that engage in M&A thematically, validate their strategic vision, are frequent acquirers, and do smaller transactions more frequently tend to do very well, whereas the companies that engage episodically in M&A tend to fail and significantly underperform. "The more you do it, the more you will build muscle memory and learn from your mistakes," he says. "The companies that swing for the fences without doing a lot of M&A tend not to work because they're not in the market to understand the latest transaction-related issues, and they don't have a team that's used to doing post-merger integrations."

Goodwin notes that successful integration planning may necessitate bringing in outside experts to help all the preparation work get done. When a strategic company is acquiring a division in a carve-out, the people at the buyer who need to work on the transaction already have demanding day jobs and the transaction adds to that job. Hiring the right partners helps. "Financial advisors and outside consultants add value from a subject matter expertise area," Goodwin says, "but there is the additional advantage of leveraging their teams and having them come in and do the work that a lot of the time companies just don't have the resources to do."



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Prepping for Cultural Compatibility

Carve-out transactions don't just involve operational and financial considerations. Post-deal integration of what are often footloose assets also involves cultural elements—from the best way to welcome employees to employee communication to the importance of employee benefits. Such softer elements of a carve-out must be as much a focus of a buyer's pre-deal planning as anything else or the buyer runs the risk of failing to get the synergies that it was hoping to obtain through the deal.

The cultural compatibility of companies is very important to consider in a carve-out transaction "because culture is what makes or breaks companies. People are key to everything that we do, so how you approach people, how you integrate people, and how cultural elements are brought to life are very important to consider in early planning," Casey says. "Where people run into challenges is when they don't think about preparation for integration ahead of time, so cultural elements are not addressed and IT systems are kept separate, and, all of a sudden, you have a business that's running on its own without being integrated. We have seen this with technology companies, industrial companies, and in other industries, as well."

Goodwin says that when it comes to the softer sides of the deal, employee communication about the deal is very important, "because when employees learn about a sale, their first thought isn't going to be 'I hope the shareholders did well.' It's going to be 'How does this impact me? Am I going to have a spot, or will the buyer be loyal to their own people?' And the longer that employees are worried about these career-altering events, the longer they are going to be unproductive and not doing their jobs, and this will have an impact on the organization. The integration piece around people is absolutely critical for the deal."

For employees in the middle and lower levels of a company, health care and other benefits going forward really make a big difference, and the people at the top making the deal decisions may not be thinking about the impact of an employee losing the match on their 401(k) plan, Goodwin says. Seamless onboarding is critical. He adds that payroll integration is also very important since "much of the world lives paycheck to paycheck, so a missed paycheck matters to people and is really catastrophic, because damaging relationships with employees causes poor morale, loss of trust, and ultimately a toxic work culture."

"When we look at companies that are very successful, are permanent buyers, and are in the market all the time buying businesses and building through acquisitions, the key element to their success is integration, early planning, and having a good team in place that's dedicated to integration and has a plan for day one after closing," says Linklaters' Casey.

Conclusion

When it comes to carve-out transactions, planning for integration is the key element in whether the deal will be a success. Such post-deal planning is as important for sellers as it is for buyers, and for both, hiring the right partners to help can facilitate the task. The seller of the unit, division, or business line needs to think ahead before putting the assets on the market to ease the process for potential buyers, and buyers need to be proactive about having a team in place to take on this large task of integration to see synergies and value for the deal.

Carve-out transactions quickly become complicated because they often involve assets dependent on a larger organization for infrastructure such as finance systems, human resources, IT, payroll, and other important back-office support. One vital tool is the TSA, which can ease the transition for buyers when it comes to operational and financial support functions.

Integration doesn't end there, of course. There are the softer, more human elements of a transaction, such as communication with employees and the cultural fit of the companies. These considerations can be as crucial to a deal's success as operational and financial ones because they center on the workers the buyer will depend on.

When it comes to integration, the formula is to prepare—and to start doing so early. Integration teams should work alongside due diligence teams to help support the transaction; plan for the integration of assets, functions, and employees; and help get the company ready to operate on day one of the deal closing.

"Integration is key to a successful M&A transaction," Casey says. "When we look at companies that are very successful, are permanent buyers, and are in the market all the time buying businesses and building through acquisitions, the key element to their success is integration, early planning, and having a good team in place that's dedicated to integration and has a plan for day one after closing."

ANALYTIC SERVICES

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We serve corporates, financial institutions, asset managers, private equity and real estate investors, and family offices. Our clients include the majority of the Fortune Global 500, FTSE 100 and top 300 private equity firms.

TMF Group is a trusted and reliable partner, in strong financial health and focused on providing flawless service to our clients.

Whether operating in one country or many, with a handful of employees or several thousand, we have the business-critical support you need to expand, operate and grow safely, everywhere.

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