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Interim Executives Complement Mergers & Acquisitions

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Dynamic companies are actively seeking to accelerate growth by considering mergers and acquisitions. Strategic buyers who have been on the sidelines for many years have emerged more aggressively than ever. Both buyers and sellers view the M&A process as a means to meet their strategic objectives and increase shareholder value in this highly competitive global marketplace.

The M&A process typically seeks bottom-line benefits through corporate consolidation. The objectives are to increase market share, reduce material costs and generate overall savings through vertical integration. The consolidation process strives to eliminate duplicate systems, increase productivity and reduce the number of employees. Considering all the collective thinking and due diligence that led to the decision to consolidate, it is surprising that only 50% of all mergers succeed.

Regardless of the size of the transaction, experience has shown that the same mistakes are repeated time after time. Reasons for failure include transactions that do not make good strategic sense, are not culturally integrated and exorbitant acquisition costs. Executives frequently feel pressured to stay in the M&A game, flexing their power through high profile strategies that can create bidding wars and high multiples. A recent trend toward auctions can further increase the premium as might a hostile takeover. Integrating complex firms with diverse cultures, structures and operating systems can be extremely problematic and must be carefully executed.

Many companies can grow successfully following the routes exemplified by General Electric, Wells Fargo, and International Business Machines. A well planned merger marries complementary strengths and achieves tremendous efficiencies through economies of scale. If the selected target is a good fit, the highest synergies are exceedingly possible. Thorough due diligence reduces the probability of paying an inappropriate premium and new Financial Accounting Standards Board rules emphasize transparency and more realistic valuation.

A practical approach to effectively bring two separate companies together is to utilize an experienced interim executive during the

merger process. Let's face it, after years of corporate downsizing, many companies are lean and short-handed, often lacking expertise in key functional areas. Interim executives fill more than a temporary need. These seasoned professionals assist in many areas by providing crucial, unbiased and relevant expertise.

Strategic benefits of utilizing an interim executive:

- Free up management team members to focus solely on the acquisition by utilizing interim executives to handle their current duties
- Keep management focused on running the business, utilize an interim executive to oversee the integration
- Fine tune the consolidation and integration strategy to avoid losing time while obtaining the operational improvements and financial benefits
- Utilize an unbiased liaison to communicate vital information to senior management

Most interim executives have resumes filled with decades of corporate leadership experience, established track records of driving change and managing six to eighteen month-long projects. These highly talented and experienced individuals turn to interim work for the intellectual stimulation and flexible lifestyle. They are eager to tackle a variety of challenges – sometimes even positions for which they may be over qualified. While interim executive fees vary, they are much less than traditional consultants and bring a “hands-on” element to the projects. They are low-risk because they are pre-qualified, flexible and temporary.

Gaining a thorough understanding of the importance and challenges of any M&A integration is essential since bringing two companies together creates a mass of projects e.g., the rationalization and consolidation of facilities, information technology, financial reporting systems and compensation and benefit programs as companies seek to establish common systems and procedures. Operations integration eventually subsides, but initially it can demand enormous amounts of time and energy, disrupting existing management and pulling them away from core business issues. Interim managers, experienced with transitions, provide the extra knowledge, expertise and capacity that projects created by merging entities demand.