M&A transactions: successful project planning

<u>*The problem*</u>: M&A transactions are complex undertakings involving many parties ("*stakeholders"*) who need to co-operate in order to get the deal through within a given timeframe. Apart from the business and legal skills a third set of skills is needed to promote the project. Such skill is, however, underestimated in many cases: the ability to efficiently steer the transaction and the people involved so that the transaction can be closed at the envisaged date and at the estimated cost. Transactions which lack of efficient planning may exceed cost budget, may have to be postponed or can even fail - not because of the stakeholders lacking business and legal skills, but because they neglect the planning and procedural aspects of the deal.

<u>*The solution*</u>: In the author's view implementation of M&A transactions requires - like other complex projects - effective planning. Effective planning in M&A transactions starts with the end date (which is the contemplated date of closing) and then continues with working backwards through the required process. People involved in the planning process ("*planners"*) will, thus, first define by when the transaction must be closed and then go backwards to identify the entire process during closing and transaction start (and possibly also including certain post-closing processes). They will have to define, in particular:

- The required resources (money and people)
- The various objectives to be accomplished throughout the entire process
- The activities required in order to reach the objectives and
- The various milestones to be complied with in order to ensure timely accomplishment of the final goal.

How to involve the stakeholders?

Once these items are defined the planners must write down the plan and communicate it widely to all key stakeholders such as to the seller, the buyer, the seller’s advisors, the buyer’s advisors, the banks that may be involved for a required financing and all others who play a role in the process. Effective planning will, however, not be an independent process carried out by a small number of planners alone. Instead, the planners will have to ensure to get input from and involve all relevant. If this is not done effectively the plan and implementation of the transaction may be delayed or even fail. For instance: if third party advisors are entrusted with the overall planning they sometimes tend to underestimate the additional workload that the transaction creates for the key employees of the companies involved. Not only will they have to prepare the due diligence documentation, but they will also have to take part in management presentations, road shows, negotiations and will further have to ensure that any possible follow-up work is done quickly and diligently. If the planners do not pay enough attention to this issue and to the fact that the key employees continue to be responsible for their daily work too, their workload may become unmanageable.

How to define objectives?

Effective planners must carefully consider the roles of the key employees and what can reasonably be expected from them. Otherwise, the project may run into a deadlock situation and cause stress and mental pressure. Such stressful situations can be avoided if the planners define and use, for instance, SMART objectives. SMART is an acronym which is meant to describe that objectives must be:

- Specific
- Measurable
- Acceptable
- Realistic
- and fit to a reasonable Timeframe.

What does a good plan comprise?

A well developed project plan for M&A transactions will, thus, define SMART (or other measurable) objectives for any stakeholder and their key employees. It will further comprise all resources needed and it will describe the activities and the various milestones or deadlines to be met. Once the plan is drawn up the stakeholders will need to concentrate on the tasks allocated to them, and the planners will have to think about and implement control mechanisms in order to monitor performance.

Summary

In the author's view, a project plan for implementation of an M&A transaction will

- ensure that the required resources are available
- define SMART objectives and allocate responsibilities to the stakeholders
- specify appropriate milestones
- write down the important elements of the plan and
- put in place effective control procedures.

A plan that respects and implements the above principles creates, in terms of organization and process, a solid basis for implementation of an M&A transaction that has been solidly crafted from a business perspective and accurately addresses the legal issues involved..

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