



How to succeed at acquisitions

Celerant Consulting helped a global chemicals company to overcome a disappointing acquisition experience, with successful implementation of three acquisitions over four years

Harder Than it Looks

Mergers and acquisitions continue to be seen as a vital lever in corporate efforts at profitable growth – especially in mature and highly competitive sectors such as chemicals.

Few acquisitions, however, deliver on their promises. Anticipated synergies fail to materialise. Business opportunities are harder to grasp than expected. One study found that 77% of acquisitions do not earn their cost of capital.

In chemicals, the record is similar. Consequently companies looking to restructure their portfolios need to put value creation at the centre of their planning and execution of acquisitions and disposals.

One chemical company was especially interested in more profitable portfolio management. Employing nearly 10,000 people, with 30 production plants and five research and development centres in 11 countries in the Americas, Europe and Asia, the company had

experienced problems trying to integrate a previous acquisition.

The opportunity arose to make a further acquisition. This move could move the company along the path towards its strategic vision: building an integrated chain for a key product line. Senior management decided to call on Celerant Consulting (Celerant) to help deliver the vision.

FOCUS AND FLEXIBILITY

The chemical company was well aware of the challenges it had faced with previous acquisitions.

A more formal integration process was needed. Designing and implementing this required sector knowledge, excellent project management skills, and robust methodologies.

At the same time, integrating two quite different organisations demands sensitivity and tact. People accustomed to working in different corporate and national cultures and environments need to feel

recognised and appreciated, as individuals and as groups, before they will buy in to the kinds of changes typically required in an acquisition situation, at the speed normally required. Without buy in, consensus and motivation are lacking, action is less effective, and results are harder to sustain.

Results

- With Celerant's support, the new organisation became fully effective through an adaptable but structured and disciplined approach
- This provided the platform to quickly develop new processes in value pricing, product development and customer service and planning. These have significantly improved profitability and growth in the first year of integrated operation
- Over this and two subsequent acquisitions, the company has succeeded in realising the vision of a fully integrated chain, for a key product line delivering significant synergies in the process

Senior management at the chemical company recognised the need to get this right at the outset. Celerant's credentials in delivering smooth, efficient integration gave the chemical company's management confidence that they could focus on getting the structure right and delivering the strategy.

"These acquisitions were the best ever." CEO



FIVE FACTORS

Consensus on its own is not enough. Celerant's experience shows the importance of combining consensus with agility and attention to detail, to achieve the best acquisition possible.

In practical terms, successful integration results when five things are in place:

- A clear and common understanding of what success looks like
- Clear processes, leadership and organisational structures
- Clear and timely communication
- Measurement and evaluation of progress
- Adaptation when things don't go according to plan

Conscious effort needs to be applied to maintain momentum and a sense of urgency if an acquisition is to proceed quickly.

Those responsible need to be able to make decisions quickly, and communicate them to staff and customers, to prevent uncertainties which can lead to delays, mistakes and deviations from plan.

"These acquisitions have been a very significant part of our company strategy, and Celerant has played a critical part in the successful delivery of this." Executive Vice President

"I am very proud of what we have achieved both during and after the acquisitions." Vice President

Our Results are Front Page News

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Confidence must be nurtured among all the stakeholders, including investors. This means getting people engaged in the integration process as early as possible, and delivering some "quick wins".

TURNING TARGETS INTO RESULTS

In the chemical company's acquisition, the key to maintaining momentum and achieving rapid transition was the highly structured approach adopted for integration. This allowed the desired financial returns and synergies to be realised as early as possible.

The approach included a robust set of financial, logistical and governance targets. All were focused on driving the right behaviours, so that all the achievements could be sustained and built on.

The targets were broken down and coordinated with a list of function-specific activities. This made it easier to identify interdependent activities, as well as any barriers to performance. Having such a comprehensive list meant that all the activities could be focused on the same overall vision of success.

In addition, the list provided the basis of a control and reporting mechanism to keep the various change activities on track.



"Celerant brought not only strong analytical capability to understand the opportunities and synergies in detail, but also speed of implementation of integrate structures and processes in the early days of the acquisitions." Executive Vice President

"Celerant's ability to broaden the discussion, based on their experience of different cultures and business processes, ensured our approach to the integrations was well prepared and sensitive to local needs, which made them more successful from all perspectives." President