

What is Merger and Acquisition Integration?

Worksheet

Integration combines IT systems, consolidates duplicate roles, harmonizes policies, and realizes synergies (cost savings or revenue growth). Cultural integration-aligning different company values and ways of working-is often the hardest and most commonly failed step.

Questions

1. The 'Day 1' priority in M&A integration is:

- A) Close redundant offices
- B) Merge IT systems
- C) Communicate and stabilize
- D) Announce layoffs

2. What is the biggest cause of M&A failure post-close?

- A) Overpaying the deal price
- B) IT systems incompatibility
- C) Losing key talent
- D) Regulatory delays

3. Cost synergies are typically realized within:

- A) 1 month
- B) 3-6 months
- C) 12-18 months
- D) 24+ months

4. Cultural integration is difficult because:

- A) It's expensive
- B) It's slow and requires constant communication and trust-building
- C) It's unnecessary
- D) Only the CEO matters

5. Facebook acquired WhatsApp for \$19B. What synergies could justify the price? What integration risks exist?

6. A large retail chain acquires a smaller competitor with 100 stores. Plan the first 100 days of integration.

7. Two tech companies merge; six months post-deal, 30% of engineers quit. What went wrong?

8. Define: Why do 70% of M&A deals destroy value?

9. Define: What are M&A synergies?

10. Define: Why is cultural integration harder than systems integration?

Answer Key

1. C) Communicate and stabilize - Day 1 is all about messaging and morale. Systems and layoffs come later, once clarity exists.
2. C) Losing key talent - Even well-priced deals fail if the acquirer loses founders, engineers, or sales leaders during integration.
3. B) 3-6 months - Quick wins like eliminating duplicate roles and consolidating vendors yield savings within 6 months.
4. B) It's slow and requires constant communication and trust-building - Culture is about people and values, not budget. It requires 12-24 months and leadership's consistent attention.
5. Synergies: WhatsApp's 1.5B users Meta can monetize (ads, payments); integrate with Messenger/Instagram
Risks: WhatsApp's culture (privacy-focused) clashes with Meta's (ad-driven); user backlash; talent exodus
Outcome: Facebook struggled to integrate; WhatsApp remained semi-independent for years; limited synergies realized.
6. Day 1: Announce deal; reassure employees; name integration leader
Week 1: Identify duplicate roles (back office), plan layoffs transparently
Week 2-4: Merge IT systems (POS, inventory, payroll); consolidate supply chain; close redundant warehouses
Week 4-12: Convert 50 stores to acquirer's banner; realize quick cost synergies (procurement, logistics)
Quick wins: \$10M cost savings; preserved key talent in stores and head office.
7. Likely causes: Unclear career path post-merger; fear of layoffs; losing influence in merged product team
Fix: Retain key talent with golden handcuffs (stock options, bonus); clarify roles; create career ladder for merged teams
Lesson: Cultural integration (psychological safety, trust, clarity) is as critical as systems integration.
8. Poor integration: overpaying the premium, failing to realize synergies, culture clashes, talent loss, and execution delays.
9. Cost synergies (eliminate duplicates, negotiate better rates) and revenue synergies (cross-sell, expand to new markets).
10. Systems can be merged via projects; cultures are values and people. Misaligned cultures lead to talent loss and burnout.

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