How to Create an Efficient Merger

For any company considering merging with another, there are several issues to consider beyond just the business terms of the merger.

Some of the biggest business successes of all time have stemmed from a merger, and on paper, this makes sense. The resources, reach, and existing customer bases of the two companies create a combination that can be difficult to compete against. However, at the same time, keep in mind that a merger isn't automatically a guarantee to success. Properly combining two companies requires a deft hand and a strong plan.

Merger Advisors

One of the key pieces that you need to have during a merger is a strong team. This includes a lot of different areas, from having legal professionals to financial experts to sales and marketing team members. However, having a strong team for a merger is more than just putting together the best people you can find.

These people also need to be willing to work together. Often, two companies merging means that staff on both sides will need to adapt their practices. The top team members that you want on your merger team have to be malleable in that regard.

Transaction Terms

Another thing that you want to concretely iron out while working on a merger is the division of the ownership of the company and responsibility for different business functions. One of the most common reasons that companies opt to merge is that they see a bigger profit together than the total of their individual efforts, a 1+1=3 situation. However, this same benefit can make it difficult to create a profit split between the two entities. In a similar fashion, there may be duplicative roles at each organization that need to be merged.

This split may also need to adapt. For example, if one of the companies comes into the merger in a position of weakness but grows over time and wants to renegotiate.

Where People Go Wrong During a Merger

Most companies are concerned about putting on a good public face, just as they should, so you rarely get to hear about the other side of mergers, like the mistakes or issues that arise. Here are a few examples of where people make poor decisions during mergers.

One legal mistake that people make is failing to set up a proper NDA (non-disclosure agreement). Beyond that, it's essential to keep proprietary information from leaking out. If a merger is going on and the bidders are strategic competitors, when competitively sensitive information is provided to the other side can be important. A similar area of concern, but a more esoteric one, is treating the two company cultures as something to be ignored or steamrolled. Going into a merger with the attitude of "we don't do things that way" may seem like a way to create a uniform mentality on paper, but may also generate friction at all levels of the company. Having a plan on how the company's culture will evolve and integrate the target is critical to ensuring success of the merger.