

Pilko M&A Podcast, Episode 19, 12.3.2025
Unlocking Deal Value: Mark Gallagher on Integration Done Right

00:00:05 Guus Greve

Welcome to the Mergers and Acquisitions Podcast.

00:00:08 Guus Greve

When deals get reported in the media, the article always focuses on the news of the deal that's just been signed.

00:00:16 Guus Greve

But what really matters is whether it gets executed, and that happens months or sometimes even a year later, once, for example, all the regulatory approvals are in.

00:00:26 Guus Greve

And that moment of execution or completion,

00:00:28 Guus Greve

is often where the real hard work begins, because now you're going to have to merge the new company you've bought with the mother company and achieve all the promised synergies and deliver the value.

00:00:39 Guus Greve

A lot of the value lost in M&A is not because the deal was a bad idea in itself, but it is because these phases post-signing of the deal, what I call integration or implementation, are managed poorly.

00:00:53 Guus Greve

So this is a subject well worth spending a whole episode on,

00:00:57 Guus Greve

And I have the perfect guest for this, as Mark Gallagher has joined me in the studio.

00:01:02 Guus Greve

Like me, Mark has had a career in Shell, and at the end of his 30-plus years, he led deal integration practice in Shell.

00:01:10 Guus Greve

Yes, we had a dedicated team with integration specialists focused on delivering the full deal potential, and Mark shaped it.

00:01:18 Guus Greve

Mark works on lots of varied deals, with one of the most impactful projects being the integration of Shell's acquisition of BG,

00:01:26 Guus Greve

a 50 billion acquisition that transformed Shell.

00:01:29 Guus Greve

Today, Mark is still spreading the integration gospel as an independent consultant, and he's doing that today in our podcasts.

00:01:37 Guus Greve

Welcome to the studio, Mark.

00:01:39 Mark Gallagher

Thanks, and it's great to be here, Guus.

00:01:40 Mark Gallagher

Thanks for inviting me.

00:01:42 Guus Greve

So Mark, I want to start with asking you, how did you become a professional integrator and why is it not that you prefer to delete road and get all the glory?

00:01:52 Mark Gallagher

Okay, I'll take those as two separate questions, but let me start with how I got involved.

00:01:56 Mark Gallagher

So I had a background in running businesses and also global projects such as streamlining business processes and offshoring business support activities.

00:02:05 Mark Gallagher

And you know, my skill and also I have to say my passion was in converting a concept into reality.

00:02:11 Mark Gallagher

So around, I don't know, it must be about 15 years ago, as Shell started to do more M&A, I got involved in these deals and with my background focused on how we can learn and improve how to implement them and hence deliver the potential value of these deals.

00:02:27 Mark Gallagher

Now let me come on to that question about chasing the glory.

00:02:30 Mark Gallagher

And by the way, I think that's a very deal lead question, Hus, if you don't mind me saying so.

00:02:35 Mark Gallagher

But I recognise it and I agree because

00:02:38 Mark Gallagher

It is at the signing where the champagne gets drunk.

00:02:40 Mark Gallagher

It's where there's the public announcements and the fanfare, etc.

00:02:44 Mark Gallagher

But you know, with my background and passion, the fit was with being comfortable with or focusing on how you deliver value from the deal.

00:02:52 Mark Gallagher

And as you said, that doesn't happen when you sign a deal.

00:02:56 Mark Gallagher

It happens at the integration phase because that's where the value is delivered.

00:03:00 Mark Gallagher

So in my view, everything in the deal should be geared towards that value delivery.

00:03:05 Mark Gallagher

And although

00:03:06 Mark Gallagher

Very few people at the end of the day will argue with that point.

00:03:09 Mark Gallagher

The reality can actually be a little bit different.

00:03:12 Mark Gallagher

So let me give you an example.

00:03:13 Mark Gallagher

We're all familiar with due diligence and buyers often put in a huge amount of effort and resources and money into doing that due diligence to figure out are they paying the right amount.

00:03:25 Mark Gallagher

Nothing wrong with that.

00:03:26 Mark Gallagher

Everybody wants to make sure that is addressed.

00:03:30 Mark Gallagher

But I think there are two questions that also should be asked in due diligence, which are often skimped.

00:03:35 Mark Gallagher

The first is, can I run that business from day one and make it thrive?

00:03:41 Mark Gallagher

And the second is, do I know how to change it to get the synergies and upsides?

00:03:46 Mark Gallagher

Because at the end of the day, these will determine your ability to both retain the business value of the acquisition and realise the synergies, which after all are the whole reason for you doing it in the 1st place.

00:03:58 Guus Greve

Okay, thank you.

00:03:59 Guus Greve

So let's start at the beginning then.

00:04:01 Guus Greve

Can you try to define integration?

00:04:03 Guus Greve

And in a deal, what role would you assume?

00:04:07 Mark Gallagher

So my definition is actually very simple, and it is that it covers everything that you need to do to deliver value at the end of deal integration.

00:04:15 Mark Gallagher

Now that may sound a little bit glib of a glib answer, and it also certainly doesn't mean that you do whatever anybody asks you to do.

00:04:22 Mark Gallagher

What it does mean is working from the end back.

00:04:25 Mark Gallagher

defining what success looks like and working out what it will take to get there.

00:04:30 Mark Gallagher

In other words, translating into actions, accountability, timing on how you deliver the value from a deal.

00:04:37 Mark Gallagher

And this not only provides focus and priorities, it also knocks out a huge amount of varied opinions and agendas, which is common in most deals and can really drag on momentum.

00:04:50 Mark Gallagher

So my role therefore within the team is to have a clear view what needs to be done,

00:04:55 Mark Gallagher

which I build up before the deal is even signed, and then take accountability for ensuring that gets done as working as part of a deal team.

00:05:03 Mark Gallagher

Now, let me give you an example of how this works.

00:05:06 Mark Gallagher

Clearly, the deal lead is the boss, right?

00:05:08 Mark Gallagher

But as an integration lead, I work very closely with the deal lead all the way from the sort of concept phase

00:05:15 Mark Gallagher

all the way through to deal delivery.

00:05:17 Mark Gallagher

And this not only underpins the value delivery, but I think supports the deal process by creating and evaluating the different options and choices that can be tested and the doability verified of those choices to end up with a better deal.

00:05:32 Mark Gallagher

For example, I was involved in a big complex business, but which was similar to our own.

00:05:39 Mark Gallagher

And the aim there was to combine it as quickly as possible and take advantage of the scale and take out a lot of cost.

00:05:45 Mark Gallagher

So how to consolidate the different locations, redefine the roles, set up the new organization, and manage the headcount reduction process, that was my role within the team, being clear on that and being clear how it supported the deal structure and negotiation that ultimately enhanced being able to deliver it.

00:06:05 Guus Greve

So Mark, that's a good example of a deal where you're fully integrated business, but sometimes it makes more sense to keep it separate.

00:06:12 Guus Greve

Is that right?

00:06:14 Mark Gallagher

Yeah, I think that's a very good question.

00:06:15 Mark Gallagher

And the first point I would make is that whether to integrate or not is often seen as a yes, no question.

00:06:24 Mark Gallagher

Shall we or shouldn't we?

00:06:25 Mark Gallagher

And I think that's wrong.

00:06:26 Mark Gallagher

Frankly, I think it's just too simple.

00:06:28 Mark Gallagher

So there may be some bits that you want to integrate and also some things that you definitely do not want to integrate.

00:06:35 Mark Gallagher

So the question is, how do you actually decide that?

00:06:37 Mark Gallagher

Well, you do that by then linking to how you realize the value.

00:06:42 Mark Gallagher

For example, if you are buying a business similar to your own, you will be looking to take out a lot of cost synergies.

00:06:47 Mark Gallagher

And this means planning to integrate activities, putting two sales forces together, shared services, e.g.

00:06:55 Mark Gallagher

HR and accounting, and hence removing duplication.

00:06:58 Mark Gallagher

All of that will contribute to your value delivery.

00:07:01 Mark Gallagher

But it could also be that the business is precious to you because it is different.

00:07:06 Mark Gallagher

Maybe you're buying a startup and you want to bring in new capability in a step-out business.

00:07:11 Mark Gallagher

In that case, you definitely want to preserve that difference, because after all, that's why you're buying the business in the 1st place.

00:07:17 Guus Greve

And that's why you would then keep it separate.

00:07:19 Mark Gallagher

Yeah, no, indeed, you keep it separate, but it doesn't mean that nothing changes.

00:07:24 Mark Gallagher

Because the reporting lines, the authorities will change, and perhaps you also want to tighten up some of the reporting and accounting in the company that you've acquired.

00:07:33 Mark Gallagher

So my point here is that it may be limited integration, but it's focused on maintaining what's important, what you want to retain, but in a way that's compatible with you being the future owner.

00:07:44 Mark Gallagher

So what's important about all of these integration questions is to frame them as the choices in terms of how they link to the value and build these into your plan for implementing the deal.

00:07:54 Guus Greve

So Mark, why do you think it is that people underestimate the challenge of integration?

00:08:00 Mark Gallagher

Well, I think that's a good question and I don't think there's a single answer.

00:08:03 Mark Gallagher

So let me go through a few of the things that I think contribute to that.

00:08:07 Mark Gallagher

So one of the reasons is, I think, because of mindset.

00:08:10 Mark Gallagher

There's always a lot of focus on getting to deal signing, and frankly, integration can be a bit of an afterthought.

00:08:16 Mark Gallagher

We'll get on to that.

00:08:17 Mark Gallagher

This means that the challenges of integration aren't anticipated and thought about, frankly, until it's too late.

00:08:23 Mark Gallagher

So secondly, I think deal makers often work in an M&A team, and they don't necessarily see it as part of their job.

00:08:30 Mark Gallagher

So they assume that the business will do the integration,

00:08:33 Mark Gallagher

and therefore deliver the value at the end of the day.

00:08:35 Mark Gallagher

Doing a deal and then passing it to the business is not really going to set it up for success in my opinion.

00:08:41 Mark Gallagher

So this disjointed approach will be clunky at best and lead to avoidable gaps in the deal that's been negotiated and make the task of delivering it, the value, even more difficult.

00:08:53 Mark Gallagher

Lastly, I think the thing about integration, it has different challenges to doing the deal.

00:08:59 Mark Gallagher

It's a very people process at the end of the day.

00:09:02 Mark Gallagher

So until the point that you sign a deal, you probably have a fairly small group of people who are actually involved.

00:09:08 Mark Gallagher

And sometimes when the deal's been negotiated under secrecy, it might be only 20 or 30 people.

00:09:14 Mark Gallagher

You could get them all into a conference room.

00:09:16 Mark Gallagher

But during integration, you then move to hundreds, perhaps even thousands of people being involved, business leaders, operational people, functions, et cetera.

00:09:26 Mark Gallagher

And many of them are impacted by the deal.

00:09:29 Mark Gallagher

And they sometimes view it quite negatively.

00:09:31 Mark Gallagher

And for some of them, their allegiances are going to be shifting through the process.

00:09:35 Mark Gallagher

You will, however, be dependent on their knowledge and commitment to the changes required.

00:09:40 Mark Gallagher

So bringing people with you

00:09:42 Mark Gallagher

is going to be really important to underpinning success.

00:09:45 Mark Gallagher

And that's very different from the deal phase.

00:09:49 Guus Greve

So Mark, I'm hoping that future deal leaders will start looking at this with some trepidation, because it is indeed very challenging.

00:09:56 Guus Greve

So if we take it positively, what are the critical success factors you think for a good integration?

00:10:02 Mark Gallagher

Well, I'll pick out a few which I think are the most important.

00:10:05 Mark Gallagher

The first I call keeping the eye on the prize.

00:10:09 Mark Gallagher

It's always been clear about what success looks like, and this needs to be quite specific and not vague.

00:10:15 Mark Gallagher

It's not general terms, but what are the key things that will make you're aiming for?

00:10:21 Mark Gallagher

And if you had a magic wand, what would it look like in the future?

00:10:24 Mark Gallagher

What are the things that really would move the needle and really make a difference?

00:10:28 Mark Gallagher

Closely linked to that is this prioritisation, and we call it ruthless prioritisation.

00:10:33 Mark Gallagher

This is making sure that you're laser focused on

00:10:37 Mark Gallagher

what it is that actually supports delivering that prize.

00:10:42 Mark Gallagher

Because in deals, there's always lots of opinions and advice.

00:10:46 Mark Gallagher

People view things from their perspective and also want to be part of the action.

00:10:49 Mark Gallagher

And seeing through that noise and keeping focused, I think, is absolutely vital.

00:10:54 Mark Gallagher

We have a rather tasteless expression that goes with that, which is, if it's not going to kill you, then ignore it.

00:11:01 Mark Gallagher

And that's a way of sort of separating the important things from the nice to haves.

00:11:06 Mark Gallagher

Next thing I'll mention is about ownership.

00:11:08 Mark Gallagher

You need to pick people who are going to own the integration.

00:11:11 Mark Gallagher

They're going to be responsible and they're also going to have the authority to be able to push it through and push through different opinions and different authorities.

00:11:20 Mark Gallagher

And then the last one is you're very unlikely in this field, in my opinion, to be able to rely on what I call granted authority.

00:11:29 Mark Gallagher

In other words, you'll tell people what to do and they'll just get on and do it.

00:11:33 Mark Gallagher

Rather, you're going to have to bring people with you, and that means you're going to have to understand the different stakeholders, understand their position, understand where you need them to be, and be able to manage them to get them into the right position to support the deal.

00:11:46 Mark Gallagher

And remember, that's not just working with an acquired organization and the people in that.

00:11:51 Mark Gallagher

Often those people are within your own organization.

00:11:54 Guus Greve

Yeah, so okay, let's take it practical.

00:11:56 Guus Greve

So we're going to start a new project.

00:11:58 Guus Greve

I understand you want to be involved fairly early on.

00:12:01 Guus Greve

So on this new acquisition, Mark, what are your first steps going to be?

00:12:06 Mark Gallagher

Okay, let me pick out a few points here.

00:12:08 Mark Gallagher

First off, avoid viewing it as just another project.

00:12:13 Mark Gallagher

It's a project management task.

00:12:15 Mark Gallagher

It isn't.

00:12:16 Mark Gallagher

Why?

00:12:16 Mark Gallagher

Because this is where M&A is different.

00:12:18 Mark Gallagher

I think it's more dynamic.

00:12:20 Mark Gallagher

You've always got different parties.

00:12:21 Mark Gallagher

You've got buyers and sellers.

00:12:23 Mark Gallagher

And you're often working with, well, always, I think, working with limited knowledge and hence the uncertainty.

00:12:29 Mark Gallagher

So

00:12:30 Mark Gallagher

you need to have a few things that sort of help to manage yourself through that.

00:12:34 Mark Gallagher

Playing an active role in the team, I think is absolutely critical.

00:12:38 Mark Gallagher

So get involved with the deal team early, understand what the drivers are, what it means in terms of what needs to be done, and understand the biggest challenges and where the focus is going to be is really important.

00:12:51 Mark Gallagher

And we have a tool, a simple tool that sort of helps with that.

00:12:55 Mark Gallagher

And it helps with this concept of end-back thinking, where do I want to get to and how am I going to get there?

00:12:59 Mark Gallagher

And we call that a plan on a page.

00:13:02 Mark Gallagher

Now this is a simple, coherent, end-to-end view of the deal, including the negotiation, but also the implementation.

00:13:11 Mark Gallagher

And it's got all the key building blocks and how they fit together.

00:13:14 Mark Gallagher

Now initially that might start off fairly simple, but it gets refined.

00:13:18 Mark Gallagher

But the important thing, it always fits on one page.

00:13:20 Mark Gallagher

You can put it up at the beginning of a meeting.

00:13:23 Mark Gallagher

and everybody's aligned to it because they can see it, it's visible, it's easy to understand.

00:13:28 Mark Gallagher

And that's great for establishing work streams, aligning the key deliverables, making sure everybody's clear about what the key milestones are, and effectively for everybody to be working in the same framework.

00:13:41 Mark Gallagher

As the deal progresses, I think also there's a role for the integration person, not just to wait for it to come to

00:13:49 Mark Gallagher

their bit, if you like, the integration, but also play an active role in what questions should be asked in due diligence, and also to be engaged with what's coming out of the negotiations, but also what are they feeding into those negotiations, which is going to be important to be able to deliver the deal.

00:14:08 Guus Greve

So with an acquisition, you're thinking about future integration.

00:14:13 Guus Greve

But now if you're preparing for a divestment, then you're looking at a disintegration or a carve out.

00:14:20 Guus Greve

So how will you approach that?

00:14:21 Mark Gallagher

Yeah, I'm not sure I'd call it a disintegration.

00:14:26 Mark Gallagher

I like the term.

00:14:28 Mark Gallagher

Yeah, that's an interesting point.

00:14:29 Mark Gallagher

And the first thing I'll say, and this struck me actually when I first got involved in M&A, because it was a phase where we were doing quite a lot of divestments.

00:14:38 Mark Gallagher

And I used to hear a phrase time and time again,

00:14:41 Mark Gallagher

the buyer will decide that or we'll leave it to the buyer.

00:14:45 Mark Gallagher

And it struck me, I began to realize three things.

00:14:49 Mark Gallagher

One is, when you're selling, you're the ones who know the business.

00:14:53 Mark Gallagher

You know it much better than the buyer does.

00:14:56 Mark Gallagher

You're also, the people who are running that business, they work for you, right?

00:15:00 Mark Gallagher

They still work for you until the deal is completed.

00:15:03 Mark Gallagher

And the third thing, and perhaps the most important, is that if you leave it to the buyer and they make a mess of it,

00:15:10 Mark Gallagher

then actually the pain isn't the buyer's pain or certainly isn't all their pain, it's yours as much as it is theirs.

00:15:18 Mark Gallagher

So the conclusion I took from that is don't be a hostage to fortune, always be proactive and manage your own destiny.

00:15:26 Mark Gallagher

So we took a super proactive role in working with a buyer to handle a divestment as much as we would do for an acquisition.

00:15:36 Mark Gallagher

Of course, this is not always welcomed by some counterparties, particularly initially.

00:15:41 Mark Gallagher

And I'll give you an example of a private equity.

00:15:45 Mark Gallagher

Yeah, I mean, perhaps not surprisingly, he was really focused on his upside because, you know, he knew that's ultimately where his bonus was going to come from.

00:15:54 Mark Gallagher

But this meant that he was always pushing to make changes as part of the transition to facilitate realising that upside.

00:16:04 Mark Gallagher

And I proposed to him an alternative.

00:16:06 Mark Gallagher

What I said is, we'll carve out this business and we'll make sure that business can run and we'll drop it in your lap.

00:16:13 Mark Gallagher

And in doing so, you minimize the risk.

00:16:15 Mark Gallagher

You don't eliminate the risk, but you minimize the risk of what is already going to be challenging as transitioning this particular business.

00:16:23 Mark Gallagher

And he didn't see it that way.

00:16:24 Mark Gallagher

We had a few frosty meetings, you know, I'll tell you what to do.

00:16:27 Mark Gallagher

I'm buying, I'll tell you what to do.

00:16:29 Mark Gallagher

So we had a few frosty meetings, but then I think the penny dropped.

00:16:33 Mark Gallagher

And I think what he realized is that actually his bonus may be dependent upon the upside.

00:16:40 Mark Gallagher

But if he ends up with a business that isn't running and he doesn't even know how to fix it, then it's going to be his job on the line, not just his bonus.

00:16:49 Mark Gallagher

And in that instance, he came out.

00:16:51 Mark Gallagher

And you know what?

00:16:52 Mark Gallagher

In all the times I've been doing this, I've never had a single case where even the most aggressive buyer didn't come around to this way of thinking.

00:17:01 Mark Gallagher

And thank us at the end of the day.

00:17:02 Mark Gallagher

And by the way, cover the costs.

00:17:05 Mark Gallagher

and effort that we put in to do it.

00:17:07 Guus Greve

Thank you, Mark.

00:17:08 Guus Greve

Let me try to put in my own words what I've learned so far.

00:17:12 Guus Greve

Firstly, for you, integration and value delivery are two sides of the same coin, and that's why you're so passionate about it.

00:17:20 Guus Greve

Secondly, the complexity is related to people, and that goes up during the integration phase, because rather than a few dozen, you now have hundreds or even thousands of people being involved.

00:17:31 Guus Greve

and they're not static, many of them go through a journey of their own separating from their old company, learning to love the new one, and figuring out what it means for me.

00:17:41 Guus Greve

Once you realize that, you know that you better be very well prepared for that phase.

00:17:46 Guus Greve

I understand you are doing that by getting involved very early in the deal, and that you start working with the deal lead and the deal negotiations to understand the key choices that affect integration and value.

00:17:58 Guus Greve

By doing that, you underpin value delivery and even create a competitive advantage, whether you are the buyer or a seller.

00:18:05 Guus Greve

Everybody wants to do business with a counterparty that has a clear, focused plan for how it will deliver the value in the future.

00:18:13 Guus Greve

So let's now take a short break to hear from our sponsor, Pilco.

00:18:17 Guus Greve

Their network of specialists that can help you in your deal is unrivaled.

00:18:24 Speaker 3

Hilco and Associates is the leading advisor to deal leaders and senior executives on operational EHS and ESG risks and liabilities in the global chemical and energy industries.

00:18:38 Speaker 3

With 45 years of experience, the firm has advised on more than \$600 billion worth of transactions involving facilities in 80 countries, including some of the highest profile deals spanning those five decades.

00:18:54 Speaker 3

Pilco's advisors have an average of 38 years of relevant professional experience in operational and executive roles with major energy and chemical companies.

00:19:04 Speaker 3

For more information, go to pilco.com.

00:19:12 Guus Greve

You're back in the Mergers and Acquisitions podcast.

00:19:15 Guus Greve

Today, I'm discussing deal integration with my guest, Mark Gallagher.

00:19:19 Guus Greve

Now, Mark, what is the benefit of doing one project after another?

00:19:24 Guus Greve

We've had in previous podcast discussions with people where you learn from one deal to the next deal, where the concept of a serial acquisition came up.

00:19:35 Guus Greve

How is that for integration?

00:19:37 Mark Gallagher

Well, as you say, I think if you do things several times more often,

00:19:42 Mark Gallagher

You can expect to get better at it.

00:19:43 Mark Gallagher

And in an ongoing business, perhaps you look for continuous improvement of, I don't know, 2 to 5% a year, something like that.

00:19:51 Mark Gallagher

The interesting thing is the benefit arising from experience in implementing M&A deals is much, much bigger, in my opinion.

00:19:59 Mark Gallagher

I think of it as if the first deal is, I don't know, 100 points in effort or cost, whichever way you want to measure it, the second is probably only about 70.

00:20:08 Mark Gallagher

and the one after that might be 55 and the one after that might be 40.

00:20:12 Mark Gallagher

So in other words, you're going to get twice as good through familiarity.

00:20:17 Mark Gallagher

You're understanding what's important, exercising better judgments.

00:20:21 Mark Gallagher

So the benefits from this are big and you can see them in the cost, the time and the simplification of how you deliver these projects.

00:20:30 Guus Greve

And I guess you also see that then in your staff motivation, because you'll be better at communicating to the staff.

00:20:37 Mark Gallagher

Yeah, absolutely.

00:20:37 Mark Gallagher

I think people feel comfortable about what they're doing, they're comfortable with their roles, and comfortable with getting better at doing it.

00:20:44 Guus Greve

And confident.

00:20:45 Mark Gallagher

And confident, for sure.

00:20:47 Mark Gallagher

So let me give you some examples, because it's very easy to say that, but let me give you some solid examples.

00:20:53 Mark Gallagher

A lot of projects, IT is fairly fundamental to it, and there's some quite big

00:20:57 Mark Gallagher

projects to get IT systems either integrated or split apart.

00:21:01 Mark Gallagher

When we started, they used to take us nine months.

00:21:04 Mark Gallagher

Big complex systems, big projects.

00:21:06 Mark Gallagher

And we finally got that down to four months.

00:21:09 Mark Gallagher

How?

00:21:09 Mark Gallagher

Because we stripped it down to what was vital.

00:21:12 Mark Gallagher

We refined some of the development tools and more efficient ways of working together.

00:21:16 Mark Gallagher

But that's a big improvement.

00:21:18 Mark Gallagher

Another example, slightly different, is initially quite a bit of effort into preparing things for sale or preparing

00:21:27 Mark Gallagher

things going forward, and that would be costly.

00:21:31 Mark Gallagher

And then the deal might not happen, and there's a lot of regret cost.

00:21:34 Mark Gallagher

What we got smarter at was how do you get the thinking and planning, which is relatively cheap, compared to kicking off the investment, which we'd wait until the deal is certain or pretty certain, and then pull the trigger on that.

00:21:47 Mark Gallagher

And that really helped in terms of cost and efficiency.

00:21:50 Mark Gallagher

Let me make one other point related to this, because I think it's also

00:21:54 Mark Gallagher

It's really important to recognise that every deal is different.

00:21:57 Mark Gallagher

I mean, that's one of the nice things about M&A, I think, is that no two deals are the same.

00:22:02 Mark Gallagher

And I've talked about the benefits you get from experience for one deal, but which can be applied to the specifics of the deal that you've got in front of you now.

00:22:11 Mark Gallagher

I have come across quite elaborate playbooks, and I like playbooks.

00:22:15 Mark Gallagher

I think they're good, but I've seen them

00:22:17 Mark Gallagher

where the playbook becomes the master rather than helping.

00:22:22 Mark Gallagher

People say, this is what we did last time, this is what we always do.

00:22:24 Mark Gallagher

And they're not looking at the deal in front of them, they're just following the playbook.

00:22:28 Mark Gallagher

And that's the one caveat I make, is not to get too sucked into doing it by numbers, but using that experience to exercise better judgment for the deal that's in front of you.

00:22:40 Guus Greve

So you have to stay flexible.

00:22:42 Mark Gallagher

Yes, indeed.

00:22:43 Guus Greve

I like what you say there also about improving on cost, time and simplification.

00:22:49 Guus Greve

And especially the time, in my view, is such a powerful factor because reduction of time, also reduction is also a reduction of the risk associated with the deal.

00:22:59 Guus Greve

And of course, it brings forward the dollars that you get out of the value delivery.

00:23:03 Mark Gallagher

Yeah, no, absolutely.

00:23:04 Mark Gallagher

And I've worked with a lot of deal leads and with some deal leads, multiple times.

00:23:09 Mark Gallagher

And I used to josh with them a little bit that their currency is dollars, but my currency is time.

00:23:17 Mark Gallagher

And of course, both are linked to value.

00:23:19 Mark Gallagher

And often though, I think if they looked at the deal from the dollar value and I looked at it from the time value, we'd often have some pretty good discussions, some creative tension, which ended up with better solutions.

00:23:32 Guus Greve

I can imagine.

00:23:33 Guus Greve

So there are companies who only want to do one deal.

00:23:37 Guus Greve

So what would you advise them?

00:23:38 Guus Greve

How would you organize yourself?

00:23:40 Mark Gallagher

Yeah, I've stated that there's benefits from experience, but if it's your first rodeo, then there are still some things that you can do which I think really make a difference.

00:23:48 Mark Gallagher

And I'll pick out three that I think are the most important.

00:23:51 Mark Gallagher

First is

00:23:52 Mark Gallagher

be clear about what success looks like.

00:23:55 Mark Gallagher

And what I mean by that is get it down to 6 to 10 bullets, something that you could put on a single slide that everybody recognises and is following.

00:24:05 Mark Gallagher

And that gives great focus.

00:24:07 Mark Gallagher

It helps with that ruthless prioritisation I talked about earlier.

00:24:11 Mark Gallagher

And very importantly, it knocks down all of that noise associated with

00:24:16 Mark Gallagher

competing agendas and what other people think are important, because you can say, how does that relate to our success factors?

00:24:23 Mark Gallagher

Please explain that to me.

00:24:24 Mark Gallagher

So that's number one.

00:24:26 Mark Gallagher

The second thing is, I think, and I've talked about it before, creating ownership from the end back, you know, right from the beginning of the deal.

00:24:33 Mark Gallagher

Who's responsible?

00:24:35 Mark Gallagher

Are they empowered?

00:24:37 Mark Gallagher

Do they have the right appropriate authority and are they given the right leadership support?

00:24:40 Mark Gallagher

Perhaps that last point is quite an important one, because this can be a bit of a turbulent journey.

00:24:46 Mark Gallagher

and having the right leadership support is really important for success.

00:24:51 Mark Gallagher

And then the last point is again a people related point, is pick the right people.

00:24:56 Mark Gallagher

Often the roles require exercising influence versus gifted authority and therefore looking for people with the right personal skills and aptitude can sometimes be quite a bit more important than

00:25:11 Mark Gallagher

looking for somebody who's necessarily got the right knowledge and business position.

00:25:15 Mark Gallagher

So picking the right people who can adapt and are nimble, et cetera, rather than somebody who's an expert in that field would be my advice.

00:25:24 Guus Greve

So just one more question on this, Mark.

00:25:26 Guus Greve

Would it help then if you're not doing it so often to bring in a consultant specializing in M&A or even specializing in implementing large projects?

00:25:35 Mark Gallagher

Yeah, of course, that can always help to reach out for external help if you know you're new to this.

00:25:40 Mark Gallagher

And consultancies are a great way of doing that.

00:25:44 Mark Gallagher

And I haven't changed my view from when I was in Shell, for instance, and when I became a consultant myself.

00:25:50 Mark Gallagher

But I think there's an important point that I always think about, which is you should look for help and consultants who help you to do it yourself and don't do it for you.

00:26:02 Mark Gallagher

This goes back to the points about ownership and anchoring it in the business.

00:26:07 Mark Gallagher

Because if somebody comes and says, step aside, I'll do this for you, I think actually you're not going to end up with that.

00:26:13 Mark Gallagher

So getting somebody who's going to work with you, hold your hand, support you, fantastic, but don't take over because I think that's wrong and I don't think that leads to the best outcome.

00:26:23 Guus Greve

Okay, thank you, Mark.

00:26:24 Guus Greve

Let's get into some of the things that can go wrong or that people very often do wrong.

00:26:29 Guus Greve

So what pitfalls would you ask people to watch out for?

00:26:34 Mark Gallagher

I'll pick out three.

00:26:35 Mark Gallagher

First one is sometimes people treat M&A integration as a regular project, and they miss the point about it's dynamic, it's evolving, there's moving goalposts, and you've got different motivations.

00:26:49 Mark Gallagher

And I think because of that, they're not nimble and agile enough, and that can lead to problems.

00:26:55 Mark Gallagher

Second one is people sometimes see the targets as the number in the box on the spreadsheet.

00:27:01 Mark Gallagher

Now, I've got nothing against models.

00:27:02 Mark Gallagher

In fact, I think spreadsheet models, I think they're fantastic.

00:27:05 Mark Gallagher

They're an important part of doing a deal.

00:27:08 Mark Gallagher

But if you're just looking at that number, it's very easy to start fiddling around with those numbers and get the answer that you want.

00:27:15 Mark Gallagher

That's an aspiration, if you like.

00:27:16 Mark Gallagher

What I'm looking at is what will it take?

00:27:19 Mark Gallagher

So how are you actually going to deliver that number?

00:27:23 Mark Gallagher

To give you an example, if you can have a project where you're going to take out costs, and that involves reducing headcount.

00:27:29 Mark Gallagher

What does that mean in terms of locations, the experience that's retained, the ability to continue the business?

00:27:36 Mark Gallagher

How are you going to organise that redundancy process?

00:27:38 Mark Gallagher

How long is it going to take?

00:27:39 Mark Gallagher

They're the things that are going to be really important.

00:27:42 Mark Gallagher

And so just looking at a number and saying, oh, we've got a target here, isn't really going to cut it.

00:27:47 Mark Gallagher

So I think that's important.

00:27:48 Mark Gallagher

And then the last thing I'll mention is a very people-related point, because M&A staff are often quite conflicted.

00:27:55 Mark Gallagher

They're worried about what it means for them.

00:27:58 Mark Gallagher

They may be defending their status quo, or they may find that the way things have been discussed and decided are very different.

00:28:04 Mark Gallagher

But at the end of the day, their knowledge and commitment is also important for having a successful implementation of the deal.

00:28:12 Guus Greve

So it's an appreciation of the more subtle factors like two different cultures that need to merge.

00:28:17 Mark Gallagher

The people factor is paramount.

00:28:19 Mark Gallagher

Yeah.

00:28:20 Guus Greve

Okay.

00:28:21 Guus Greve

So we were negotiating during the acquisition or during getting signing of an SPA done.

00:28:29 Guus Greve

But you continue a negotiation in a way during integration.

00:28:32 Guus Greve

Is that right?

00:28:33 Mark Gallagher

Yeah, I think there's, I mean, any deal, things are negotiated, and that includes elements that refer to integration.

00:28:40 Mark Gallagher

So one of the common ones is a transition service agreement.

00:28:44 Mark Gallagher

How is the buyer going to support you to run the business for the six or 12 months or whatever it may be that you need to set up yourself?

00:28:50 Mark Gallagher

And you also may end up with negotiations with regulators, for instance, because there's often remedies.

00:28:55 Mark Gallagher

So how are you going to

00:28:56 Mark Gallagher

cut and change the business in a way that satisfies their requirements, but in a way that doesn't undermine the project.

00:29:01 Mark Gallagher

So I think there's lots of negotiations involved in this.

00:29:04 Mark Gallagher

I'd also make a point that it's not just with your counterparty or with regulators, external bodies, also internally.

00:29:11 Mark Gallagher

When a deal is made public, many stakeholders, people in the business, are thinking, well, what does it mean for me?

00:29:18 Mark Gallagher

And they're repositioning themselves accordingly.

00:29:20 Mark Gallagher

And I'll give you an example.

00:29:22 Mark Gallagher

When we were selling assets, refineries,

00:29:25 Mark Gallagher

Yeah, the moment it was announced, the leadership team are thinking, okay, they're going to be our new bosses.

00:29:31 Mark Gallagher

So what do they want?

00:29:32 Mark Gallagher

And indeed, many years ago, there was a case where the refinery manager effectively bought all of the materials for a future shutdown.

00:29:41 Mark Gallagher

So sellers cost, buyers benefit.

00:29:44 Mark Gallagher

Yeah.

00:29:45 Guus Greve

And the nice bonus and the nice bonus for him in the future.

00:29:48 Mark Gallagher

His new bosses liked it.

00:29:50 Guus Greve

Okay.

00:29:51 Guus Greve

So, Mark, with your decades of experience in implementing deals and having worked with dozens of different deal leads across this time, what would your key advice be to them?

00:30:04 Mark Gallagher

First is, please don't look at a deal as it's one phase after another.

00:30:10 Mark Gallagher

You know, origination, due diligence, negotiation, implementation.

00:30:16 Mark Gallagher

thinking of it like chapters in a book where you read one, finish that, move on to the next one.

00:30:20 Mark Gallagher

Please think of it as a relay race, where everything that happens in the first few legs is only as good as the position you end up in the last leg, the final guy crossing the line.

00:30:31 Mark Gallagher

So that means that everything that you do earlier, think about how that translates to delivering that value at the end of the day.

00:30:38 Mark Gallagher

So that's number one.

00:30:39 Mark Gallagher

Number 2 is don't think of integration as a necessary evil.

00:30:44 Mark Gallagher

You know, it's something we've got to do, it's tricky, it's problematic, it might go wrong, etc.

00:30:49 Mark Gallagher

It's nothing but a nuisance.

00:30:50 Mark Gallagher

But think of it as an opportunity, an opportunity to explore some of the options, to test the doability as the deal develops of different options.

00:30:59 Mark Gallagher

In that way, you can view integration as a tool to increase the attractiveness to sellers.

00:31:05 Mark Gallagher

And if you're a seller, also increase the value of the business and the doability of the deal.

00:31:10 Mark Gallagher

And that leads to a higher price, so it can lead to a better deal.

00:31:14 Mark Gallagher

And I'm often, you know, hark back to my early days when I got involved in this.

00:31:18 Mark Gallagher

And we were, at that time, we were selling a lot of refineries.

00:31:21 Mark Gallagher

And yeah, we had a lot of private equity interests and we'd have presentations.

00:31:26 Mark Gallagher

And I remember seeing in these presentations and you get to the Q&A.

00:31:29 Mark Gallagher

And then you get somebody put up their hand and say, so where's the stock accounting done at the refinery?

00:31:36 Mark Gallagher

Is it, well, that's not actually done at the refinery, that's done in Chennai.

00:31:40 Mark Gallagher

And is that coming with the deal?

00:31:42 Mark Gallagher

No, And then there'll be, and what about the crude optimization?

00:31:48 Mark Gallagher

Who does that?

00:31:49 Mark Gallagher

Oh, that's done by another bit.

00:31:50 Mark Gallagher

Is that coming with the deal?

00:31:51 Mark Gallagher

No, that's not coming to it.

00:31:52 Mark Gallagher

And then where's the accounting

00:31:55 Mark Gallagher

system.

00:31:55 Mark Gallagher

Oh, well, that's a global system.

00:31:57 Mark Gallagher

Is that coming with the deal?

00:31:58 Mark Gallagher

No, that's not coming with the deal.

00:32:00 Mark Gallagher

So you could almost see these guys looking at their watch thinking, well, we might be able to get the earlier playing because this deal's not for us.

00:32:06 Mark Gallagher

But you know, what we were able to do is we were able to address those questions in a way that still made it attractive.

00:32:12 Mark Gallagher

And in doing so, yeah, help the deal lead, help the deal to be more attractive to more buyers to hopefully end up with a better outcome.

00:32:21 Guus Greve

Well, Mark, I love that example.

00:32:23 Guus Greve

I'm going to try and summarize a bit more.

00:32:26 Guus Greve

Right from the start, I understood that integration is a value delivery game.

00:32:30 Guus Greve

And if you have the opportunity to do it on a regular basis because you have deal flow and you may be a serial acquirer, then the benefits of doing this time after time are very substantial.

00:32:40 Guus Greve

Orders of magnitude higher than what you would get through normal continuous improvement.

00:32:44 Guus Greve

And even if you get only one deal to do, your chances of success are so much higher if you are clear on your target.

00:32:52 Guus Greve

i.e.

00:32:53 Guus Greve

in granular detail where you want to get to.

00:32:56 Guus Greve

And you have to create clear ownership from the beginning, so you will have identified who's going to be accountable in the company for achieving all of this.

00:33:06 Guus Greve

And lastly, you recruit the right people to help you with this.

00:33:09 Guus Greve

And I've also now understood it is a team effort, with the deal lead and the integration lead working together like they are in a relay race and the only thing that counts is the finishing line.

00:33:20 Guus Greve

it's time to wrap up, Mark, and I would like to thank you for sharing your experience and wisdom on integration and value delivery with us today.

00:33:28 Mark Gallagher

Thank you, it's been great.

00:33:31 Guus Greve

And this was the end of this episode of the Mergers and Acquisitions Podcast.

00:33:35 Guus Greve

We're only just into our third season, so stay alert for new episodes or check out the previous 18, all available on your podcast platform or on the website of our sponsor, pillco.com.

00:33:48 Guus Greve

Thank you for listening.