Acquisition Strategies: Integrating the Finance & Accounting Operations

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When two Los Angeles or Southern California businesses decide to merge together, one of the main reasons for doing so is to capitalize on synergies. This includes synergies in the finance and accounting departments. In fact, the total cost of the finance function can be reduced by up to 40 percent after a merger or acquisition, according to Accenture.

Realizing these synergies, however, requires a successful integration of the finance and accounting operations of the two companies that are merging. This can be a challenging task, to say the least. Los Angeles and Southern California businesses that are contemplating a merger or acquisition should begin planning the details of this integration well in advance of the deal's closing date if they want to maximize synergies from the merger.

Early integration planning is essential to helping the new company's finance and accounting functions be prepared to "hit the ground running" on Day One. This is critical, because variations in financial standards and procedures between the two companies may prevent the new entity's finance function from operating effectively. The companies may have different types of charts of accounts, for example, or the financial statements of one company may not conform to generally accepted accounting principles (GAAP), in which case they will need to be made GAAP-compliant as quickly as possible.

There is also usually a degree of urgency involved in completing the integration, as consolidated financial statements, earnings and projections must be prepared for executives, investors and other stakeholders in a timely manner. And public companies, of course, face firm post-merger deadlines for reporting to the SEC.

Three Stages of Integration

There are a number of different factors that are critical to the successful integration of two merged companies' finance and accounting functions. In a report titled *Starting with the End in Sight: Integrating Finance After a Merger*, Accenture identifies three stages of finance and accounting integration:

1. Planning

The primary objective of this stage is to set overall goals, objectives and priorities for the integration. Critical to the planning stage is defining the future-state operating model of the new combined entity's finance and accounting functions, as well as designing a system that will assess and track anticipated synergies. Determining the "must-haves" (i.e., the integration items that must be accomplished for the finance function to operate) and "like to haves" for Day One is also a critical part of the planning process.

While each company's must-have list will be a little different, typical Day One must-haves usually include chart-of-accounts mapping; consolidated statements; core financial reporting and earnings guidance; internal reporting for management; billing, collections and cash applications for customers; invoice receipt and payment for vendors; standardized financial policies; signature authorization; and payroll for employees.

2. Resources
What resources will be available to actually make the integration a reality? The finance and accounting leadership team for the new merged entity should be announced as quickly as possible, and key employees should be identified and targeted for retention efforts early on in order to minimize the risk of their departure after the merger. Full-time integrators should be assigned within the finance and accounting departments to drive the integration process through to completion.

3. Implementation
The first step in the actual implementation of the integration should be the establishment of milestones against which ongoing integration progress can be measured and managed. The idea is to build momentum toward completion of the integration on time — and eventually, toward a larger transformation of the finance and accounting function within the new entity.

Obtaining Outside Assistance
Successfully integrating the finance and accounting operations of two companies that are merging can be a herculean task — one that can easily overwhelm existing staff and resources. Therefore, businesses often bring in outside resources to help, such as an outsourced CFO services firm.

Such a firm brings real-world, hands-on experience to the integration process. Having helped other businesses through similar integrations as formerly-seated CFOs, an outsourced CFO services professional can offer expert guidance to help you avoid common pitfalls, and share best practices that can help streamline the integration process and ensure that key milestones and deadlines are met. Perhaps most importantly, having an outsourced CFO services firm spearhead the integration helps free up your finance and accounting employees to focus on other important M&A tasks, in addition to their normal, day-to-day responsibilities.

Concluding Thoughts
Los Angeles and Southern California businesses contemplating a merger or acquisition should begin planning for the integration of their finance and accounting operations well in advance of the merger's closing date. Doing so will not only help ensure that anticipated finance and accounting synergies are realized, but also that "must-have" finance and accounting functions are up and running on Day One of the new entity. An outsourced CFO services firm can provide invaluable assistance in the integration process by offering expert guidance to help avoid common pitfalls and sharing best practices that can help streamline the integration process — all the while, freeing up employees to focus on other M&A tasks and their normal daily responsibilities.

About CFO Edge
CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives at small and mid-sized companies in Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 626.683.8840.