Mergers & Acquisitions

Case Study – Righting an integration gone wrong

Deloitte: "Corporations and private equity firms pin the most blame on external factors but recognize the need for more effective due diligence and integration to make sure revenue projections materialize."

Challenge: An airline organization had performed detailed due diligence before the purchase of another company. Twelve months into the transition, the management team put into place by the Private Equity firm, was struggling operationally; profits were down, and customer perception was suffering. In addition, other areas of concern were surfaced:

- There was no post acquisition plan
- There was a lack of communication between the new leaders and a significant cultural gap between local parts of the organization and its global HQ
- Procurement, supply chain, and general operational tasks were disjointed, and costs were skyrocketing
- Commercial issues caused customer perception to decline
- Improper accounting procedures led to over payments
- As a result, their competitive position was falling

For more information, please email info@dextergbs.us

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Opportunity:

Even after a strong due diligence, for an acquisition to be successful, there must be a keen focus on mapping out the ROI and additional benefits that are to be achieved post-acquisition.

Bringing in finance, regulatory and industry experts and generalists will help your team sift through information quickly, identify key activities and bring about positive results to deliver and exceed your projected profits.

Having expert support will deliver better revenue and earnings. Driving the transition is key to creating the ROI, and the first 3-4 months are critical to any transition.

Solution: Twelve (12) months after the purchase (and well after the 3-4 month critical transition period), Dexter was brought in to the organisation to assist. Even though the situation seemed insurmountable, key issue were quickly identified and a resolution path created which:

- Defined clear values for employee re-training
- Built bridges and improved communication between new management and existing staff
- Restructured procurement and defined better processes
- Reviewed accounts payable invoices and contracts to identify overcharges
- Identified over $2MM in overcharges

Dexter's initial piece of work evolved into a nine (9) month project that involved reviewing and structing their accounts payable processes and crafting documentation for revised employee training. A staff review identified the need for restructuring which involved reviewing employee contracts, terminating some staff and interviewing and hiring new staff to fill knowledge and expertise gaps identified as part of Dexter's research.

During invoice reviews, Dexter idenfied an overcharge of over $2MM in Value Add Tax (VAT). Following further analysis, Dexter was able to recover the overcharge on behalf of the Client.

Dexter Global Business Solutions

Dexter provides a full-service acquisition service which includes pre-due diligence, due diligence, integration and post-transition efforts to ensure that the purchase meets or exceeds the earning and profitability expectations and transitions are completed seamlessly.