

## The environment for M&As remains favourable

**Patrik Kerler, Head Mergers & Acquisitions, KPMG Switzerland, is firmly convinced that every enterprise needs an M&A strategy defined by its board of directors, in order to be able to respond quickly if and when opportunities arise. In his experience, the importance of preparing communications is sometimes underestimated. In this short interview Patrik Kerler explains what the success factors are for an effective M&A transaction.**



### **The M&A market is booming, including in Switzerland. Is the trend set to continue?**

Swiss companies were involved in a total of 153 deals in Switzerland and abroad during the first half of 2014. In fact, with a transaction volume of USD 114.0 billion, the first half of 2014 even exceeded the record six months of 2012 by USD 22.9 billion. Rising real gross domestic product (GDP), low interest rates and the positive performance of the SMI are indicators for a stable market environment that will continue to favour M&A deals.

### **You define M&A transactions as a core element of strategic corporate leadership. What experiences and insights do you**

#### **base this claim on?**

Corporate strategy defines the medium-term and long-term objectives of a company. This also always includes the fundamental corporate “make or buy” decision. That is to say, what should an enterprise develop in-house, and which assets or know-how should it buy on the market. As this question should be reviewed on an ongoing basis, every organisation needs an M&A strategy that has been defined by the board of directors. In order, if necessary, to implement a transaction process professionally, quickly and in the manner that maximises the value.

### **How important are communications – internal and external communications – during an M&A process?**

An M&A process may work out, or may not work out. That is to say, the deal may or may not be clinched. Negotiations often extend over weeks or months. Due to regulatory criteria as well as strategic and tactical interests, the company will be keen to stop information leaking from the small circle of individuals involved. Nevertheless, one should always have a contingency plan ready if information or rumours reach the media. This means preparing a “leak scenario” in advance. Once a deal has been announced, communications – particularly communications aimed at an in-house audience – will be decisive for the success of the integration.

### **Is enough attention always paid to communications?**

M&A deals, in particular auctions or public takeovers, involve a large number of different interest groups. While the parties will essentially be aware of the importance of transparent communications, at the same time they nurture their own communication cultures. Depending upon the particular geography and stock market listing, they may be obliged to comply with different regulatory conditions.

The joint goal will generally be to keep the transaction process confidential for as long as possible, and to prepare an ad hoc communication. In this conjunction the communications strategy must at all times comply with regulatory and statutory provisions. As soon as a transaction is made public, communications will need to function efficiently. Preparation of the communications policy is sometimes underestimated.

**What, in your view, are the most frequent communication errors made by buyers and sellers?**

Following the official announcement, communications need to be as open and transparent as possible. This is in order to set out the logic and the anticipated synergies as comprehensibly as possible. When it comes to integration communications, the key is to explain the strategy behind the new organisation to the employees, while at the same time establishing clarity about the new management team and the priorities. This also needs to be done quickly. For in the event of uncertainty it is always the best employees who leave the company first. And productivity falls markedly at all levels when it is not clear where the journey is going.

**What, in your view, are the most important success factors for an effective M&A transaction and integration?**

I see five points here:

1. A clear strategy that makes the objectives of the transaction clear.
2. Professional and targeted implementation of the transaction process, up until the deal is finalised.
3. Establishment of an integration team with a clear remit.
4. Rapid integration once the transaction has been finalised.
5. Clear and ongoing communications with employees and customers.