



Exerting Control Following M&A

Exerting control over an acquired company is the base for de-risking your investment and for all other integration efforts. Even for minority investments the same actions are required to secure your shareholder rights. Failing to exert control significantly increases your risk, and experience shows a wide range of adverse consequences are left waiting to happen. Control is multi-faceted each of which should be reviewed by a diagnostic approach at the PMI planning phase, with appropriate actions built into day one, and early post close plans. The facets of control, consequences is ignored, and proposed approach are shown below:

Area	Content	Risks/consequences
Asset Protection	<ul style="list-style-type: none">• Confirmation or change of physical access controls• IT security update• IP registration and contract logging	<ul style="list-style-type: none">• Inability to confirm assets lists• Loss of mobile assets• Security breaches• IP loss
Treasury and cash control	<ul style="list-style-type: none">• Changing bank signatories• Replacing FX and interest hedging• Ensuring liquidity• Cash forecasting	<ul style="list-style-type: none">• Loss of cash• Increase in bad debts• Increase in working capital• Inadvertent default or covenant breach
Governance and compliance	<ul style="list-style-type: none">• Enterprise wide risk assessment• Roll out delegation and control• Document governance and decision making meetings/functions• Inventory and prioritize HQ and local compliance requirements	<ul style="list-style-type: none">• Lack of business direction• Compliance breaches• Emergence of parallel management• Unauthorized transactions
Financial and management reporting	<ul style="list-style-type: none">• Satisfy deal reporting requirements• Financial reporting (format, GAAP, timing) gap analysis and roll-out• Implement financial and non financial management reporting incorporating new KPIs	<ul style="list-style-type: none">• Failure to meet statutory obligations• Inability to assess performance• Insufficient information for decision making
Post deal due diligence	<ul style="list-style-type: none">• Complete any open areas of investigation not covered during the deal due diligence process	<ul style="list-style-type: none">• Constantly emerging new information and surprises• Business interruption
Managing people and culture	<ul style="list-style-type: none">• People retention• Cultural understanding workshops• KPI and benefit changes• Global Communications	<ul style="list-style-type: none">• Loss of talent and knowhow• Reduction in productivity• Dysfunctional behavior

How we can help

Crossborder PMI Advisors supports its clients across all aspects of exerting control. Each control area is a distinct area in which either a standard checklist can be used to build out day one plans, or we can undertake or facilitate gap analysis between parent and target using an interactive workshop approach. Additionally, control is above a list of tasks, it requires detailed mutual understanding to avoid confusion and reconcile the differences. This requires a greater emphasis on joint interaction and communication.

Common areas of support provided to clients include:

- Customized of control related checklists
- IT security reviews
- Global treasury advice
- Functional currency /hedging analysis
- Governance and control reviews
- Authority delegation gap analysis
- Compliance workshops
- Financial reporting workshops and gap analysis
- Fast close
- Group reporting roll-out
- Post close due diligence support
- Key person interviews
- Retention plans
- Culture workshops
- Employee benefit advice

For further information or RFP, please contact us at: info@xbpmi.jp

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