DTP VIEWS

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Don’t let events blow your merger off course

– Andy Roskell, Managing Director, DTP

When Conservative Prime Minister Harold MacMillan was asked what was most likely to blow governments off course, his reply has gone down as one of the great cliches, or perhaps truths, of politics: ”events, dear boy, events.”

MacMillan certainly had more than his fair share of political axioms; “you’ve never had it so good,” was another of ‘Super Mac’s’ quips which was remembered long after his time in office. And his advice that, “it is the duty of Her Majesty’s government neither to flap nor to falter” may well have come in handy when one of those events “happened”.

Politicians have had their fair share of events to contend with in recent years, as has the social housing sector. And the problem with the events which cause us the most sleepless nights is their sheer unpredictability.

The great economic crash of 2007/08 threatened to throw governments off course around the world – and was certainly one of the main contributing factors which led to the defeat of the Labour Party in the 2010 General Election. The subsequent financial downturn and resulting policies of fiscal austerity, have of course, also caused major difficulties for the balance sheets of Registered Providers.

The 2015 rent reduction, proved to be another great ‘event’ sent to challenge those who run the social rented sector. And then of course there is Brexit, perhaps the single biggest political event (in the UK at least) in my lifetime. As the great constitutional historian Peter Hennessy remarked in the summer, “never in our peacetime history have so many dials been reset as a result of a single day’s events”. It may be years before we fully understand the consequences of that resetting.

It’s events like these, as well as the more localised variety, which can also threaten to blow a merger off course – even after you’ve signed on the dotted line and the ‘coming together’ has taken legal effect. It’s understandable that those involved in a merger process often breathe a sigh of relief at this point. The pace will have been hectic in the preceding months, so there is usually a natural pause in proceedings.

However, while it is a major hurdle crossed, it is not the time for complacency. In fact, now is the time the real work begins: to integrate the two providers into a single, culturally cohesive organisation, and to begin to realise some of the benefits which merger promised to deliver in the first place.

Unpredictable events can also bring about a review of a merger’s priorities and objectives. If the unexpected does happen, having robust plans in place is critical. It’s these which will give you the best platform to deliver your stated aims, and weather any storms.

Merger plans must, in my view, be clear about the benefits which will flow from coming together. And these need to be effectively communicated to key stakeholders – including tenants, funders, the board and the regulator. They must be front and centre in the business case and the financial business plan. Progress on achieving these benefits needs to be reported back regularly.

Nowhere is this more important than in the area of cost savings. After all, this is often cited as the key reason for embarking on a merger in the first place.

In my experience, successful mergers are quick at spotting any matters arising from the due diligence process, and are also effective at dealing with them swiftly. Due diligence is often cited as important for identifying issues before mergers take place – but it can also help you work out what actions you need to take after a merger has formally gone ahead.

It’s essential to rigorously monitor performance against financial targets set out in your business plan. Making progress early on is critical – if the savings you hoped to deliver are to be realised.

My advice is: don’t let things slip. Things can quickly move on and other priorities can take over. But press on with implementing your business case, integrate your two organisations, and deliver the actions which are needed to achieve the benefits of merger which you identified.

Also, take time out further down the line to review what’s worked and what hasn’t – and to ask whether the merger process was an effective use of resources and achieved your projected outcomes. Bringing in specialists from a consultancy such as DTP can add real value to this part of the process. We can help you tap into the lessons others have learned along the way and help you develop effective ‘rules of engagement’ for future projects.

The events of recent years identified above have certainly not dimmed interest in mergers as a strategic growth option for Registered Providers. And given many of the events have only increased the pressure on social landlords to be more efficient, it’s easy to see why.

What hasn’t changed is the need to make sure your merger plans focus on the potential benefits: what they are, how you will achieve them and how you will monitor progress. Events might conspire to throw you off course. But if you keep your eye on the prize, success is not only possible, but also potentially game-changing for both organisations. And with the right amount of commitment at all levels of the business, who knows, perhaps you too will ‘never have it so good’.