

A black and white photograph of two mountaineers ascending a steep, snow-covered mountain slope. The climber in the foreground is seen from behind, wearing a dark jacket and a large backpack, with a rope attached to their harness. The second climber is further up the slope, also equipped with gear. The background shows jagged, snow-covered mountain peaks under a clear sky.

A survivor's guide to Mergers, Acquisitions and Integrations

Part 1

Strategy &
Structure

Introduction

It is perceived wisdom that most mergers either destroy value or fail to deliver on expectation. It is also believed that these shortcomings are the result of a clash of cultures between the two organisations, or people simply struggling to work together.

Leadership is the key to success, but most leaders only ever go through 1 (or at most 2) large scale mergers or acquisitions in a career. The successful integration of 2 major organisations should be listed as a career highlight, but often the integration approach is over focused on financial numbers to the extent that the way forward and the rewards pursued get lost in a mire of spreadsheet complexity.

Given the uniqueness of every merger or acquisition, it's unsurprising that many leaders feel ill-equipped to chart a course through the uncertainty that surrounds them and their teams.

At Serac we are specialists in delivering business transformation and change. We've had the privilege to guide leaders and businesses through some of the biggest and most complicated of integrations. We've spent the last 20+ years helping teams achieve extraordinary things they would never have believed possible.

In this 4-part series we will be sharing some practical proven tools and techniques to help you, as a senior leader, get control of the merger & integration process and shape the outcome. It is a survivor's guide for the individual leader and for the organisation as seen through the lens of the human impact of integration – as it is only your people that will make success happen.

Whether you are just preparing a new merger or acquisition or are a couple of years in and things just aren't working out – this guide is for you.

Welcome to Serac's guide to Successful Mergers, Acquisitions and Integrations.

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OUR SURVIVOR'S GUIDE WILL COVER:

Part 1 – Strategy and Structure

The articulation of where you're going and how you're going to get there.

Part 2 – Planning and Control

Simple but effective control mechanisms to mobilise resources in the right direction.

Part 3 – Identity and Culture

Building a reason for all stakeholders to believe in the future organisation.

Part 4 – Individual Leadership

What's in it for me? Deciding whether you're in or you're out; positioning yourself for success and ultimately stepping forward as a leader.

Principles

Whether you own and run the company, you're the CEO accountable to the markets or a departmental lead within an organisation, there are certain principles that remain true for any successful integration:

- **Leadership** from the top is the greatest factor in determining a successful outcome – this requires direction, structure and efficient decision-making processes.
- **Clarity of story is essential** to pull employees and colleagues together towards the future. It builds a compelling reason to believe, builds excitement and accelerates movement.
- **Get emotional and logical** in all decision-making. Defining what needs to be done and doing it effectively is difficult enough, it becomes impossible if you don't take your people with you.
- **Co-creation** is the best way to get leaders wedded to the future so they can let go of the past. They must be involved in shaping the new.
- **Shape your culture** or it will inevitably shape you. Integration is an opportunity to set the tone for how the combined company will operate and generate a culture greater than the sum of the parts. "Culture eats strategy for breakfast" every time.
- **Control the money** in integrations and you control the decision-making and the outcome.
- **It's the people stupid!** How you treat your people and how you engage with them will determine outcome.



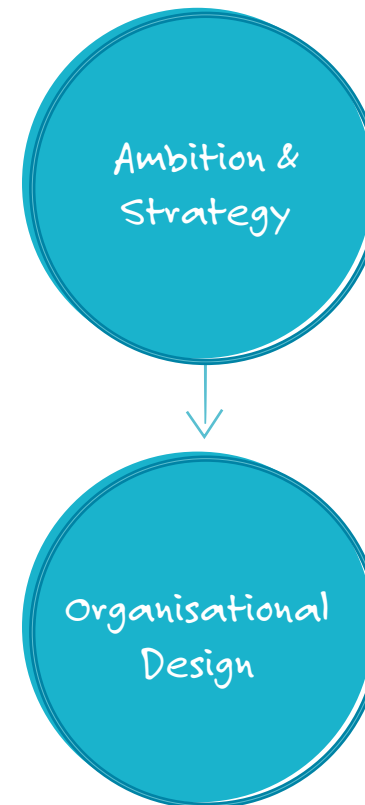
“Culture eats
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PART 1 – STRATEGY & STRUCTURE

The Starting Point – The Why?

There will be a reason why this merger is taking place or has taken place – however senior executives often forget to tell the rest of the organisation that! There needs to be a clear view of why this move is taking place, where the new organisation is headed and how it will get there, which is understood throughout the organisation.

This is as true at the top of the organisation as it is for each part of the company – people need to know where their piece fits and the role they are expected to play.



Resist the temptation to dive into designing the organisation without defining ambition & strategy. Structure should follow strategy. First define where you want to go and what you intend to do to get there and how you will make it happen; make a compelling narrative around it and then look at the structure needed to deliver. Easy to say – difficult to do.

People are desperate to know who is running what and who is reporting to who and where do they fit. People gossip endlessly and it's all about structure. Resist the temptation to feed the beast! Be authentic and communicate what you can but insist that the basics of strategy are covered so that you and your fellow leaders have some logic to pin your structure around.

Strategy – the basics

Fundamental to successful integrations is alignment of direction and priorities across the organisation.



A relatively simple planning framework can be used to help groups of leaders anchor their priorities in line with the organisation's overall strategic direction. It forces teams to move beyond a never-ending list of tasks and enter into a strategic discussion of what is important. It can be used for parts of an organisation or for the organisation as a whole.

Ambition – The “Why”	The compelling strategic intent behind the merger – many forget to simply articulate why we are going through this
1. Strategic Goals	The 3 - 5 strategic goals that bring the Ambition to life. The targets the leaders will be held accountable for
2. Unique Strengths	What differentiates us – what are the key attributes we have or need to have that no one else can touch
3. Customer Offers	What will look different for the customer
4. Leadership & Culture	What aspects of our culture and leadership will we need to have in place to bring about the “what”?
5. Processes & systems	Which processes and systems will need to change and how?
6. Financial Implications	What are the financial implications of the above – sales, synergies and investments

Strategy – the basics

Using the framework: It starts in the centre with a well articulated Ambition that describes the compelling strategic intent behind the merger / acquisition.

The group then moves step by step around the framework – firstly addressing the tangible elements of the “what we are going to do” and then the elements of “how”.

Although there is a sequence to the steps this is an iterative framework and working the points together is what tightens the outputs. Try running the framework over different time horizons – 18 months out and 3 years for example.

This is not about building long lists of tasks but the essence of what’s needed – the 3 or 4 significant moves for each dimension. On conclusion of the process it is useful to stress test the outcome for stretch – do the moves genuinely live up to delivering the *Ambition*?

Strategy – Tips & Traps

Structure follows strategy. Many organisations focus on the wrong thing first. There is often so much chaos and uncertainty around that people are only interested in what the new organisation will look like. Resist this temptation. Decisions on structure taken too early are always difficult to unpick and they won’t be optimum to deliver the strategy.

Ambition & Strategy provide part of the compelling story for the organisation (**identity**, discussed in Part 3 provides the rest). It provides the reason why people should believe in the future and let go of the past. In uncertain times giving something for people to believe in accelerates the process.

Strategy is best developed by those who are going to implement it. Even if the future structure is not known, existing leaders can come together to co-develop what is needed. This provides an opportunity for individuals from the different sides of the integration to experience working together and start to build a relationship.

Start the process. It doesn’t matter how uncertain you and your colleagues feel, start planning for what good looks like. It will at least provide something to focus on and for others to disagree with – it shows leadership.

Structure – Designing the new organisation

Now the direction is clear, we can focus on the structure.

There are three important steps to outlining what your future organisation looks like. People want to know **what** the organisation structure looks like, **why** it is designed that way and **how** it is going to work. Employees will forgive the lack of detail if you can show clear logic. Of course, the structure must be designed to deliver the strategy.



Design Principles
& Philosophy

Operating
Model

Target
Structure

Step 1 Design Principles.

Given the strategy, what principles are needed to shape the organisation structure to deliver it. Eg. "Innovative products are our lifeblood which differentiates us". Getting agreement on these points of principle is critical to taking the heat out of later design discussions & implementation

Step 2 The Operating Model.

Drawing up the high-level consequences of the principles then forms a foundation for the high-level structural design. Eg. Since innovation is essential then we need to control R&D centrally. The target operating model should show what is core and what is in service to what. It will also show what needs to be in house and what can be bought in from outside

Step 3 The Target Structure.

The Target Structure which is a consequence of the above. This shows the high level organisational structure and how it works. It sets the parameters within which the detailed organisational design can take place later

Structure – Tips & Traps

Co-create. Structure is best created by those who are going to sit within it. Too often organisations are designed and given to teams to run – this is done with the intention of speed but lacks the ownership of those with the targets to deliver.

In the organisational design discussions, financials mustn't over-dominate. Synergy targets are best defined as part of a creative process not imposed by accountants.

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Old habits need to die fast! Just because you are used to the way your previous organisation worked it doesn't mean it is appropriate for the new one. Holding on to the past is often seen as a way to protect your own patch - however, if it does not serve the strategy then ultimately you will lose the argument. Being able to embrace something new is part of belonging to the future. If you can't be seen to do what is right, your people won't follow. Avoid the temptation of viewing these discussions as winning and losing. This is why co-creating with new colleagues is so important – it starts to build trust.

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Connect the dots! Most organisations throw together an organisational structure and just expect it to work. No organisation design is perfect, and they all need connections at different levels to ensure they function well. These need to include clear policies and governance bodies with appropriate accountabilities and representation. These designed in linkages are critical to a successful integration.

Summary

The “why” is really important.

Once this is clear, the sooner you can get those responsible for running the organisation together to shape the strategy the better. This builds ownership for the future and is the starting point of leaders letting go of the past.

Structure follows strategy.

Not the other way around. If this is not the case you are destined for a re-engineering of the organisation at a later date with all the cost and lost time associated with it.

How you treat your people through this process will determine the outcome.

So, get them involved. Too many organisations think they can't provide answers so they say nothing. Get people involved, helping to work it out – it generates a buzz and gets people focused rather than worrying about the future.

About Serac

Serac is a change and transformation consultancy that specialises in helping leadership communities to act as one. Global organisations often have a myriad of competing agendas, complex visions and cultural disconnects due to M&A activity. This confusion dilutes focus, purpose and organisational progress. Serac solves this for clients by working alongside existing leadership teams to align goals and behaviours – to develop a shared sense of purpose and direction. The end result is a team that thinks and acts as a coherent force, capable of leading the new organisation through the uncertainty of integration to ultimately deliver on the M&A promise.