

A survivor's guide to Mergers, Acquisitions and Integrations

Part 2

Planning
& Control

Introduction

Most leaders only ever go through 1 or at most 2 large scale mergers or acquisitions in their career and are therefore often ill equipped to chart a course through the uncertainty which surrounds them. Their only guidance is often an integration process that is over focussed on the numbers and not geared to the difficult realities of getting two organisations to work together.

In this 4 – part series we share a practical guide of how, as a senior leader, you can get control of the merger & integration process and shape a positive outcome rather than be a victim of spreadsheet management. It is a survivor's guide aimed at senior leaders who must ultimately lead the new company as seen through the lens of the human impact of integration – as it is the people that make success happen.

In Part 1 – Strategy & Structure – we shared some practical frameworks on how to define direction and structure to anchor the shape of the merger.

In this **Part 2 – Planning and Control** – we provide some simple but effective control mechanisms to mobilise resources in the right direction.

Part 3 – Identity and Culture – provides some fundamentals of shifting culture so that employees believe in the future and do not remain stuck in the past.

In **Part 4 – Individual Leadership** – we focus on “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.

Welcome to the second part of Serac’s guide to Successful Mergers, Acquisitions and Integrations.

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KEY PRINCIPLES TO KEEP IN MIND FOR ALL IN LEADERSHIP POSITIONS

- **Leadership** from the top is the greatest factor in determining successful outcome – this requires clarity of direction, structure and decision-making process
- **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 (and integrations) 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 well you engage with them will determine the outcome.

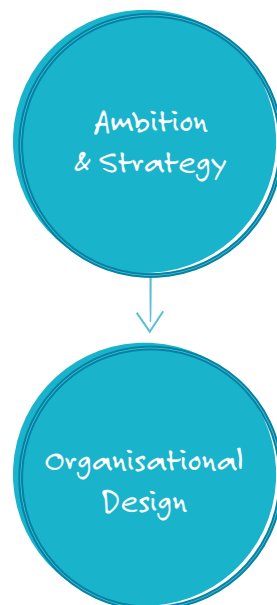
Planning

All integrations are different and do not follow a fixed pattern. The guidance offered in this 4-part series will give clues to show where to place your emphasis. The sequence of activities will vary but it is important to cover all these basics.

Given that “**Leadership** from the top is the greatest factor in determining successful outcome” – getting the top team in place (or at least the key elements of it) is an absolute priority.

Once in place the team has the task of defining the future and getting organised for implementation.

In Part 1 – Strategy and Structure; we looked at the basics of creating a compelling vision of the future and developing a high level design of an organisation that will deliver it.



In Part 2 we take a more operational look at market impact and executing the implementation of the integration itself – the transformation.



This guide does not cover the financial and legal aspects of the deal. This is where the expert consultants related to raising money, promises to the stock market, positioning with the regulators and providing detailed financial support come in and that is where they should stay! The transformation of bringing the companies together should be leader led – you can’t transform organisations from the outside, consultants can advise, but they can’t do it for you.

Shaping the Plan

To shape a plan that pulls off the integration requires the answers to eight key questions:

Merger Planning – The key questions



Question Guidance

Q1 covers who will lead – “Leadership from the top is the greatest factor in determining successful outcome” – getting the top team in place (or at least the key elements of it) is an absolute priority.

Questions 2 & 3 on Strategy & Structure were covered in Part 1 and much of the content for **Q4 on story** will be discussed in Part 3 Identity & Culture.

Q5 covers Day 1 activity – importantly it looks at how you want to be on Day 1 in the market place as well as covering how the company needs to operate internally to match customer and legal requirements. Keep Day 1 activities to a minimum. Don't be over ambitious. Customers will not forgive chaos if you get it wrong.

Remember there can be long lead times associated with things such as IT systems so those needed to make these sort of changes should be involved early. Often timescales will dictate what is possible for Day 1 and delivery requires good planning and focus. But don't be over fixated with Day 1. The heavy lifting occurs afterwards, and Day 1 activities should be placed in the context of a broader plan otherwise effort and expense can be wasted.

Q6 looks at what's in it for staff. There are a whole range of questions related to HR and Compensation and Benefits. People go to this topic quite quickly so it is useful to have some pointers early. People want to know if they have a job, they want to know about appointment processes, severance arrangements, retention arrangements etc.

This is rarely simple; detailed structures need to be worked out; pay scales and benefits approaches need to be determined as they usually differ between the combining companies; It will inevitably take time to get policies and processes straight but you can at least be clear on intentions and how and what to communicate. Keeping people abreast of what is happening and listening to their concerns even if there is nothing new to say is vital.

Q7 covers the integration process and Q8 the timeframes, costs and targets. Clarity of the decision making process for the integration and controlling the funds are key – don't let people “just get on with integration”, you will waste money and time. Provide a framework of control and delegate the initiatives and tasks within this framework.

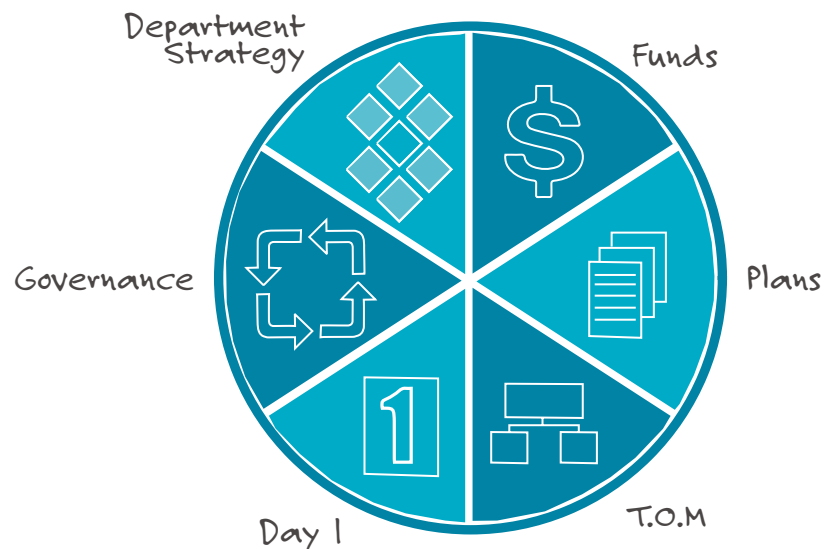
Many organisations will appoint an integration lead and team, which is understandable, but it is important to get those responsible for the future of the organisation involved in the governance process as soon as possible. Interim integration teams are often inevitable but moving the responsibility for integration into the organisation accelerates the integration process, saves you money and improves the sense of being in control.

It is also very important to define how the Integration is to be funded (Q8). How is it being handled on the balance sheet – is it a special item where provision is being made separately from operational budgets or is it expected that operating expenses will cover integration activity as well. If a separate fund is not made available then integration will be slow because operational priorities will dominate management attention. This is why you hear many organisations say “we have grown through acquisition but we have never really integrated” which usually leads to complexity of operation and a split personality in the workforce

Organising & Running Integrations

The organisation of the integration streams of work should mirror the future structure of the organisation wherever possible. This keeps things simple, as decision making rights in integration can match those you wish for the future company.

The following simple framework is useful to ensure the organisation is in lock step and should be signed off by the senior leaders for each workstream / part of the organisation.



Departmental / Area Strategy – what is the function/area aiming at? How does it fit with others? (see Part 1)

Funds – What is integration going to cost for this area? What investments are needed and what ROI are we expecting? How will this be reflected in operational budgets?

Plans – What’s happening when?

Target Operating Model (T.O.M) (See Part 1) – What’s the target organisation – structure, headcount, appointments process, capability needs, for this part of the organisation?

What are the key processes and how do they integrate with other functions / areas?

Day 1 – What Day 1 preparation activity is needed. What does the customer see and what legal requirements have to be accommodated?

Governance – What is the Integration structure for this area? How are decisions made? How is communication handled and how is the T.O.M mobilised?

A regular heartbeat or rhythm that reviews these plans should be set up and then teams delegated to get on with it to a greater or lesser extent which will depend on the culture you want to set for the new organisation (see Part 3 Identity & Culture).

Planning & Control – Tips and Traps

Don't hide from the questions. Whoever is in the top team must do their utmost to provide clarity as early as possible. If you can't provide some sense of direction your people will not follow, they will remain rooted in the past, get anxious and stop performing.

It is a time for leadership. If you don't see these things happening in your organisation ask questions, get involved and look to help – your people will be looking to you and will expect to be led.

With disciplined use these simple frameworks will provide for rigour and control, without them the merger or acquisition will drift. They help the organisation feel held through difficult times. If people are not held they get distracted and this is when mergers lose connection with the customer and competitors eat your lunch – value gets destroyed before you really get started.

Without a defined process some people will run amok! – particularly in large organisations. They will make local powerplays and take decisions that can be difficult to overturn later. The sooner you specify the process the sooner leaders will get aligned and less money will be wasted.

Don't lose sight of the big picture. Where necessary these simple frameworks can be backed up with more detailed planning and project management methodologies but don't get trapped in the detail or use them as an excuse for inertia – people always want more data but it can be an excuse for not making timely decisions. Control and planning should be as simple as possible and only as complex as necessary.

Appointment processes can take time, again particularly so in large organisations. Don't use this as an excuse for lack of leadership. Integration teams that mirror the future structure can be established and those leading different parts of the company can be on those teams. It helps teams build relationship and removes at least some of the uncertainty around what is going on.

Don't over delegate until the structure of how integration will be run is clear and the 8 questions are substantially answered. It is the time for senior leadership hands on involvement to at least set the course.

Summary

During integrations, clarity of what is happening and when is what everyone craves, as it removes uncertainty. What's really needed, however, is clarity of process so people feel held – the detail can come later.

Clarity of decision-making process and controlling the funds are key and making specific funds available for integration speeds the process.

Get those running the new organisation involved as soon as possible. The sooner people are living and breathing the difficulties of integration and defining the new, the sooner they will leave the past behind.

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.