



## **Delivering the value in Post Merger Integration** *By Graham Childs, Director Mastertek, October 2008*

Whether measuring success in terms of shareholder value, unlocked cost savings, customer satisfaction or increases in market share, history suggests that undertaking a merger or acquisition is a difficult challenge for businesses and business leaders.

Whilst research into the outcomes of mergers and acquisitions identifies varying success rates, ranging from the KPMG<sup>1</sup> finding which states that 83 per cent of corporate mergers are unsuccessful, to the Booz-Allen & Hamilton<sup>2</sup> offering that 53 per cent do not meet expectations, a broad analysis of these findings suggests that only one-third are likely to be deemed a success.

Despite these differences in defining success and determining whether or not it's achieved, much research cites "people issues"<sup>3</sup>, rather than operational or financial factors, as the root cause of much of the under performing M&A activity. Ineffectively manage your people during the integration process and your merger is unlikely to achieve its pre-deal objectives.

Therefore, dealing with the people issues as a priority – maintaining staff morale, managing talent, sharing knowledge, regular ongoing communication, empowering leaders to make decisions and retaining key people – will greatly enhance the prospects of success.

Key to addressing these people issues is speed of action. Leaders within the business need to actively manage the integration process and steer a course which aims to transform the new organisation as swiftly as possible. During what is often an anxious time for staff, avoid getting bogged down with finance and technology issues. Though of long-term importance, neither is likely to impact the success of the integration more than a sudden drain of talented personnel.

### **Mastertek's approach to managing a successful post merger integration – driving business performance through people**

Mastertek believes that it is essential for an organisation to use its people to drive the integration. Whilst senior managers will ultimately plan and monitor the project, the integration should be seen as a 'whole company' effort. Making staff accountable for the delivery of outcomes in their respective areas and empowering them to make decisions increases their overall commitment and "buy in" to the newly integrated business.

This empowerment facilitates a second imperative for success; speed of decision making. Prompt decisions and actions ensure business leaders can remain focused on the bigger picture and maintain the momentum of the day-to-day operation of the business.

Finally, Mastertek believes it is about addressing the 'me' issues; do I have a job, what is my career, who is my leader, what is the impact on my salary? If these issues are not addressed quickly, personnel will not focus on their primary goal of delivering outcomes for the business, their customers and clients.

### **Managing people effectively through an integration – six tips**

#### ***Speed of action***

- Establish a process for making decisions whilst avoiding bureaucracy
- Plans should be flexible; things can change and plans need to adapt whilst remaining consistent with the vision

#### ***Clear decision making***

- Ensure ongoing and regular communication. Repetition is critical; when people are anxious they often don't hear the message the first time
- Ask for feedback after key decisions are made
- Ensure lines of responsibility are clearly defined

#### ***Effective project management***

- Identify the key functions of the business, the leaders within, the desired outcomes, the resources required to achieve these outcomes, and the timeframes for action
- Clearly communicate progress and address issues raised

#### ***Sufficient resourcing***

- Maintain appropriate staff levels during and after the change process. If redundancies do take place, manage the impact these will have on those remaining with the company
- Consider providing incentives to staff for the extra commitment required

#### ***Share the vision***

- Have a clear view of success and how it will be achieved
- Drive the plan 'through people'; delegate responsibility and maintain clear accountability
- Promote 'ownership' of the project; allow staff to understand how their actions can impact the success of the integration
- Through obtaining a high level of commitment to the merger, employees will contribute extra effort, stay connected, remain positive and weather the changes with greater resilience
- Keep people focused on their job, clients and customers

#### ***Deal with people issues as a priority***

- Provide avenues for staff to raise questions and concerns about the project. Most problems can be averted if decision makers are made aware of issues
- Focus on retaining a high level of staff morale
- Allow people to state what is important to them and equip leaders at all levels to converse honestly in 'real time' with employees

1 KPMG (1999), 2 Booz-Allen & Hamilton (2001), 3 Hay Group (2007), Booz-Allen & Hamilton (1999), Kaplan (2001), KPMG (1999, 2001), A.T. Kearney (1999), Conference Board (2001), Gadiesh, Ormiston & Romit (2003)