

Business Integration :

“Successfully Delivering
the Business Case of
Mergers and Acquisitions”



axiom

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The Bad News

- 50 - 80% M&A integrations fail (McKinsey / KPMG)
- "Success" :
 - Cost synergies realised
 - Within budget (integration costs)
 - On time
 - Strategic advantage achieved
 - Knowledge retention (as planned)
- Failure to realise the Business Case

The Good News !



- Failure rate not evolving

but

- Companies pursuing a consistent “growth by acquisition” strategy are successful in integrating their acquisitions : there are lessons to be learnt
- How can we accelerate the learning curve?

Who Am I to Say This ?



- 30 years in take-overs, mergers or change
 - Run-up to take-over or merger
 - Integration phase
 - Post-integration (pick up the pieces!)
 - Experience of profound change
- Consistent success:
 - just lucky ... or different?

Why Such a Failure Rate ?



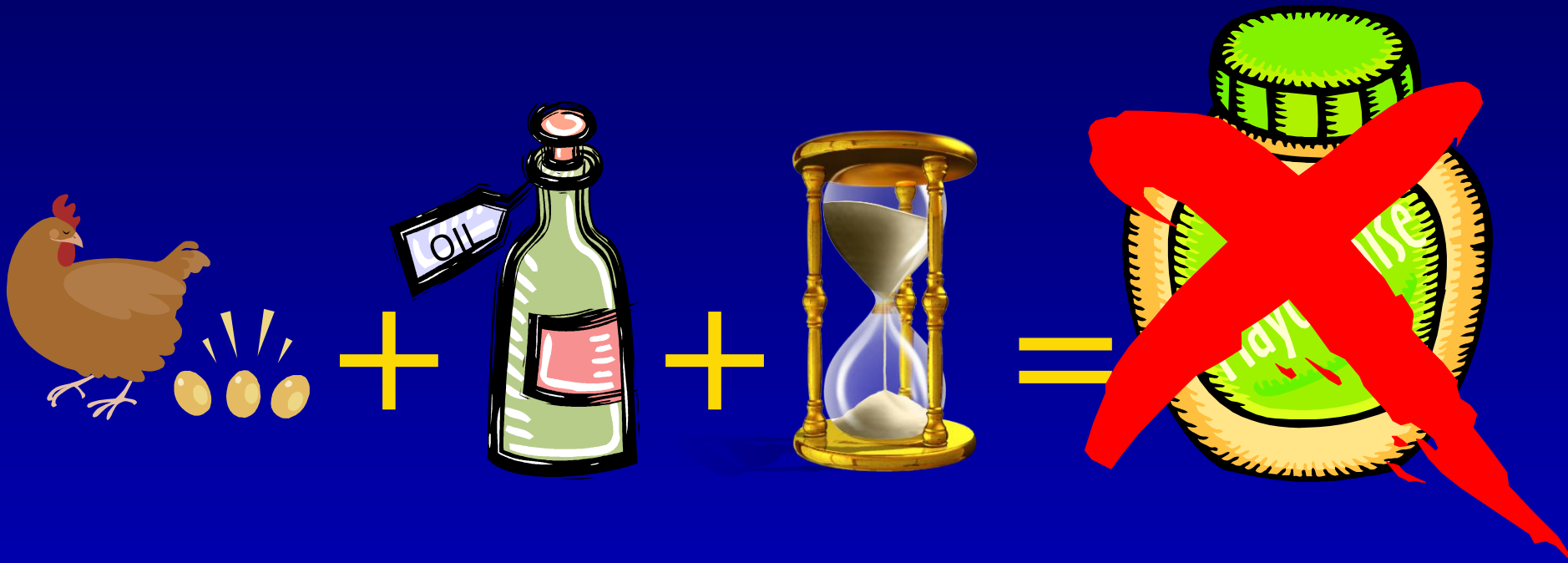
- Pattern of mistakes by those who fail
 - In spite of abundant advice
 - In spite of high calibre management
 - In spite of sound underlying strategy
- It's more than a long "to do" list
 - "The **Art** of Business Integration"

Skill

Talent

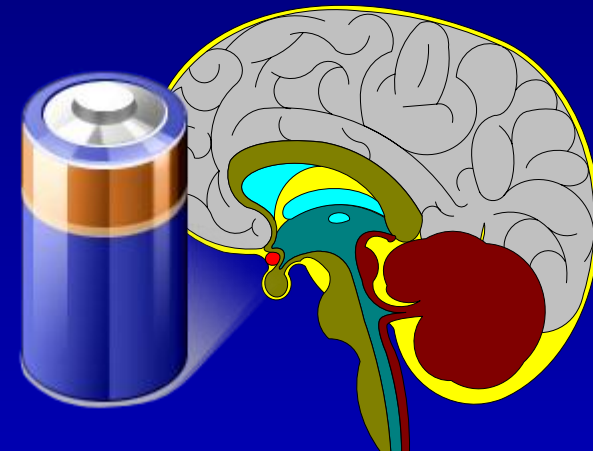
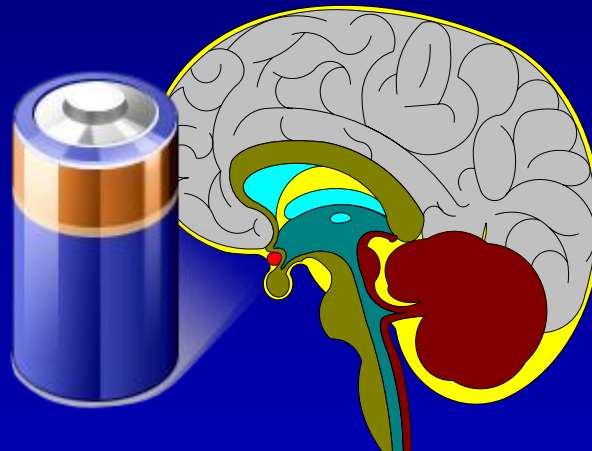
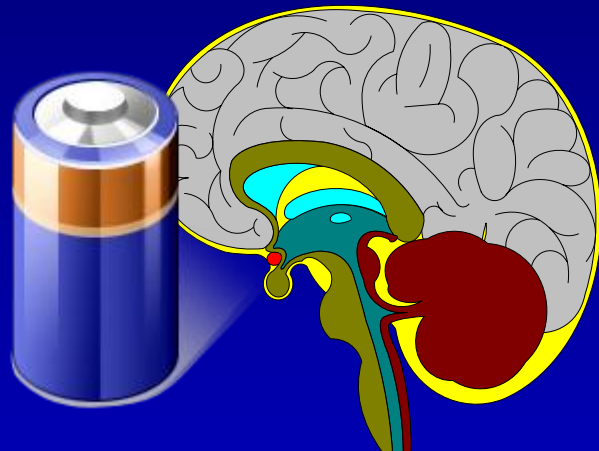
False Belief Nr 1

- Integration happens spontaneously



False Belief Nr 2

- It's the CEO's job to integrate the companies
 - Run company A **DESTABILISED**
 - Run company B **DESTABILISED**
 - Define the desired outcome
 - Plan, coordinate and drive the integration



False Beliefs Nr 3

- We can do this by ourselves
 - Our advisors exaggerate the task's complexity
 - We don't need all the people they want to 'sell' us
 - They just want to maximise their revenue on us
 - "*Our trusted advisors cannot be trusted !*"



Getting it Right : Things that Matter



- **Speed**

- “Pace”, not “race”
- Accelerators (without derailing!)

- **Discipline and rigour**

- Governance and project management

- **Driving change** (“Real” change management)

- Communication and motivation
- Transforming culture and ways of working

Why Speed ? ... and When ?

Due Diligence

Deal Negotiation

Shareholder Approval

Regulatory Approval

“Day One”

One Face to Customer

One External Face

Full Integration



Worried staff;
competitors wake up.

Customers cherry-pick;
staff selection.

Coherent business.

Back to “normality”.

Gaining Precious Time



- What you can discuss and share
 - Everything except “commercially sensitive info”
 - Publicly available information (internet!)
 - Things you would share with other competitors (no unfair competitive advantage)
- The big time savers
 - Vision, values, ways of working
 - Data : definitions, templates, cleansing, collection
 - Decision rules and processes (portfolio prioritisation, site location, systems, organisation appointments process, etc.)
 - Project team : candidates, backfill, environment

Even Smarter Preparation ...



- Pre-analysis by a third party
 - Trading terms analysis (coherence, gaps, risks)
 - Customer analysis / concentration
 - Supplier analysis (potential clout synergies)
 - Remuneration, benefits and pensions
- The advantage of a (legal) hint :
 - Anticipate areas of complexity
 - Allocate best resources to difficult areas
- Keeping within the letter and spirit of the law
 - Legal counsel attending team meetings

DAY ONE ! Achieving a Kick-Start



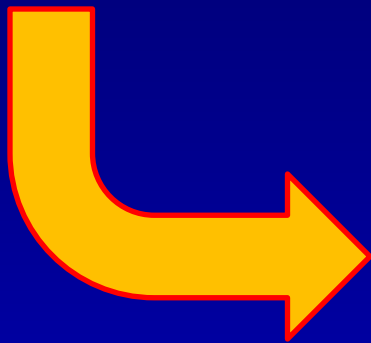
- Expectations = time pressure
 - Shareholders
 - Media
 - Employees

Communications ready ?
Manage expectations
- Is your Integration Team ready ?
 - Released from day job
 - Backfilled (internally or contractors)
 - Briefed on methodologies, data available
 - Work environment set up (different systems!)
 - Housekeeping rules and accommodation

Maintaining the Sensation of Speed



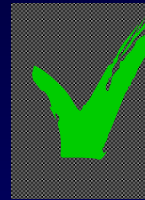
- Integration is a long journey
- Sense of urgency and excitement
- Avoid fatigue, maintain interest
- Break the long journey into stages
- Create a sense of movement and progress



- Communication
- Change Management
- Managers' Behaviour
- Sustaining Resilience

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Good Governance for Decision-Making

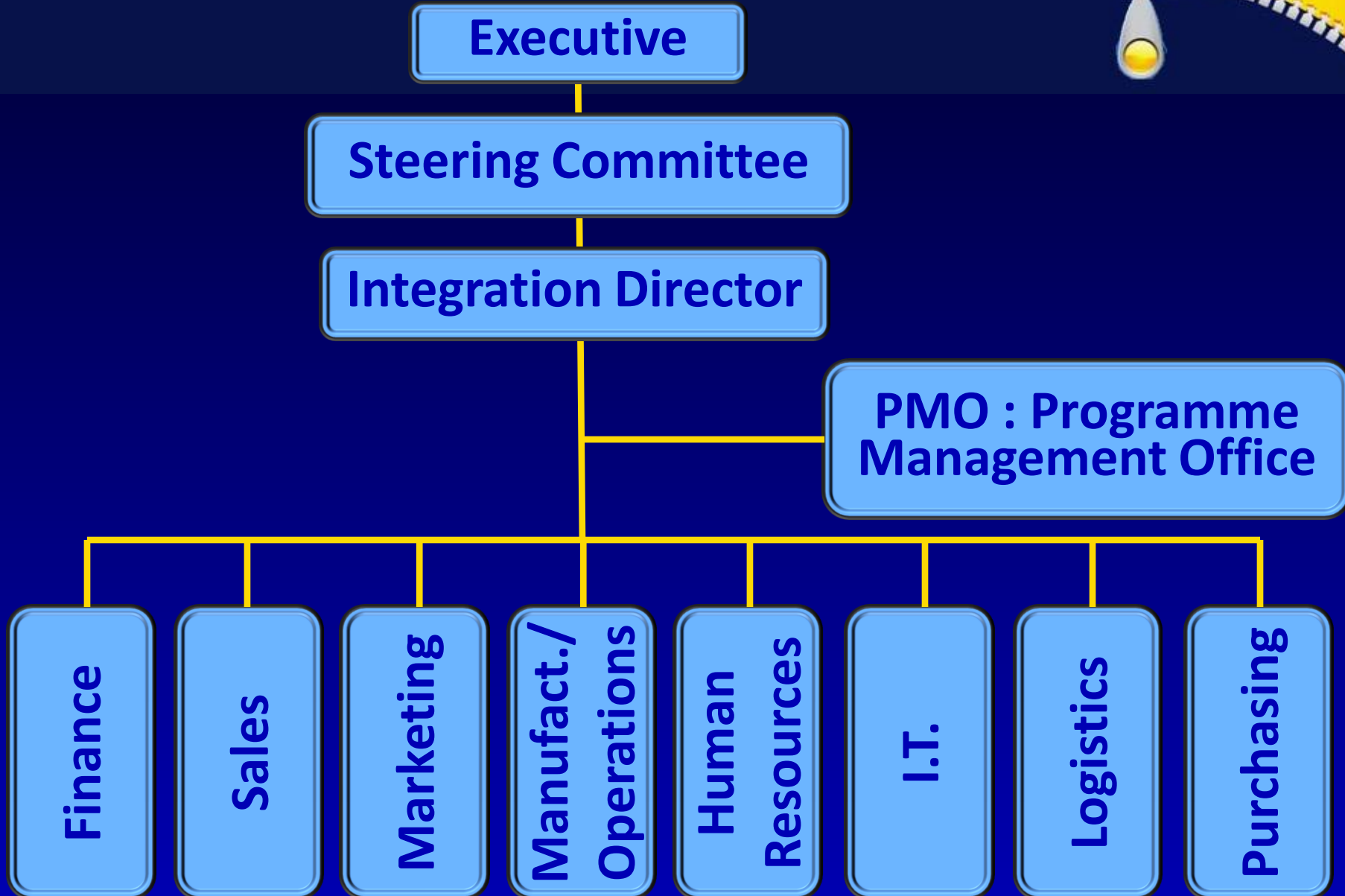


- Segregate Day-to-Day and Integration
- Agree process before tasks



- Roles & responsibilities
- Effective PMO (seasoned project manager)
- Issue resolution
- Tracking (costs, milestones, benefits)
- Scope management !
- Risk & contingency plans

Does Structure Matter ?



Does Structure Matter ? YES !

Executive

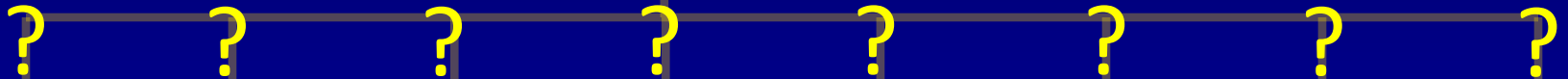
Steering Committee

Cross-functional work

Integration Director

Accountability for outcome

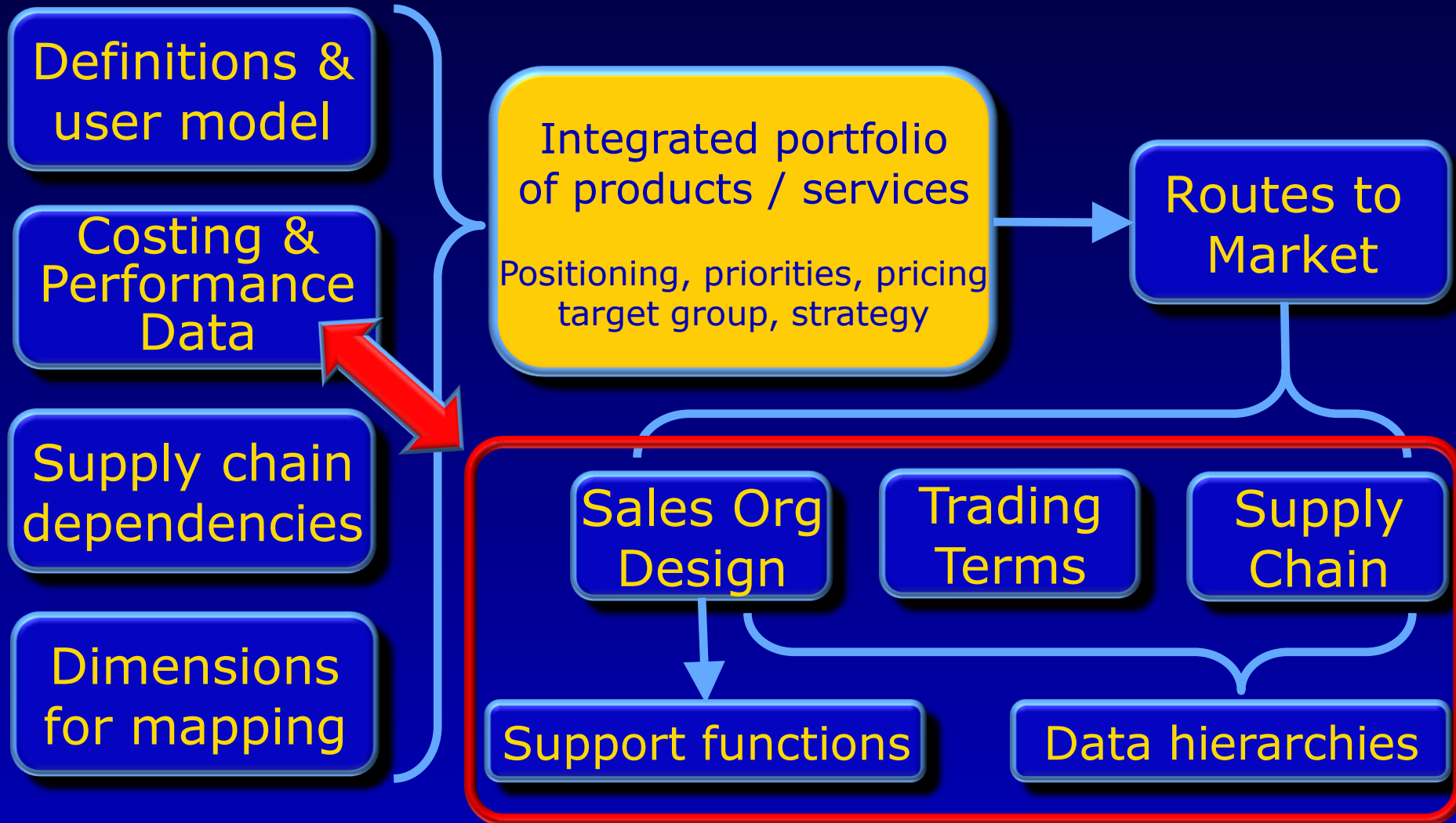
PMO : Programme
Management Office



How can you realise your deliverables ?

- product portfolio prioritisation
- routes to market – sales force composition
- organisation design
- trading terms
- office location, integrated systems, manufacturing footprint



Cross-Functional Work



Deliverables Based Structure



Getting it Right : Things that Matter

- Speed 
 - “Pace”, not “race”
 - Accelerators (without derailing!)
- Discipline and rigour 
 - Governance and project management
 - Alignment of scope and strategic priorities
- Driving change (“Real” change management)
 - Communication and motivation
 - Transforming culture and ways of working

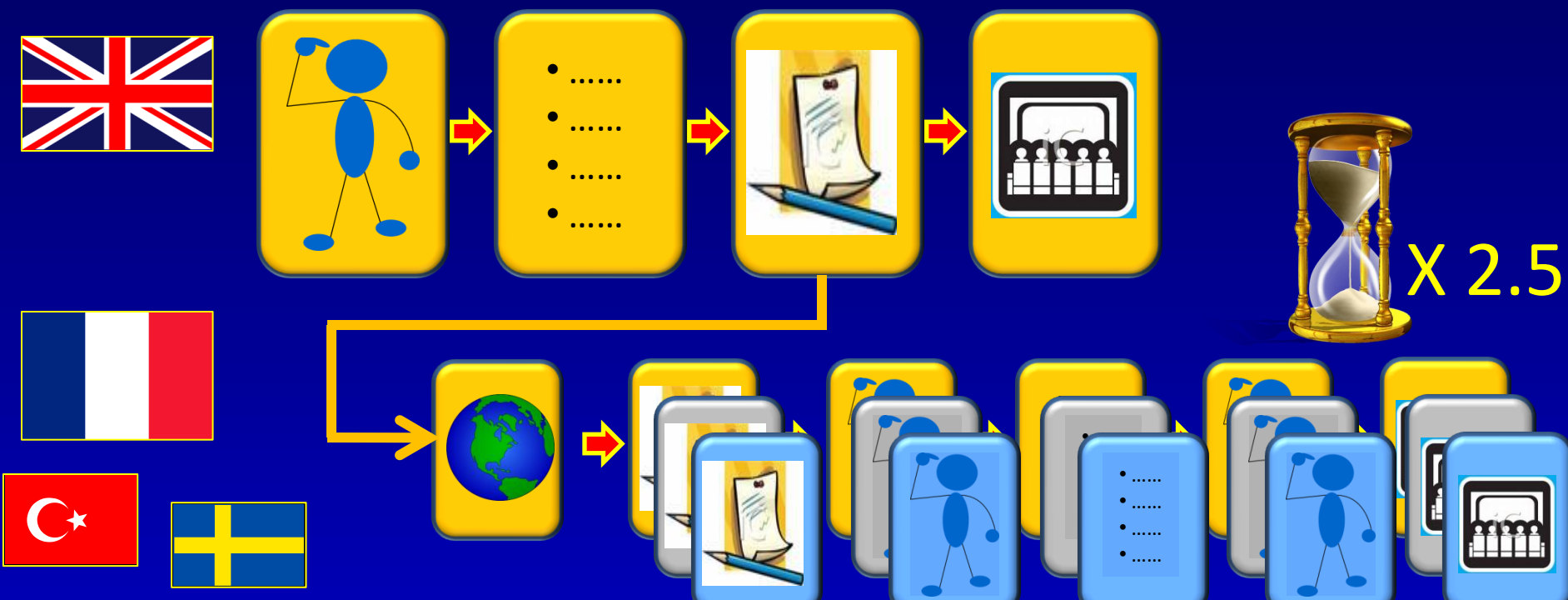
Communication & Motivation



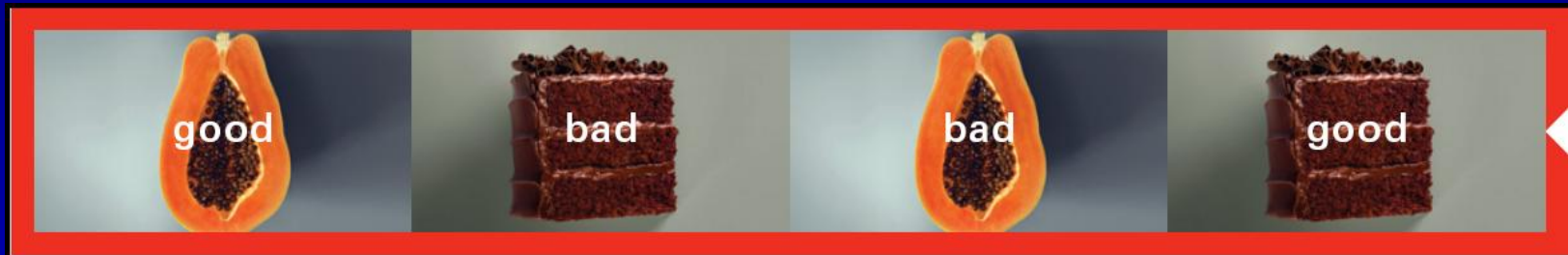
- Prolonged period of uncertainty
- **Anxiety**
 - Not expressed
 - Small groups easier
 - Cascade process
 - Discussion
- **Fatigue**
 - Your fatigue
 - Their fatigue
 - Stages, progress
 - Fun (yes !)

Where Comms Go Wrong, and Why

- Communication most needed where the communicator was bad until now !
- Irrelevant message / wording / channel
- Wrong answers : it's OK to say "I don't know"
- Translations (more time, not just more resource!)



Same Reality, Different Understanding



Dialogue and mutual understanding



Awareness



Understanding



Acceptance



Buy-in : active commitment

Transforming Ways of Working



- From the "big picture" to the "coalface"
- Listen to those who know
 - Functional specialists : devil in the detail
 - Not people managers : struggle with change
 - Get them involved
 - Let others know about it

People can "agree to disagree"
but cannot accept being ignored

The Biggest Impacts on Implementation



- **Speed matters**
 - Preparation & Planning
 - Set up the team
 - Third-party analysis
- **Governance and structure**
 - By outcome, not by function
 - Dual focus : integration vs business-as-usual
 - Discipline and rigour : issue management / decisions
- **Driving change**
 - Communication, behaviours, leadership
 - It's OK to say "I don't know"
 - Ask and involve those who know
 - Nobody can be left to feel ignored

Thank you

Any questions ?



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