

MERGER INTEGRATION – DAY ONE – A CEO’S TALE

The Acquisition Closes. It Is Day One. You Are CEO Of The New Combined Entity. What Do You Do?

Most acquisitions fail. The road to failure is broad. It is well paved. It is easy to travel. Just about anyone can navigate that road. Most do.

The road to success is different. It is difficult. There are obstacles. It is hewn rather than paved. It is not the easy road; but it is the right road.

We’ve all heard it, “Two roads diverged in a wood, and I – I took the one less traveled.”

Welcome to post-acquisition integration. Where success is the road less traveled.

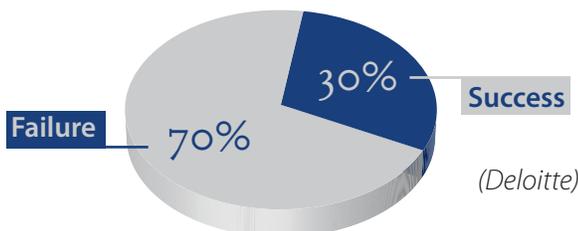
The end of the beginning

A-Co is a successful company in a competitive industry in need of consolidation. It has a tried and true leadership team. It has solid products with a loyal customer base. And, it has made the strategic decision to grow both organically and by acquisition. They have determined that B-Co would be the best acquisition target. The CEO has convinced the board, negotiated the deal, and closing is imminent.

Now the work begins.

I know the risks. I know over 70% of acquisitions fail to deliver their financial promise. I know 30% of those fail catastrophically and break apart.

Achieving the Financial Promise



The “countdown to close” has run its course. Due diligence has long since been completed. The strategic intent is sound. Synergy is tangible. Agreements reached. Announcements made. The preliminary list of key talent within B-Co is in hand. Communication plans are complete. Phase 1 Action Plans have been vetted and distributed to leadership. The Integration Steering Committee within A-Co has been meeting regularly for several weeks with me as the Chair. Integration and Functional Teams are formed. The integration frame is ready. The ‘Big Rocks’ have been identified.

I am focused on culture. **Step 1 on the road to success.** Knowing that 80% of issues that effect success or failure are people issues, and knowing that 90% of successful integrations address culture within the first 30 days it becomes obvious which ‘Big Rocks’ I will focus on.



M&A Success Factors



I am ‘integrator-in-chief’

I need to be seen by everyone in the NewCo as the champion, the driver, the leader of the integration. The unspoken message, if I delegate that integration role to someone else, regardless of ability, is that other things are more important. **Step 1 on the road to failure.**



THE CEO SPONSORS THE INTEGRATION TEAMS

The Integration Steering Committee has identified what decisions will be made at their level. The more controlled and centralized the decision making the slower the process.

- They opt for speed.
- They declare which decisions will be retained by the Committee.
- They align the broader scope with the operational and functional structure.
- They direct the integration teams and subject matter experts to make the best decisions, with the information available, within the time available.
- The objective is action over activity.
- Execution over perfection.



Improvement in M&A performance through proactive talent management (KPMG)



Of successful mergers address culture within the first 30 days (Harding & Rouse)

Because successful integration is all that matters at this point.

Of course, I will delegate day-to-day integration operations to a 'Lead Integration Executive.' But, on Day One, I need to be seen and heard. I need to be the voice and image of the NewCo. I must lead by example from the beginning. **Step 2 on the road to success.**



My leadership group

The fundamental factor for the successful integration of an acquisition is the alignment, execution and commitment of the newly-combined leadership team. Key leaders from B-Co will join today. The Integration Team and I know that their focus must remain on the 'Big Rocks.' It is essential for maintaining momentum and driving execution. **Step 3 on the road to success.**



The more granular a decision process, the deeper in the integration waterfall it will be driven. In that way more people will be drawn into the change process sooner. Delegation, with an integration playbook of structure, milestones, rigor, detail, communication, and clear reporting lines will help insure the process stays on track and moving forward.

I introduce the NewCo leadership today. It is representative of A&B. The employees of B-Co will know they have their leaders in the mix. It reduces some trepidation. After all, they were tenacious competitors until this morning.

Key talent within A-Co has already been identified, spoken to, and retained through incentive and, more importantly, the elimination of uncertainty. Key talent within B-Co has also been identified and the retention process begins with them today.

Sub-teams and the waterfall of functional teams that have been framed are announced. Populating both with key leaders from B-Co, to join those already in place from A-Co, begins. It becomes clear that the integration process is being taken seriously as many of the best and brightest from the new combination have been tapped for roles. This includes the Lead Integration Executive. My right arm. She will be empowered. She will speak with my voice.

Most importantly, however, will be identifying and removing those who impede, obstruct, or otherwise disrupt the swift change required for success. They will be there. The naysayers. The self-servers. The whisperers. People that can't or won't accept change.

They'll be found in both A-Co and B-Co in the formal as well as the informal leadership. The higher in the organization, the more critical the role, the more quickly senior leadership must act. Don't remove them? **Step 2 on the road to failure.** Find the gems. Eliminate the poison. There will be tough calls to be made.



Communicating all day

My personal communication is sent out. It repeats elements from the global presentation. So begins the "Rule of 7," one of repetition. Open, honest and direct communications a minimum of seven times.

On this day, the CEO is the presenter for the anchor location of B-Co. He visits as many sites as logistics allows on Day One. Volume counts. Other locations will see me in the coming weeks.

Q&A from all the day's presentations are collected by local HR and compiled for review and response to the NewCo. Broad themes will be added to the pre-prepared FAQ sheets and the circular communication process begins.

Key customers are contacted directly by me on Day One, as are other critical stakeholders. I, and key leaders from both the old A-Co and B-Co, address an even broader range of stakeholders. Again, one voice, one message on Day One. **Step 4 on the road to success.**

FAQ sheets have already been compiled. They are made available to all employees. They will be updated weekly from the continuous feedback process, which has been established and already functioning via the on-site presentations and Q&A.

Striving for perfect solutions is the bane of successful integrations. Course corrections will be inevitable. Communicating them will be critical. Open, honest, direct. Another message for today.

I start to plan the re-design

The interim organization chart and immediate reporting structure are communicated with the focus on the unit and location being addressed. It is emphasized that, now that we are "one," leaders from both the old A-Co and B-Co will review the organization to ensure the best design is deployed for the NewCo.

I begin the organizational design process. It is overseen by the Integration Team. It is populated by key leaders and functional support from the new combination. The ultimate design is not intuitively obvious – it should not be. There is a method to employ. Criteria to define collectively. It has to be rigorous, disciplined. **Step 5 on the road to success.**



Day One Communication Plan

- Every location within the NewCo will receive the same message.
- One message, one voice, on each site, by a NewCo leader.
- It addresses why, how, when.
- It gives a detailed timeline of the first 100 days with milestones.
- It is designed to reduce uncertainty.
- It defines a path forward, together.
- Not about winning and losing. A journey together to a NewCo.
- It identifies strengths of both A & B that must not change.
- It also addresses what must change.
- It demonstrates a commitment to the leadership of both companies and the principle of populating the NewCo on merit.
- It also acknowledges that not everyone will make the journey. Synergy extraction, talent assessment, cultural fit, early retirements, will all take their toll.

The end of Day One

I must be viewed as the guiding hand behind all of these actions. My voice needs to be heard often on Day One and beyond. The road is a long one. Day One and the "First 100 Days" are no more than markers on a road for which I am the pathfinder.

"Low hanging fruit" are targeted to achieve quick wins that can be broadcast to the organization. Demonstrating success early is important. There is a plan and process for this also. I announce the first win today, Day One.

It has been a long day. A day that began with uncertainty for many. A day of worry and trepidation. But, leaders, familiar faces, were in place across the NewCo with a message. One message. One voice. Open, honest, direct. Interactive. Questions taken. Answers ready or promised. And I have appeared to be everywhere at once. It has been a good day. The first day. The first steps on a long road to success. **On to Day Two...**

The River Group was formed by clients for clients.

The founders met over 15 years ago as CEO client and consultant. Over the years, we have worked on many successful transformations together.

This track record of success and fruitful collaboration led us to form The River Group as specialist leadership advisors.

With the client/consultant perspective, The River Group is a different kind of

consulting firm. We combine years of experience leading change ourselves or advising others on leading change.

We have the behavioral know-how of consultants and the focus and pragmatism of the CEO.

Contact: The River Group • leadership@trgglobal.com • trgglobal.com

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