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Best Practices For Successful Integration During And After An Acquisition / Merger

By Gerri Knilans

One primary reason mergers and acquisitions do not deliver longer-term value is because they lack a strong cultural integration plan. Like people, acquired organizations go through a change curve immediately after a deal is made, and the systems, processes and programs that underpin the acquired company's culture are heavily scrutinized.

All too often, these are quickly replaced. That's because the acquiring company spends little time planning and leading through this critical change curve. Leaders fail to realize integrating cultures is not a short-term task and does not happen immediately. Rather, it takes time to understand what the newly formed entity will look like and then put a management team in place that is both persistent and aligned as it guides the organizations, practices and people toward the established vision.

Integration Defined: Integration can be defined in general terms as the process of combining two companies into one entity at every level. Specifically, integration involves the synthesis of people into one corporate culture. The new culture may simply be the culture of the acquiring company that is superimposed on the acquired company or some new entity that is a combination of the best aspects of both corporate cultures. Integration is also the combining of the two companies' systems into one set. Integration is the merger of the two companies' production processes into a uniform system. For example, a large plastics manufacturer that uses an outdated manufacturing process may acquire a smaller start-up that has a newer, more cost-efficient production method. Rather than trying to create a newer production method from scratch, the new entity might adopt the smaller company's process.

Before a successful integration can begin, proper planning for that success needs to take place. Planning for integration revolves around vision and communication.

Vision refers to the ultimate look and makeup of the company after integration takes place. It involves identifying the best features of both companies that will help to make up the culture of the new company. It also means ensuring that these features remain intact and in focus throughout the integration process.

Communication refers to the messages that are shared with all stakeholders in the integration

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process. These stakeholders include internal stakeholders like the top management team, the board and associates. External stakeholders include the two companies' shareholders and clients too. If the messages and themes that are expressed to all parties are not consistent, then confusion, fear and a lack of faith in the integration process is likely to occur.

Key Integration Levers and Components

There are *seven key levers* that can influence the success or failure of a cultural integration initiative. They are:

1. *Integration teams*, which can build the necessary relationships between the two companies;
2. *Speed*, which refers to the sense of urgency (not haste) that must accompany the integration;
3. *Leadership*, or buy-in to the process from key members of the management team;
4. *Communication*, which must be consistent both internally (associates, board) and externally (shareholders, clients);
5. *Retention* of valuable employees who can help smooth the transition;
6. *Culture*, second in importance only to results; and
7. *Results*, which are the ultimate goals of the merger, and which should guide the process.

Going hand-in-hand with the key integration levers are the three components to a successful integration: integration *processes*, integration *tools* and integration *measurement*.

Integration processes are those steps to plan and carry out the integration. The company forms integration teams that are composed of a corporate-level sponsor, a member of the HR department, and a representative from each area of the company's operations. Members are also selected from the company being acquired. These teams will guide the integration process, ensure that consistent communication takes place, receive employee feedback, handle problems as they arise, ensure employees are connected to the process, and adjust course as needed. The teams may be stacked in a hierarchical fashion according to levels or areas of responsibility. For example, a senior-level team may have several teams under it that are broken down by company unit. In turn, teams are broken down by responsibility within the unit.

Integration tools can be utilized to effectively transition key leaders and associates into the new organization. Ideally, these are the same tools as the acquiring company plans to use with associates already employed. These may include mentoring programs that match up new leaders and employees

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with counterparts or supervisors in the acquiring company; regular meetings or workshops that help explain and drive home the acquiring company's culture, business practices, or policies and procedures; and networking opportunities provided by company socials, community service projects or access to the company's online social-networking portal.

Measuring integration success can be determined only by implementing a set of robust measurement tools. Measurement is not something done at the end of the entire integration process, accompanied by a declaration of success or failure; rather, it is an ongoing process designed to provide members of the various integration teams with real-time feedback. This feedback can be used to strengthen and enhance strategies that have proven to be successful in creating a shared corporate culture.

They can also be used to tweak or replace those strategies that are not gaining traction. One measurement tool is regular monitoring meetings. These may take place weekly or a few times a month and can involve members of the integration teams as well as nonmember managers and associates. The goal is to provide a forum to track progress and discuss problems as well as successes.

Regularly checking off the key goals and objectives that were developed during the pre-integration visioning and strategy process is another way to monitor progress. A dashboard that is prepared for each monitoring meeting can assist with this. By providing a convenient visual layout of key goals and objectives, leaders can quickly see how certain areas are progressing and then target efforts that are in need of extra attention.

Regular surveys of leaders and associates also provide valuable information on the relative success of a company's integration process. Although goals, objectives and dashboards can provide quantitative results, employee surveys can provide insight not just into what is being done, but how. For example, while the dashboard may indicate that the email systems of the two combining companies were successfully merged on June 10, an employee survey may reveal that the systems merger was complicated and full of starts and stops that reduced productivity and resulted in several lost sales. By contrast, the employees may report that the process went swimmingly and that they are enjoying remote access to their email from home.

Integration Steps: When broken down, the integration process is often comprised of multiple steps that can vary from company to company according to the specifics of each merger. These steps can include:

1. Develop workforce integration project plan. The senior integration team assigns tasks and due dates to staff to carry out the plan.

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2. Conduct HR due diligence review. This involves a comprehensive human resources profile of the acquired company – everything from employee-incentives plans to union grievances to violations under the Occupational Safety and Health Act (OSHA).
3. Compare benefits and analyze differences in value. This is simply a side-by-side comparison of the benefits packages for the two companies.
4. Compare compensation and analyze differences in value. This is a similar comparison of employee compensation formulas and methods.
5. Develop compensation and benefits strategy for work force integration. Once the appropriate integration team has analyzed benefits and compensation, it develops a strategy for integrating the two systems.
6. Determine leadership assignments. This begins with a review of the vision for the integration process. Depending on the goals of the integration, the appropriate integration team determines leadership needs, evaluates candidates and assigns them to leadership roles in the new company.
7. Address duplicate functions. It is likely that in any merger, some employees will perform roles being duplicated by an employee in the other company. Managers and the appropriate integration team need to make tough choices about releasing employees who cannot be placed elsewhere in the new company.
8. Prepare employee communications strategy. Based on the communication themes described in the vision for the integration, key communications are rolled out to employees via a variety of sources, including meetings, letters, emails and other methods.
9. Define transition data requirements. These are the metrics that the integration teams will use to measure the overall success of the integration and to guide progress along the way.
10. Develop employee-retention strategies. These are the procedures and actions that will help ensure that employees stay connected, aware of the process and motivated.

Although not every firm will perform each step, every process should have a pre-integration phase that involves planning a strategy, an action phase that takes place while the merger deal is struck, and an integration phase that occurs in the near to long term after the companies combine.

Managing change is of utmost importance when completing any integration. Companies need a detailed plan for change so that it's an active process that they control, and not a passive process that simply occurs to the organization without a goal in mind. The change curve contains three periods of change: first, **awareness**, then **acceptance**, and finally, **adoption**.

During the **awareness** period, it's important for managers to raise company consciousness about the coming change. It will not be uncommon for employees to feel denial, anxiety or outright shock that the change is taking place. Employees can make their own decisions regarding the changes during the **acceptance** phase. They may make decisions about their work schedules or whether they will telecommute, for example. These decisions can create stress, as they will affect the employees' future with the company.

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During the **adoption** period, positive outlooks and renewed energy replace skepticism and doubt. As employees explore their new work habits, leaders should make certain that they have the resources and training they need. The company's mission, leadership alignment and goals supporting the desired changes should help to formalize and make permanent the new ways of doing work.

Companies that are committed to complete a successful merger will enhance, not detract from, employee welfare. One way to ensure that employee welfare is enhanced is to emphasize proper pre-acquisition planning, thoughtful and consistent communication and training, and above all, listening. Equally important is to acknowledge the role of flexibility in the process. Although integration models can guide the overall process, management needs to remember that employees are humans and prone to irrational thought and action. The best companies will continually evaluate their efforts and be prepared to change tactics to achieve the best results.■IPA

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