

Mistakes during Post Merger Integration

During my corporate and consulting career, I saw many post merger integrations. Many successes and more failures. During every assignment I spent lot of time talking to people. I have put together a compilation from over 30 integrations reflecting learning from over 100+ integrations experienced by my respondents. You will also find the top ten mistakes and suggestions here.

By Karunesh Prasad



MISTAKES & LEARNING

85 +

RESPONDENTS

32

INTEGRATIONS

100 +

INTEGRATION
EXPERIENCES

Oil & Gas, Healthcare,
Office Automation, Energy,
Technology, Travel,
Banking and Financial
services.

Integration Leaders, CEOs,
Business Leaders, Acquired
Employees, Acquiring company
representatives, Corp Dev,
Strategy, Finance and HR Team

Following pages are verbatim capture from my respondents including suggestions. While we all know that no one size fits all and each integration is different, I found these comments extremely rich and full of insights.



Acquired Employees

"Reference to
our past was
always
negative"

- Overwhelming new employees with topics not most relevant.
- Asked to do things certain way without explaining the rationale. (This is how we work)
- Tackled through short term solution, imposing folks to manage critical tasks like Budgets, Planning etc.
- Acquirer folks continued the language of "Them & Us"
- Integration team members did not walk the acquiring company talk. Brash, Arrogant and Immature !!!
- Bigger roles go to acquirer implant even if less competent.
- Reference to our past was always in negative way ... Tainted History.
- We were waiting ... but acquirer was not even ready with a strategy of what to do with us.
- Multiple trial and error ... keep changing the organization often.
- Those who were good acquirer folks, got very quick acceptance and became go to person... but very few.
- Speed of decision making and empowerment is completely lacking in acquiring company.
- Acquirer has not yet learnt how to deal with matrix organization but imposing all around.

Acquirer Representatives



**"We
underestimated
the people who
came with
acquisition"**

- We did few good things ... but more bad things in each Integration.
- Long term all Integration will make money but we don't even know what worked and what did not.
- We have no set norm apart from initial set up within first 60 - 90 days.
- Our Integration Leaders move to bigger jobs very quickly declaring victory.
- We underestimated the people who came with acquisition. Our assessment was not very good.
- Who is the advocate of acquired employees ?
- We poured concrete on the road and roller came much later.
- We tolerated some of the acquisition employees even if we knew this is not going to last long.
- We did a great job with R&D, P&E investment.
- We reached out to customers immediately (But could not keep our promise)
- Showing people our research facility and learning centre helped build confidence.
- Good communication / in some cases over-communication.

Integration Managers



**"We forgot the
difference
between Must
Do and Nice to
Do"**

- We got conflicting messages from various leaders during Integration phase.
- My Biz Integration lead wanted to hold off but functional leader wanted to accelerate.
- Called "Native" by leaders within acquirer team or branded as Arrogant acquirer brat.
- We were so busy completing day today tasks ... there was no time to hang out and build bridges.
- We could not take a stance ... as leadership team we were also not sure about our approach.
- Some Biz Leaders became bigger than the company. They were driving their own agenda.
- We forgot the difference between Must Do and Nice to Do.
- Powerful leaders did not implement anything and messed up ... weak leader gave in and messed up.
- What is our success criteria ? Differs a lot from leader to leader ... they define based on convenience.
- Decisions made without consulting people on the ground.
- Not changing anything was a mistake.
- Don't assume we know the answer ... accepting it and consulting people would have been better.

Mistake 1

Overload of Must Dos
in first 100 days.



Our 100 days checklist is very long. Not differentiating well between “Non Negotiable” vs “Nice to Do”

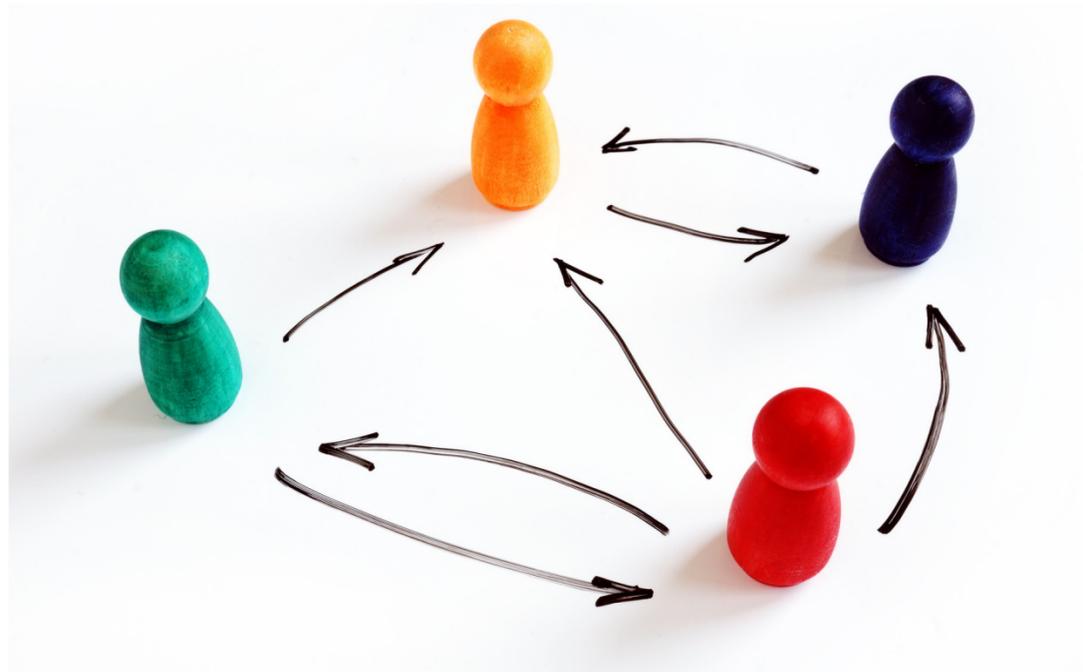
eLearning – One of our most valued tool lost charm when acquired employees started dreading eLearning because of mandatory courses.

SUGGESTIONS

- Make a list of “Must do” early in Integration. Focus on coverage and explanation of What, How and Why.
- Confine Compliance, Safety and Quality to the urgent & relevant ones. Explain why these are foundation of our biz.
- Get better value of eLearning by reducing and balancing assigned mandatory course.

Mistake 2

Functionalize the Organization too early



Tendency to jump at the new acquisition with all our strength. Functions, Region, , P&Ls ... all want to know how is it going !

Organization with pure hierarchy suddenly required to work in matrix organization.

SUGGESTIONS

- Allow the organization to settle down and digest acquirer processes before functionalization.
- Start functionalization with enabling functions like HR, Finance, IT etc. Do not touch customer impacting functions.
- Explain and demonstrate value of functional org before switching it.

Mistake 3

Not address Salary,
Benefits, Bonus issues



- Not addressing the issues due to sensitivity.
- Not addressing due to funds and budgetary issues / fear of attrition backlash.
- Not addressing since we don't know the answer.

SUGGESTIONS

- Keep the discussion around total cash. Explain the rationale.
- Discuss total package, Retention Bonus, Stocks and performance bonus together as far as possible.
- If you are not ready to make changes, do explain the direction you need to go along with acquirer compensation philosophy.
- Do not make false statement or any statement which may cause incorrect expectations.

Mistake 4

Postpone the changes too long



- In the name of sensitivity, we left few companies to be on its own for too long.
- “We dumped the concrete and did not lay it. It has become solid now.”
- Mis-interpret definition of “Stand Alone”. Biz Leader KPIs in this situation became not implementing acquirer processes.

SUGGESTIONS

- Organization and people are waiting for things to happen in the first few months. Leverage this opportunity.
- Discuss future plans, engage the new team in dialogue, work together to make the changes you have planned.
- Use enabling functions to start integration and leave customer facing teams alone based on merit and synergy.

Mistake 5

Selection of Integration Leader and Team



- Tendency to put acquirer folks in the team who are driven, aggressive and will get the work done.
- Many of them do not demonstrate company values and not the best company representative. Not only failed but also spoilt acquirer name.

SUGGESTIONS

- Select the Integration team very carefully.
- Must go through a re-orientation on company values before getting into the role.
- Make “Representing acquirer well” part of the Goal sheet for these employees.
- Create a training session for Integration managers and acquirer employees in new roles.

Mistake 6

Trying remote Integration from HQ



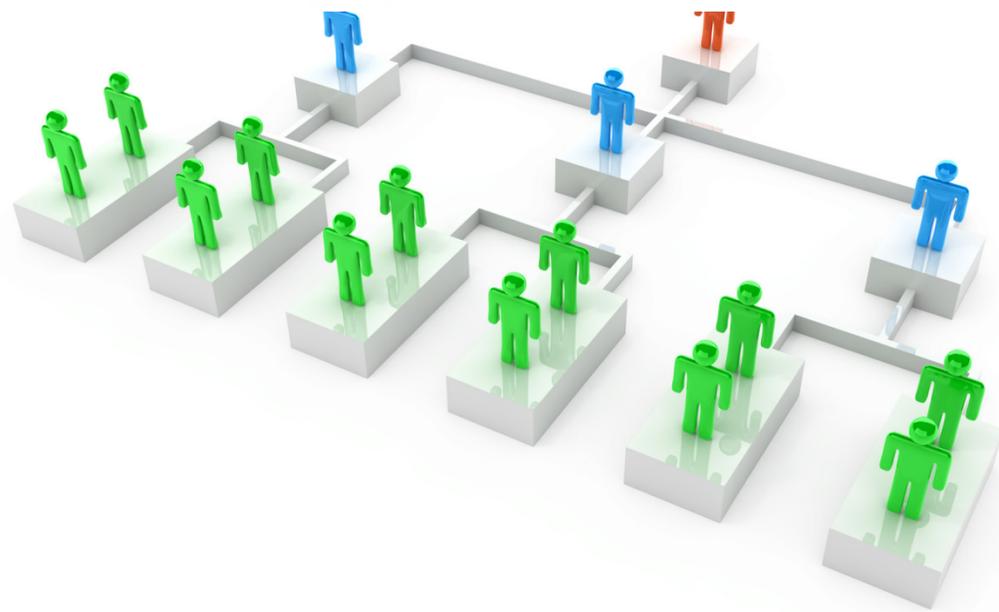
- Under-estimating the magnitude or potential surprise of a remote location.
- Asking a remote location to adapt a new process without enough hand-holding.

SUGGESTIONS

- Use regional organization where there is a need for support.
- Involve regional organization in decision making which impact their work.
- Hold town hall and Roadshows before making any change in all locations.
- Use web based interactive tools if the geography is spread out with no critical mass.

Mistake 7

Not identifying Talent deep
in the organization



- Tendency remains to work with few top leaders in the acquired business.
- Most of these leaders also remain the biggest influencers in the organization with retention package.
- Risk of leadership opinion becoming organization opinion.

SUGGESTIONS

- Identify talent at every level in the organization. Go deep with retention package.
- Make this talent pool part of Integration activity and change agents.
- Ask suggestions and allow participation in various events to hear the views.

Mistake 8

Understaffing / Early removal of Integration team



- Not enough integration leaders appointed Saving HC / Cost.
- Early removal of Integration leaders / claiming success too early / completion of checklist considered as completion of integration.

SUGGESTIONS

- Appoint Integration leaders from both sides of the business by function.
- Decide on clear deliverables for integration leaders by functions.
- Don't back-fill attrition in the organization through Integration team members.
- Don't claim success too early. Establish a sustainable process before moving on.

Mistake 9

Not communicating
enough



- Not being transparent allows Informal communication and grapevine to get ahead of formal communication.
- Most of the news reaches people after it has happened or does not reach at all.

SUGGESTIONS

- Feed the curiosity of employees. Talk to employees at regular frequency.
- Use multiple channel to communicate ... newsletter, town hall, webinars are just few examples.
- Allow the communication to be interactive. Let people have the opportunity to ask questions. Mails and newsletter will not allow people to ask questions.

Mistake 10

Changing Customer impacting processes



- Introducing acquirer processes in a very agile and fast paced organization too early and slowing down the pace.
- Changing commercial, sales, pricing policies too early without knowing the impact.

SUGGESTIONS

- Customer wins and perception sets the tone of organization success in most cases. Allow the Wins to continue.
- Don't introduce a new acquirer process on customer facing processes unless it adds value to existing process.
- Show your customers value of acquirer through product, Engineering capability. Learning capability and broader solutions instead of changing the process.

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