Strategic Integration: How to Realize the Value of an Acquisition

When organizational leaders can no longer achieve their goals through internal growth engines, they often embark on a merger or acquisition. Many of those transactions, however, falter when leaders fail to achieve the synergies they had expected, typically because of overvaluation of the target organization and a narrow focus on the closing. A significant portion of the blame also can usually be attributed to a misalignment with original deal drivers and a poor integration process. By employing a scalable playbook of tactics and tools to streamline processes, improve teamwork, bolster morale, and purposefully allocate resources, organizational leaders can stabilize their operations during times of change, ensuring the success of their merger and acquisition efforts in both the short and long terms. © 2015 Wiley Periodicals, Inc.

Many organizations involved in a merger or acquisition struggle to achieve the forecasted synergies envisioned when the deal is first proposed. Although this failure may stem from overvaluation of the target organization and “deal fever”—focusing on the close at all costs—a large portion of the blame typically resides in poor integration processes. Research on companies with the best track record of merger and acquisition (MA) success and knowledge accumulated from our own experience in more than 50 MAs show that to effectively capitalize on the opportunities present in such transactions, leaders must master both the science and the art of deal making.

A global health care organization with more than 25,000 employees, for example, found that using an integration playbook complemented its robust due diligence approach. The strategy, tactics, and tools contained within it helped formalize the company’s in-house methodologies and supplemented them with new thinking and enhanced processes for both near-term integration—the first 100 days—and the longer term process, which typically lasts between 18 and 24 months post close. The organization attributed the following benefits to the use of the integration playbook:

- **Better alignment with due diligence scorecards:** Formalizing the integration plan helped validate commitments made during deal design and clarified ownership of and accountability for the associated deliverables.
- **Enhanced integration teams:** Given the strong link between the deal leaders and integration project managers (PMs)—that is, collaboration during the due diligence phase—the PMs were able to easily make the business case up front for headcount reductions and specific skills required to successfully drive implementation.
- **More purposeful allocation of resources:** As all integration team members (both new members and those who had assisted with due diligence) understood the deal drivers and integration strategy, little to no time was wasted on out-of-scope items. The organization was able to clearly define what was to be integrated immediately, what was to be reevaluated at a later date, and what was out of scope.
- **Greater flexibility of approach:** The playbook provided a comprehensive set of tools that
enabled the organization to tackle sophisticated, global transactions. At the same time, it was flexible enough to accommodate the actual needs of small-scale events. It also provided for continuous growth, allowing the organization to add new tools and learning to its portfolio. Flexibility is critical because of the following factors:

1. It overcomes the “every deal is different” objection that some MA practitioners note in an effort to avoid formalizing their approach.
2. It provides a means for capturing organizational knowledge.
3. It helps current MA PMs cross-train team members and groom their own successors.

In addition, experience shows that companies that model this practice and use a playbook that includes assessment, design, and implementation tools will also realize the following benefits:

- shorter integration cycle times with better stabilization of the base business;
- improved project management and coordination of the integration projects;
- enhanced synergy capture; and
- fewer people or organizational problems regarding such issues as talent retention and stakeholder engagement.

Integration Planning: Begin Before the Beginning

The likelihood of MA success can be greatly increased by completing as much integration planning as possible during the due diligence process. Having some overlap between those conducting the evaluation of the target and those managing integration helps ensure that organizational knowledge is retained and that work streams use the scorecard targets to focus their efforts going forward.

Ideally, the integration PM and specialists in key functional areas, such as operations, legal, IT, and HR, should be involved in all aspects of the due diligence process. Having access to the target’s information and an understanding of the deal rationale, deal drivers, and expected synergy targets will help the integration team transform short-term wins into long-term success stories. The business landscape is littered with companies that failed to provide that level of collaboration between the work teams post close only to watch the deal unravel and expected synergies evaporate once the ink was dry. To avoid this blunder, the integration team should apply the following five principles.

**Principle 1: Ensure a Balanced View of Due Diligence**

The need for confidentiality and caution is understandable during the due diligence phase. Too often, however, the initial project team is composed only of functional area specialists from the corporate development, finance, and legal departments. Relegating the role of HR, for example, to a purely tactical focus or not getting that department substantively involved during due diligence considerably reduces the probability of a successful deal. HR should provide a full suite of MA capabilities that include:

- organizational structure review,
- talent loss forecast/talent retention,
- leadership assessment,
- staff redeployment strategy,
- culture assessment and alignment,
- benefits and compensation practices analysis, and
- HR process, policy, and practice rationalization.

Effective involvement of HR reduces the likelihood of being blindsided by costly factors that are not always visible on the balance sheet. It also helps the broader deal team to proactively address people issues, which are among the most common reasons for MA failure. One midsized services organization based in the United States capitalized on this learning by establishing a dedicated HR project team to work in lockstep with the greater MA function. In addition to providing project management and
organization development services, the team also engages with various specialists within the HR function to ensure that a complete view of the deal is developed early in the process. The organization notes that bringing in specialists from benefits, executive compensation, staffing, and HR systems during the due diligence phase shortens the deal cycle time and increases synergy. Other functional areas such as IT, quality assurance, and supply chain should follow suit.

Operational expertise is another capability that is often overlooked during the due diligence process. It is unrealistic to expect that corporate development or finance personnel will be able to accurately estimate opportunities for cutting operational costs and where or how they can be realized. These functions are usually staffed with individuals who have a finance background and not the operations or supply chain experience needed to identify and quantify cost synergies. The art aspect of the deal is based on identifying realizable synergies that increase shareholder value post close. This requires expertise in lean techniques, process reengineering, process redesign, cost containment, outsourcing, restructuring, and facilities management. The operations work stream should be created during due diligence to:

- analyze the facility infrastructure to identify and quantify potential cost savings from selling such things as office buildings, sales hubs, IT infrastructure, and warehousing and logistics locations;
- review the process architecture of both organizations to identify streamlining and cost-saving opportunities;
- catalog all formal and informal administrative policies and business rules to identify cost or revenue synergies; and
- identify all sources of waste and inefficiency.

Typically, the largest cost-saving opportunities arise from the IT function (rationalizing applications and selling data centers, outsourcing, etc.), HR (changes to the business model, organizational restructuring, reducing headcount), and facilities rationalization (selling or consolidating brick-and-mortar locations such as offices, plants, and warehouses).

**Principle 2: Understand the Target Organization’s Operations**

To fully understand the workings of the target organization, it is essential to analyze the following:

- **Infrastructure age and capability**: What is each facility’s age, size, location, and method of operation? For example, is it a brick-and-mortar or virtual enterprise? Is it owned or rented?
- **Product and service mix**: What are the company’s offerings? Which products or services are cash cows? Which are emerging?
- **Business model**: Where, how, and when does the organization make money?
- **Finances**: What is the target’s financial status, and how does this align with and support the rationale for doing the deal?
- **Core and support processes**: Process efficiency has a direct impact on cycle times, operating costs, and headcount.

**Principle 3: Obtain an External View of the Organization**

The goal here is to understand the competitive landscape in which the target operates. This should include:

- **Current position**: What is the target’s size, scale, offering portfolio, etc., in comparison to similar organizations?
- **Historical position**: What has been the growth curve and change in standing—for example, going from market leader to number three—over the past three to five years?
- **Strengths and weaknesses**: This speaks to the organization’s internal frame, and what the buying organization can do to strengthen the target and enhance its position in relation to its competition.
Opportunities and threats: This addresses the organization’s external frame, and what the buying organization can do to remove or minimize any barriers or other forces that impede the target’s success.

Principle 4: Create Deal Drivers
With the basics accounted for, the integration team can review the relative value of the target organization in relation to the contemplated transaction. As shown in Exhibit 1, any gaps or “white space” between the buyer’s value and the target’s value can highlight both the strategic rationale (why you want to do the deal?) and the deal drivers (what you expect to get from it?). This analysis will influence how you review, prioritize, and make decisions on myriad issues, including organizational culture, process alignment, system integration, and the overall employee value proposition.

Consider the topic of organizational talent. The analysis conducted during the due diligence phase will provide the integration team with insight into key focus areas both in the near term—the first 100 days—and during a longer term integration—typically 18 months from close. For example, will you focus on retention, development, succession, deployment, or some combination? Aligning diligence with integration enables you to make these calls early and focus on both detailed planning post signing and concrete action post close.

The biggest benefit to providing the integrating team members with this level of access to information early on is that they will gain familiarity with and ultimate ownership of the deal scorecards. Too often, organizations identify deal drivers but do not translate them into an overall integration scorecard. One common approach to MA metrics utilizes three scorecards that correspond to each phase in the MA lifecycle, which are linked and support the overarching long-term goals:

1. Transaction scorecard: This is traditionally owned by the due diligence team and the business group (e.g., the corporate development team)
that oversees the transactions. The measures are primarily financial in nature, with the goals of minimizing risk, securing savings, and maximizing potential value. The official scorecard runs from concept to close, with financial triggers extending well into the integration period.

2. Integration scorecard: As one would imagine, this is owned by the integration lead and functional area leads (some of whom will have been involved in due diligence). The focus of this scorecard is to ensure that the selected integration strategy, specifically the 100-day plan, is implemented seamlessly with minimal disruption to the business.

3. Adoption scorecard: While some members of the initial integration team may continue on, quite often their work is transitioned to the embedded resources of the new organization. This scorecard is focused on the work remaining and typically stretches from the post 100-day period to 18 months from initial close.

A second philosophy of MA measurement uses deal drivers as data inputs and cascades them into three to four categories of measures, such as financial, customer, project management, and people. Each of the categories may have baseline and targeted synergies. For example, a targeted synergy for people could be to retain at least 98 percent of the key talent. A sample project management measure could be that 100 percent of the critical path of MA activities be completed on time and within budget.

The enterprise-wide MA scorecard must then be cascaded to each work stream and ultimately to the performance appraisal of each team member. This will focus efforts, determine accountability, and, when combined with differentiated rewards, considerably enhance synergy capture. To optimize the success of the MA, metrics must be combined with consequences; specifically, what are the rewards for high performance and what are the sanctions for poor performance? Exhibit 2 provides an example of an MA integration scorecard.

Principle 5: Create an Integration Strategy

An integration strategy specifies the level of MA integration, which conceptually ranges from letting the target remain autonomous to full assimilation. Once this decision is finalized, the integration leads for each functional area can agree on some working assumptions regarding the staging of actions. Exhibit 3 illustrates which HR items should be integrated immediately upon close, which are to be left untouched, and which will need to be reevaluated or integrated at a later date. This process also ensures that the functional integration lead can provide a clear rationale for the decision. The exhibit also outlines some possible stages of integration.

When preparing the groundwork for formal integration activities, it is important to be mindful of both the circumstances surrounding the transaction and the potential effects that the transaction will have on the various stakeholder groups. The following questions can help managers round out their perspective and avoid missteps as they move through the integration process:

- How do the target’s leaders view the potential transaction? Is it a takeover or a simple sale of the organization?
- Is there a cultural gap between the two entities, or even a perception of a cultural divide? How big is the gap in the eyes of employees, managers, and customers?
- Who are the potential winners and losers? Who are the supporters, detractors, and fence-sitters?
- What are the must-win activities to make the transaction worthwhile?
- What are the walk-away points?

Defining Integration Work Streams: Getting Down to Business

Once the deal is signed, some members of the initial project team—often from the legal and corporate development departments—will reduce their
Exhibit 2. Example of an MA Scorecard

Exhibit 3. Sample Integration Staging

**Due Diligence Outputs**

**Integrate Immediately**
1. HR information system
2. 401K plan

**Rationale**
1. Core system (save X)
2. Must do (cost y)

**Not To Be Integrated**
1. Benefits
2. 360 system

**Rationale**
1. Target cannot support cost to align
2. No equivalent—eliminate

**Reevaluate After X Months**
1. Sales plans/merit cycle
2. HR support staff

**Rationale**
1. Allow completion of current plan/cycle
2. Dotted line reporting during organizational review
presence. In most cases, accountability for driving the integration process will be passed to either line leaders or an MA integration team to manage the 100-day rollout. Integration is a team effort. Having a comprehensive team will allow for a smooth transition while maintaining an understanding of strategic intent, desired synergies, and expected quick wins.

Success requires strong leadership, clear governance, and a series of dedicated project leads to work through both individual functional area integration activities as well as overall change management and communication. Supported by more than 100 tools, the three-phase playbook outlined in Exhibit 4 is both flexible (it includes multiple pathways) and scalable (it can be applied to deals of varying complexity). The exhibit depicts Phase I, and the items shaded are detailed further.

**Phase I: Integration Project Planning**

Depending on how friendly the deal is, much of the integration planning can be accomplished during the due diligence phase. To be completely transparent, the 100-day post close period should not be used to figure out what needs to be done. Rather, it should be focused on realizing targeted synergies. Experience suggests that having an overall integration plan as a deliverable at the conclusion of the due diligence phase is an MA best practice. Although all the activities in Phase I are important, the following merit extra consideration.

Exhibit 4. Phase I: Integration Planning

<table>
<thead>
<tr>
<th>Tools:</th>
<th>Deliverables:</th>
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<tbody>
<tr>
<td>1. Team competency matrix</td>
<td>A. Completed team charter</td>
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<tr>
<td>2. Chartering template</td>
<td>B. M&amp;A education</td>
</tr>
<tr>
<td>3. Storyboarding</td>
<td>C. Integration team scorecard</td>
</tr>
<tr>
<td>4. Playbook work plan (playbook on Excel)</td>
<td>D. Talent loss forecast</td>
</tr>
<tr>
<td>5. Scorecard template</td>
<td>E. Talent retention plan</td>
</tr>
<tr>
<td>6. Talent assessment &amp; retention tool</td>
<td>F. Stakeholder analysis summary</td>
</tr>
<tr>
<td>7. Talent retention &amp; planning primer</td>
<td>G. Commitment plan</td>
</tr>
<tr>
<td>8. Change process primer</td>
<td>H. Communication plan</td>
</tr>
<tr>
<td>9. Stakeholder assessment/commitment planning</td>
<td>I. Reorganization strategy</td>
</tr>
<tr>
<td>10. Day 1 communications</td>
<td>J. Culture map</td>
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<tr>
<td>11. Integration FAQ</td>
<td>K. HR practices change summary</td>
</tr>
<tr>
<td>12. Communication planning template</td>
<td>L. Organizational structure summary</td>
</tr>
<tr>
<td>13. Staff redeployment primer</td>
<td>M. Risk management plan</td>
</tr>
<tr>
<td>14. Culture mapping template</td>
<td>N. Synergies summary</td>
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<tr>
<td>15. HR due diligence checklist</td>
<td>O. 100-day plan</td>
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<tr>
<td>16. Total rewards &amp; benefits</td>
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<td>17. Job mapping</td>
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<td>18. Risk management template</td>
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<td>19. Synergies template</td>
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<tr>
<td>20. 100-day plan template</td>
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Establish Project Governance. This initial step (Activity 1.1 in Exhibit 4) usually includes developing common processes and templates for the entire project management suite, including, but not limited to, risk management, issue escalation, progress reporting, and variance analysis. All project management office (PMO) policies, processes, and templates are also crafted at this time. These range from managing confidentiality—for example, who has the authority to view and update documents in a SharePoint site—to the frequency of integration team meetings and progress reporting.

Integration is a team effort. Having a comprehensive team will allow for a smooth transition while maintaining an understanding of strategic intent, desired synergies, and expected quick wins.

Acquisition integration is an exercise in project portfolio management. Therefore, it is important to provide enough structure and develop common processes and templates for the entire range of PMO functionality. This might seem obvious, but the tolerance for structure and process is limited by the culture of the parent organization. Many companies do not have a culture that easily accepts structure and process.

A critical component of this activity is to create an integration management office and appropriate project structure. This entails identifying the number and type of integration teams (e.g., issue teams and function teams); clarifying roles, responsibilities and decision-making authority; and developing formal charters for each team. Organizations that do deals episodically cannot justify the cost of permanent integration teams. Organizations that use revolving integration teams must spend the time to identify appropriate criteria for team selection. Too often, integration teams are skewed with high-potential employees who show promise but do not necessarily have the experience needed to address the complex issues of an integration.

Acquisition integration is an iterative process of discovery. As additional data are collected, deliverables and earlier activities are updated as needed. At this point, it is not uncommon to confirm or update the deal drivers and integration strategy. Many organizations seem to have an “unspoken” and deferred integration strategy: Leave the acquired company alone. The rhetoric used to support this tactic often sounds something like “We don’t want to destroy the uniqueness of the organization acquired,” but that message often masks a poor track record of deal value creation. In reality, there are five common integration strategies, and effective integration starts with obtaining a consensus on which to pursue:

1. Autonomy: Acquired company retains its independence—“Leave them alone.”
2. Best of both: Take the best each organization has to offer.
3. Transformation: Both companies find new ways of operating.
4. Absorption: Acquired company conforms to parent.
5. Reverse merger: Acquired company dictates terms to parent.

The leadership team is the glue that holds the process together. Its effectiveness and, in many ways, the success of the transaction, is based on ensuring that the executive team:

- aligns synergy targets and decisions with the integration and the business strategy of the acquired company,
- sets stretch targets that are achievable,
- allocates the resources needed for the teams to be successful,
- defines consequences that differentiate levels of performance,
- resists protecting its own fiefdom at the expense of the deal by making decisions that optimize enterprise but not functional performance, and
- is bold enough to make tough decisions.
A Fortune 10 company, General Electric has historically had aggressive growth goals that could not be realized via the company’s internal growth engine (e.g., new product development, market strategy, and enhanced internal efficiencies that are used to capture additional market share). It is not uncommon for this conglomerate to undertake three to four acquisitions per month to create the traction needed for expansion. GE is recognized as being world class at MA because it uses the following model:

- The company’s leaders fully understand that MA skills are highly specialized and that there is a big difference between muddling through a deal and being proficient at each phase of it. This philosophy has been instrumental in the establishment of permanent MA teams with overlapping membership from due diligence through integration planning and ultimately to acquisition integration.
- GE staffs these teams with a cross-functional group of employees, including those with Six Sigma, HR, and operations and supply chain expertise.
- Each deal utilizes a strong integration management office to ensure appropriate governance, structured project management, and consistent supporting tools and templates.

Two aspects of project governance merit special attention. The first is spending sufficient time in conducting a stakeholder analysis and linking that analysis to a targeted communication plan. A well-crafted communication plan will target specific messages to key groups, using a range of media such as Intranet, banners, town halls, etc. It will also ensure the appropriateness of the communication channels that are chosen. For example, even though a town hall is efficient from a timing and labor standpoint, it is probably not the best communication channel for eliciting questions and answers.

The second aspect is sound risk identification and management. There are several good tools that can be used to identify, categorize, and prioritize key risks concerning technology, human resources, and processes. Once these risks are noted, action plans should be developed to address the ones that are most likely to occur and have the greatest negative impact.

**Assess Talent.** When assessing comparable positions in the two organizations, it is best to review the talent of each company as if only one role were needed (Activity 1.3 in Exhibit 4). In some circumstances, it might be best to keep a leader from the acquired company instead of a leader from the acquiring company. The purpose of the talent assessment is to evaluate the capabilities of key position holders to strengthen the organizational gene pool. The end product should be a report that catalogs the number and location of mission-critical skills and gaps, assesses the depth of the leadership bench, forecasts talent loss, and includes a talent retention plan for key roles. It should also identify the specific employees who are key to the success of the integration, short-term transitional employees, and those who should be terminated.

When a company purchases another, it buys not only its book of customers and infrastructure but also its talent portfolio, particularly senior and middle managers. In many cases, the acquiring company has been as keenly interested in management skills and experience as in any other asset the acquired company has to offer. In any case, talent assessment is often the area where the HR function can make a considerable contribution.

**Assess Culture.** An organization’s culture is defined as the prevalent characteristics, values, and behaviors held by the majority of the employees. It manifests itself in business and interpersonal behavior, decision-making processes, and corporate values.

An assessment of cultural fit determines the degree of compatibility between the acquired and acquiring companies and identifies areas where a clash of
cultures might undermine a successful combination (Activity 1.8 in Exhibit 4). A cultural alignment assessment typically maps the existing culture into a finite set of characteristics and employee behaviors. It can be used to identify gaps between espoused strategy and the cultures within merging companies.

Corporate culture may be an amorphous concept, but its influence is pervasive. Organizations that appear to be highly compatible and that should be able to achieve valuable synergies could have underlying cultures that seriously threaten coexistence. In MA scenarios where markedly different cultures collide, employees find that behavior once sanctioned is no longer rewarded. Priorities blur and inconsistencies between new and old approaches set in, confusing people and making them resistant to change. This problem is compounded when the deal involves international partners with different corporate and national cultures.

A cultural fit assessment brings the invisible cultural characteristics of the organizations to the surface in order to study their potential impact on the deal, the possibilities of integrating two different cultural entities, and desirable levels of integration. It provides the framework for achieving the desired level of cultural alignment.

**Assess Current Structure.** Organizational structure refers to the “shape” of the company. An organization structure review should minimally address (Activity 1.10 in Exhibit 4):

- type of structure (functional, product/market, matrix, etc.);
- the number of management levels;
- spans of control;
- relationships among functions/divisions (interdependent or not, matrix);
- which functions are centralized/decentralized, on-shored/off-shored, insourced/outsourced; and
- reporting patterns, titles, and lines that appear on organizational charts.

A review of organizational structure involves auditing and mapping these relationships. It provides the data with which to assess levels of integration that are desirable, given the structural shape of the parent and targeted organizations.

Most transactions that require any level of integration necessitate a review of the acquired organization’s structure. At the highest level, the focus is on types of functionality, locations, number of employees and ancillary staff (contractors), and workflows. Opportunities for outsourcing and eliminating redundancies typically can be easily identified at this time.

Because processes flow across the structure, it is helpful to map the products or services that each function delivers. For example, if the finance function crafts a report on a biweekly basis that has very limited value to its customer base, think about the number of employees who are consuming budget and the costs associated with their headcount. If that low-valued report were no longer produced, all the upstream and downstream budget and headcount associated with it could be reduced or eliminated. Organizational leaders who take the time to look at products and services that have low value and make tough decisions about resourcing can realize considerable savings.

Once the initial structure assessment has been completed, a more detailed review of the structure should be undertaken. Such a review should be completed in tandem with a review of the physical assets of the acquired organization.

**Phase II: 100-Day Plan for Acquisition Integration**

The 100-day plan should focus on the specific activities and deliverables that must be completed by all MA work streams. The focus must be on actions required for each team to identify and capture the targeted synergies in their respective integration team scorecards. Activities should be baked into the 100-day plan to transfer ownership of the integration to executive line management. At this point, a
critical path can be identified and the risk management plan further updated.

The leaders of Cisco, another company that is acknowledged as a leader in MA, understand the importance of using strong program and project management. They believe there are two types of synergies: those that increase revenues and those that reduce costs. A study of Cisco’s 100-day plans reveals a focus on stabilizing the base business; understanding the business drivers of the acquired company; ensuring talent retention for key customer facing positions; and aggressively looking for opportunities to build revenues through a variety of means, such as cross-selling products or services, leveraging distribution channels, and looking for new markets or customers. On the cost side of the equation, the company’s leaders acknowledge the fact that the largest savings come from improving information systems, consolidating physical assets, and reducing headcount. These are the goals they pursue most fervently during the integration.

Exhibit 5 illustrates the key activities, deliverables, and a subset of the tools typically used during Phase II. Some of the most critical activities, which are shaded in the exhibit, are discussed further.

**Deliver Early Synergy Wins.** During this activity (Activity 2.1 in Exhibit 5), easy-to-implement actions (e.g., stop doing x) are identified and executed to achieve short-term synergies. Most senior-level consultants

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**Exhibit 5. Phase II: 100-Day Plan Implementation**

<table>
<thead>
<tr>
<th>Activity 2.1</th>
<th>Deliver Early Synergy Wins (1, 2, A,B)</th>
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<tbody>
<tr>
<td>Activity 2.2</td>
<td>Execute Communication Plan (3, C)</td>
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<tr>
<td>Activity 2.3</td>
<td>Execute Talent Retention Plan (4, 5, B)</td>
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<td>Activity 2.4</td>
<td>Rationalize HR Practices (6, 7 B)</td>
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<td>Activity 2.5</td>
<td>Conduct Capability Assessment (8, P)</td>
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<td>Activity 2.6</td>
<td>Execute Staff Redeployment Strategy (9)</td>
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<td>Activity 2.7</td>
<td>Align Cultures (9, H)</td>
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<td>Activity 2.8</td>
<td>Provide Leadership Coaching</td>
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<tr>
<td>Activity 2.9</td>
<td>Execute Commitment Plan (10, 11, I)</td>
</tr>
<tr>
<td>Activity 2.10</td>
<td>Execute Risk Management Plan (12, 4)</td>
</tr>
<tr>
<td>Activity 2.11</td>
<td>Periodically Monitor Progress (K)</td>
</tr>
</tbody>
</table>

**Tools:**
1. Synergies template
2. Governance primer
3. Communication planning template
4. Talent assessment & retention
5. Talent retention primer
6. Total rewards & benefits
7. Job mapping
8. Capability gap assessment
9. Culture alignment primer
10. Change process primer
11. Commitment primer
12. Risk assessment tool

**Deliverables:**
A. Synergies summary
B. Business case
C. Updated communication plan
D. Updated talent retention plan
E. Updated HR processes and practices
F. Training plan
G. Updated staff redeployment strategy
H. Updated culture alignment plan
I. Updated commitment plan
J. Updated risk management plan
K. Progress report

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and seasoned business leaders can walk through a facility and sense, in short order, easy-to-fix, untapped opportunities for improvement, such as the following:

- Change the physical layout to reduce movement and have form follow function.
- Review technology to determine whether it is state-of-the-art.
- Assess general housekeeping and organization in manufacturing facilities.
- Gauge the pace of work and how much time is spent on socialization rather than actual tasks.

Easy-to-identify improvements—low-hanging fruit—usually do not require a considerable amount of analysis, are self-funding, and can be fully implemented within 30 days. Speed is a best practice. Companies with the best track record in MAs focus on stabilizing the base business and generating results in the first 100 days. Delivering quick results tends to enhance confidence in both the MA playbook and the leader’s ability to realize targeted synergies. The following tasks can deliver early wins:

- Confirm that the earlier recommendations from due diligence are still valid.
- Develop a financial justification and, if necessary, a risk assessment of the synergies. Make three estimates of the synergy capture: aggressive, most likely, and conservative estimates. Note underlying assumptions and constraints. Make sure approved low-hanging fruit recommendations are embedded into the overall integration roadmap.
- Present recommendations to the integration leader or steering team for approval. Note inter-dependencies between any recommendations and those of other integration teams.
- Implement approved actions.

It is important to note that as the early wins are identified, a parallel effort is also taking place. A study of companies with the best track records in MAs reveals seven common deal drivers (see Exhibit 6). Synergy capture is optimized for the 100-day plan and beyond by confirming the deal drivers that were identified during due diligence and obtaining consensus around a finite number of integration projects that will yield the targeted benefits. The hit rate for these projects can be greatly increased by:

- developing and using a decision support tool for prioritizing projects that utilizes objective and weighted criteria;
- subjecting each integration project to a rigorous financial analysis using appropriate criteria (such as internal rate of return, cost benefit analysis, and net present value); and
- completing a risk assessment for each of the finalist integration projects before making final selections.

**Execute Communication Plan.** This activity (Activity 2.2 in Exhibit 5) encompasses internal information sessions (Q&As), daily updates, newsletters, and management-speaking engagements with stakeholder groups outside the company. It should also include a tracking component to measure the effectiveness of the communications from the perspective of employees and customers. Transition team communication and team-building work also continues in this stage. The difference between communications that occurred during Phases I and II is one of scope and intensity. The ratio of special forums (employee meetings) to regular communication channels (company newsletters and weekly staff meetings) generally increases. Here, managers implement a schedule of regular face-to-face updates with employees in special settings. Other opportunities for two-way communication and dialogue, such as e-mail chat-rooms, are also instituted at this stage.

Communications are of particular importance during the implementation of the 100-day plan. As implementation gets under way and integration
decisions are made, the opportunities for constituents to get information and have their questions answered should increase. Internally, the most effective way to do this is through a series of special gatherings between managers and employees. As important as formal modes of communications are, none is a substitute for face-to-face communication. The best approach to prevent rumors from circulating is to establish regular venues where managers can present both the upside and downside of the integration process to their employees. Even when they present nothing new, these face-to-face encounters serve as important reminders that management is still in touch with employees’ concerns. Communication from top management that explains and endorses the acquisition should continue both internally and externally with customers, suppliers, regulators, and shareholders.

**Periodically Monitor Progress.** During this activity (Activity 2.11 in Exhibit 5), both overall integration progress and the progress of each integration team are evaluated to identify performance shortfalls and unintended impacts during the integration process. With this knowledge, the team leader can identify corrective actions in sufficient time to realize targeted synergies.

One of the key activities of the integration management office (IMO) is to have regularly scheduled progress meetings. As with most aspects of project management, attention to detail and structure is essential. Experience suggests that it is critical to use common progress-reporting templates and even visual controls that are prominently displayed. The visual displays make it easy to quickly identify variances and also provide for an extra level of control,
as the teams themselves can check on progress and any negative unanticipated ripple effects. Any discrepancies between actual and planned performance should be analyzed to determine root causes and corrective actions. If the organization has a process excellence or internal consulting capability, these resources can be useful in analyzing problems and developing solutions.

**Phase III: Stabilization and Handoff to the Leadership Team**

Exhibit 7 highlights the activities, deliverables, and tools that can be used to complete Phase III. Stabilization occurs by:

- Protecting the relationships and performance between the acquired company and its most strategic and largest customers.
- Making sure time is invested in understanding the key business drivers and their causes and effects. What are the few variables that drive desired key outcomes? In many large organizations, leaders do not fully understand causation, which is essential to establishing the metrics needed to forecast organizational performance.
- Defining an end date. Although some leaders might be tempted to drag out the integration process, to achieve optimal effectiveness organizations need to return to steady state operations as

**Exhibit 7. Phase III: Synergy Capture**

<table>
<thead>
<tr>
<th>Tools:</th>
</tr>
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<tbody>
<tr>
<td>1. Stakeholder assessment/commitment planning</td>
</tr>
<tr>
<td>2. Commitment planning primer</td>
</tr>
<tr>
<td>3. Risk management tool</td>
</tr>
<tr>
<td>4. Communication planning template</td>
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<tr>
<td>5. Culture alignment primer</td>
</tr>
<tr>
<td>6. Work stream close-out template</td>
</tr>
</tbody>
</table>

**Deliverables:**

A. Revised structure
B. Revised position descriptions
C. Updated career ladder
D. Updated process documentation
E. Training/knowledge transfer programs
F. Updated commitment plan
G. Updated risk management plan
H. Updated communication plan
I. Updated HR processes and practices
J. Updated playbook
K. Updated integration tools

Color figure can be viewed in the online issue, which is available at wileyonlinelibrary.com.
soon as possible – even if the next change event is already in the works. If leaders do not build a sense of stability, they risk change fatigue among employees and the downward spiral of performance that comes with it.

**Execute Commitment Plan.** As the stakeholder analysis that was developed during Phase I is a dynamic document, it should be updated throughout the MA lifecycle. A well-crafted commitment plan will periodically collect data from key stakeholder segments via focus groups, interviews, observation, and pulse surveys (Activity 3.3 in Exhibit 7). These data collection vehicles should act as a compass, indicating the ongoing adjustments that need to be made during the rollout of the integration efforts. Commitment planning is mission critical because it:

- maximizes stakeholder buy-in to the integration,
- can serve as a critical channel for assessing the effectiveness of the integration process,
- identifies sources of resistance,
- can be used to solicit input into projects or solutions, and
- clarifies the impact that proposed solutions will have on the organization.

**Lessons That Make a Difference in Commitment**

During the execution of the commitment plan, a variety of activities are commonly completed that focus on soliciting stakeholder input on such matters as identifying how and where synergies can be realized, identifying key concerns and causes of resistance, and project management effectiveness. Understanding that this is a discovery process with inputs and outputs is an integration best practice. The lessons learned from commitment planning must be regularly incorporated into both overall and work stream integration plans, the risk management plan, and the communication plan. The eight key lessons that drive long-term commitment follow.

1. **Pay Attention to People Matters.** A well-designed process and toolkit will go a long way toward ensuring a successful integration. Effective leaders understand, however, that there is an art to post-merger integration that cannot be conveyed in a spreadsheet. Even what is perceived as positive change will give employees a pause and encourage them to evaluate other opportunities. This is particularly true for high performers on both sides of the transaction. Not all news will be good for all employees, but by taking the steps outlined in the lessons that follow, leaders across the acquiring organization can help expedite employees’ journey through the change cycle.

2. **Embody the Desired Behavior.** Whether they realize it or not, leaders cast a big shadow. This is especially true in turbulent times, when employees are struggling to re-learn the rules of the game, such as whom to please, what qualifies as good performance, and where decision-making authority really lies. If leaders display a “me-first, empire-building” mindset, employees will follow suit. In times of change, it is more productive to share the deal drivers, targeted deal synergies, and updated business plan; offer common near-term goals; and then ask for support in achieving them.

3. **Hug the Messenger (or at Least Don’t Shoot Him).** Leaders sometimes make the mistake of overhyping a change. Instead, they should try to be properly pessimistic—that is, expect and welcome problems and reward those who bring them to light quickly. When leaders create a safe environment where devil’s advocates are listened to and potential challenges are evaluated, the likelihood of success increases. Leaders can further engender employee engagement by involving them in the solution. After all, employees who are wise enough to spot potential pitfalls are often smart enough to envision and implement a fix.

4. **Forecast the News Cycle.** Employees often are under the impression that “management” has all the answers. Leaders should be clear that even well-planned integrations have a multitude of moving
parts that can often result in “this just in”-style news. Although some facts, such as individual reporting relationships, may be fleeting, the overall framework should be consistently communicated. When leaders act with positive intent and uniformly convey information on unchanging elements, such as stakeholder benefits, trust is enhanced.

5. **Explain the New Deal as Soon as Possible.** Companies have a habit of telling employees everything except what they really want to know. For example, during many new hire orientations, generic corporate types tend to rattle on about departments, strategy, and product offerings when the questions uppermost in employees’ minds on day one are things like: Do my kids have health insurance? What does my boss expect? Where is the restroom? The same holds true for MA events. Sure, employees will listen to grand plans and strategies, but often their primary focus is more basic: Do I still have a job? Will my boss leave? Will my benefits change? It is essential to definitively answer the questions that truly matter as soon as possible and to be truthful about what remains undecided.

6. **Earn the Loyalty You Desire.** During the due diligence phase, deal makers often develop a stakeholder analysis to garner support for the deal. Although it is critical to uncover active supporters and potential dissenters among the leadership ranks, it is also important to build the business case for other groups, including (and most important) the employee population. When people can visualize the potential win state for themselves, they are more apt to support the cause.

7. **Move Fast . . . and Slow.** Adopting the wrong speed for enacting change can be devastating. Move too slowly, and change fatigue spirals into poor performance and lackluster business results. Act too quickly, and there is the risk of inventing problems and fixing what is not broken. To find the right balance, leaders should identify high-value quick wins, such as key talent identification and retention, facilities consolidation, and organizational restructuring. Organizations with the best record of MA success have found that 100 days is the optimal amount of time for initial integration. Conducting a “sanity check” before executing a plan can help leaders ensure that deliverables and targeted results and activities can be realistically completed within the 100-day time period. This will create a steady stream of wins that the new leadership team and those who report to them can understand and drive.

It is also important to note what is not within the scope of integration. Depending on the transaction philosophy and plan for synergy capture, some functions, systems, or even core business elements may purposefully be excluded. To keep track of the various and complex moving parts, some organizations establish an integration scorecard that clarifies intended wins and helps avoid scope creep.

8. **Focus on Others First.** People sometimes forget that all employees, including leaders, are experiencing the change event. While there may be some who are privileged to have the “inside scoop,” most staff members are players in the game. A key mistake, whether one of perception or reality, is for leaders to hyperfocus on their personal situation. Nothing kills engagement faster than when employees get wind of horse-trading at the top. Effective leaders will be smart about their own careers to be sure but should focus primarily on the welfare of their operations. In times of change, people will not necessarily believe, or even really hear, the messages they receive, especially at first. Top leaders will need all the energy they can muster to get employees at all levels on their side.

Keeping the Organization on Track During Times of Change
Companies that have the best reputation for acquisition integration, such as General Electric and Cisco, work with a balanced, flexible, and scalable playbook and supporting toolkit for due diligence,
integration planning, and acquisition integration. Their leaders have the backbone to make difficult decisions ranging from employee selection to organizational structure. They understand the importance of stabilizing the base business during times of change by retaining key customers and employees, reviewing and confirming the business strategy of the acquired company, fully understanding the business drivers, and being conversant in how the acquired company makes money.

Companies that have the best reputation for acquisition integration work with a balanced, flexible, and scalable playbook and supporting toolkit for due diligence, integration planning, and acquisition integration.

The primary reason MA deals fail is a lack of attention to the people issues. This makes it essential to take objective note of the HR function. If the HR professionals assigned to the project are “touchy feely,” administratively focused, and lack the necessary strategic skill set, it is best to engage outside resources for such things as leadership assessment, assessing the business model and structure, talent loss forecasting and talent retention, and change management.

Good acquisition integration equals good project management. During an acquisition, myriad activities are simultaneously occurring. The complexity of handling them increases, when there is a lack of rapport with the leaders of the acquired company and little or no effort is made to learn about the products, services, markets, environmental dynamics, and so on of the company that has just been purchased. Strong project management is integral to keeping work focused, generating quality deliverables, and completing the integration on time and within budget.

Although it takes both training and hands-on experience to achieve proficiency in addressing the tasks outlined here, incorporating a comprehensive integration playbook can dramatically shorten the learning curve and help ensure that those assigned to these key projects can successfully handle the transactions and document lessons learned for future use. Successfully navigating an acquisition integration depends on a number of factors, both in planning and action. When organizational leaders mind both the art and science of MA integration, their transaction stands a greater chance of capturing targeted synergies and that equates to wins all around.

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