An Eight-Step Process for Ensuring Your Acquisition and the Integration are a Success

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How many times have you read about the perfect marriage of two companies? Analysts, bankers, and competitors all talk about how the merger of Company X and Company Y will be a boom for the market place. Whether they are shareholders, customers, or employees, the buzz in the industry is they will all prosper significantly one way or another and within 12 months.

Twelve months later the headlines read: "Why did the merger of Company X and Y fail so badly when it appeared they had everything going for them?"

And the answer is simple: the companies did not focus on the people side of the transaction. But seasoned professionals know that successful integration requires a sharp focus on human capital and culture.

> "**Don't Impose Your Standards to the Absolute.** When you buy a company, you are buying a performance record. This is a company that made it the way they were structured and managed, not the way you are. You want to sustain the culture that has achieved that record. Start imposing new people, new requirements, new values, and suddenly you don't have what you thought you bought."
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> From "Why Did You Make that Acquisition," by James Kristie, *Boardroom Briefing: Mergers & Acquisitions* published by *Directors and Boards Magazine*, Fall 2006, original quote from "Seasoned Advice from the Merger Area" by Sam Segnar, Chairman and CEO of InterNorth, 1985.

Far too many companies make the mistake of acquiring another organization, only to attempt immediately to assimilate the new company into the original company's existing processes, programs, and culture. That is why acquisition integration is often extremely painful and unsuccessful.

With more than 25 years of experience in executive human resources positions and consulting, I have advised dozens of company presidents, CEOs, and board members on strategies and processes that help ensure a successful acquisition or merger. With that experience and research, I have honed an eight-step process that provides proven strategies for successful integration of two disparate organizations.

Step 1: Understand the impact of the acquisition on your business strategy.

Do your homework. Be sure the acquisition you have in mind fits into your business strategy. Be sure it meets your short- and long-term goals and financial objectives. Try not to let the emotion of the situation overtake you and your management team. You need to take a step back and be objective at all times. Take a deep breath. Don't be afraid to use your board and outside advisors as a sounding board to be sure this acquisition is the right decision for your company. You still have time to ask more questions or to say "no." Once the deal is signed, it is too late.

Step 2: Determine the cultural fit of the new company.

Culture defines who you are as a business; it defines what you stand for; and it defines how you want to be known by your customers, shareholders, vendors, and employees.

An important question to ask: "Is there a compatible cultural fit between the two organizations?" Most acquisitions fail because the fit isn't right. You must spend the time understanding the pluses and minuses of both cultures. You must retain the qualities of both cultures that have made each company a success. And be sure to build these successful characteristics into your new company. In addition, use these characteristics as the foundation of your recruitment and retention processes.

Step 3: Appoint an integration team.

Next to communications (Step 4, below), this is the most important step in any acquisition. Be sure that both companies are represented on the team. In this way, a full range of issues surface regarding customers, products, financials, and employees. Together, this team must finalize the business and financial objectives of the acquisition and be held accountable for the success or failure of the integration.

Also, don't forget you need a integration team leader who will be in charge and accountable for the success of the integration. But you must pick the right person. The leader of your integration team needs to be someone who has had a track record of success, has the time to focus on this integration and nothing else, knows how to make decisions, understands the importance of integration, and is a good communicator and facilitator.

One last thing is that you must also ensure that your integration team has the resources—either internal or external—to achieve their mission. Have you given them a clear directive, have you given them ample time to meet and complete the tasks, have you given them access to everyone necessary?

Step 4: Develop a communications strategy.

Don't underestimate the amount of communication that must be done when integrating two disparate organizations. Not only are employee and customer communications critical, but don't forget to keep suppliers, your financial partners (accountants, bankers, et al.), and other key stakeholders up to speed on how the integration might affect them and how it fits into your overall business strategy.

I strongly suggest you establish a separate task force specifically for communicating the integration mission, the process, and your progress. You need to have continuous accurate and frequent communication to all of your audiences. Some methods of delivery include newsletters, hotlines, emails, and FAQs.

Make all managers and supervisors part of the communications process. Given that most employees will go directly to their immediate supervisor with questions, don't forget to train your managers on the messages you want delivered.

Step 5: Assess the people.

Clearly you're trying to ensure that you keep in your newly integrated organization the right people who are going to help you be successful and drive your business and company for the long-term. The first step in this process is to assess the human capital. This can be done either formally or informally, but nonetheless, it needs to be done.

It is critically important that you spend the time required to adequately assess the human capital because you need to understand the people who have made the acquired company successful. Again don't be afraid to spend the time on this step. Do not rush through it. Get the right resources—available both inside and outside your company—to help you assess the talent.

Step 6: Select and retain the right people.

Develop a process for recruiting, selecting, and retaining the talent you need and be sure you communicate that process to both organizations. Based on your assessments in Step 5, you'll know people's strengths and their roles in helping the company obtain its strategy. You'll know whether you have the necessary talent already within the company or you will need to recruit people from the outside. Lastly, don't forget to develop the right retention programs, which could be a combination of pay, short- and long-term incentives, and future opportunities in the new company.

Step 7: Design and implement the right human capital programs and processes.

With the start of this newly integrated organization, be sure you hone all your key human capital processes to ensure they are supporting your short- and long-term growth and will help drive the success of the business. Some processes that will impact the future include recruiting, retention, performance-management, succession planning, and development programs. You need to understand that you might not be able to do everything day one but you must have a plan that can be put in place over time.

Remember your goals: it's all about trying to achieve your business strategy and financial objectives and to bring two organizations together as one company, one entity for the future.

Step 8: Meet you business and financial objectives.

You need to hold people accountable for the achievement of the business and integration goals. In Step 1, you determined that the acquisition was right for you and you set specific business goals and financial objectives for the acquisition. Now you need one final step: a process in place to determine if those objectives were achieved. Without achieving these objectives, why should you have bothered with the acquisition in the first place?

About Jim Geier

Jim Geier, president of Human Capital Consulting Partners, (www.hccpartners.com) has more than 25 years of global and board-level corporate and consulting experience. During his distinguished career, Jim has proven his ability to drive shareholder value by focusing on business strategy, business issues, and organizational dynamics to design and implement practical and effective human capital strategies. He has impacted business performance by developing and implementing global HR strategy, assisting in the evaluation of acquisitions and divestitures, leading acquisition integration, developing and coaching senior management teams, and designing management development programs in top companies in manufacturing, life sciences, healthcare and financial services.

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