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Key Success Factors through Post-M&A Integrations

Driving Value Creation through Promises, Consistently Kept

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At Level5 Strategy, we guide clients to develop their post-M&A integration with a customer-centric lens, and with a view that sustainable value creation results from 'promises, consistently kept'.

Meeting the Value Creation Challenge in Post-M&A Integrations

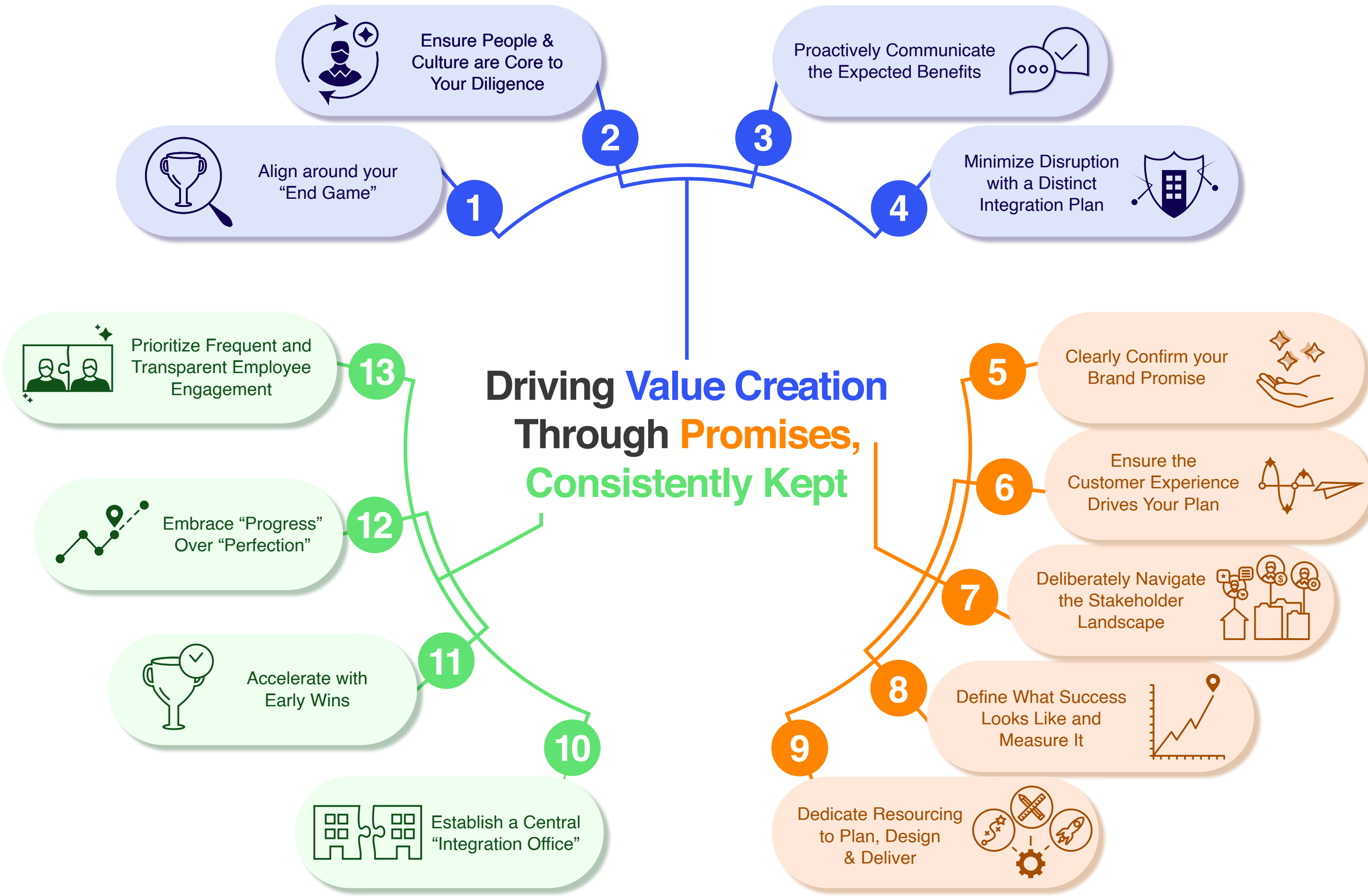
Whenever two or more companies and their brands come together, a minefield of challenges threaten the success of their integration. Post-M&A integrations are complex transformation processes. They involve numerous stakeholders and chase multiple outcomes. They are demanding on leadership, unsettling to employees, and confusing to customers and shareholders. Although the ambition of mergers and acquisitions is always to create value, the majority of integrations fail to deliver on the value they promise.

At Level5 Strategy, we have seen these challenges time and time again when helping clients overcome the obstacles of successful post-M&A integration. Our secret sauce? We guide clients to develop their transformation plans through a customer-centric lens, and with a view that sustainable value creation results from 'promises, consistently kept'. In our view, this idea is the foundation of building valuable brands and delivering profitable growth.

The notion of *Driving Value Creation through Promises Consistently Kept* is also critical to delivering enduring and impactful post-M&A integrations. Every successful integration is based on a clear promise made to several stakeholders about what the new/combined brand, product, or service experience, and added shareholder value, will be. This promise is then fulfilled by a well-executed plan to empower change through the impacted organizations, processes, and experiences.

But what separates the companies who meet or exceed the ambitions of an integration, from those who fail to do so?

In our experience, there are several key success factors that underpin the most successful integrations, Driving Value Creation through Promises Consistently Kept. We share them here to offer insight, perspective, and learning to consider as you explore your next integration or reflect on your last.



Driving Value Creation…

1. Define and **align around your 'endgame'** – the expected value you are creating and what you will look like when it's achieved

2. **Ensure People & Culture are core to your diligence** – don't forget these, alongside more traditional topics

3. **Proactively communicate the expected benefits** of the integration to your customers, employees, supply partners and shareholders

4. **Minimize disruption with a distinct integration plan,** while adapting your current operating plan(s) to maintain focus on the day-to-day

…through Promises, …

5. **Clearly confirm your Brand Promise;** it anchors the future you're delivering

6. **Ensure the customer and brand experience you promise drives your plan**

7. **Deliberately navigate the stakeholder landscape;** engage influencers in designing the change

8. **Define what success looks like and how you will measure it along the way**

9. **Dedicate resourcing to plan, design and deliver** – this is not a 'side of desk' job

…Consistently Kept.

10. **Establish a central 'integration office'** to coordinate and drive execution

11. **Accelerate with Early Wins** to build momentum and credibility

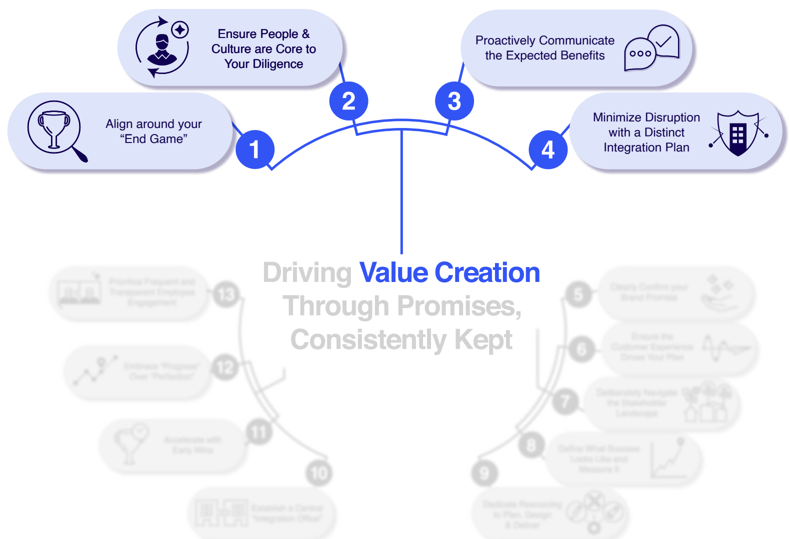
12. **Embrace 'Progress' over 'Perfection'**

13. **Prioritize frequent and transparent employee engagement** to sustain the change

Key Success Factors for 'Driving Value Creation' in Post-M&A Integrations

It is a well-known, and often repeated statistic that the majority of mergers and acquisitions fail to fully deliver on their stated objective – **value creation.** It is therefore critical, even before starting down the path of an integration exercise, to build clarity and alignment on the expected value creation outcomes. Comprehensive diligence will be needed to ensure that these ambitions are achievable, and that the path to getting there will avoid disrupting the core business.

The first four of Key Success Factors can help you to avoid early missteps that could otherwise have a cascading impact on the full value creation potential of the integration.



1. Define and align around your 'endgame' — the expected value you are creating and what you will look like when it's achieved

All transformations, especially those bringing different organizations together, need to be guided by a clearly articulated vision of what the 'finished product' will be when it's achieved. Think about this as standing up on the mountaintop having reached the summit – from which you can look back and see the path taken to achieve it. Your 'End Game' needs to describe the value that will be created along the journey in a way that resonates with those impacted by it. A clear, collaboratively crafted strategic narrative for what that organization will look/feel like after having achieved the ambition will help inform what must be true to deliver it and is instrumental to build alignment, guide decision-making and rally the organization around the integration to come.and synergies need to be identified and operationalized. Ensuring a clearly articulated and shared vision of the desired end-state is consistently and frequently communicated will focus the organization on where it is headed, keep everyone marching to the same music, and improve the likelihood of delivering on its promise to shareholders.

2. Ensure People & Culture are core to your diligence — don't forget these, alongside more traditional topics

When looking back, most executives would say that a post-M&A integration would have substantially benefitted from greater cultural understanding prior to execution, and they acknowledge that too little effort during the actual transformation focuses on culture. The clear lesson is that more time should be spent up front to understand the implications on people and culture that will manifest through the integration.

An integration is creating a new future for the employees of each organization, and no two companies can come together without some impact on culture. So it is critical that leaders think about this future they are promising to their employees, and how to help them navigate the change to come. Questions like, are unions

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merging? What are the labour implications, cost, and timeline issues that could arise? How different are the cultures – is one entrepreneurial, the other more ‘corporate’? Who might be influencers, supporters we should engage? Who are detractors we need to manage?

Uncovering and understanding cultural and change management issues that could inject risk in the eventual integration at the outset can help you plan accordingly, to mitigate risk, manage cost and timelines, and prepare for communications and stakeholder relations.

3. Proactively communicate the expected benefits of the integration to your customers, employees, supply partners and shareholders

As we’ve said, post-M&A integrations are complex transformation processes in that they involve numerous stakeholders and chase multiple outcomes. These objectives must be made clear to impacted stakeholders in order for them to buy into the plan. Open, transparent communication is therefore a key part of preparing for and managing the change to come and should be thoughtfully designed and executed in the context of each impacted stakeholder group.

Often the only message about an integration is a public announcement highlighting top line financial expectations to the street but leaving other stakeholders with this question ‘what will that mean for me?’. A more effective, purposeful communication plan will reach all those impacted, assuaging fears, clarifying potential changes to products or services and ultimately help avoid unnecessary costs such as customer calls and employee churn.

It is clear that the cost of poor communications through such complex times can be high, and risk destroying support for, and engagement with, the integration. Therefore, it is very important to take the time to prepare a clear, detailed and well mapped out communications plan that addresses key internal as well as external stakeholders.

4. Minimize disruption with a distinct integration plan, while adapting your current operating plan(s) to maintain focus on the day-to-day

Far too often, there isn’t enough thinking about how to drive the integration alongside running the day-to-day business. Any disruption therefore can detract from the perceived value added by integration. Customers become disillusioned when their experience is inconsistent or interrupted. Employees become frustrated when operating plans overlap and get in the way of each other.

To minimize disruption to ‘business-as-usual’ operating plans must be updated to account for risks and implications of the integration, and at the same time, a distinct and dedicated integration plan should be developed and driven in parallel to ensure smoother execution (without fear of ‘a ‘tug of war’ with the day-to-day priorities).

Keeping these four success factors in mind in the early stages of exploring and planning for a post-M&A integration will help increase the value creation potential of the upcoming transformation. They will ensure clarity around all the key outcomes, drive alignment amongst all the impacted stakeholders and minimize risk of downstream disruption to the day-to-day operation.

Key Success Factors for Establishing the ‘Promise’ in Post-M&A Integrations

Let’s turn to avoiding the challenges that can come to light during post-M&A integrations when the **promise** – what the future, integrated organization and its products, services, or experiences will stand for – is not clearly understood. There are five success factors to *Driving Value Creation through Promises, Consistently Kept* that focus on the ‘promise’.

5. Clearly confirm your Brand Promise; it anchors the future you’re delivering

What does your company – or rather, the new/combined post-M&A company – stand for? What should your stakeholders (customers, employees, shareholders) expect?

If you already have a clear market-facing promise, this is about ensuring it remains valid in the context of the integration, and, if so, taking steps to re-affirm it to those who may be concerned that things may change. If not, then it is critically important to pro-actively control the narrative about what your new organization will stand for.

Regardless, any M&A creates an important moment to reassure the market, your employees and your customers ‘who you are’ as an organization, and what they should expect. Not doing so could confuse those who are key to your continued success and risk them leaving for a competitive product, service or employment experience.

6. Ensure the customer and brand experience you promise drives your plan

Nobody wants to lose customers, so the customer and brand experience your organization promises must be central to how you should think about, and plan for the integration.

How do we ensure a customer-centric approach to post-M&A integration? Always start with the customer journey in mind - what is it today and what does it need to be in the future-state? This can then inform the process and organizational changes that enable them, and the technology and other supporting capabilities required to bring those experiences to life where they matter most. Taking a customer-centric lens to defining how the organizational business systems need to come together sets the foundation of what you need, what is/isn’t negotiable, and puts clear guardrails on the integration plan. Conversely, excessive focus on operations- or process-first integration can result in unintentional changes to the customer experience that inject pain points or under-deliver on key moments of truth in the service of other priorities. This is a great way to erode value and lose customers through the change.

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7. Deliberately navigate the stakeholder landscape; engage influencers in designing the change

Engaging influencers in the decision-making process can help ensure those affected by the integration feel ownership of it and can help you identify ways to accelerate acceptance and adoption. Influencer points of view are a valuable and necessary resource to design a transformation plan positioned for success.

Get started by clearly mapping out the organizations and people impacted by integration. Identify who your influencers or detractors are, what their concerns are and how to navigate around them. Understanding influencer and detractor points of view is strategically important in terms of risk management. If detractors have a larger voice, it will ferment chaos in the employee ranks. Employees in a 'bad place' put customers in a bad situation and will get in the way of integration success either directly or indirectly.

Influencers within key roles will have the best view of 'what works' and 'what doesn't' in each organization's context and should be engaged to inform a change management plan that addresses the key employee questions of 'what's in it for me' and 'what's against my interests'. This deliberate navigation of the stakeholder landscape, at both an individual- and team-level, and at all layers of the organization, will provide valuable insights into how you will need to manage change.

8. Define what success looks like and how you will measure it along the way

Integrations are complex and lengthy processes, so to stay up to speed and keep people motivated, it's important to figure out how to define, track and measure success along the way. This isn't just about measures of success for the end-state, but throughout the integration. You will need to clearly define how to stay on top of what should be done, by when, and what outcomes should be expected, by when. What are key dependencies and how will you know the organization, systems, customers, and brand are ready for the next stage of change? How will you know if you're not on the right track and what you need to do to get back on it?

On average, the ultimate success of mergers isn't clear until several years after the integration is complete, but the activities that occur after the transaction and leading up to the completion of integration are vital to influencing that success.

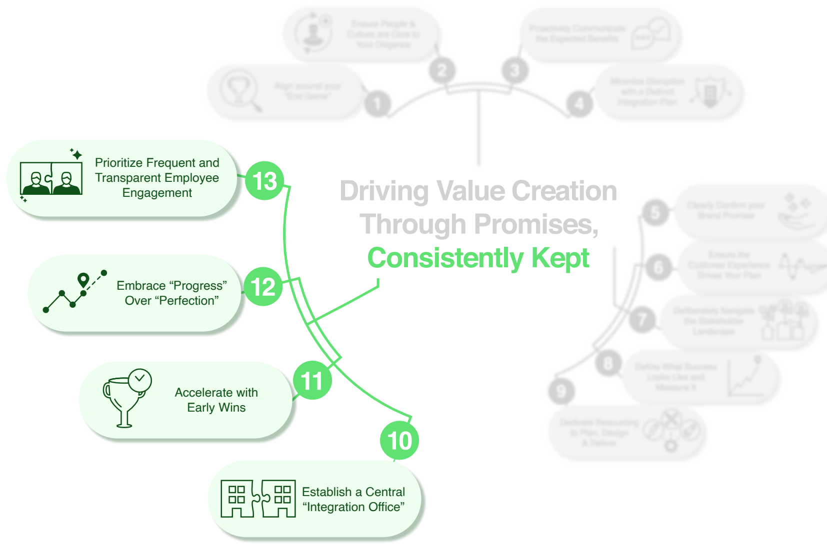
9. Dedicate resourcing to plan, design and deliver – this is not a 'side of desk' job

Executing transformation – whether a post-M&A integration or otherwise – is not a 'side-of-desk job'. Managers cannot possibly drive an effective integration if they can only budget 10% of their focus, on top of their day job that already takes up 100% of their bandwidth. Ample dedicated resources to plan, design and deliver integration are absolutely necessary to drive any integration's success. Dedicated resources should be engaged and focused on accelerating planning, execution and adoption, with senior leadership support and advocacy. Only with focus, accountability and capacity can a transformation of such magnitude be delivered in parallel with running the day-to-day business.

Keeping these five success factors in mind will ensure that the organization is focusing their integration planning through the lens of what matters most – their customers, employees and shareholders. They will maintain clarity on their market promise, ensure key stakeholders are effectively engaged, define a clear approach for knowing where they are along the path and have sufficient resources allocated to execute.

Key Success Factors for 'Consistently Keeping' the Promise of Post-M&A Integrations

As we've highlighted throughout, the ultimate path to creating sustainable value and building world-class brands is through consistently keeping promises. This holds true in all situations, and especially through the disruptive change that comes with a post-merger integration. With this next set of Key Success Factors, we will concentrate on how to maintain focus on what matters most when in the midst of a complex transformation, and how your promise can be **consistently kept.**



10. Establish a central 'integration office' to coordinate and drive execution

Delivering the value you promise to create throughout the integration process demands a well-organized effort to ensure integration happens with maximum efficiency and minimal disruption to business as usual. Best results can be achieved by establishing a centralized management structure for the integration to provide leadership and orchestrate execution.

The central integration office should have day-to-day accountability for driving the overall integration process, overseeing communications, and escalating risks as they arise. To ensure transformation is managed in a balanced way, we advise newly integrated organizations to build an integration office team with balanced representation from all parties involved in the merger and to leverage collaborative technologies to break down the siloes inherent in orchestrating complex, cross-functional transformation programs.

Once transformation is complete, the central integration office and working groups can be disbanded and teams can return to business as usual.

11. Accelerate with Early Wins to build momentum and credibility

Getting people excited, energized and engaged with the change always has a positive snowball effect. Accelerating and achieving early wins are an effective way to ease the concerns of the integration, while also increasing morale and invigorating teams. It is important, when planning for the change to purposefully identify several 'quick wins' and prioritize delivering some across several areas of the business. Doing so not only realizes tangible benefits worth celebrating early on in the transformation process but helps build momentum and credibility that the ambition is worth achieving.

12. Embrace 'Progress' over 'Perfection'

In executing a complex transformation, it is easy to get caught up in trying to deliver a perfect outcome on each piece for which you might be responsible for delivering. However, while it might be common to think that the integration

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will be a success only if all the interconnected pieces come together perfectly, this is in fact a great way to move too slowly to deliver against stakeholder expectations overall. It is much more critical that progress be seen to be made, with quicker learning around what's working and what isn't in order to adjust swiftly to accelerate change and improve outcomes. Don't let perfect be the enemy of good.

13. Prioritize frequent and transparent employee engagement to sustain the change

When employees feel like they're effectively brought along the journey of change, loyalty and engagement increases. So it is very important that employee engagement throughout a complex transformation – especially a post-M&A integration that may be impacting roles and teams – be thoughtfully managed. Communication should be frequent, open and transparent, and management should be actively involved in asking and answering questions throughout. Regular town halls, "ask-me-anythings", frequent publications/newsletters and ongoing quick temp-check surveys can keep employees engaged and informed, and management aware of any issues that may be percolating. Employee engagement can also be a valuable barometer of the trajectory of the integration, so it is helpful to explore overall employee awareness, understanding and confidence in the changes being implemented.

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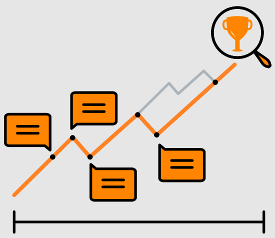
Summary



Throughout this article, we discussed how to frame the value creation potential of a post-M&A integration and ensure clarity around all the key outcomes. This drives alignment amongst impacted stakeholders and minimizes risk of disruption to day-to-day operations.

Furthermore, we highlighted how critical it is that the organization plans through the lens of what matters most – their customers, employees and shareholders. This helps maintain clarity on the market promise, engages key stakeholders along the path and ensures sufficient resources are allocated to execute.

Finally, we shared some lessons on how to equip the team to consistently keep these promises throughout the significant change being navigated during the actual integration itself. By orchestrating the effort centrally, building momentum through quick wins and engaging the team with continuous transparent communications, the organization is increasingly empowered to drive progress and deliver the ambition.

Post-M&A integrations are never straightforward – they are fraught with challenges and filled with risk, but full of opportunity to unlock sustainable growth and impact. We hope that these lessons have provided you with new insight and perspective to consider as you explore your next integration or reflect on your last.

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