RHR INSIGHTS

Preparing for a marathon, not a sprint

Increasing the odds of making M&As successful

We all know the facts: A large number of mergers fail to deliver shareholder value and meet expectations. Recently though, the emerging research shines a clear light on the M&A secret sauce—the integration process.

Based on our M&A experience and our research, we know there are distinct phases during the integration process. The emotional roller coaster these phases create results in fluctuations of engagement and productivity.

Yet we are struck by how much of the senior-leader focus (and budgets) is short term, targeted on preparing the organization for day one of the integration.

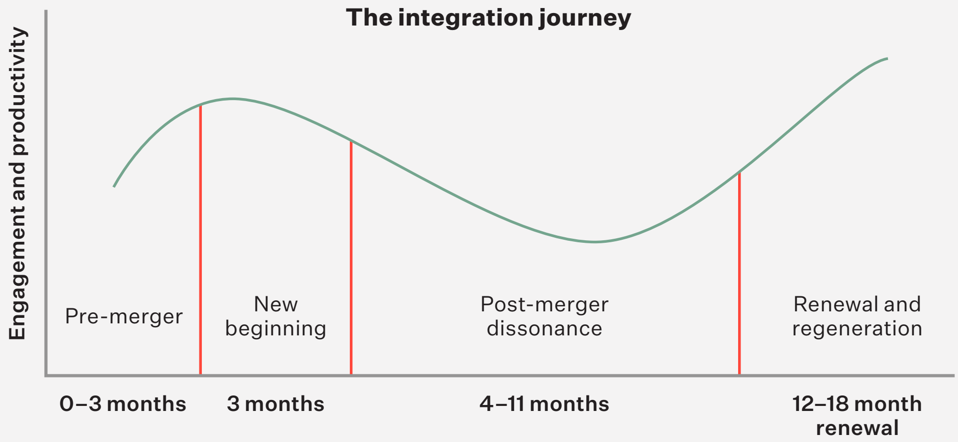
We have been fortunate to work on several M&As with CEOs who are leading successful merger integrations. What stands out is their ability to anticipate and stay ahead of the curve and take a much more holistic and long-term view, engaging in a series of activities to navigate each stage of the integration life cycle.

Premerger: turbulent and confusing but with high levels of energy and discretionary effort

- **Never underestimate the importance of creating a vision early.** At At a major consumer products company (ABC Corp.), the CEO chose to articulate his vision as "creating a coffee democracy" rather than the customary "being number one in the market," as this was a more powerful rallying cry and touched *why* people wanted to work for the company. It united people around a common identity even before its merger, and it became a potent and seductive recruitment tool to attract new external talent.

- **Define the future culture and assess for cultural fit.** Quickly defining the culture of the combined entity is imperative and requires leaders to think 18 months out and plan for a robust, objective, and independent assessment process. Not only is culture the glue that will hold the organization together, defining cultural fit needs to be at the heart of the assessment process. One can mitigate for gaps in experience and skills, but with poor cultural fit the integration is doomed to fail.

- **Create a drumbeat early by finding an operational catalyst.** More things go wrong than go right in the early days of mergers. Successful CEOs quickly crystallize energy around an issue and use it as a symbol of departure from the old ways of working. An IT overspend, for example, is just the operational catalyst a good leader needs to galvanize teams and set the operating tone for the future.



New beginning: the honeymoon period, with high levels of forgiveness and optimism

- **Leverage the power of symbolism.** Whether it's a new logo or one long table for the executive teams to sit at, leadership decisions should be symbolic reflections of the new culture. To accelerate integration, successful leaders ensure that cultural artifacts are defined early and standardization established. From day one, for example, 99% of ABC Corp. offices had the same look and feel, and experimentation wasn't tolerated.

- **Avoid the blame culture.** As transparency is established between formerly competing organizations, the realities revealed might prove uncomfortable. Successful CEOs move quickly to surface the skeletons in the closet and create a no-surprises culture by getting their senior leadership team to model candor and openness and encouraging an information-sharing amnesty from both sides.

- **Be clear and decisive.** The new beginning offers great hope as new teams come together for the first time and enjoy forming and some storming, but there is a tendency for leaders to step back as they seek input to build consensus. Though this is laudable, in reality we found that the most effective leaders balance this with stepping in and providing greater clarity and direction early on to focus direction and create quick wins.

Post-merger dissonance (4–11 months): confidence, engagement, and productivity will naturally start to dip as the merger fails to live up to expectations

- **Manage your own resilience.** During the integration, it is easy for leaders to get caught up in cross fire, especially at senior levels. Acknowledging their own vulnerabilities helps leaders manage themselves and, importantly, guide the emotional journeys of others. Successful leaders seem adept at being ahead of the emotional curve of the organization. As one CEO said, "It's going to happen: accept it and be prepared."

- **Reconnect and establish key priorities and boundaries.** As the integration progresses, things seldom run smoothly, and people often become disillusioned. At this point, senior leaders must become more visible. At the six- to nine-month mark, effective CEOs spend time reconnecting with the executive team or engaging the top leaders in critical priorities of the business, unifying people in a common direction.

- **Look for the rising stars.** In difficult times, true leadership often shines, and many of the leaders we observed spent a lot of time looking forward and connecting with people rather than engaging in blame conversations. They constantly have one eye on the talent pipeline.

Renewal and regeneration (12–18 months): the inflection point of increased engagement and emerging leadership

- Be prepared for succession. People will leave and new leaders will emerge, so it is important to have a clear succession plan that aligns to the strategy. Successful leaders anticipate and engage in succession conversations much earlier in the process and often differentiate between short-term talent who can help the organization through the merger and long-term talent who will drive sustainable growth.

- Identify and leverage emerging organizational capabilities. As a result of constant change, organizations hone particular sets of capabilities. Leaders who can spot these are able to turn them into an advantage. At ABC Corp., due to the constant marrying of dedicated teams to work on specific challenges, they created "project management machines," a new capability that is now being harnessed to provide a distinct competitive edge.

Every organization is unique and every merger different. However, one thing is certain—successful integration is a marathon, not a sprint. With the right mindset and with attention to each stage of the integration life cycle, leaders will drive growth and bring their people with them.

We ignite performance.

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We work with CEOs, boards, executives, and leadership teams to lead effectively when the stakes are high. By embracing complexity, we create possibilities where others see tension.

We ignite performance by illuminating the patterns that shape behavior, turning data-led insight into action. Grounded in behavioral science and real-world business experience, we build enduring trust and partnership with our clients to deliver impact that lasts.

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