

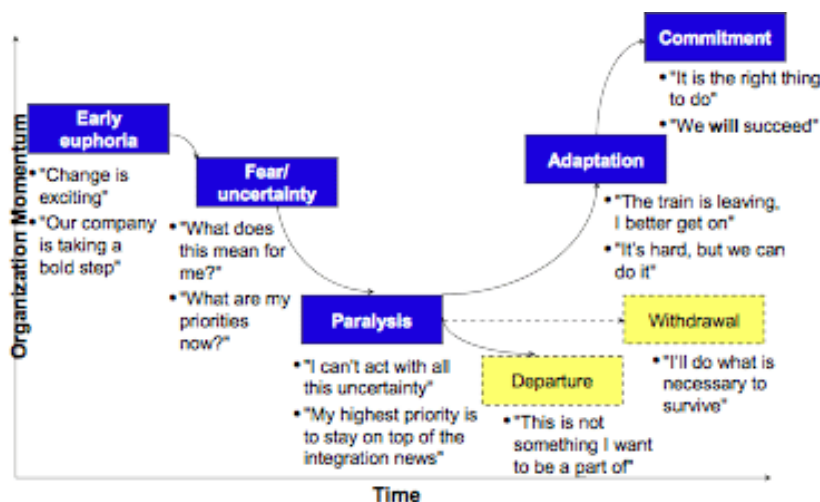
Key Challenges in Post-Merger Integration

by Atilla Habip & Karen Ayas

Much has been said and written about merger integration. Here we briefly highlight five key challenges that executives in charge of a large-scale integration face and offer some suggestions on how to deal with them.

Lack of Communication

The early communications about a merger serve mainly to justify it to the Boards, shareholders, and Wall Street. Once the deal is closed, however, the critical communication challenge becomes convincing the employees of both organizations to commit to the combined enterprise with all their passion. The human response to any change, let alone such a big change, turns to skepticism and withdrawal very quickly. Consider this chart:



Left unmanaged, fear of change and skepticism can easily hinder progress and lead to poor business results. The role of the PMI executives is to over-communicate why the merger makes sense for the employees, how everyone will benefit, and what exactly is being done to integrate the two organizations. The aim is to aggressively drive adaptation and commitment. The tendency we have observed at many companies is to remain silent for too long when, in fact, over-communication and transparency are required.

Focus on Key Synergies

In most mergers, the bulk of synergies will be realized in only a few areas. Yet PMI efforts often get spread too thin over the full spectrum of the integration. Such approaches diffuse energy and sub-optimize outcomes. PMI executives are much better served if they identify the key opportunities and relentlessly focus on those early on.

Successes in these areas in turn convert the skeptics and build the momentum for the full integration.

Master Plan of Integration

Too often have we seen PMI efforts that start and get executed without a master plan. A plan is a communication tool. It informs everyone of what is to be expected and when. A good plan has clear milestones and specific responsibilities. It also facilitates a fact-driven discussion about priorities, activities, and timing—thereby, it empowers a larger set of people in the integration efforts. A master plan is hard to prepare up-front, especially when a lot is still unknown and yet to be explored. But successful executives quickly build a strong hypothesis and adjust it as they learn more.

Retention of Key People

Nothing hurts a merger more than loss of key people. A major focus early on must be on understanding who these people are and addressing each and every case individually to ensure that key individuals remain committed to the future of the combined enterprise.

Learning

Most companies involved in large mergers sooner or later get involved in deals again. Like any process, M&A processes also require continuous learning and improvement. Hence, it is critical that learnings are captured and codified so that they inform future undertakings. Companies that do this honestly and diligently benefit from improved performance over time.

PMI Checklist	
Strategic Vision	1) Define a clear & compelling combined strategic vision to guide all decision making
	2) Identify and prioritize the value drivers and obstacles/risks
	3) Define a clear set of integration principles to guide the process
Merger Program Organization (People & Power)	4) Clarify top management structure
	5) Agree on key decisions and the process/authority for addressing them
	6) Create a strong transition team to implement the integration planning
	7) Identify key individuals and develop a retention plan for each
Integration Planning	8) Develop a master integration plan defining milestones, processes and resource requirements, and instill a disciplined approach to project management
	9) Monitor progress against specific performance measures and milestones for integration and ongoing business
	10) Agree on a desired combined culture and lead a cultural change program
Communication	11) Establish a rigorous proactive communication campaign to address all internal and external audiences
Decisive Leadership	12) Plan & execute