Middle Market executive

Six C-Suite Steps to M&A Success

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by Bob Domenz

The merger and acquisition failure rate is so high—anywhere from 50 to 85%—that the very phrase "M&A failure" may seem redundant. But why is the demise of mergers and acquisitions not only extremely common but also vexingly persistent?

One answer lies in a single word that is ignored all too often: culture.

Most due-diligence and integration plans include robust financial, operational, facility, technology, product and equipment plans—but they frequently fail to have a clear "human plan," a deliberate strategy and course of action for integrating cultures and aligning the newly combined employee team.

The lack of such a plan exacts a high toll. One study reports that "When asked about factors leading to deal failure, 33% of the respondents mentioned cultural integration issues, making it the second most important direct driver," and "…60% of the respondents indicated that unsuccessful cultural integration led to delayed deal integration and implementation."

The C-Suite as culture creators

Even when culture is factored into M&A planning, it is often delegated to Human Resources alone—another symptom of likely failure. Not only is an organization-wide, cross-functional approach required, it must also be visibly led by top management. Unless employees see the C-Suite prioritize cultural integration and personally work at it, they will not give it any priority in their own activities, perceiving it as less important than the "bottom line" performance factors by which they are most often judged.

So what steps can the leaders of merging companies take to more quickly lay the foundation for an aligned and productive culture? Based on my years of helping middle-market companies through post-merger integration, here are six key considerations.

1. **Thoroughly diagnose culture early on.** It's crucial to involve key stakeholders of both organizations: leadership, employees, sales and–most importantly–those who the culture exists to serve: your customers. By first determining what matters most to customers you will establish the foundation for the customer-centric culture essential to your growth.

2. **Identify a purpose and goal the new organization can rally behind.** People rally together for something they believe in. If they believe in the same things, they're on the same side of the fight, an unbeatable force. If they don't agree on what's important, they end up fighting with, instead of for, each other (an un-manageable force). Digging deep to discover the true purpose and goals of the newly combined organization—and then inspiring leadership, managers and employees to embrace them—has tremendous power to erode territorial and legacy issues, politics and priorities and build a strong, forward-thinking team.

3. **Use brand as the driver of integration.** Brand answers the questions of "Who are we? What do we stand for? What's our value proposition, and what is the best market message to get it across?" A disciplined branding process can speed alignment and integration by definitively answering these questions and getting the entire organization on the same page.

Sandy Howe, SVP, Global Marketing of ARRIS, describes the effect of branding this way: "I've gone through a lot of acquisitions throughout my career, and the leadership team is always asking, 'How do we take the best of the best and come out with a single culture?' The branding process helps with that—and when it culminates in marketing presenting a brand refresh, it's the perfect, practical way to get everybody aligned. That's because everyone in the company will have… a new and fresh everything [from clarified mission, vision and values right through to new business cards]. That in itself creates a new 'one team' reality, because you then look like one team and feel like one team. Branding is a good equalizer to help form culture for a merged company."

4. **Leadership must lead by example.** Cultural conviction is demonstrated, not proclaimed. When employees see leadership exhibit the attitudes and behaviors that embody the desired new culture, it breaks down legacy taboos and inhibitions—and provides permission for employees to truly believe, and join in, the cultural change.

5. **Communicate, communicate, communicate.** The informational stage that follows the post-deal timeframe is particularly critical to M&A success. Often, leadership spends so much time planning and executing the merger or acquisition, they forget that not everyone in the organization is as up to speed, informed or excited as they are. Strategic, on-going communication informs, clarifies, reassures, directs and inspires. And when you think you've communicated enough…communicate some more.

6. **Spotlight and celebrate.** Identify exemplary individuals and groups/teams whose attitudes and behaviors embody the desired cultural change, and shine a light on them by celebrating their accomplishments throughout the organization. Develop an ongoing recognition program to create a culture that becomes self-reinforcing. What gets recognized and rewarded will get modeled and help fast-track your cultural integration.

Avoiding internal pain, realizing external gain

While the pain of cultural misalignment, and the effort to correct it, may seem a mostly internal concern, "getting it right" quickly translates to external benefit. Eric Frank, CEO of Tosca, had this to say not long after my company led his newly merged organization through the integration process: "We're already seeing more leads and more interest in our work. Our customers understand what we can do for them, and it's broader than what we've done in the past. They understand how we can help them now."

M&A need not be the minefield of failure that statistics make it out to be. With early and ongoing C-Suite attention to creating a powerful, purposeful new culture, merging companies should enjoy much better odds for creating lasting success.

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