A CEO's GUIDE:

HOW TO KICK ASS
AT POST-MERGER INTEGRATION

Stack'd CONSULTING®

THE PURPOSE OF THIS GUIDE BOOK IS TO PROVIDE CEOS WITH WHAT WE BELIEVE ARE THE CRITICAL ELEMENTS TO KICK ASS AT POST-MERGER INTEGRATION (PMI).

We want to share what we believe are best practices and hard learned lessons from integrations our team has completed over the years. While we would like to say that we have kicked-ass at every deal we have been involved in, that simply isn't true, and we would like others to learn from our mistakes.

This guide is not a paint-by-numbers approach for how to complete an integration. There are many guides, playbooks, and resources dedicated on how to project manage an integration. While project management is critically important, this guide focuses on how to lead an integration. This guide outlines what we believe CEOs need to be thinking about, paying attention to, and making decisions on, as they progress through an integration. Kicking ass at PMI, starts with the team at the top.

INTEGRATION IS TOUGH.

There is no such thing as a one-size-fits-all approach when integrating two disparate living organizations. The rationale for the deal is different, expected value drivers are different, and most importantly the people are different.

The research (and, every Consultant) will tell you that the odds are against you. You don't have to look far to find an example of a deal that seemed great on paper but didn't achieve the expected value outlined prior to signing. Almost every CEO and leadership team we meet can tell us a story of a merger gone wrong, but for some reason when it comes to their deal they typically go in with the mindset "Not us – we will be fine."

And, some are… but the majority are not, and this is where this guide comes in.

We have broken down the content into three sections that roughly cover the timeline of an integration project:

1. *After signing and before Day 1 (close);*
2. *Day 1 through the first 100 days; and*
3. *Post-100 days.*

The content has been structured in a way to be sequential and logical, but many of the topics explored in this guide may happen concurrently or in a different order.

You might be a seasoned executive and have completed multiple transactions, or this might be your first. Either way, we believe that the lessons in this guide are invaluable when completing an integration.

DUSTIN ANDERSON
FOUNDER & CEO

JORDAN LUDWIG
CALGARY MARKET LEADER

STEP 1:

YOU HAVE SIGNED… SO, NOW WHAT?

CELEBRATE.

TAKE A MOMENT TO REFLECT. CAPTURE YOUR VISION AND EXPECTED OUTCOMES FOR THE DEAL ON PAPER, AS THESE BECOME THE GUIDEPOSTS FOR THE INTEGRATION.

First, Breathe & Regroup

You and whoever you have brought along on this journey needs to pause, take a breath, and celebrate that you got the deal signed.

The real work is about to begin, and you owe it to yourself, your team, and your stakeholders to take a moment to relax, reflect, and regroup.

Likely, you are experiencing some level of deal fatigue and have been on an emotional roller coaster to get to this point. This has been a long journey, from the initial courting, to the serious dating, to committing and signing on the dotted line.

Celebrate. Remember why this deal was done and develop a clear picture of what needs to be achieved. Sometimes the big picture gets blurry or lost through the process, but it will be critical for you to have a crystal-clear vision of why you did this and what needs to be achieved.

It is also critical to be aligned with the stakeholders that govern your organization (e.g. Board of Directors, Private Equity Partners) on the vision, desired outcomes, and pace of implementation to ensure you start off on the right foot.

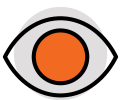
Success Starts & Ends with You

An integration is incredibly disruptive and requires strong leadership to be successful. Every employee will be impacted (it is not business as usual) and you must be relentless at protecting base business, while making the necessary changes to achieve the value outlined in the deal.

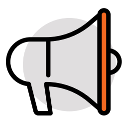
You must understand that integration starts and ends with you. It can't be delegated. You will need to play multiple roles as you lead the integration:

THE VISIBLE LEADER
You need to be visible to gain peoples trust and confidence.

THE PRAGMATIST
You need to take complexity away, when things seem to be infinitely complex.



THE VISIONARY
You are the beacon that keeps the organization focused on the vision, desired outcomes, and value.



THE CHEERLEADER & CHANGE AGENT
You are the person that people will look to understand where the business is going and why change makes sense.

THE JUDGE & JURY
You must be decisive and make decisions quickly without perfect information.

Don't forget you still have to get this deal closed (so, you are also a closer).

YOU CAN'T DELEGATE LEADERSHIP OF THE INTEGRATION.
SUCCESS STARTS AND ENDS WITH YOU.

WHERE THE HELL DO I START?

What your plan is for the integration between signing and close will be dictated by the structure of the deal, the type of transaction, and the types of organizations involved. For example, there might be regulatory approvals required and/or compliance rules to be adhered to.

While every transaction is unique, we believe there are common activities that should be started between signing and close (time permitting):

1. *Finalizing due diligence, especially with a view to integration;*
2. *Engaging the combined senior leadership team in defining and validating the organization's strategy, operating model, and integration priorities;*
3. *Selecting your new leadership team;*
4. *Defining your integration strategy;*
5. *Hand-picking your integration leader;*
6. *Initiating integration planning and starting to execute the plan for an issue-free Day 1;*
7. *Developing your communication plan and starting to communicate with internal and external stakeholders; and,*
8. *Closing the deal.*

This list may feel daunting or you may not feel like you have the time to focus on these activities.

Find the time. The more you can get done before close, the better position you and the organization will be to successfully kick ass at integration.

Spend the time to do integration specific due diligence so you don't get bit in the ass.

Depending on your transaction, you may still be 'digging into' additional items to determine whether you will close. You should also be doing due diligence on items that will help you with integration planning and execution.

For example:

1. *Were there certain items that were found during due diligence that could result in significant integration costs and require further investigation (e.g. IT systems)?*
2. *Were there aspects of the organizational structure (e.g. headcount, span of control, roles and responsibilities) that need to be investigated to help determine the approach to organizational restructuring and synergy targets?*
3. *Does your organization have a proven track record in executing complex projects? Does theirs?*
4. *Does either organization have spare capacity to manage and execute the integration?*
5. *Who are the key resources for retention initiatives during the integration?*
6. *What are the major disparities between cultures?*

While this list is far from exhaustive, it is a starting point on the items we think you should be paying attention to. The results may help you rethink your integration strategy.

FINISH DUE DILIGENCE.

BUT REALIZE A MIND SHIFT IS REQUIRED FROM IDENTIFYING AND MANAGING RISK, TO PLANNING HOW YOU ARE GOING TO GET THIS DONE.

Getting Under the Covers

Prior to signing, everyone is playing some sort of game – it is like dating. Both parties are on their best behavior, speaking in half-truths, promoting themselves, and trying to disguise their weaknesses. Once the deal has been signed and dating has proven to be fruitful, it is about getting under the covers.

The actions, behaviors, and conversations need to change – they need to be focused on forming relationships, building the team, and getting things done.

This can be incredibly difficult to achieve as leaders may have to work with someone who was previously their enemy. They may also struggle to be authentic and vulnerable when they believe they are fighting for their job.

You need this team to be cohesive and willing to work together quickly. The teams' support will be needed early on to establish and execute the required plans to make this transaction real.

To kick ass at integration, it starts with building a kick-ass leadership team. One aspect of creating a kick-ass leadership team is establishing an environment where the team can be open, honest, vulnerable, and take risks with each other.

A quick way to cut through the BS and to focus on what is important, is to get naked. Create an environment where individuals feel comfortable being vulnerable and forming new relationships.

The Stack'd Facts

Are you ready to get under the covers?

In our experience, it is often the CEO who isn't ready to get under the covers. They aren't ready to be authentic and vulnerable or communicate their true intentions.

There are many reasons for why this occurs and isn't because the CEO is being intentionally deceptive or isn't trustworthy. It can be due to a multitude of reasons, such as:

Trying to be someone they are not, in order to develop friendships and relationships with their new leadership team;

Feeling they need to be assertive and 'have all the answers'; or,

Having the desire and intent to be inclusive and collaborative in the development of the strategic direction for the company instead of sharing decisions that have already been made.

The challenge is that leadership teams often see through these actions and behaviors quickly, resulting in a lack of trust and team cohesion. Or, alternatively they are blindsided down the road because what they believe to be true is not, and then you are in damage recovery mode.

THE #1 REASON INTEGRATIONS FAIL IN OUR OPINION — A MISALIGNED AND INCOHESIVE LEADERSHIP TEAM.

Winning Hearts & Minds

These early days of forming and leading your new leadership team, will test your abilities as a leader. Your actions and behaviors will be evaluated by both new and existing members of the team. Leaders will be asking themselves if you are the ‘right’ individual for the job and if they want to be on your team.

To prepare for these initial interactions, we believe you must think about how you are going to show up and focus on ‘winning the hearts and minds’ of the team.

TO WIN OVER HEARTS
Be empathetic. Appeal to their emotions and motivations. Describe what excites and scares you about the transaction.

TO WIN OVER MINDS
Provide a crystal-clear vision of what needs to be achieved and why the deal makes sense.

Resist the urge to show no weaknesses and have the answers to all the questions. Be vulnerable. You are trying to earn their trust as the leader of the organization.

Conducting Your First Meeting

Time to make a positive first impression.

The composition of your first integration meeting should consist of the people you believe will make up your leadership team. This may include people that do not make the final cut and that is okay. Use this as an opportunity to learn about and complete additional due diligence on your leadership team.

The meeting has two objectives:

1. *Begin to align the leadership team on the vision and the expected value from the deal; and,*
2. *Start to build a cohesive leadership team.*

Spend time discussing where you are going and what you are trying to achieve. Stress the importance of protecting base business. Identify Day 1 priorities, such as: key account management; no disruption to operations; and, safety.

Tell stories. You can learn so much from a story. Stories change the tone of the conversation and they break down personal barriers. Have the team tell stories about where they came from, where they were successful, where they were not, and generally what it is like to work with them.

Listen, learn, and laugh.

Be authentic when you pull your leaders together. Leverage your strengths, disclose your weaknesses, and be empathetic to what the team must be going through.

EVERYONE ENJOYS A GREAT STORY. **EMBRACE STORYTELLING TO LEARN ABOUT EACH OTHER AND HELP BUILD YOUR TEAM.**

SAGE ADVICE FOR YOU AND YOUR LEADERSHIP TEAM:

“IF YOU DON’T KNOW WHERE YOU ARE GOING, ANY ROAD WILL TAKE YOU THERE.”

– Lewis Carroll

Setting the Direction

The next integration meeting with your leadership team is wildly important. This meeting is focused on making decisions and establishing strategic, operational, and integration priorities.

Repeat your vision, desired outcomes, and expected value for the transaction. Then engage the leadership team in validating and further defining the vision and strategic direction for the combined organization so that it is real and actionable.

A critical aspect of finalizing your strategic direction will be understanding and challenging each other's assumptions. This is an incredibly important step because the rationale for why this deal was done and value expected, is based on a one-sided set of assumptions.

Communicate your assumptions and test for alignment with your leadership team. For example, during the 'dating phase' you could have felt like you were 100% aligned on the growth opportunities for the combined business, but you may discover that underlying assumptions are fundamentally different on 'how to grow.'

You will know if you are getting to the right place in your discussions if the team is getting aligned on where you are going, there is clarity on what you will and will not do, and you agree to how success will be measured.

Every company has their own ‘secret sauce’. Seek it out, learn about it, and make sure you understand the implications of changing it.

Deciding How You Will Operate

Once you are comfortable that your leadership team is aligned on the strategic direction and expected outcomes, you need to decide how you are going to operate.

To do this effectively, it is more of an art than a science. You need to explore how operations occurred in the past (through stories, process analysis, etc.) and then decide how you will operate in the future. This discussion is at a conceptual level, but in some instances, it might be very specific (e.g. safety procedures).

In deciding how you will operate, consider the rationale for the transaction and the resulting implications on the integration. For example, if the rationale for the deal is to:

- Use the acquired company to enter new markets: Your operating model decisions may leave more of the acquired company unchanged (e.g. leverage their brand and sales structure). This will decrease your integration complexity, but this might result in two distinct cultures and reduced operational efficiencies.
- Transform the business: You will be defining a new operating model and ways to work, resulting in longer integration timelines and increased change management risk.

The decisions you make regarding how you will operate will help you establish your integration priorities and guide your plan for execution.

STACK'D STORIES

NOT APPRECIATING THE SECRET SAUCE

When leaders are defining how the combined entity will operate in the future, they need to spend time understanding why each party has won in the past. If they don't, they risk destroying value instead of creating it.

Stack'd witnessed this first hand when assisting with an integration of an Oil Field Services company.

A decision was made early in the integration that invoicing and accounts receivable (AR) would be shifted to the acquirer's centralized shared service model and ERP software. This decision was made without understanding how invoicing and AR worked at the company being acquired.

When invoicing switched to a standardized, centralized approach, customers stopped paying their bills, putting a significant strain on working capital.

What was learned almost too late, was that the acquired company made custom invoices for every project to meet their client's unique requirements. This high customer touch was part of their 'secret sauce' and was one of the reasons they were winning work and retaining their customer base. The company adapted their internal processes to better serve their customers and were not focused on internal operational efficiency (i.e. a centralized shared services model).

While the ultimate decision would remain the same, it required significant communication with clients to transition over to the new approach.

Don’t put names in boxes until you know what boxes need to be filled and you know that you have the right people on the bus.

Designing Your Organizational Structure

There is a tendency to put names in boxes as soon as possible, and often before signing. Please don’t do this.

During negotiations you must agree to who will be the overall leader, but as much as feasibly possible, don’t go beyond that role. Too many promises and assumptions are made (e.g. my team is better than theirs) early on that result in a sub-optimal organizational structure and an inefficient organization.

Take the time to do this right. Make sure you understand the strategic direction and how you are going to operate, before you finalize the structure. Learn about who is on your team, their capabilities, and desires, before you select who should remain on it and their role.

You may have had the right structure and team in the past but acknowledge that the business has changed with this transaction. Different skills, capabilities, and structure may be required for example, if the business has doubled in size. Ensure your structure and team is the ‘right’ one for where you are going, not where you are. Your stars today, might not be your stars tomorrow.

You will (and should) feel an urgency to set the structure and pick your team. The only thing you need by Day 1 is a defined process and timeline to finalize the structure, so that you can communicate to the organization on what to expect.

The Stack'd Facts

Avoiding turtles on fence posts.

"Anytime you see a turtle up on top of a fence post, you know he had some help."

– Alex Haley

Way too often in integrations the developed organizational structure will have odd manufactured roles or have people put into positions where they simply don't fit. This may be due to promises made early on during negotiations (such as 'we will keep everyone'), or it might be because you are trying to be nice and find someone a 'home' in the organization.

Design structures with purpose that enables the vision. Don't start with inefficiency and confusion. It is better to be kind, than nice, and part ways with those individuals that truthfully don't have a clear role going forward. It will be better for all involved.

Avoiding 1+1 < 2

Synergies make a deal more accretive. The theory is “the whole is greater that the sum of its parts.” Unfortunately, when a deal is evaluated years later, often it isn’t the case.

This is because historical business levels were not maintained post-close and/or synergies weren’t achieved. Therefore, you have two priorities to achieve expected value:

Protect base business

Achieve targeted synergies

Seems simple.

You must anticipate some lost productivity when the transaction is announced, and as the integration progresses, simply due to changes to and distractions within the business. Leaders need to pay attention to, protect, and grow base business.

The challenge with synergies is they are ‘a guess’, based on a one-sided set of assumptions and underpin the economics of the deal. As a result, you need to review and validate synergies and identify any additional synergies to be pursued. This is a time to listen, get quality financial information, and challenge initial thinking. Based on broader input, you will better understand what is realistic, the degree of effort required, and the level of risk to pursue identified synergies.

Establishing Your Scoreboard

What gets measured, gets done.

Develop a scoreboard that is used to proactively manage and monitor the progress of achieving the desired business outcomes during the integration. This scoreboard is different than the updates you will receive from the integration office on integration health (e.g. % complete).

Developing a scoreboard tied to business outcomes creates a mechanism to: drive alignment on business priorities, provide clarity on accountability, and create a sense of urgency.

Components of your scoreboard should:

- Be aligned with the deal rationale (i.e. the 'why'). For example, if the transaction is based on scale and efficiencies you will want measures focused on operating margin improvement, customer retention, pricing improvements, and cost synergies.
- Clearly articulate the goal and the existing baseline to measure performance against. For example, reduce operational costs by $5 MM by Q4.
- Share the scoreboard with the stakeholders (e.g. those that govern the organization, leadership team, integration team, and the broader organization) when appropriate.

Given that you will be evaluated on protecting and growing base business while achieving synergies – measure those items from the start.

Defining Your Integration Strategy

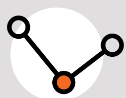
Up until this point, we really haven't focused on how the integration should be planned and executed. That is because we believe that integration is a leadership ~~challenge~~ opportunity focused on what needs to be achieved by the business rather than a project management challenge.

The foundational building blocks of an integration are focusing on the leadership team, getting alignment on the 'why', defining how you will operate, and reinforcing the value that is expected. With this understanding you can define your integration strategy.

What is an integration strategy? We believe it is a set of high-level guidelines that drive integration execution and decision making.

The leadership team will need to provide guidelines on how the integration should be executed. These guidelines should be grounded in the rationale and expected value for the deal. For example:

DEGREE OF INTEGRATION
Complete absorption, select components, or let the acquisition stand alone.



PROCESS INTEGRATION
Pick one, or best of both.

INTEGRATION PACE
Fast (time is money), or gradually (to minimize risk and disruption).

Put some stakes in the ground early on that will help you and the integration teams make decisions.

Defining Integration Governance

While integration at its core is a leadership challenge, you also need project management discipline to kick ass.

You will need to setup formalized project management governance processes, structures, and teams to execute the integration. Determining how you should resource this complex, high-stakes initiative, is a challenge that rests with you and your leadership team.

Figuring out how the integration will be governed and executed can set the tone for the integration. This is because this will be one of the first visible outcomes of how the organization will be run on a day-to-day basis. For example, if you only pick leaders and team members from your company, what message are you sending?

Things you should be considering:

- How will decisions be made, and issues resolved? Who has decision-making authority?
- Who is the right person to lead the integration from a project management perspective?
- What will the composition of the teams be? From which company?
- How will you free resources' time for the integration?

No matter how much you like or dislike disciplined project management – embrace it for the planning, execution, and management of your integration.

Handpicking Your Integration Leader

While success starts and ends with the CEO, having a strong Integration Leader will help elevate you out of the day-to-day. The Integration Leader is responsible for the overall planning, management, and execution of the integration.

It is your responsibility to pick 'the right' Integration Leader to manage and execute this daunting task on behalf of the organization. To be successful in this role the Integration Leader needs to:

1. *Be well respected by the leadership team;*
2. *Be an effective communicator;*
3. *Understand the drivers of the business and how it works (but does not need to be an expert in all aspects);*
4. *Be strategic, but can dive into the details when required;*
5. *Have the desire and courage to break down walls and barriers to do what is right, not what is easy;*
6. *Be a leader, facilitator, mediator, decision maker, and cheerleader depending on the situation; and,*
7. *Understand project management.*

We recommend that you pick an up-and-comer who is currently not part of the leadership team to lead the integration. Have your leaders focused externally and on protecting base business, and test a 'rising star' in a challenging role.

Your Integration Leader should have the leadership team's respect, be a great communicator, and is known for 'getting shit done'.

The Stack'd Facts

Resourcing & Integration

An integration will take most people out of their comfort zones for a multitude of reasons:

1. It is a politically and emotionally charged environment
2. You can't work in isolation
3. It is a cross-functional exercise
4. You typically work with people you don't know
5. You need to get results quickly
6. You frequently make decisions with incomplete information

Therefore, look at integration as an opportunity to test your team and bench strength.

Plan for this being a full-time job for those involved, when they are involved. Resources should be engaged for specific integration activities and tasks and then when done, return to their day-to-day jobs.

Have a plan for resourcing that can ebb and flow as the integration progresses and to respond to the unknowns – because that is almost a certainty during an integration.

PLAN
FOR
DAY
ONE

With your Integration Leader picked and integration strategy defined, you can start to develop your integration plan. We recommend that you split your integration plan into three phases: (1) Day 1; (2) First 100 days; and, (3) Post-100 days.

Your initial focus is on Day 1 (close) and will include identifying the activities that need to be completed before, or on Day 1. When the team starts down this path, it will seem like everything is a high priority. The challenge is you will have limited time to complete these activities (often only a few weeks).

Your job, with the assistance of your Integration Leader, is to vet the evolving plan and ensure the team is focused on the 'right things' (i.e. the wildly important). For example, does everyone really need new business cards? Or, should Day 1 activities be spent on ensuring employees get paid, retaining key accounts, ensuring there is no disruption in operations, and everyone is safe? For the activities that are identified as nice-to-have versus need-to-have for Day 1, push them out further into your integration plan.

Build a plan to prepare for Day 1, execute it, and resolve issues quickly. Doing so, will prepare you to have an issue-free Day 1.

Your Day 1 integration plan needs to only focus on the wildly important things that need to occur before, or on Day 1.

Understanding that Culture is the Game

As you begin to build and execute upon your integration plans, don't forget about culture. Lou Gerstner once said, "I came to see, in my time at IBM, that culture isn't just one aspect of the game; it is the game." This could be the mantra for PMI, because if you don't get culture right, you will be fighting it every day.

But how do you get culture right when it's a nebulous concept, it's based on a set of implicit values and beliefs, and often gets limited leadership attention?

You and your leadership team need to understand what is driving employee behaviors, attitudes, and motivations at the two companies (i.e. the 'as-is' culture). Identify where strong sub-cultures exist across the business, as there usually isn't just one. Explore where there are areas of alignment and disparity between organizations.

Where there are large differences on cultural dimensions make sure you tackle them head-on or it will manifest itself like 'oil and water'. Explore these disparities and understand how these items contributed to each organization's success and to understand the implications of changing them. Then work together to define what the culture will be and prioritize the changes required (e.g. behaviors, processes, etc.) to get there.

Disparate cultures can negatively impact you if you don't pay enough attention. Make culture an integral part of your integration plan and a priority for you and your leadership team.

The Stack'd Facts

Changing Culture Could Be the Toughest Thing You Do

So, when you discover that there are significant disparities between cultures during an integration, what are the best ways to drive towards a single and desirable to-be culture?

In our experience, there is no fool-proof way to succeed, but we do believe there are some common steps to increase your probability of success:

Assess existing cultures and try to identify the dominant cultural attributes (e.g. autonomy vs. command and control)

Seek to understand how the cultures manifest themselves daily by encouraging story telling. Stories are personal, relatable, and make an ambiguous topic more real.

Describe what you believe the culture should be and identify what behavioral changes are required.

Focus on the one or two behavioral changes that will have the greatest impact on reinforcing the desired culture.

For those one or two items, be very specific on how those behavioral changes will be demonstrated.

Hold the leadership team accountable to those changes.

Continuously monitor and reward desired behavior.

BE AWARE: In many cases we see CEOs imply compromises that they have no intention of keeping regarding culture. This will negatively impact your success - be honest and authentic about the culture you want.

You Can't Over Communicate

In our experience, communications does not get the attention it deserves. While we typically see that communications is a priority for Day 1, its relative importance quickly dwindles after the first few weeks. In the following pages we have outlined some of our key learnings that we think will help you and your leadership team excel at communications.

Communications will require a great deal of effort and special attention. This is a significant change and people will want to hear your story, will have many questions, and will want to know 'what's in it for me?"

Realize that every word you say is going to be heavily scrutinized and will establish the record to which you and the organization will be held accountable. Even more so, what you don't say may have more impact, create speculation and rumors, and result in unexpected angst you weren't prepared for. You need to control the message. You will not be the only voice in everyone's ears, but you need to be the one they listen to.

Don't do this off the side of your desk. Be deliberate with what you communicate, to whom, and by who. Know this – you can't over communicate during an integration. You need to have a plan, execute it well, listen to feedback, and 'rinse and repeat'.

Communications may or may not be your forte, but you need to control the message. Have a deliberate plan, communicate often, and listen to the feedback.

The Stack'd Facts

Don't be a self-absorbed communicator!

Many leaders focus on getting their message out there and turn a blind eye to the message that comes back.

We believe that to be good at communications during an integration will consist of 30% planning, 20% execution, and 50% listening and responding to feedback.

Feedback is a gift. Use the feedback you and your leadership team receive to understand what stakeholders truly care about. Then adjust your priorities and communications to better address their needs and concerns.

Employee Communications

One critical aspect of your communication plan must be dedicated to your employees. Your employees require special attention as a merger or acquisition creates a great level of uncertainty. This uncertainty comes primarily from a fear of the unknown and a potential threat to their livelihood. Therefore, your communications must answer the question, ‘how will this impact me?’ For example,

1. *Are there going to be layoffs? Will I have a job?*
2. *How will you select the employees that will be retained?*
3. *Will my salary and benefits be changing?*
4. *Who is my boss?*

Proactively address these questions in your communications to your employees, even if you don’t have all the answers. In the cases where you don’t have the answer, acknowledge it, and provide a description of how and when it will be resolved. If these questions aren’t addressed you will see high-levels of stress, low employee engagement, increasing levels of turnover, and lower productivity.

Communicate these messages across a variety of mediums (one of which must be face-to-face) and provide opportunities for two-way communications. Listen to the feedback and respond.

HAVE DELIBERATE AND FREQUENT TWO-WAY COMMUNICATIONS WITH YOUR EMPLOYEES THAT FOCUS ON WHAT THEY CARE ABOUT, NOT ONLY WHAT YOU CARE ABOUT.

MAKE

COMMUNICATIONS

A PRIORITY

Communications Best Practices For An Integration

To kick ass at integration you and your leadership team will need to be effective at communications. How you go about doing so will be based on your individual style, company culture, what your stakeholders need, feedback received, and the deal itself.

There is no full proof approach to communications during an integration, but making sure your communications are frequent, purposeful, and fact-based to both your internal and external stakeholders will go a long way.

Additional critical learnings from our experience that you and your leadership team should consider:

It can take up to seven times for message to be heard and understood.

Reinforce the vision and do it often!

Face-to-face communications is always better.

Don't speculate. If you don't know the answer, say so, and tell them you will let them know when you do.

Tackle rumors early.

Don't stop communicating.

STEP 2:

THE FIRST 100 DAYS

TELL YOUR STORY.
BE VISIBLE.
LISTEN TO UNDERSTAND,
NOT TO RESPOND.

Getting Through Day 1

Day 1 is when you officially close and announce it to the world. If you are publicly-traded, the world was anticipating this, and if you are private, the world might be surprised.

Today, your role is to be visible and communicate the combined organization's vision, the expected value of the deal, and how you will combine to form an integrated organization. Talking points may differ, but this announcement must happen internally and externally.

Remember, communications need to be two-way. Your employee base will want face-to-face communications and you need to make all efforts to be visible (or plan a combined effort from your leadership team). Your customers, suppliers, and partners will want to understand 'what is in it for me?' Listen to them as well as you learn a lot about what is important to them. The results of this feedback may change your initial integration priorities.

This is a day full of mixed emotions. There will be those that want to celebrate, those that fear the unknown (both customers and employees), those that feel overwhelmed, and those that feel Day 1 was an anti-climactic event. Don't lose steam if it is the latter, as the next 100 days will define whether you led a kick-ass integration or not.

The Stack'd Facts

The Non-Event

If you and your leadership team adequately planned and successfully executed your plans prior to, and on Day 1, often Day 1 will feel like a non-event. All those things the Consultant told you to be worried about never happened, and generally everyone is excited about the deal – so this will be easy right?

For some deals it will be easy, but most will have their challenges. Embrace the success and maintain the discipline to keep planning and executing the integration so that at the end of it all you can say "the integration was a non-event".

Building The 100-Day Plan

The first 100 days of an integration will have a disproportionate impact on the success of the integration because within the first 100 days:

- It becomes real for employees, customers, and partners;
- People will understand what type of leader you are;
- You and the leadership team will make or lock-in most of the decisions that define how you will operate;
- Both you and your employees will determine if they should be on the bus; and,
- Your customers will let you know if they are bought in, or if the integration is negatively impacting them (and, therefore negatively impacting your base business).

Reinvigorate the integration planning process for the next 100 days and beyond. Get the 'right' managers and resources in the room that can not only help you plan what needs to get done but will own the outcomes when the integration is completed. Communicate the integration strategy, integration priorities, key milestones, and the expected business outcomes the integration needs to achieve.

Create a sense of urgency and make sure the organization is focused on what matters most.

You set the direction and provide clarity in what needs to be achieved during the integration. Then get out of the way, so your team can get it done.

Finishing the Organizational Structure

One of the top priorities within the integration plan is finalizing the organizational structure and determining ‘who is on the bus’. Depending on what was achieved before closing, your role and level of activity in this process may vary.

What must occur regardless of your role:

- Have and enforce a defined and consistent process to select employees and finalize the organizational structure;
- Communicate to employees the process and timeline that will be followed;
- Don’t allow leaders from different areas of the business to do this differently or on different timelines;
- Make sure there are defined transitions plans for individuals changing roles so ‘no balls are dropped’;
- Follow the golden rule “treating others as one’s self would wish to be treated”; and,
- Carefully track and capture any headcount synergies that have been realized.

The sooner you and the leadership team can provide clarity to people on if they have a job and what they are responsible for, the sooner you will see productivity and customer focus go back to where it was before the deal was announced.

Don’t allow the selection of people and finalization of the organizational structure to drag along. Get on with it and treat people with respect and decency.

Proactively manage the ‘white space’ and probe into items with your leadership team to identify and resolve issues early.

Managing the White Space

As the organizational boundaries are defined, processes are put in place, and technologies are implemented, you and the organization will quickly learn what is working and what is not. As changes occur, you must apply special attention to is managing the ‘white space’ in the organizational chart.

What do we mean by ‘white space’?

If you think about a traditional organizational structure, it cascades down from you, highlighting the organization’s leaders that are either grouped by business unit, functional lines, or geography, and then supported by their teams. Between these various groups there is often a ‘white space’ (or void) in the organizational chart.

These ‘white spaces’ are what silos are based on - it’s where hand-offs occur between teams and where dynamic organizations live and thrive. It can also be where frustration originates, where balls are dropped, and efficiency is lost.

During the early periods of an integration, this is where many issues will manifest from a people, process, and technology perspective. Proactively monitoring and managing this ‘white space’ will help you manage risk before it becomes an issue.

HITTING A CURVE BALL

Even with best intentions, great people, thorough planning, and solid execution, you will still likely experience a curve ball or two during an integration.

Depending on the issue being faced, this is where you quickly and carefully need to understand the role you should play:

THE VISIONARY

Sometimes the quickest way to resolve the issue is to re-ground the team in the vision, desired outcomes, and expected value.

THE PRAGMATIST

Integration teams often get lost in the detail, make things bigger than they are, and don't know where to start. Remove roadblocks and simplify.

THE JUDGE & JURY

In some instances, someone just needs to make a decision. Listen, identify if it's your decision to make (often leaders feel paralyzed to make decisions they are responsible for during an integration), drive resolution, and follow-up on execution.

THE CHEERLEADER & CHANGE AGENT

Often the issue being raised is rooted in a lack of willingness or fear of change. Embrace these opportunities to be the cheerleader and create the awareness and the reason to change. How you manage these issues could have a lasting impact on the success of the integration.

PLAN FOR THE UNEXPECTED DURING AN INTEGRATION.
DON'T LET ISSUES FESTER. HAVE A DEFINED PROCESS ON HOW TO ESCALATE ISSUES AND UNDERSTAND THE ROLE YOU PLAY IN THEIR RESOLUTION.

The Stack'd Facts

Quickly mobilizing, to resolve the unexpected

When an unexpected high-priority issue is identified during an integration, it is best to mobilize resources as quickly as possible to resolve the issue.

We recommend creating a 'SWAT' team that quickly forms, resolves the issue, and disbands just as quickly. These teams form and sit outside of the defined integration teams but still report into the Integration Leader (and potentially the CEO, depending on severity of the issue).

The composition of these teams usually consists of cross-functional resources that have the knowledge, expertise, and executive support and buy-in. Most importantly, they are known for 'getting shit done' (not unlike the Integration Leader we talked about earlier).

The best guidance we can give you? Empower the business to move fast and address smoke, before it becomes a fire.

Having Relentless Focus On Value

You need to create a sense of urgency on achieving the business outcomes that underpinned this transaction. Ultimately, this is how the company (and you) will be evaluated on whether the deal was a success.

During the first 100 days, the key to success is making this a shared priority and visible to the leadership team, the integration office, and the organization. This is where that scoreboard comes in that was developed prior to close.

The scoreboard will help you drive accountability in achieving desired outcomes and will provide you with insight to where attention should be placed. For example, if the scoreboard includes a customer retention measure and it indicates that you are losing customers, it might be an indicator that people are too internally focused, a common issue during mergers.

Another key aspect will be monitoring the achievement of synergies. In our experience, synergies don't get enough attention, or too many excuses are made about why they haven't been achieved. Remember that often the multiple (or premium) that was paid is based on achieving synergies. Don't allow this to occur on your deal, keep synergies visible, and hold the leadership team accountable for their achievement.

DON'T TAKE YOUR EYE OFF THE BALL! ENSURE YOUR TEAM IS FOCUSED ON AND HELD ACCOUNTABLE FOR ACHIEVING DESIRED BUSINESS OUTCOMES.

Staying the Course

We just prepared you for anticipating the unexpected during an integration. Another thing you should anticipate is that the team will challenge decisions that were previously agreed to during negotiations or integration planning phases. Especially, when those decisions change how things were historically done.

Executing an integration is liking being in a pressure cooker. When people feel under pressure, are overworked, and are faced with uncertainty, they will want to revert to what has been successful in the past. This can put doubt in an individuals' mind on whether you are going down the right path.

So, what do you do?

While each situation will be unique, don't get in the habit of rehashing decisions made in the past. That said, we believe you should approach these situations by not immediately reacting, but methodically assessing if you should change course by asking yourself:

WHAT
has changed since we made the decision?

WHAT
type of information would change your mind?

DOES
this decision require you seeking counsel? If so, what information will you be seeking?

WHAT
are the implications of changing course?

BE COMFORTABLE THAT YOU WILL MAKE DECISIONS WITH IMPERFECT INFORMATION AND THAT YOU SHOULD STICK WITH YOUR DECISIONS.

Focusing on Your Leadership Team

Protecting and growing base business will be dependent on the leadership team having clarity in their role and knowing how the business will be led and managed. When the integration is in full swing and in the first 100 days, this is your integration task.

You need to provide clarity on what you are holding leaders accountable to and what decision-making rights they possess. Too often we have seen leaders during an integration finding themselves not clear about who is responsible for what or find that there are unforeseen gaps and/or overlaps in responsibility. We also have seen leaders that don't understand what decision-making authority they have because it hasn't been communicated or discussed.

You must also focus on the team's accountability. Define how you and the team will collectively lead and manage the business. Be clear on what meetings and committees you will have, when will decisions will be made as a team vs. individually, and how you will show up and behave. While this seems simple, it doesn't get enough attention.

Have these conversations. If you don't, expect your productivity to decline, teams pulling in different directions, and ultimately results being missed.

YOUR LEADERSHIP TEAM NEEDS LOVE TOO. SPEND TIME MAKING SURE YOU AND THE TEAM KNOW HOW THEY ARE GOING TO LEAD AND MANAGE THE BUSINESS.

Squashing Passive Aggressiveness

No one appreciates passive aggressive behavior. Unfortunately, you will likely experience it and will need to deal with it.

Why does this occur? For some, it is their natural DNA. For others, it is defense mechanism to avoid conflict. It can occur more frequently during an integration because leaders don't know how you will react when challenged publicly, or they want to appear like they are onboard in front of their new boss.

Optimally, your leadership team will have healthy conflict and debate on key decisions. Instead, you are likely to experience alignment and consensus on key decisions from your leadership team. Then when it comes to executing those decisions, you will see passive aggressiveness from those who weren't truly aligned.

Some people are more overt with this behavior while for others it is hidden. Look for leaders stalling when making decisions, missing commitments, gossiping, or celebrating wins of the past to demonstrate how the past was better.

You must get out in front of this behavior and not allow it to occur. Passive aggressiveness cascades quickly, especially for people that don't want to change, fear the unknown, and want to protect the past.

Encourage constructive conflict, draw out healthy conversations, appreciate the past, and don't allow people to be passive aggressive.

The Stack'd Facts

Using Integration as an Excuse

The way leaders show up and behave during an integration will quickly cascade through and define what is acceptable behavior in the organization. Staff will be paying attention to what work the leadership team is focused on (not, what they said was important) and will see what behaviors seem to be acceptable in this new environment.

Unfortunately, in many cases some leaders don't perform or behave in a manner that is aligned with performance expectations. You might see them:

Losing focus on their customers;

Not living organizational values; and,

Not achieving desired results.

When confronted, we have observed these leaders use the integration as an excuse for their poor performance. The excuses vary, but typically relate to the integration taking up too much of their time, pointing fingers at others, and abnormal levels of change and uncertainty.

You must hold your leaders accountable for their performance and behavior during an integration, just like you would every day. If you don't hold your leaders accountable from Day 1, it will quickly cascade and manifest itself in ugly ways. Remember, everyone is watching you and your team's every move!

Avoiding Rearview Mirrors

Most people do not like change and often adamantly resist it. The reasons why are unique to each individual, but it is often caused by not understanding why they should change (what's in it for me), they are comfortable with the status quo, or they don't feel like they were adequately engaged in the design of the change.

This is when people hang on to the past or more importantly, what is familiar. They will say statements such as, "at Company A, we used to do it this way." If these statements aren't challenged, you are allowing them to embrace the past; to look through the rearview mirror. This behavior will hold your company back and will limit the likelihood of achieving your vision.

As the lead change agent and cheerleader, you need to make sure that communications and behaviors reinforce the desired future state. While we encourage you acknowledging how things operated in the past (good and bad), you must get your team rallied around the future; looking through the windshield and focused on where you are going.

You need to get ahead of this behavior quickly because your customers will pick up on this sentiment. If they weren't supportive of the transaction, this gives them ammunition to not move on, reinforce why the past was better, make noise in the market, and possibly switch to one of your competitors.

Paint a picture of a brighter future so that people want to change and avoid holding on to what is comfortable.

STACK'D STORIES

STUCK IN THE PAST

We completed an integration between two market leaders where the employees from one of the companies would not let go of the past. There was a strongly held belief that their way of doing things was superior compared to the company they were merging with.

When the deal was structured there was a belief that each company brought different strengths to the table, and if these strengths were combined, they would perform better in the market and earn larger returns.

What we learned was that one of the CEOs used to motivate and inspire their team by continuously pointing out how superior their organization was in all operational aspects (whether it was fact or fiction). As the integration progressed, it became increasingly difficult to evolve to the organization's selected operating model because people were stuck in the past and couldn't believe that there might possibly be a better way of doing things. They were stuck looking through their rearview mirror and wouldn't accept that they could achieve something better by learning from each other.

The CEO of the new company allowed these behaviors to continue, delaying progress of the integration and impairing the achievement of expected value outlined in the transaction.

CHANGE STARTS WITH YOU AND YOUR LEADERSHIP TEAM. **IF YOUR TEAM DOESN’T ACTIVELY AND VISIBLY SUPPORT DESIRED CHANGES, THERE IS NO WAY YOU WILL SUCCEED.**

Actively Managing the Change

To change what someone does or how they behave is difficult. Individuals experience change in different ways and over different time periods. So, why should you care?

Integration = change.

All integrations introduce some degree of change whether it be the culture, new ways of doing things, or simply figuring out how to work with your new boss. The degree of change will be driven by your integration strategy and decisions. For example, taking a best-of-both approach will result in a high degree of change to people, processes, and systems. The more change you introduce during the integration, the greater the risk of not achieving expected outcomes.

To be successful at integration you need to ensure that change is a fundamental part of the integration plan and not an afterthought. The more your integration leaders consider the change impact of the integration activities and build it into their plans, the more likely you will drive employee buy-in and be able to quickly respond to resistors of change.

Make change management an agenda item for your leadership teams to discuss and monitor. Pay attention to it. The more-and-more you progress from Day 1 the larger the changes that people will experience. The larger the change, the harder it is to move on. So, if you don't want to be stuck in the past, manage it.

CELEBRATE

!!!!!

Celebrating Your Wins

Embrace your role as head cheerleader as you progress through the first 100 days. You need to create excitement, give praise where praise is due, and celebrate the wins, no matter how small or trivial.

Frequently celebrating wins creates the opportunity to reinforce why the transaction was completed, and to reward heroic efforts and exceptional accomplishments. You need to be shouting from the rooftops and making all those that will listen aware of your shared successes.

In addition, celebrating your wins reinforces desired changes in behavior and helps overcome resistance to change. This shouldn't be something that leadership teams only provide lip service to, it should be a lever that leaders draw upon to further progress integration objectives.

We believe that celebrating wins with your customers, suppliers, and partners is also wildly important. They might be resisting change and considering their options. Celebrating wins with your external stakeholders can help you improve those relationships and help them buy-in to where you are going. These celebrations will also cascade down to your front-line staff and will give them the recognition that they deserve.

Find the time to pause and celebrate the wins along the journey.

STEP 3:

COMPLETING THE INTEGRATION

DON'T LOSE MOMENTUM. YOU ARE SO CLOSE TO BEING DONE. **MONITOR AND BE READY TO ADDRESS INTEGRATION FATIGUE.**

Don’t Run Out of Gas

You have made it through the first 100 days. Hopefully, if you successfully executed your 100 Day plan:

- There were minimal to no customer disruptions;
- Key operational decisions were made and are being implemented;
- The leadership team was clear on their individual accountabilities;
- A cohesive leadership team is forming;
- The organizational structure is in place and most staffing changes have been made;
- The desired to-be culture is starting to emerge and required behavioral changes are being reinforced; and,
- Cost and financial synergies are beginning to be realized.

However, the integration isn’t over. This is a marathon, not a sprint. The larger, more complex integration projects still must be completed to achieve desired business outcomes.

Monitor fatigue as it is likely impacting you, your leadership team, and the organization. You don’t want the team to lose focus now. While your efforts dedicated to the integration should be significantly decreasing by this point, you will need to find innovative ways to motivate and incent the resources that are still working hard to make the integration successful.

Transitioning to Operations

At some point you need to wrap up the integration. Integrations can start to have ‘a life of their own’ because it will feel like working on the integration is the ‘new normal.’

Conduct a thorough review of the integration to determine when it is appropriate to wrap things up and transition outstanding activities to their owners. You don’t want to perpetuate the integration ‘project’ needlessly.

A few considerations:

Assess all outstanding integration projects (planned or in-flight) to determine if they are on track and to gauge the level of expected value and risk for each project.

For the projects that contribute less value, or are less risky, build a plan to transition them back to day-to-day operations.

For the projects that contribute significant value, are complex, or introduce increased levels of risk, maintain the integration governance processes and discipline for as long as required.

Have a plan in place to transition resources back into the day-to-day so you aren’t caught off guard when they suddenly become free.

AFTER THE FIRST 100 DAYS, BUILD A PLAN TO WRAP-UP THE INTEGRATION.

Keep your eye on the prize. Be relentless on tracking and realizing expected synergies.

Capturing Synergies

As the integration wraps up and outstanding integration activities are completed, there still needs to be continued focus on monitoring and managing the achievement of outstanding synergies.

Typically, the time frame for synergy realization extends beyond the life of the integration 'project'. This is especially true if you are pursuing revenue enhancing or transformational-based synergies (e.g. an entirely new service offering that is a result of combining the two organizations). It usually takes time to complete the required work and longer yet to see the financial results begin to materialize. You need to be just as diligent pursuing revenue and transformational synergies, as you do for cost synergies.

Ensure that there continues to be owners for outstanding synergies as the integration winds down. Continue to push for stretch targets. In addition, challenge your team to identify and pursue additional synergies that weren't originally identified (assuming the pursuit of them doesn't introduce substantive risk to protecting and growing base business).

You will be measured on how successful you were at achieving and exceeding synergy targets.

STACK'D STORIES

NOT REALIZING EXPECTED SYNERGIES

Stack'd was engaged by an Oil Field Service company to assist with the planning and execution of their integration with a related competitor.

In the due diligence process, the acquirer identified high-level synergy targets that were eventually communicated to the market. After close, we assisted the client in following a defined process to validate and refine the initial synergy estimates from the bottom-up. The final list of synergies was reviewed and approved by the executive team.

As the integration progressed and synergy targets were starting to be missed in certain areas, it was discovered that the executive team was not paying careful attention to the scoreboard to address problems early. In addition, it was revealed that some of the synergy owners had not tested the assumptions that were underpinning the synergy targets. This resulted in a lack of commitment to the targets and their achievement. And, in some cases, leaders were inadvertently taking actions that undermined the achievement of targeted synergies.

With this lack of accountability and true ownership of the synergies by the leadership team, the overall expected value wasn't fully realized on this transaction.

Learning from Past Mistakes

We intended for this guidebook to assist you in kicking ass at integration and reducing the number of mistakes you make along the way. We shared our learnings from our past experiences and are certain that you will learn additional things along the way.

Make sure you spend the time to reflect on how you performed during the integration so that you can build your own playbook for next time. A few questions to stimulate your thinking:

1. *How did you build trust with your leadership team?*
2. *Was your leadership team aligned and supportive of the direction being taken in both their words and action?*
3. *Was there sufficient clarity in leadership expectations and desired business outcomes? Were the desired outcomes achieved?*
4. *Did you drive the appropriate levels of accountability?*
5. *How would you assess your communication messages and efforts during the integration?*
6. *Would you change how decisions were made during the integration?*
7. *Does your culture reflect the behaviors you would like everyone demonstrating on a day-to-day basis?*
8. *What would you do differently next time?*

By no means is this list exhaustive, but we believe this will be a good starting point to self-reflect on how you and your team can do this better next time.

INTEGRATION IS A LEADERSHIP ~~CHALLENGE~~ OPPORTUNITY THAT SHOULD BE EMBRACED.