LAUNCH

White Paper

M&A Integration Best Practices

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that is, until you realize the real work has just begun. What comes
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M&A Integration Best Practices

You've worked for months to identify an acquisition and close the deal. What comes next determines your return on investment, so don't pop the champagne just yet. Your initial rollout, internal and external communications, and change management strategies can help to ensure that you capitalize on synergies and create maximum leverage.

This white paper shares best practices for integrating a merger or acquisition after the deal is signed.

As more companies turn to acquisitions to maintain growth and competitive advantage, deal volume and complexity have grown in parallel. After months, even years, of work, you are ready to celebrate—that is, until you realize the real work has just begun.

What Happens After the Deal?

70-90% of mergers and acquisitions **fail**

44,926 **Number of deals in 2020** — expected to grow due to delayed transactions

50% of failed expectations in mergers are due to **cultural differences and changing operating models**

30% **increase in length of time for deals to close** in last decade

33% of leaders consider their **change program successful**

To achieve the promised value from the deal, companies must work to integrate people, processes, and technology by:

- Understanding cultural differences
- Developing a baseline of how work is done
- Clarifying decision making

Failing to understand how M&A impacts people inside and outside your organization has a significant impact on ROI.

Top Challenges

Shared Vision	Alignment	Change Management
What's in it for customers? Suppliers? Employees? To hit your growth targets, you need a strong 'why' and clear communication plan to tell your story.	To realize operational efficiencies, you'll need to build both cross-functional and newly formed departmental alignment with a **shared game plan, toolset, and processes**.	Even with a strong culture match, change is required from all parties. **An enterprise change management foundation is essential**, even if your company does not yet have a dedicated integration team.

Roll-out Plans: Typical Timelines for M&A
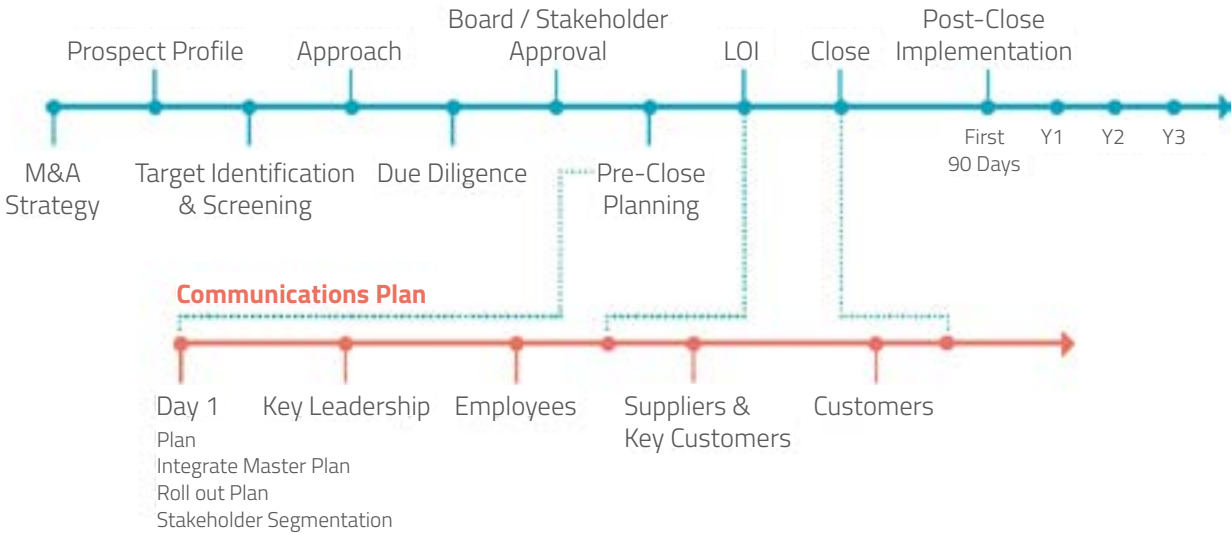
Even companies with an aggressive acquisition strategy and robust integration team typically only map out timelines for the first 90 days. Although in practice, much of the missed opportunity occurs later in years one and two. In the rush of recent market consolidation, many companies find it wise to leave companies to 'business as usual' after the initial announcements. As that stretches to year two, employees are left in a state of uncertainty regarding:

- Their role and continuity of employment
- Decision-making authority
- Process improvements: is iterative or overarching change coming?
- Brand building: division or company brand?
- Product line direction

In effect, your initial desire to keep the day-to-day business operational and profitable slows the pace of innovation. A clearly communicated vision for the new umbrella company, its target customers, and a go-to-market strategy can help employees make appropriate decisions and provide clarity to customers and prospects.

Best practices for a phased approach to change might look like this:

Year 1: Initial Integration	Year 2: Digital Transformation	Year 3: Brand Roll-out
- Vision for culture, brand, and value proposition - Internal development strategy for PR & ad campaigns to drive awareness - Phase 1 brand approach ("a division of…, for example) - Domain strategy - Cross-selling strategy in line with compensation - Increased employee and customer communications - System dynamics analysis	- Customer discovery - Customer experience mapping - Market survey - Cross-department, cross-functional collaboration on new product, new market launch - Announcements around customer experience upgrades, capabilities - Foundation for brand roll-out: CRM, ERP - Brand definition - Strategy review & adaptation	- Re-brand roll-out - Joint/next-gen products to market - Centralization and standardization - Enterprise-level performance measures - Activate sustainment

Of course, this approach varies based on:

- Competitive landscape
- Sales cycles, complexity, and deal size
- Customer concerns, conflicts, etc.
- Union vs. non-union labor
- Buyer vs. seller employees
- Work environments: physical, virtual, and hybrid

Whatever your timeline for integration, don't underestimate the need for communications and change management functions from start to finish.

Best Practices for Internal Communication

Most companies recognize the need for external communications around a merger or acquisition, with clear ownership by marketing. Internal communication gets a little stickier.

Even during 'business as usual' periods, 'better internal communication' is the need most expressed by employees in every organization, every year. Employees want to hear more from leadership, and more cross-functional, peer-to-peer communications.

Many companies start and stop at email, but best-in-class internal communications are:

- **Multi-channel:** Not all employees consume information the same way. Incorporate live meetings like all-hands or town halls, email newsletters, digital displays, video, FAQs, articles, and even text messages when appropriate

- **Multi-stakeholder:** Messages are geared to your audience. Your board of directors shouldn't receive the same message in the same way as your field operators. Understand what's important to them and make it resonate.

- **Timely and on-demand:** Set the expectation of when they'll hear types of news. Establish a rhythm—then make all resources searchable and browsable in your employee portal or intranet. The explosion of technologies in marketing automation, video, and collaboration platforms can help to increase engagement and efficiency.

Launch Team Inc partners to support your internal communications
launchteaminc.com/internal-communication-strategy

Building a Change Management Function

Like internal communications, change management as a function has been a need all along, but it comes to a head in times of mergers & acquisitions. Today, few companies have dedicated resources to manage change—typically practiced by large corporations and holding companies whose growth strategy is driven through aggressive acquisition. The rest make do, choose a Big 4 consulting firm for strategy and execute the plan themselves, or, increasingly, choose a partner to support them throughout the change plan.

Engaging a consultant willing to become intimately involved with an organization can reduce the time spent going through change and can help regain productivity faster. A change management partner with both a comprehensive outlook and the use of a repeatable framework for implementing change can significantly increase success rates.

However you build a change management function, professional support and training can help managers and directors guide their team through the change. Your leadership team will be able to meet each employee where they are and give them the support they need to succeed. This process can reduce time to total project/process implementation, help to stay on or ahead of schedule, maintain or increase employee engagement, and improve outcomes across your organization.

Treating Enterprise Change Management (ECM) as its own project, integrated within your Merger or Acquisition, a change management partner with both a comprehensive outlook and use of a specific framework for implementing change can deliver:

- Increased success rates across all projects
- Decreased cost
- Focus on the future
- Efficiencies and consistency in approach
- Bridges built across silos and between employees and managers

A robust change management function is:

- **Build on shared methodology.** Prosci is one example of research-proven framework builds a common language and understanding in your team.
- **Outcome-focused.** It is not an add-on deliverable or an afterthought.
- **Targeted.** ECM provides resources and attention to the segments with the greatest impact or resistance.

There is no one-size-fits-all prescription for change management. Any undertaking should be based on a deep analysis of your employees' concerns and motivations and the unique needs of your operations.

In one recent case, while leadership had a clear vision, the directors were struggling to communicate and inspire the changes needed in their teams to update and standardize the adoption of new processes and technology. Launch Team's change management support framework proved beneficial in that it supported both new and seasoned managers.

Grouped by department, division, or cross-teams depending on operational needs and/or processes, benefits can be realized beyond any individual project. A regular schedule and agenda that includes facilitated discussion will build interactive problem solving and psychological safety into the culture of change readiness.

Sample Agenda

Current Initiative Status(es):

- **ADKAR** – where is your team?
- Where are your points of resistance? How can we help?
- Where are your successes and best practices? Share!

Your Leadership Journey

- **CLARC** – where are you?
- Where do you need support to improve?
- Share a success story.

A	**Awareness** of the need for change
D	**Desire** to participate and support the change
K	**Knowledge** on how to change
A	**Ability** to implement desired skills & behaviors
R	**Reinforcement** to sustain the change

C	**Communicator**
L	**Liaison**
A	**Advocate**
R	**Resistance Manager**
C	**Coach**

Institutionalizing the ECM process will create strong supervisors who are enthusiastically leading change. These high performers will be able to model the great qualities you are building into your growing workforce. They will cultivate resilient teams who are ready for what's next.

6 Tips and Takeaways for Improving M&A ROI

1. **Work backward from the customer touchpoints**

   From web self-service to customer service reps, distributors, and direct sales, audit the customer experience to make sure it is consistent with your vision and brand. A strong customer focus can also help build team alignment and create a prioritized action list of integration activities.

2. **Arm directors and middle managers with tools to prevent communication breakdown.**

   Communication vehicles, key messages, and templates can help them communicate effectively and specifically to their teams. Peer groups and training can help speed adoption. Any resistance or fear from management will stall adoption efforts.

3. **Know your audience**

   All of your communication efforts will fall short if they're focused exclusively on the company benefit, not the individual upside. Practice empathy and demonstrate a clear understanding of their job, concerns, and motivations.

4. **Prepare for the rumor mill**

   Your vendors, employees, and customers are going to talk—get ahead of it by defining what you can share and when you will share more.

5. **Pick a framework and build a shared language**

   Whatever change management methodology you choose, the core principles are quite similar. The advantage to choosing an existing methodology is the jump-start in tools, training, and common understanding.

6. **Understand the gap and explore your options**

   Gap analysis can help you understand your needs and bandwidth constraints for change management. From a single consultant to an ongoing implementation team, outsourced resources are available with relevant M&A and industry experience to speed your time to ROI.

How can we help you?

**Contact us to discuss your change plans and challenges
launchteaminc.com/contact**