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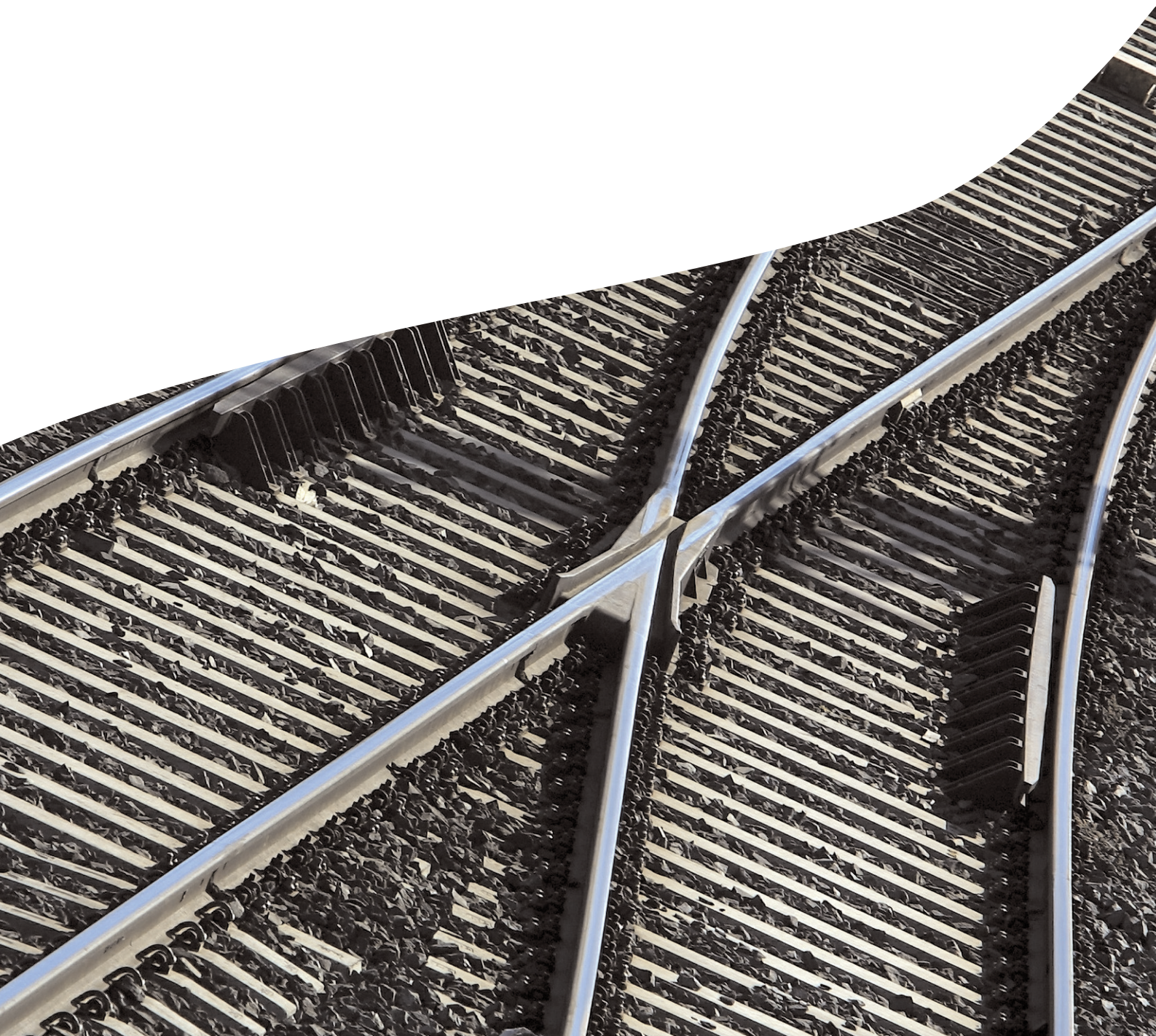
Dimensions for Success…

Capgemini's Perspective on Post Merger Integration



M&A activity has increased in terms of both value and volume over the last two years, but in spite of the current boom, driving value from mergers and acquisitions continues to challenge companies across all sectors. In a recent study[1] Capgemini found that 50-80% of M&A deals failed to deliver expected synergies or shareholder returns.

Just what makes post merger integration so difficult?

Many of the key success criteria published for integration programmes are in fact good general programme management techniques true of any IT/business project. PMI is different - there is more to get right here.

Perhaps we should start at the beginning…

To integrate, first you must acquire - which acquisitions offer the best chance of delivering value? Our research indicates that there are four main factors differentiating good deals from bad deals[2] (as illustrated below in **Figure 1**).

With a 'good' deal struck we proceed to integration. Integration offers the tantalising opportunity to increase market share or capability and accelerate growth, whilst at the same time reducing cost through economies of scale.

From our experience we have identified 7 'Dimensions for Success' that are vital for any integration programme, helping to drive value and keeping the newly formed organisation on track for a successful and customer centric integration.

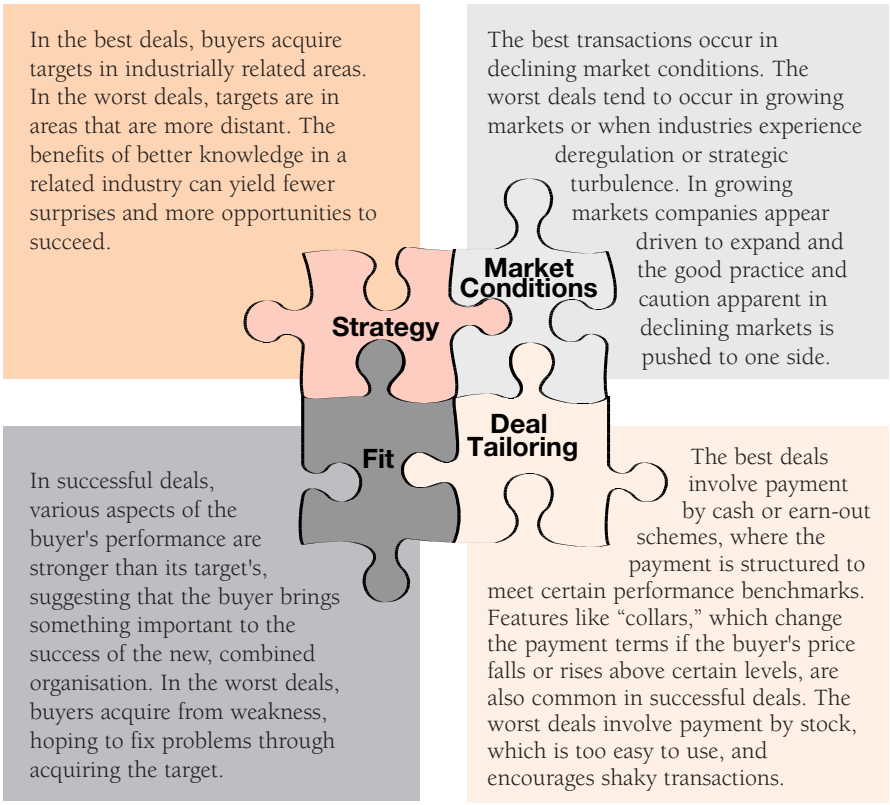


Figure 1: *Good deals, bad deals*

[1]**Source**: Capgemini, *Strategic Research Group study* (January 2006)

[2]**Source:** Robert Bruner, *Deals from Hell*, (August 2005)

The 7 Dimensions for Success

Integrations often fail because they offer new and urgent challenges for the acquiring organisations to manage. Getting these right and running the business as usual with limited resources stretches most organisations to the limit. These challenges fall within the 7 dimensions outlined here - our Dimensions for Success:

1. Strategic Intent

Key to the integration process is having a clear definition of the vision and guiding principles for the integration work. This will ensure that the entire organisation is aligned and prevent conflicting integration activities.

Acquirers must understand the existing strategic landscape to define the vision and guiding principles for integration. Too many integration projects begin with no clear vision of what the new organisation will look like, or even the rationale for the acquisition in the first place.
Clear strategic intent ensures a single vision of the future and a common set of goals for all integration activities.

2. Speed and Timing

Each merger has its own specific speed requirements. Undeniably, slow mergers perform poorly, but forcing change through at an unacceptable pace can lead to unmanageable levels of resistance. Moving integration forward at the optimum pace for each merger is a clear dimension for success.

Timing is all about starting early - planning for 3 months post Day 1 will slow up not only the integration programme but also employees' expectation of change. When Day 1 arrives everyone will expect and anticipate some change. If that fails to happen companies can quickly 're-freeze' with the result that any change becomes more difficult as inertia sets in.

3. Leverage the benefits of due diligence

All too often companies forget the significant amount of priceless data gathered in the due diligence phase prior to any acquisition. Much of this can inform and direct integration teams to recognise the opportunities for synergy and performance improvement; identify the impacts of integration and define the risks and issues for the success of the integration programme. Ensuring that due diligence team members join the integration team and contribute their insight will reap significant rewards.

4. Culture and Identity

Our experience has shown that failure to manage and control cultural challenges during integration can have the most damaging results. Likewise we have found that where identity crises exist - particularly where old identities are retained long after the merger has occurred - failure to manage cultural issues during integration is the predominant cause. This leads to organisational and personal resistance to change.

An understanding of the organisational cultures will enable the identification of similarities to build upon and potential clashes to be managed closely. Interviews, site visits and surveys can quickly build up a picture of the cultural enablers for the integration, informing the integration team on communication strategies and immediate priorities to limit resistance and keep up the pace of the programme.

5. Communication

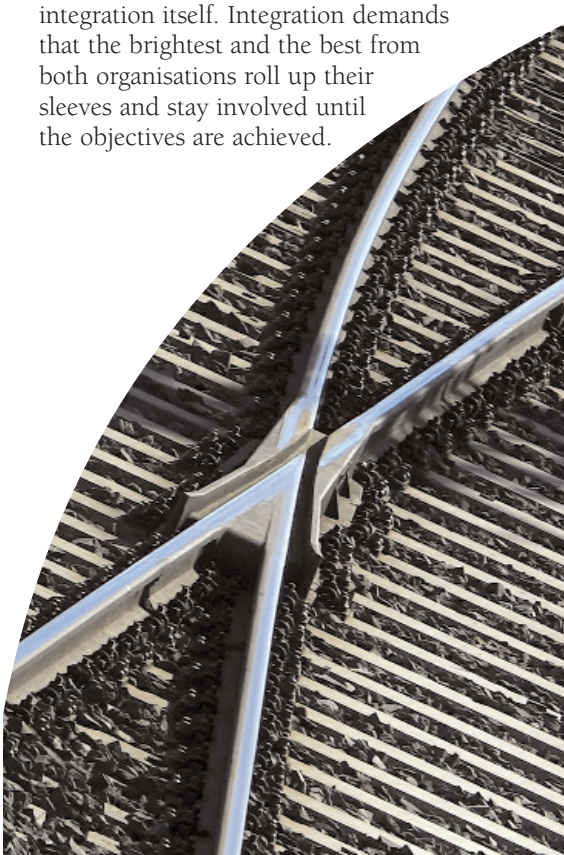
Communication during the integration is essential but we find that poorly managed communication is a common theme across all industries. This leads to a decline in organisational performance immediately post merger - often as a result of employees discussing and worrying about the integration rather than focusing on the customer.
The trap here is over-communication, where a stream of content free data is broadcast to all employees through any and every available medium. This can only serve to trivialise the entire process. Developing a communication strategy up-front and keeping that communication open, targeted, timely and relevant will earn trust and act as a catalyst for a customer focused integration.

6. I.T.

The strategic intent should clearly inform this dimension. IT integration is expensive, time consuming and emotive. CIOs are faced with some tough early decisions on IT. Initially cherry-picking the best of breed systems from two merging organisations may appear sensible but ultimately offers a huge integration challenge. Likewise adopting the acquirer's systems across the board - an option favoured by many - results in strong resistance to change in the acquired organisation, fuelling dissent and adding delay. Clearly a balance must be struck between what must be integrated and what need not.

7. Dedicated integration teams

All too often we find that the integration team retain their 'day jobs'. This denies them the ability to focus full time on what is a most challenging task - managing the integration itself. Integration demands that the brightest and the best from both organisations roll up their sleeves and stay involved until the objectives are achieved.



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… getting the 7 Dimensions right will reduce the risk of integration and help to realise the synergies identified; all this at the optimum speed to minimise resistance to change. M&A remains a high risk venture - with the potential for high rewards for those who can get it right. Perhaps it should come as no surprise that we also find clients who have experience tend to perform better than the uninitiated.

Even so the lessons learnt from experience are often hard won - coming from previous failed integrations. The price of failure being what it is, assistance from specialist organisations can be hugely beneficial. The key with hiring in help - be that in the form of consulting firms or key personnel, is to ensure that lessons learned are transferred back into the organisation ready for the next integration programme.

Mergers, acquisitions and subsequent integration will continue to challenge organisations whatever the business cycle looks like - boom or bust. Irrespective of market trends, the 7 Dimensions for Success remain unchanged.

About the Author

Martin Williams is a PMI subject matter expert and a Managing Consultant in the ITAS (IT Advisory Services) practice of Capgemini Consulting.

Who to contact

Martin S Williams
Internal 700 8756
External +44 (0)870 238 8756
martin.s.williams@capgemini.com

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