Design for Post-Merger Integration Success

GLOBAL PROJECT DESIGN

Deadly Sins of Post-Merger Execution

A Harvard Business School Working Knowledge article (*Nine Steps to Prevent Merger Failure*) deals with the challenges of increasingly complex post-merger integrations.

The authors, Gerald Adolph, Karla Elrod, and J. Neely, address the two-thirds of merger failures associated with execution issues, rather than those with underlying strategic flaws. The article makes the point that "execution related failures can be avoided." It then enumerates "nine deadly sins" and prescribes techniques to avoid or overcome these sins – the secrets of redemption, perhaps.

A common thread emerges from those recommendations for redemption – the criticality of DESIGNING complex initiatives for success.

Designing Before Planning

We draw an important distinction between DESIGNING and PLANNING, suggested by the dictionary definitions of these concepts:

DESIGN: *verb.* To create the <u>form or structure</u> of something in a skillful or artistic way.

PLAN: *verb.* To <u>work out in some detail how</u> something is to be done or organized.

Architects design. General contractors plan. Better design generally leads to better plans. Both are important to success. But they are different.

The Realities of Complex Initiatives

Complex initiatives – like post-merger integration – call for design approaches that address contemporary realities. Global extended enterprises, complex interdependencies, and concurrent work. In these situations, direct work may represent less than half of the effort required to accomplish the intended business results. Coordination in the form of communication, quality control, risk management and decision-making can represent the majority of effort, cost and duration. Traditional planning approaches often ignore, under-estimate or guess at these factors, particularly during the "fuzzy front-end" of planning.

Skillfully designing a complex initiative lays a foundation for more effective planning – and all the downstream management, control, reporting and resource allocation techniques that businesses typically employ.

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The table below summarizes the "nine deadly sins," the article's recommendations for redemption, and the positive impact of initiative design.

"Deadly Sin"	Redemption Recommendations	Benefits of Modern INITIATIVE DESIGN
No guiding principles	Provide guiding principles linked to strategic intent – logic of the transaction, basis for decisions, common direction. Examples: select the best system, process or facility and deploy across the combined entity	• Design integration by capturing best current thinking of those that must deliver • Design and forecast in "real world" units – results tied to strategy – not just effort.
No ground rules	Clearly articulate guidance for how the planning teams should act – how conflicts are resolved and decisions made.	• Collaborative design sessions – rather than back-room or top-down plans • Clarity about roles – including decision making
Not sweating the details	Go beyond top-level management working together well. Address the daunting complexity of most integrations. Deal with barriers include culture, resistance to detail, reluctance to share information, or lack of method.	• Avoid pseudo-accuracy and detail overload • Design & forecast at appropriate detail – refine over time • Test assumptions and scenarios to increase understanding of decisions and trade-offs
Poor stakeholder outreach	Emphasize clear, early and frequent communication about the integration. This extends beyond customers, employees and regulators to include communities, suppliers and others.	• Collaborative design and rapid review of assumptions and scenarios • Increase "buy-in" through participation • Communication expectations in real world progress units (results)
Overly conservative targets	Aggressive, stretch targets essential to overcoming inertia. Clarity about cost savings, revenue growth and strategic expectations. Build targets with reasonable stretch.	• Rapidly and collaboratively design and test scenarios for feasibility to set reasonable stretch goals • Avoid "wishful thinking" plans with insightful designs.
Integration plan not explicitly in the financials	Translate detailed plan into combined entity financials explicitly. While plan will evolve, financial benchmarks should be created and tracked	• Design and forecast in "real world" progress units that drive financials • Forecast scenarios based on output (financial results) as well as effort and schedule
Cultural disconnect	Bringing disparate groups of people requires effort and creativity. Solid, candid communication and substantive events give people the chance to participate – and to articulate expectations and business goals.	• Overcome gaming and terminology issues by designing with clarity along the Product (output), Team and Work dimensions. • Communicate complex initiatives visually and quickly – encouraging informed, high-integrity tradeoffs.
Keeping information too close	Address natural hesitancy to share information – within regulatory constraints. Share what can be shared – and when other information will be available.	• Collaborative design of integration initiative encourages communication. • Fosters plans based on facts and best current thinking of those who will set and fulfill expectations • Reduces "integration by fiat" issues.
Allowing the wrong changes to the plan	Overcome the risk of handing off carefully designed plans to new decisions makers that are not steeped in the balances and considerations that made the plan viable. Be clear about decision rights and changes to the agreed-upon plans, under what circumstances and with what approvals.	• Well designed integrations involve models, simulation and forecasts of real world activity • Collaborative design engages those who will deliver the work, setting expectations and optimizing approach • Early dialog on roles and priorities increases situational awareness to deal with inevitable changes.

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Modern design methods and predictive analytic tools, embodied in Global Project Design's TeamPort™ approach, encourage collaborative, insight-driven integration management. TeamPort allows integration teams to accomplish the following:

- Model the integration efficiently and rapidly at an appropriate level of detail.

- Simulate performance of different integration options – and forecast in real world progress units.

- Refine scenarios through iteration and dialogue among those responsible for execution.

- Reflect often-overlooked factors including communication, decision-making and rework that substantially affect the progress, cost and timing of the integration.

- Provide greater situational awareness of complex dependencies – and enhance the ability to deal with uncertainty and change. Particularly valuable in post-merger situations where, by definition, participants have not worked together before.

In the world of physical products, it's inconceivable that a company would build a new airplane or automobile without the benefit of computer-aided design techniques and tools. Modeling the product and simulating its performance delivers better results, faster and with lower cost and risk. These companies would never think of creating detailed production plans and starting to bend metal without a solid design.

Now, initiative design techniques and tools can extend this kind of benefit to the realm of complex post-merger integration - the road to redemption in the face of those "nine deadly sins."

> "Delay always breeds danger and to protract a great design is often to ruin it."
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> - Miguel de Cervantes