

Post-Merger Integration panel discussion

The Barton Partnership hosted a virtual panel discussion: **Post-Merger Integration - delivering synergies through effective People, Process and Technology**. Our expert panellists were:

- JM** Jon Milsted - Integration Director - **OVO Energy**
- DV** Deepti Velury - Head of Technology & Chief People Officer - **Tag**
- AS** Amrit Seehra - Chief Transformation Officer - **Aviva**
- KTB** Karen Thomas-Bland - Chief Transformation Officer - **Intelligent Transformation Partners**

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Q. What is the best approach to managing the 'people' aspect of an integration?

JM I have a bias towards people in integration success. You can recover technology and process, but if you lose your people, you genuinely lose the integration. You need real strength in your HR people practice to accompany an integration. HR integration work needs to be intertwined within the work that we do day in and day out so it can breathe and feel the organisation's culture as it changes. You need to get buy-in from the whole HR community to make yourself successful.

It's also important to regularly communicate with your leadership teams, mid-managers and people managers about what change is coming through the organisation.

Q. Is that the best way to avoid the oil and water scenario that could occur with anything of this nature?

JM That leads us into communications. For me, using the networks that already exist within an organisation is critical if you want to get hearts and minds bought into the process. The reality is that when you're running an integration, there are upwards of 100 projects running at any one time. You can't manage that out of an integration management office; there's just so much work; you need to make sure the hearts and minds of the organisation are pulling towards the same goal. So, if you can

mobilise that group, I find your success levels generally tick up quite a lot.

DV Comms is one of the key success factors. Over-communicating, telling the 'why' is critical. Why are we here? Why is this integration critical? What's in it for you? What are the key benefits for you? My experience is that if you communicate the key benefits to people upfront and why we are doing it, - show a roadmap of what it will look like in six months, one year, two years - it's easier to digest and gives people a lever to work on through the process and steps.

KTB For me, it comes down to your Deal Thesis; what's the strategy of the deal? This is where I would start. So, how much do you want to bring the best of both together? Is this about an organisation that's acquiring an organisation and just wants it to knit into the culture? Is this actually going to remain separate? You really have to have that strategic intent upfront. If you are knitting people in, as opposed to creating a new culture, then the way you win hearts and minds in that scenario is to find the two or three symbols in the target culture that you can bring across.

JM I 100% agree with that. Deal Thesis drives everything. And the people strategy needs to fall out of that. One of the things I have seen go wrong is not making brave decisions early, particularly on an organisational leadership structure.

Q. In your experience, is PMI best led by an internal team with external support or an external consulting firm providing the integration leadership?

AS If the direction and leadership aren't coming from the internal side then you will not have people in the organisation invested to drive with you. Even if a large contingent of the team are external partners supporting you, everything from communication, engagement, setting the tone and pace must be 100% internal.

JM My preference would always be to own it internally. Don't bury it in a programme of work. It needs to sit high up within the organisation and have sponsorship. That's easier for some firms who may be serial acquirers or do this repetitively; if it's a one-off transaction, then it's not always as easy to create a whole merger integration capability within an organisation, so you will need to supplement that with external expertise.

KTB The most important thing for me is how to create sustainability. If you're using advisors, if you're using interim consultants, whoever it might be, how do you make sure they're leaving you with a methodology and a toolkit so that you have replicability next time it comes around, making sure that you build muscle in it so you can do it repeatedly and perhaps reduce dependency on advisors over time, using them only on the critical parts.

The other thing that sometimes happens is organisations buying something to fundamentally change the business's



operating model. In that scenario, when you're in that highly complex transformation world, it would be naïve to think that you could everything inhouse. That's when I would be considering which interimers, advisors, and consultants to bring around the table.

AS One of the things that I've done was to write a post-merger integration journal, what went well, what didn't go well. So the next time you do it, you can reuse it over and over again, and you start to build muscle. Naturally, you will lose capability over time in any organisation, but it's about maintaining the muscle through a transformational lens.

Q. How important is defining and shaping a new culture? And what does good look like with cultural integration?

DV Firstly, the whole culture conversation is not a one-off. We can't decipher the culture on day one, so there's almost a transition culture. The culture depends on various levers. The first is people. Who is the retained organisation, what capabilities are we going to have in the retained organisation?

The second is clients; what kind of clients do we have? How are our clients structured? What do we service?

The third is the whole process tech; what kind of process technology are we selling? What are our strategic objectives? Through that, we define what the culture should be and work towards broken down KPIs. This is why we need people inside out; we need accountability in the organisation because culture is such a focal point of an integration; you can't have an external consulting firm driving these behaviours, culture and values, because that will be the pinpoint on what an integration is.

KTB One of the things to do upfront is bringing the two leadership teams together. They will be critical in communicating and role modelling the culture that you want to inspire. If you don't get that community on board early on, the efforts can quickly fall away because the target organisation will have a different culture, and their leaders will keep per-meating that.

Second is to define the symbols of the new culture that you want to create, and how you start to knit people into that. They can be simple things like leadership being visible on a customer site. Then it's

about wrapping your arms around people, knowing who you want to retain and putting strategies in place to do that.

Q. To maintain motivation and retain the best talent, is that linked to communications and alignment of the culture and values of the integrated businesses?

JM We always come back to that Deal Thesis, because it will change your behaviour, depending on what you've bought and why it has been bought. Motivating people through the programme is tough. The way I like to structure programmes is with a decentralised PMO with tentacles to the organisation so the organisation can feel like it owns some of the programme, the process, and the change, as opposed to it being done to them. And that's quite a unique way of thinking about it, how the programme weaves itself within your organisation as you integrate. If you get those things right, motivation hopefully comes at the end of it.

Q. How do you maintain 'business as usual' activities whilst the integration is happening?

AS One of the principles I've always had is that any team working on separation activity needs to be fully dedicated and 100% separated from BAU. So, the team needs to be set aside; there needs to be a very clear mandate and remit around the scope of the actual integration. There will be points where you come together around process, and you want to start to bring the team together in terms of how you can actually integrate.

It all comes down to the upfront dedicated IMO integration team and the initial DD hypothesis that was done; how do you make it come to reality? How do you do that deep due diligence to make sure you're structuring your integration with the BAU elements in a very safe, secure, sensible, well thought out way.

Q. How do you ensure business services aren't disrupted for either organisation during this time and track that through the value chain?

KTB My rule of thumb around making sure the business is not distracted is that 90% of the organisation focuses on the base business. If you're dragging people in, you find that the business starts to fall, and you start to see that coming through in the metrics.

That synergy case linked to your Deal Thesis upfront is so important. What is your value case? What costs are you looking to take out? Is that back-office reconciliation, it that procurement costs? There'll be a cost case that you need to track through. On the other side, there's a revenue upside case. What you want to be doing with your customers, I would ring-fence your top 20 customers, and you need to be hyper care managing through the process.

JM You'd have to be very naïve to think that a business can just absorb an acquisition without any detrimental impact. There will always be a trade-off somewhere, whether that's in a cost trade-off or in a resource trade-off when you're entering some extreme period of change, such as an acquisition. So you will fight for resources. You've got to find a way to have those conversations; whether that's a synergy trade-off or a customer trade-off, there will be a finite amount of resources a company has. You need to find a way to work alongside the integration, but there's no perfect silver bullet to this one.

DV Not all companies have the luxury to have fully dedicated resources doing BAU while there's a huge transformation going on; they will be dipping in and out. I feel like there is a cost opportunity analysis. What happens when the BAU guys are not doing the BAU? What are we losing? What's that cost? But also what's the opportunity of them working on the integration? Is it synergies, is it better integration, better culture, better D&I? Whatever they are, we need to measure it.

AS In any organisation, it comes down priorities. To make a PMI successful, for a period of time its needs to be one of the top two or three priorities across the business.

Q. How important a role does technology play in integration? Where are the critical success factors for technology alignment?

AS So, there's an enablement piece for our people and organisations to come together, co-collaborate, work together and get it done. Getting onto a single system, single way of working, one single network, things like that become so important upfront in terms of our way of working and accelerating pace on the integration.

The second piece is around what is the technology end state you're looking at in terms of a combined organisation if it is combined? Or are you picking the best of both because there's one that's better than





the other, and you want to migrate them over to something different? That becomes a very different conversation because where do you draw the line on integration? We have to be very clear at the outset, what is the scope, your timeline on the deal? Otherwise you could be running in perpetuity year after year after year, especially when it comes to systems and systems migrations; they are not short sharp pieces of work.

KTB There has to be good technical due diligence done on the business, and you need to start by thinking about what you're trying to achieve. The other point I would make is about synergies. Often your synergies are predicated on technology and migration of people. For me, that's a really big risk. I sometimes see the value case drifting off because the technology pieces can't be done in the timescale. The final point is, if your IT landscape is messy, the integration won't change that. So, it's what you are starting from, map out all of your current architecture, and then look at what you're trying to map in and what that actually looks like.

JM Understanding where the data resides, and having a team of data scientists to manipulate it is critical particularly if you've got a migration going on.

DV Budget is a big one on technology. It's not simple; there's so many elements of tech. Firstly, you need to establish the strategy, the budget and the timeline. That will really tell us what we can do. In the ideal scenario, we all go on the same systems on day one, which will immensely help cultural integration. If we are all speaking the same language, it has an impact on culture. You need change management experts and solid training. Moving someone from an Oracle into a Workday requires a huge mindset change. It's not so much that the system's hard, but getting teams used to a whole new way of working requires investment, time and budget.

Q. What are your three top critical success factors for a PMI, and your three common challenges and mistakes that should be avoided?

AS Number one is around the value of the deal. Ensure you are very clear about that value, whether it's top line, bottom line, or somewhere else in terms of value. Fundamentally, being very clear that there is going to be a financial driver behind this.

The second is people. It's critical to have your top table - your leadership team -

identified as quickly as possible and getting a level of certainty across the organisation. The third piece is protecting your customers as you're going through the integration when you're doing a deal. Let's not forget why we do this, and the answer to that more often than not is growth and bringing a different level of value and proposition to our customers.

In terms of big pitfalls, the day to day on the ground enablement, let's not overlook some of the basics that we sometimes forget about ways of working. That's hugely underestimated at times. So whether that's things like benefit tracking approach, whether it's people, MI, data and tracking, what does that look like? Being very clear around your integration IMO office, the team, the role, the remit. And finally, what call misalignment. A CEO or senior top table that's not onboard with the transaction and deal and have lost interest pretty quickly. That is a big problem that needs resolving.

DV The three critical things are; 1. Understanding the 'Why' and communicating it. 2. Agreeing the implementation plans and communicating them, working out the to-dos and the nuances of getting there. 3. Everybody agreeing the benefits, synergies upfront so you can develop KPIs, even celebrate smaller successes.

One major issue I've had is that we didn't see what attrition could be and the risk we have of the acquiring entity. Therefore, motivating the team enough to make sure they stay, understand that they're safe, or need them through a period. The second is that decision making hasn't been quick enough; losing time on decision making has a huge impact. I always go with an 80/20 approach on decision making. So even if you're not right, you can course-correct. The third is communicating changes to plans. You're at a pace, usually on an acquisition. When we change track, we probably don't communicate to, A. the stakeholders but B. also the programme teams, central functions, decentralised organisations, impacted individuals. That has such a detrimental effect on what can come out of an integration.

KTB Firstly, don't try and do everything before day one and make sure you have a role in negotiating the TSA (the transitional service agreement). Although the deal team might own that, it's actually what the integration team need in order to plan their activities. Secondly, get the senior team in place quickly; they

will be the people who will stabilise the organisation. I would also say, use the Board. When I've done these integration roles, I will go to the Board; you can leverage the Chair, leverage the NEDs. And finally, have fun because these are really intense periods, your team's everything, so build a really fantastic integration team, love the team, support the team, give them development opportunities.

The three mistakes for me are 1. Don't start without an Integration Thesis because you'll quickly roll off track. 2. Don't forget to wrap your arms around your people and customers. And 3. is around measurement. In good intent, I've seen people create integration scorecards that track tick-box items. Measure the value that the deal is bringing on the business, don't measure the success by checking a box on activities.

JM 1. Make sure everyone's aligned to what we call the Deal Thesis. Write that down, communicate it, talk about principles, and even push that out to the whole organisation if you want everyone to know what it is. 2. Brave decision making, whether it's leadership or brand. Sometimes you can upset people, make brave decisions. 3. Focus on people. Fundamentally, that's why I do this job. I love the interaction with people; I love to see people go on huge change journeys.

Common mistakes: Momentum, it's almost impossible to bring it back if you lose momentum early. Go as fast as you can, but clearly, at a pace you can manage. 2. Not making the right leadership decisions. If you don't have the right people in the right place, the organisation will stall. And finally, decision making. You've got to find a way to make decisions through the programme. If you don't get that right, you'll stall again.





ATTENDEE QUESTIONS:

Q. What if the CEO and CHRO are just not buying in to a valid and critical transformation piece to be done (around people/leadership and PMI cross collaboration)?

KTB Leverage the Board – the Chair and Non-Executive Directors play a critical role in ensuring the M&A deal is a success and that maximises value for the organisation. I make sure I update the Board at all the Board meetings on the integration and meet the NEDs 121 to capture independent perspectives before the formal meetings. Important though to do this with the CEO’s full support and backing. Ultimately, it’s the CEO’s decision and the best you can do sometimes is to highlight the risk for not taking a recommended course of action.

Q. What is your approach to announcing and framing communications post deal for those sites that will be folded, and their people released as a result of the integration into the parent business?

KTB Be very clear on the ‘why’ and have a communications pack that explains why the sites will be folded.

Time the communication just right so you have the plan in place of what you are going to execute e.g., planned consultations.

Determine the sequence people will be told – for example communicating to managers first so they can then support their people when they are told.

Have an FAQ to anticipate questions that arise.

Deliver tough messages with warmth and empathy – like you would want to receive them.

Q. How do you make an assessment about whether an integration is sufficiently advanced before starting the next one? Something that comes up in very acquisitive organisations.

KTB Assessing capacity on what the business can absorb (physically and mentally) – I have used a diagnostic tool by function to assess capacity to take on further acquisitions and where we may need to bolster capacity in the short term.

Ensure there is an integration playbook and tool kit so there is a consistent

method and approach to follow and that each function understands their M&A role and what it takes to deliver it.

Build capacity checking into the IMO cadence so you can anticipate where you may need extra help.

Are you worried about the availability of real technology talent to help with PMI in this digitally transforming world? In my experience in CTO/CPO, there is a big difference between big brand consultants with tech line items, from real technologists.

KTB I have sourced this talent in the past from the interim market. The talent is out there and the challenge can sometimes be identifying it in short time order. I have found the technology specialist who helped in due diligence can often play a critical role in the integration

Q. I have been part of post-acquisition integrations where the acquired company hasn’t bought into the acquisition and felt that their “brand” was being compromised by becoming part of a larger organisation, and potentially losing their own culture/brand/identity. How would you advise to mitigate this risk? The strategy has to start from the top, but that filtering down to the employees on the ground does not always materialise in a transparent or effective manner.

KTB First question is: For the organisation being acquired do you want them to keep their own culture and brand or do you want to knit them into the acquiring company brand. The integration thesis should answer the ‘how far do you want to integrate’ question. I have seen two situations arise here. You bring the company being acquired into the acquirer’s brand or you set about creating a new brand to bring both companies together in.

In the former case it is helpful to really understand the two or three things that made the culture special and bring these into play, so people don’t feel a sense of loss that their existing culture is being entirely pulled away. When you have the 2-3 things really amplify them – weave them into leadership messaging about how it enhances the acquirers’ culture and take deliberate action to show how important it is – what symbols and gestures will it show up in for people? Take time to knit people into the existing brand – it won’t happen overnight – a short pulse survey here can help diagnose what else you

need to do. I would also not rely on the cascade method of communications – tell all people directly to avoid messages getting lost in translation.

Q. What are the best techniques you have used to manage an external consultancy team performing a PMI system implementation as part of the integration to ensure no gaps between the SI’s technology implementation scope and the wider business end-to-end transformation including people, processes, data, etc?

Have a series of workshops with each workstream to create and evolve the integrated plan and execution. Talk in these sessions about what each workstream ‘gives and gets’ from each other and when.

Set the mentality that everyone plays a collective role in ensuring the integration is a success – it’s not just the success of the individual workstream to avoid each workstream working in a silo.

Q. In the case of acquisition does TUPE apply to transfer from the organisation being acquired?

KTB Yes, you can TUPE people over from the company being acquired into the acquiring company. You follow the rules around consulting and informing, and transfers of employment contracts. The challenge is often when the acquired company is on very different Ts&Cs which requires careful planning. It’s important to have this owned in the People workstream with specialist HR expertise.

To watch the full discussion, click [HERE](#).

