Post-merger integration - closing the stable door after the horse has bolted

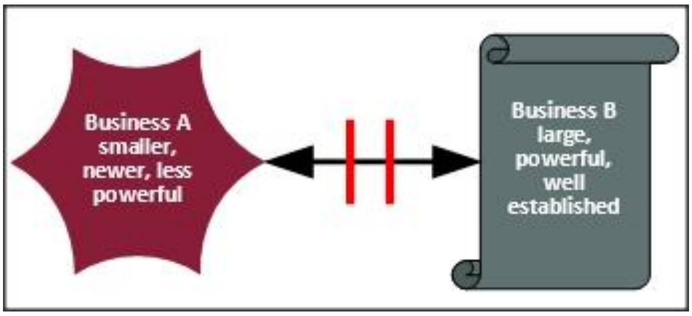
The track record of mergers and acquisitions is woefully poor - the merger of AOL and Time Warner was one spectacular example. In spite of 10 years of post-merger effort, the integration failed, and both companies lost eye-watering amounts of value.

When AOL merged with Time Warner the companies were worth $200 billion and $160 billion respectively. 10 years later, at the time of their split, AOL was worth $2.5 billion and Time Warner $36 billion.

Perhaps in recognition of the prevailing track record of mergers, the mystery and 'unknown-unknowns' relating to people and cultural factors, and fear of falling into the same old traps, huge amounts of money are allocated to the integration phase. Unfortunately money doesn't often seem to solve the problem.

Take a look at the advice that's generally on offer, and the reason for this starts to become clear; *"Cultural due diligence involves assessing the culture of both merging organisations"*. This might be useful for helping to make the merger decision before the event; it does nothing to solve any post-merger culture-clash problem after the event.

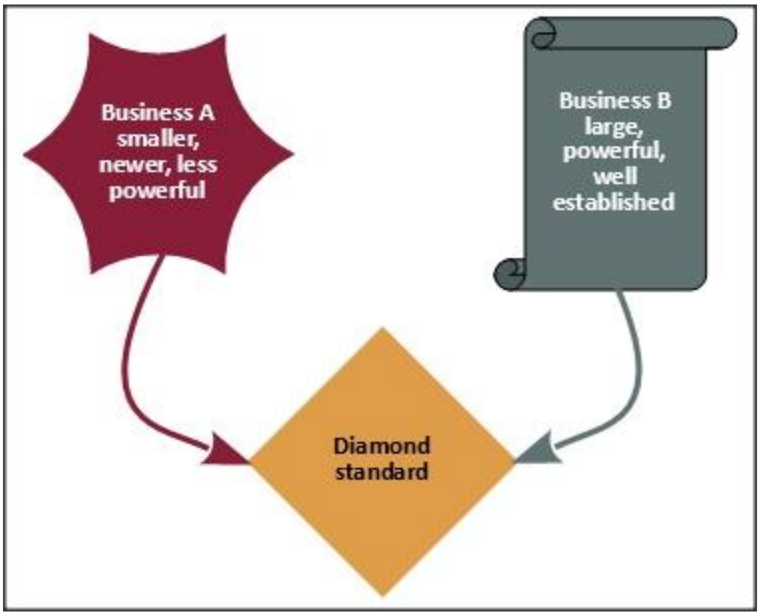
Another way...



Now there is a way to define and embark upon a more reliable integration pathway, ***before*** the merger, and avoid problems afterwards.

Think about two business, planning to merge. Business A is less powerful, and is relatively young, very individualistic and agile. Business B is more powerful, hugely experienced and is at the other end of the maturity curve in terms of systems, processes and procedures. Bringing the two together is potentially a recipe for disaster, however much the two businesses might fit strategically; and, however much there is potential for synergies and improvements in overall efficiency, there are likely to be culture clashes.

Moreover, if B imposes its regimented systems on A, it would be likely to cause resentment, and to reduce the effectiveness of people in A. All A's gains achieved through reactive innovation would be at risk – now and in the future. It may be less likely, but if an enlightened management tried to capitalise of the innovative approaches developed and used by company A, it might be a little difficult getting that accepted in Company B!

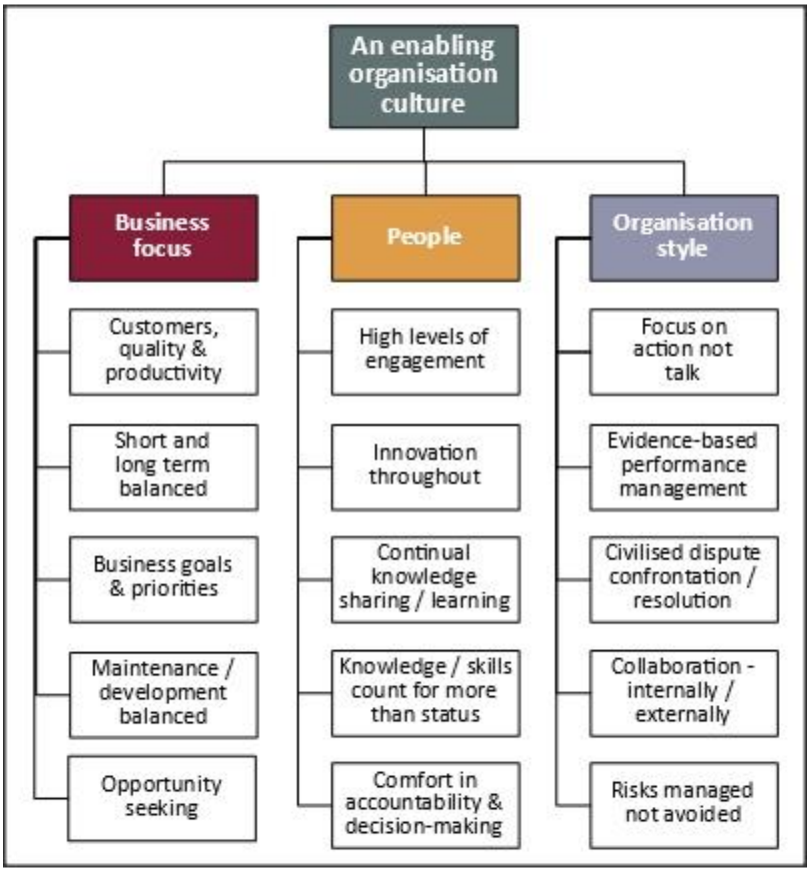


Now consider what would happen if, before the merger, both companies changed their management processes and practices, and hence their behaviour patterns, towards a well-researched standard of excellence – a set of cultural dynamics that would enable the business to become resilient, and able to thrive in an ambiguous, increasingly unpredictable world.

The target model would need to be variable, depending on the issues, challenges and goals involved in the merger. But while the detail in the target model might vary from case to case, the underlying philosophy would need to remain in place. This would centre on developing a more resilient organisation, that is able to adapt, organically and dynamically to a volatile world. By both businesses focusing on the same external model of excellence (see illustration below of one such model), the power issues disappear- neither organisation is being asked to behave like the other. But after the change, each organisation has become more like the other, as both move towards a shared, external standard. When the merger happens, most of the integration has already been achieved, and the post-merger challenge and budget is minimised.

So now for the how...

There are several conditions that need to be in place for the above to be achieved. The first is that any intervention must be grounded in the daily realities of the people delivering value to customers. If their challenges are not addressed, resistance is likely, and the move towards the 'ideal' is likely to be short-lived. The front-end discovery stage is critically important.



Second, enough people from enough different roles need to be involved not just in the surfacing of the issues to be addressed, but in the interpretation of any discovery data, and in the decision-making about what needs doing. Whilst they will be able to take many actions themselves, they will also need to be able to feedback to the project sponsor what is needed from management to approach the goal of excellence – in full confidence that they will be listened to, and their requests actioned.

Speed is another requirement – programmatic change processes tend not to build the momentum necessary to meet the expectations of those involved in the change, or ensure relevance, given other shifts in the internal and external landscape. Emergence and partial, iterative changes are the order of the day!

Magus Networker© is the 'methodology of choice' for this type of development. Its sheer speed of application; its ability to be custom-configured to specific issues and challenges; its powerful visualisation of the reality of operating networks; its clustering algorithms that penetrate beyond superficial insights – all make it the most powerful way available of stimulating the move towards a truly high-performing organisation. So why not try keeping the horse in the stable, and investing a little in its health and well-being – before the event. Sounds like a recipe for keeping the horse – and getting a thoroughbred winner in the process.

For more information on how Magus Networker© can kick start integration before the event and minimise problems after the event, please contact us at:

enquiries@magusbespokesolutions.co.uk

