

### M&A's Fail to Deliver

- The projected failure rates of mergers and acquisitions fall in the range of 50 to 60%<sup>1</sup>
- 60% of transactions fail to earn ROI greater than annual cost of capital<sup>2</sup>
- Only 23% of transactions are rated successful by a measure of ROI<sup>2</sup>
- 50% of companies fail to acquire book value in two years
- Negative correlation between M&A and profitability, with stocks dipping an average of 4%

### Integration: The Most Critical Challenge

Cisco Systems, the much-heralded "M&A King" (42 acquisitions in the past 6 years, while maintaining a profit growth of 55%, with a turnover rate of a scant 2.1%) has been successful because they recognize that integration is the toughest and most important challenge. "We've held only one or two closing dinners," says Dan Scheinman, Vice President for legal affairs. "It's not the closing we celebrate – it's the integration."<sup>3</sup>

### Take The Offensive In Integration

The difficulty of M&A's lies in the fact that at least one of the organizations must change for the integration to be successful. And you can't afford to just sit back and let the changes "happen." Through careful and deliberate implementation, the change can be controlled.

### AIM: Success Through Implementation

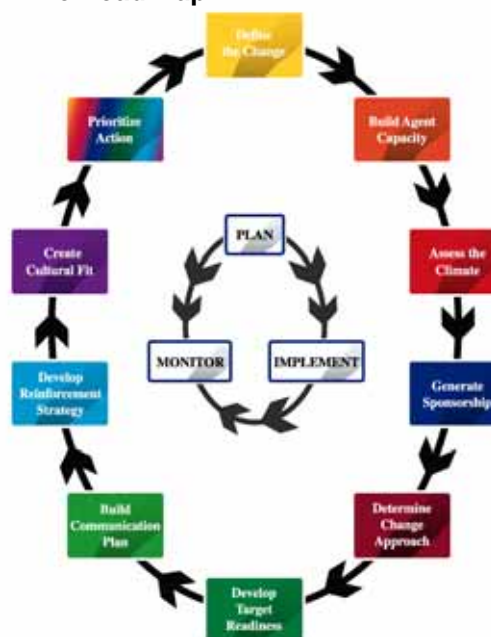
Because IMA's proprietary **Accelerating Implementation Methodology (AIM)** is focused on implementation – the stage that can make or break a merger – the framework lends itself ideally to successful integration.

"People being people, I'm not at all convinced that a management team in the midst of integration will necessarily decide for the common good. Until they learn to work together, they need the integrity of a credible, systemic process," says John Varley,

CEO Retail Financial Service, Barclay PLC.<sup>4</sup> **AIM** is that credible, systemic process.

Each step of the **AIM** road map addresses a likely barrier – definition, planning, approach, resistance, reinforcement, communication and sponsorship, among others. AIM serves as a comprehensive and robust planning tool that can be "unbundled" for high leverage execution, enabling organizations to utilize best practices.

### **IMA's Accelerating Implementation Methodology Cycle: The Road Map**



In addition, **AIM** is tactical, practical, repeatable, and based on common sense.

The **AIM** process also includes data-driven tools that allow you to measure predictable data points in the integration process, such as resistance, Change Agent capability and leadership.

Because of its practical nature, its accessibility and mass appeal, **AIM** provides a "how to" process that all members of an organization can utilize and believe in. These factors make **AIM** ideal for large-scale organizational change including mergers and acquisitions.

### Survival Tips & Tools

**Lesson # 1: Be fast.** In a 1997 survey, PricewaterhouseCoopers asked past acquirers what they would do differently if they could start over. Of the respondents, 89% said they would have executed the transition more quickly.<sup>5</sup> Creeping changes, uncertainty, and anxiety that lasts for months is debilitating and immediately drains value from an acquisition.<sup>6</sup> **AIM** is speed-focused. It helps you identify potential barriers to the change, enabling quick implementation with limited resources.

**Lesson # 2: Understand your purpose/rationale for the deal and align management actions with that purpose.**

Integrating diverse cultures, i.e. patterns of values, behaviors and unwritten rules, is messy and time consuming. Determine where on the integration continuum you need/want to be both functionally and culturally. Develop a clear definition of your desired future state. The **AIM** Project Overview allows key players in the implementation to arrive at a common understanding of the change.

**Lesson # 3: Senior management must model commitment to the change. This commitment must cascade down to every manager in the organization, from senior management down to the line managers.**

Without perceived management commitment, implementation success is severely compromised. Use the Sponsor Assessment tool to assess the level and type of commitment of any Sponsor.

**Lesson # 4: Be prepared for resistance.** Human resistance to change is natural and inevitable. Be sure to surface covert resistance. If not immediately and properly dealt with, resistance will fester and act as a barrier to your implementation. The Individual Readiness Assessment tool surfaces different frames of reference about the change, enabling effective management of resistance.

**Lesson # 5: Pay particular attention to the efficacy of reinforcement systems (rewards and consequences) to effectively motivate people to work toward the desired goal.** The Targeted Reinforcement Index is a

tool that is used to identify areas of alignment. Use it to develop strategies for the most effective reinforcement.

**Lesson # 6: Develop an effective communication plan.**

Communication is an early casualty of disruption. Make communications two-way and constituent/stakeholder focused (in their frame of reference). Respond quickly to concerns, rumors and questions. Use a variety of communication channels, with an emphasis on the face-to-face.

**Lesson # 7: Have fulltime, in-charge implementation agents.**

Integration management is a fulltime job. Empower a group of key people to handle the incredible volume of questions and issues that will emerge during times of high uncertainty. While the senior executives must continue to lead the process and maintain business momentum, another group can act as a reliable source of information and provide quick, tactical decision-making. The Change Agent Assessment tool profiles the type of individual(s) who can successfully implement complex change.

**Lesson # 8: Be prepared for surprises.** The implementation will be harder than you can ever imagine – vis-a-vis politics, emotions, time, effort and resources.

In short – ignoring the human factors will ensure disaster. Instead, integrate quickly, while targeting key cultural and human barriers – and join companies as G.E. Capitol in the elite circle of M&A winners.

**Sources:**

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