



## CASE STUDY

# MERGERS & ACQUISITIONS: CONSUMER GOODS "FIRM ABC"

## A RARE MERGER-SUCCESS STORY



### STRATEGIC ALIGNMENT



### MERGER & ACQUISITION



### TRANSFORMATION & TURNAROUND



### TALENT MANAGEMENT

We have all heard the statistics. Between 60% and 80% of all mergers fail to meet the pre-merger expectations. They fall short in financial performance, market share expectations and other expected synergies. So why would the merger between Firm ABC and the second firm be any different?

The merger that took place resulted in the creation of a consumer products company with over \$9 billion in sales and the need to integrate two companies with long standing traditions into one company with one culture. It was described as a merger of US titans, combining the nation's second and third largest of these consumer goods companies. The years leading up to the merger were stressful times for both organizations, and with the onset of the merger, the stress level was about to go through the roof.

Firm ABC turned to Denison for help in this endeavor. Most organizations that have gone through a significant merger or acquisition will say in hindsight that they should have paid much more attention to the 'cultural' aspects of the integration. Firm ABC took a very proactive approach to developing a single, high-performance culture. What Firm ABC found in the Denison Model was a clear and concise way for executives to describe what a high-performance culture looks like, and to focus on the capabilities that would be needed to realize the anticipated benefits of the merger.

### The First 100 Days

The first weeks and months of a merger are filled with confusion and uncertainty. Given the two company's recent history of endless legal challenges and negative press, it was important to develop and communicate a new vision for the company a vision of a company that can 'win'. At a meeting for all employees, Firm ABC executive opened by saying, "Ladies and gentlemen, our Vision is one of Winning... Winning in the marketplace, Winning as individuals, Winning as a team, and Winning as a company. What makes a winner? For us, it's company culture - the way we think, the way we act, and the way we operate as an organization."

At 100 days into the merger, Bryan Adkins, Ed.D, a Sr. Consultant with Denison, spent a week with employee groups to get a sense of how well they understood the current strategy; the extent to which they felt integrated; the sense of involvement; and the extent to which they felt like they were adapting and making the changes needed to build a common culture.

Firm ABC executive said, "We talked with a lot of people covering legacy [Firm ABC]... multi-functions were included as were people at many levels. And we'll continue to talk. We talked with both operations and non-operations. The purpose is to hear what's working and what isn't. We need to understand the positives and the negatives. Why are we doing this? Because what you think and feel about the organization is an integral part of our plan for developing a Winning culture. Let me share with you some of things we're hearing. On the positive side, there's a lot of pride – pride for both Firm ABC as a company and for what Firm ABC does in the community. Many have expressed confidence in the Leadership Team. We heard words like 'Cautious optimism for the new team,' and 'they seem open to new ideas.' And, we heard a lot about what we need to do... like more communication. We were told that change is needed ... that 'there is too much bureaucracy' and 'too many processes and protocols.'"

The opportunity for the focus group participants to hear from their CEO was a powerful step in the process. They felt as though they had been heard and that they had a voice in the culture change process.

### Winning Leaders

Seven months into the merger, Adkins and his colleague Margaret Murphy developed a

customized leadership development program to bring leaders from the legacy companies together to discuss culture, teamwork and the barriers to success that they were experiencing.

Nearly 300 leaders participated in the program. Participants were given an in-depth review of the Denison Model and worked in small groups to develop an educated 'guess' as to what their first survey results (2 months away) might look like and why. As Adkins notes, "This was a great opportunity for the leaders to learn about the Denison model and to start using the model as a framework for their discussions about what is working and what needs to change."

A variety of tools were incorporated into the 2-day program, including MBTI (Myers-Briggs), various team exercises and action planning. At the close of each program, one or more senior leaders met with the group to hear what they learned, what they were taking away from the experience and how they would be working together to help create the high-performance culture needed to be a Winning company. Each group shared insights about what aspects of the culture they would like to leave behind (i.e., Silos, information hoarding, aversion to risk) and what they were willing to commit to doing (i.e., promoting cross-functional collaboration, leading by example, being open to other's ideas, celebrating successes, driving learning's down through their organizations).

### A Winning Culture

Nine months after the merger took place, the Denison Culture Survey was used to determine how well the cultural integration was going and what cultural areas needed attention. The survey was completed by over 3,000 employees and provided positive reinforcement for much of the integration work that had been done thus far, especially

in the areas of Vision, Strategy and Core Values. "We were relentless at getting the message out and having conversations with employees regarding our Vision and Roadmap for the future, as well as our core values," said Firm ABC executive. The first Denison survey revealed strong results. According to Adkins, "Most companies would be happy to get the results that Firm ABC got, not to mention an organization that had just gone through a merger." Although there was much good news, the survey highlighted some areas that needed attention as well.

Empowerment and Creating Change were among the lowest rated areas of the survey. To fully realize the benefits of the merger, it would be essential that employees take responsibility and ownership of their work, and perhaps more importantly, embrace a wide range of changes that had already started and would only accelerate in the months ahead.

### Winning Teams

After collecting and analyzing the initial survey data, a plan was developed to move the needle in the areas of Empowerment and Creating Change. Each function within Firm ABC was charged with developing an 'Employee Engagement Plan' to describe how they were going to engage employees within their function in an effort to make progress in the two targeted areas. Every function held 2-day off-site meetings that were facilitated by Adkins and Murphy to analyze and discuss the company's results as well as their functional survey results.

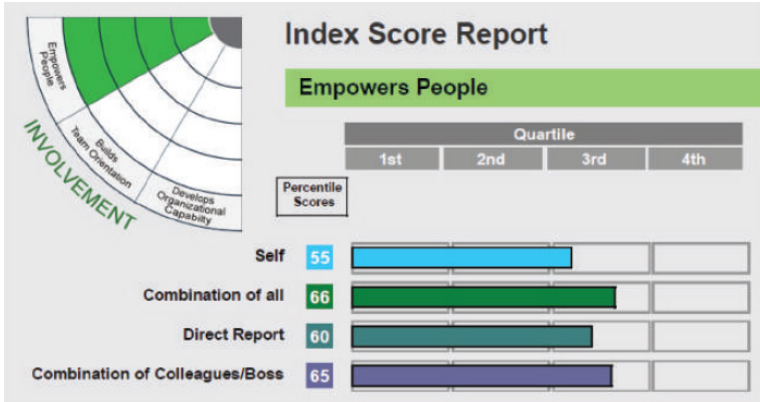
Most engagement plans included the use of functional focus groups to further explore some of the issues raised by the survey. It was important that the leaders get as much input and employee reaction as possible before launching any major initiatives. Within

2 weeks of the off-site, each functional team presented their Engagement plan to the High-Performance Culture Team, a team that included Firm ABC and the second firm. The team served several key purposes. It provided a sense of accountability; it conveyed support for the effort; and it created a central place for the various actions to be collected and monitored.

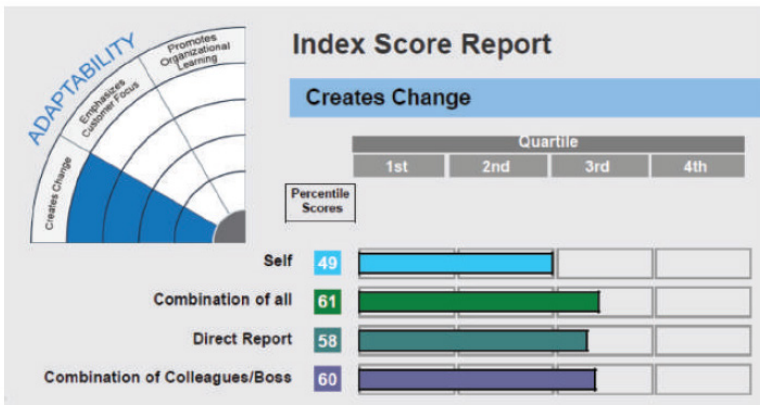
### Winning Through Change

Many leaders had been engaged in development programs and the creation of the Functional Engagement Plans. However, Firm ABC executive wanted to drive the actions deeper into the organization by sending over 800 employees through a custom designed Change Management class. According to Firm ABC executive, "The rate of change was gathering steam and we knew it would only get more intense as the weeks and months passed. It was important that our leaders at all levels understood what they could do to support and drive the changes." Adkins suggested using a targeted version of the Denison Leadership Development Survey to help each leader see how he or she was viewed by those they worked with in the key areas of Empowerment and Creating Change. Firm ABC executive began making the arrangements for over 800 individuals to get personal feedback from their boss, peers, direct reports, and others who they thought could offer valuable feedback.

"This was a major undertaking for Firm ABC. However, by focusing the feedback on the two areas of importance – Empowerment and Creating Change, we were able to make the survey manageable with respect to the time and energy involved and participants found the feed-back to be extremely valuable," said Adkins.



In the area of Creating Change, the organization saw an increase from the 48th to the 60th percentile of organizations. This was a welcomed and hard-earned improvement. Significant improvement was noted in areas such as 'new and improved ways of doing work are continually adopted' and 'attempts to create change meet with resistance'. It was clear that employees were responding to the need for change and meeting that challenge head-on.



The area of Empowerment was a slightly different story. The overall score was unchanged in this area, even though there were areas that saw considerable improvement at the functional level. In general employees felt more informed than ever, with that survey item increasing 16 percentiles. However, the level at which decisions were being made and the sense of involvement in business planning had actually dropped since the first survey. There was a sense that much of the change that was occurring was happening 'to' employees rather than 'with' employees. The Change Monitor data offered some great insights regarding the success of some of the Functional Engagement Plans, as well as where others were falling short.

The Leading Change survey was developed as a targeted version of the Denison Leadership Development Survey. This survey helped each leader see how he or she was viewed by others in the key areas of focus: Empowerment and Creating Change.

**Winning Performance**

A key component of the 1-day Change workshop was getting their individual reports with normative data, and having an opportunity to reflect and react to the data with colleagues who were in the same class. According to one participant, "The feedback I received made this the best training I have attended in over 20 years with the company."

Ultimately, the actions taken at the organizational, functional and personal levels are intended to build the high- performance culture that Firm ABC executive was charged with developing. The challenges of doing so, particularly eat an elephant... one bite at a time. We took a thoughtful yet aggressive approach to integrating the cultures and today we are light years ahead of where we were [before the merger]."

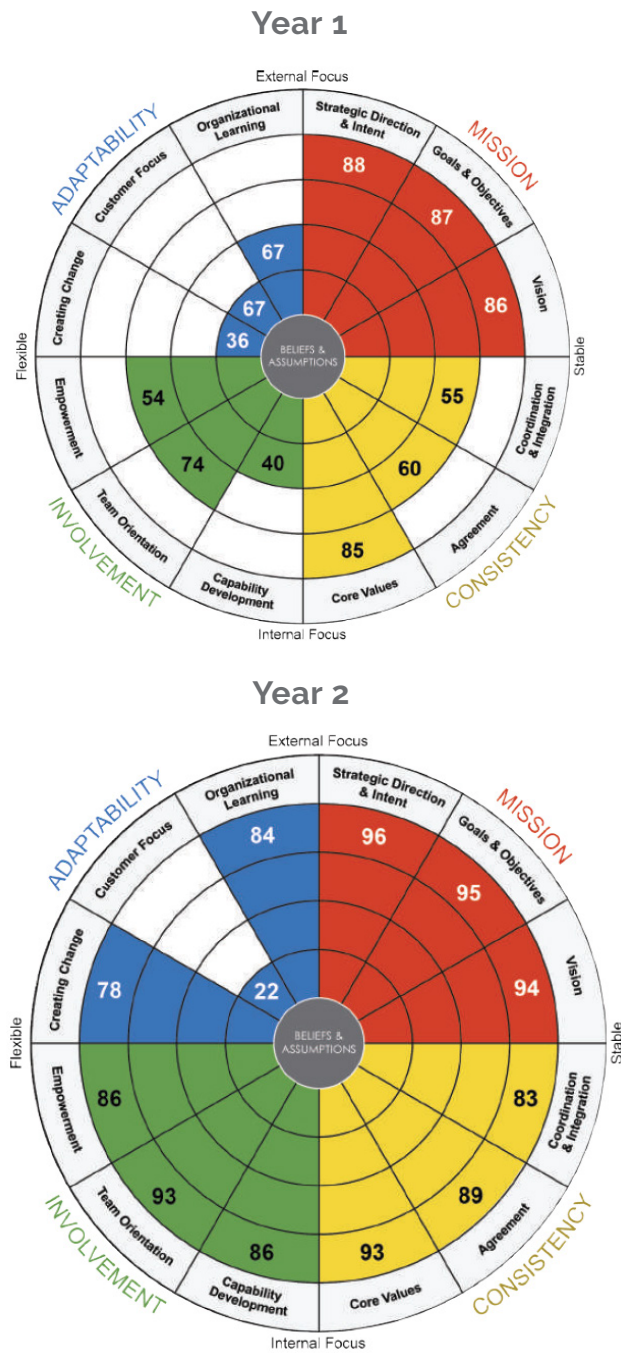
**Moving the Needle**

After the merger, Firm ABC conducted the Change Monitor to measure their progress as an organization in the areas of Empowerment and Creating Change.

A year later, the EVP of Human Resources at Firm ABC, shared the Firm ABC merger story at the Denison Forum in Michigan. She noted that

shortly after the merger, Firm ABC stock was trading at \$70 per share (up from \$58 per share in the months prior to the merger). A few months later Firm ABC stock was trading at \$115 per share. In addition, Firm ABC was exceeding their anticipated savings from the merger synergies and exceeding virtually all of their financial and market share goals. The people at Firm ABC know that there is still hard work to be done. Efforts to engage their Operations staff need improvement. Yet as Adkins notes, "This is as close to a textbook example for how to integrate cultures in an M&A context that you will find. The effort put forth by the leaders at Firm ABC has been a study in how to lead a merger. How many mergers of this magnitude can make that claim?" asks Firm ABC executive.

Figure 2: Year 1 - Year 2 Management Results



FOR MORE INFORMATION

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