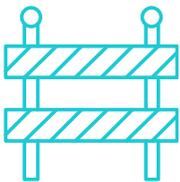


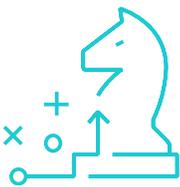
# An Acquisition's Success Required Getting the Integration Back on Track

A mid-sized **raw materials manufacturing company** with the goals of **increasing market share and accessing new geographic markets** decided to explore acquiring a similarly sized competitor. The acquisition target had both processes and products that would complement the buyer's customer offerings. While the goals were clear (and they made good business sense), the path to integration proved to be less so.



## Challenge

While many of the client and product processes of the two companies were closely aligned, the programs supporting the employees were quite different – especially in the areas of benefits and compensation as well as the HR technology and processes used to manage those. A number of the differences were only recognized as challenges once the acquisition was revealed within the companies and the leaders on both sides began building their integration plans. As the impediments to integration seemed to mount, the buying company began considering a portfolio approach (leaving legacy programs and cultures in place) rather than the blended approach they had preferred.



## Consulting strategy

Segal had a long-standing relationship with the acquiring company, but our role had been limited to one aspect of employee benefits. That, however, proved to be a window into the types of issues at hand.

The benefit programs were quite different, and each company used administration vendors with somewhat stale approaches and tools. Segal's lead consultant used this observation as a door to open conversations in other areas of the planned integration. It became clear quickly that the integration plan had been built on assumed expediency rather than strategy. Because the lead company's CHRO was a member of the integration committee, the Segal consultant used our M&A pre-assessment tool with the CHRO to probe beyond benefits. While this tool is meant to test **readiness** for a deal, it can give clear insights where problems may lie at an early integration stage.

The Segal consultant also suggested to the CHRO that the people tasked with integration had other full-time responsibilities and not enough time or focus to push

for the results needed for the deal's desired sustainable value. The CHRO asked what would better serve the need, and our consultant suggested establishing a true Project Management Office (PMO) led by an experienced but impartial senior person. The CHRO asked our consultant to implement the PMO approach and lead the benefits transition, which included harmonizing the health and retirement offerings for both legacy employee groups and coordinating the efforts for all benefits partners and vendors.

The PMO model was so effective the Segal team was asked to expand its scope to encompass HRIS and HRIT selection and implementation, compensation review, new structure development and workforce planning as well as other aspects of human resources. This included working with both companies' teams to develop communications to explain the new employee programs and to help build enthusiasm and buy-in.

Segal's lead consultant was offered a strategic advisory role during the balance of the implementation phase. This gave him an opportunity to work with other senior leaders to help them better define the two organizations' cultures, determining what the new combined culture should be and how best for the leaders to communicate, support and model the attributes and behaviors necessary to support the future business imperatives needed for success.



## Results

By emphasizing the internal factors that the two companies could control – **people, culture** and **leadership** – the integration quickly got on track and met the measurable goals set by leaders – doing so ahead of schedule. The sales teams then quickly meshed, following the lead set by the manufacturing, back office and management teams, and learned the expanded product offerings to begin cross-selling new whole-product solutions.

Employee response to the new (and perceived better) culture and opportunities within the company has been positive. Recent employee surveys noted that the new benefits and HR programs are judged to be an improvement over both legacy programs. Last, anticipated employee turnover has been significantly lower than expected.

## Segal Can Help

We have developed a framework for asking the right questions to ensure an organization is ready to begin talks with another as either a partner, a target or a suitor. Our framework aligns the key motivations with the major areas for building success: people, culture, and leadership as well as traditional aspects such as products and services.

The benefit for an organization in conducting a Segal pre-deal diagnostic evaluation is increasing the chance of having a smoother integration, accelerating value growth. Let us show you how.

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