# Is Increasing Market Share Your Motivation for a Merger or Acquisition?

Segal

Value of performing a pre-deal diagnostic

In the early stages of the "Deal," attention usually is placed on the financials as well as the leadership team and its business strategy.

Moving forward, the primary motivation can be easily forgotten or eroded during the "Integrate and Operationalize" stage.

This risk often can be mitigated by ensuring the "Fit" of the organizations through examining the culture and workforce and planning their optimal integration.
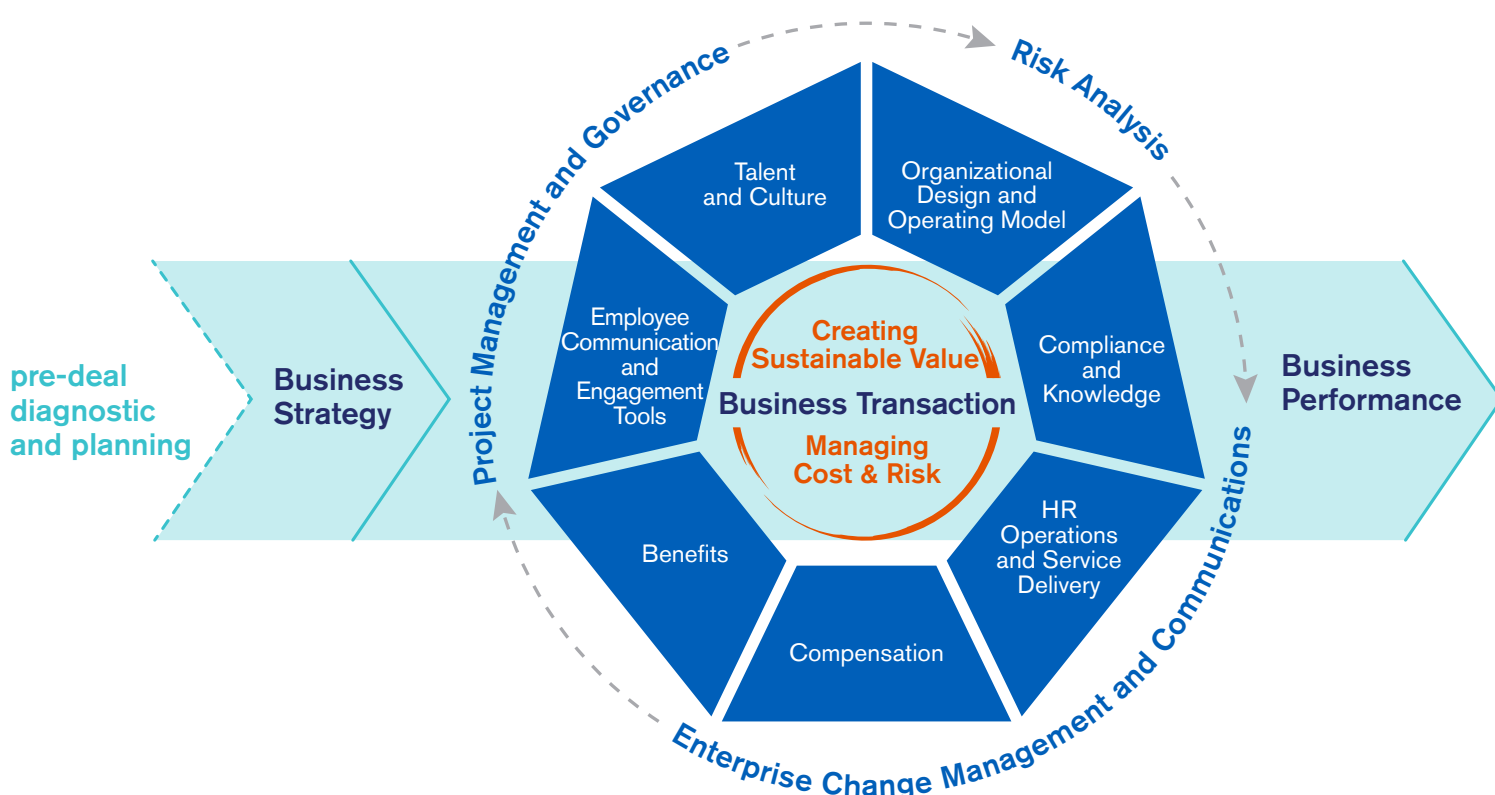
Culture sets **expectations and a common denominator by** which people prepare for and respond to these changes.

In the midst of organizational change, culture and workforce differences drive new challenges in employee engagement and commitment:
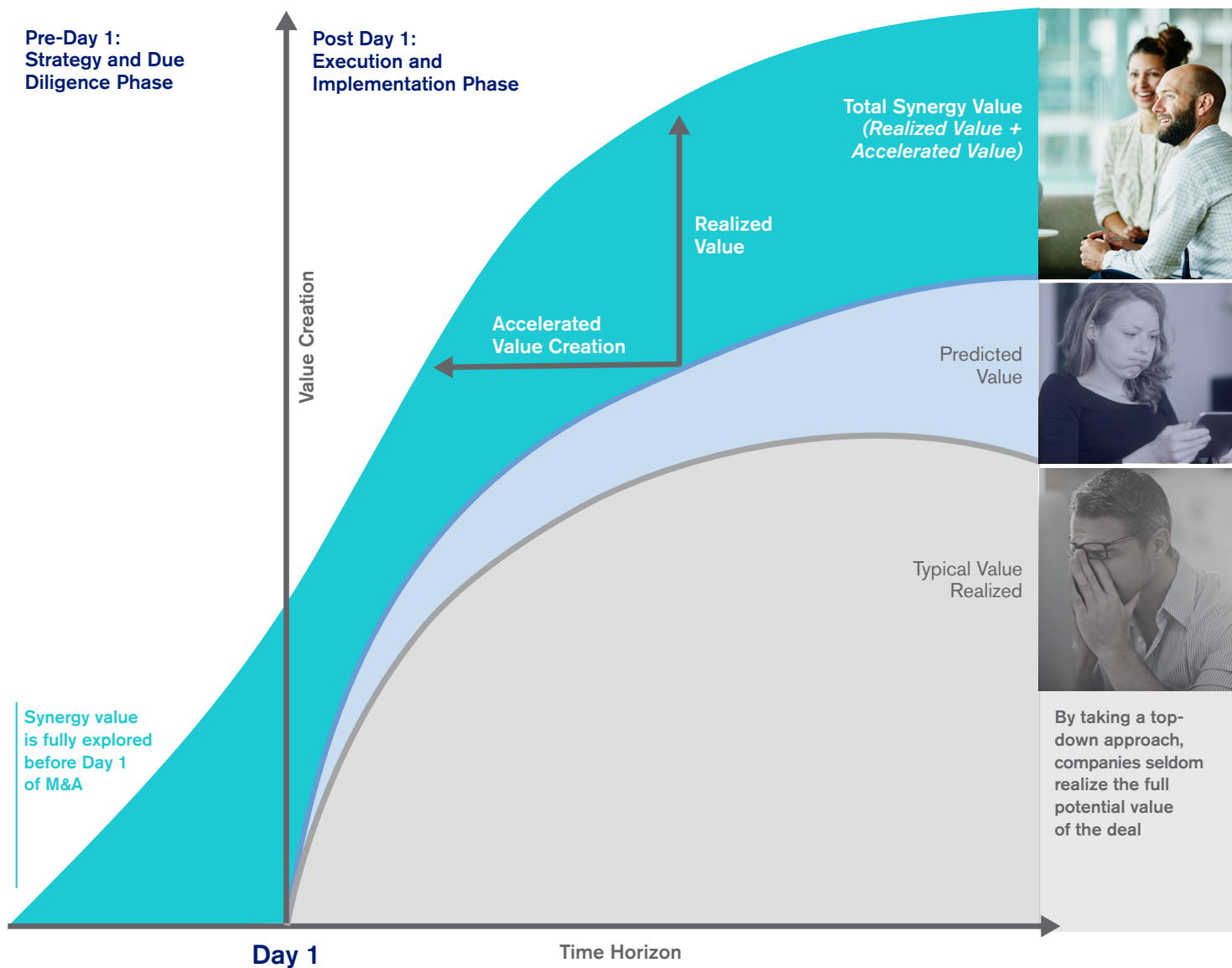
- Organization structure and reporting relationships are changing

- People are being asked to believe in new leaders

- Day-to-day roles and responsibilities are being redefined

- Prior relationship-driven ways of working may no longer be effective

- Compensation may need to change as pay equity issues are identified and addressed

- Processes, tools and systems may be different

- Physical location and proximity to colleagues may be different

- New manager/employee teams are learning how to work with one another

- Job security fears are likely, driven by a desire to "prove oneself"

- The longstanding and comfortable ratios in total rewards packages may require rebalancing

Ignoring factors like these when planning the deal can slow or derail optimal integration.

Maximizing synergy value

During M&A, successful companies focus on business optimization, not just on elimination of people, process and technology redundancies. Segal helps you unlock this source of tremendous value.

**Pre-Day 1:
Strategy and Due
Diligence Phase**

**Post Day 1:
Execution and
Implementation Phase**

Total Synergy Value
*(Realized Value +
Accelerated Value)*

**Realized
Value**

**Accelerated
Value Creation**

Predicted
Value

Value Creation

Typical Value
Realized

**Synergy value
is fully explored
before Day 1
of M&A**

**By taking a top-
down approach,
companies seldom
realize the full
potential value
of the deal**

Day 1

Time Horizon

Key questions to address

Leadership

Have we considered the leadership styles and competencies needed to maximize this growth strategy?

No	Partially	Yes
○	○	○

Culture

Will our current culture effectively support rapid growth?

Not Well 1	2	3	4	Very Well 5
○	○	○	○	○

What will be the primary barrier to overcome?

Answer:

Products and/or Services

Do our Product and Services teams currently operate collaboratively?

Not Well 1	2	3	4	Very Well 5
○	○	○	○	○

Do our Product/Service and Innovation Lifecycle processes encourage and reward collaboration?

No	Partially	Yes
○	○	○

Customers

How prepared are our account management and customer service teams to take on new customers?

Not Well 1	2	3	4	Very Well 5
○	○	○	○	○

Governance

What level of modifications will be required to our Workforce Planning, Forecasting and Management processes, policies, and tools to accommodate rapid growth and change?

Major 1	2	3	4	Minor 5
○	○	○	○	○

Organization

Will we need to re-align the organization to streamline decision making, provide better visibility and empowerment for managers, and improve business operations?

No	Partially	Yes
○	○	○

Leadership

Have we considered the leadership styles and competencies needed to maximize this growth strategy?

If you answered "No" or "Partially," consider workshops to define the styles and competencies required, followed by a fit-gap analysis, and a roadmap to fill in the gaps.

If you answered "Yes," ensure succession plans, leadership development programs, and executive compensation packages are reflective of these needs.

Culture

Will our current culture effectively support rapid growth?

Scoring below a "3" may indicate a culture aligned more with Operational Excellence and/or Risk Avoidance. Leadership will need to take a strong position to encourage and reward innovative and creative thinking, being part of "change," and moving quickly to accelerate and increase synergies.

Scoring a "3" or above suggests your organization is prepared to embrace change, manage increased workloads during due diligence and integration stages, and proactively seek ways to create additional value.

What will be the primary barrier to overcome?

The most common barrier to overcome is that things are currently "good" and "comfortable," and there has not been sufficient incentive to achieve "great."

Products and/or Services

Do our Product and Services teams currently operate collaboratively?

Scoring below a "3" may indicate internal competitiveness, trust issues across product and service lines, and/or lack of visibility to what other parts of the organization are doing. Consider newsletters, team building sessions, and resource cross-pollination while emphasizing the importance of achieving "one company" focused on customer value and satisfaction.

If you selected "3" or above, look for creative ways to modify your on-boarding process to enhance the Day-1 experience for newly acquired products and services teams and to accelerate their time to productivity within the first 90 days.

Do our Product/Service and Innovation Lifecycle processes encourage and reward collaboration?

If you answered "No" or "Partially," consider re-evaluating your recognition and rewards programs, job descriptions and performance metrics, and what is emphasized in regular business performance reports and Leadership messages.

If you answered "Yes," evaluate each process to determine if they can effectively scale as the organization grows rapidly.

Customers

How prepared are our account management and customer service teams to take on new customers?

Scoring below a "3" may mean you do not have complete visibility to the current workload and challenges, you may not have adequate metrics and measurements in place, and/or you are experiencing high turnover in the roles. Consider identifying high-performing people in these roles and determine what personal, organizational, and environmental factors have led to their success.

Scoring a "3" or above may indicate you have capacity to absorb an influx of new customers. However, be deliberate in the allocation and alignment process by paying close attention to customer satisfaction, relationships, and complexity.

Governance

What level of modifications will be required to our Workforce Planning, Forecasting and Management processes, policies, and tools to accommodate rapid growth and change?

Scoring below a "3" may point to a lack of adequate tools and processes to support the current business, and these deficiencies will likely be magnified through an M&A. Consider leveraging the current Human Capital Management (HCM) systems and analytics tools to improve in this area, or selecting a bolt-on technology solution.

Scoring a "3" or above suggests you have tools and processes in place to quickly model workforce supply and demand scenarios, your policies can easily be modified to accommodate a significant increase in employees including new locations (regions, states, tax jurisdictions, etc.), and your HCM system can scale to meet the increase.

Organization

Will we need to re-align the organization to streamline decision making, provide better visibility and empowerment for managers, and improve business operations?

If you answered "Yes" or "Partially," consider the type of organization best suited for growth (product/service, regional, industry, etc.), with clarity related to accountability, reporting, governance, leveraging resources, and customer management.

If you answered "No," your organizational structure is probably flexible enough to handle a significant increase in employees and managers. However, be prepared to train incoming managers on your business practices, especially approval processes (HR, Procurement, IT, Travel and Expense, etc.), workforce management policies and procedures (especially "Leave of Absence" and "Time Off"), and business operational metrics (what is measured and why, available reports and how to access and use them effectively, etc.).

This diagnostic tool is just a sample of our strategic approach

These questions, others in our initial conversations –
and your responses – are used to develop a set of tactical
recommendations, which differ for each organization.

Let's work together...
to dig deeper and explore in more detail ways that can
improve the outcome of an upcoming merger or acquisition –
or even help re-align a deal in progress that is encountering
unexpected challenges.

As a leader in working with clients to find solutions to HR,
benefits, workforce management and enterprise change
management challenges, Segal welcomes an opportunity
to discuss your readiness to embark on your next merger
or acquisition.

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