

# Post-Acquisition Leader Integration and Retention

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# A Psychologist Reflects on Merger Integration...

“You’ve just landed on Mars. You have to find the water, and you have to give up your weapons to the enemy along the way.”

“People are moving along the integration process at different speeds, circling back at different points and misinterpreting where others are in the process. There is nothing linear or predictable about it.”

**Chris Treadwell, Senior Consultant, RHR International**

# Successful Mergers Start at the Top

“To integrate companies following a merger, arguably the most important challenges involve the top of the organization – appointing the right top team, structuring it appropriately, defining its agenda, and building the trust that enables its members to work well together. Executives who fail to overcome these challenges are responsible for the ego clashes and politics that are often the root cause of spectacular failed mergers.”

The McKinsey Quarterly, 2006

# The Cost of Failing to Integrate People

- Executive attrition in M&A situations is 25% for the first year, three times higher than in non-acquired companies.
- An additional 15% depart in the second year – twice the normal turnover rate.

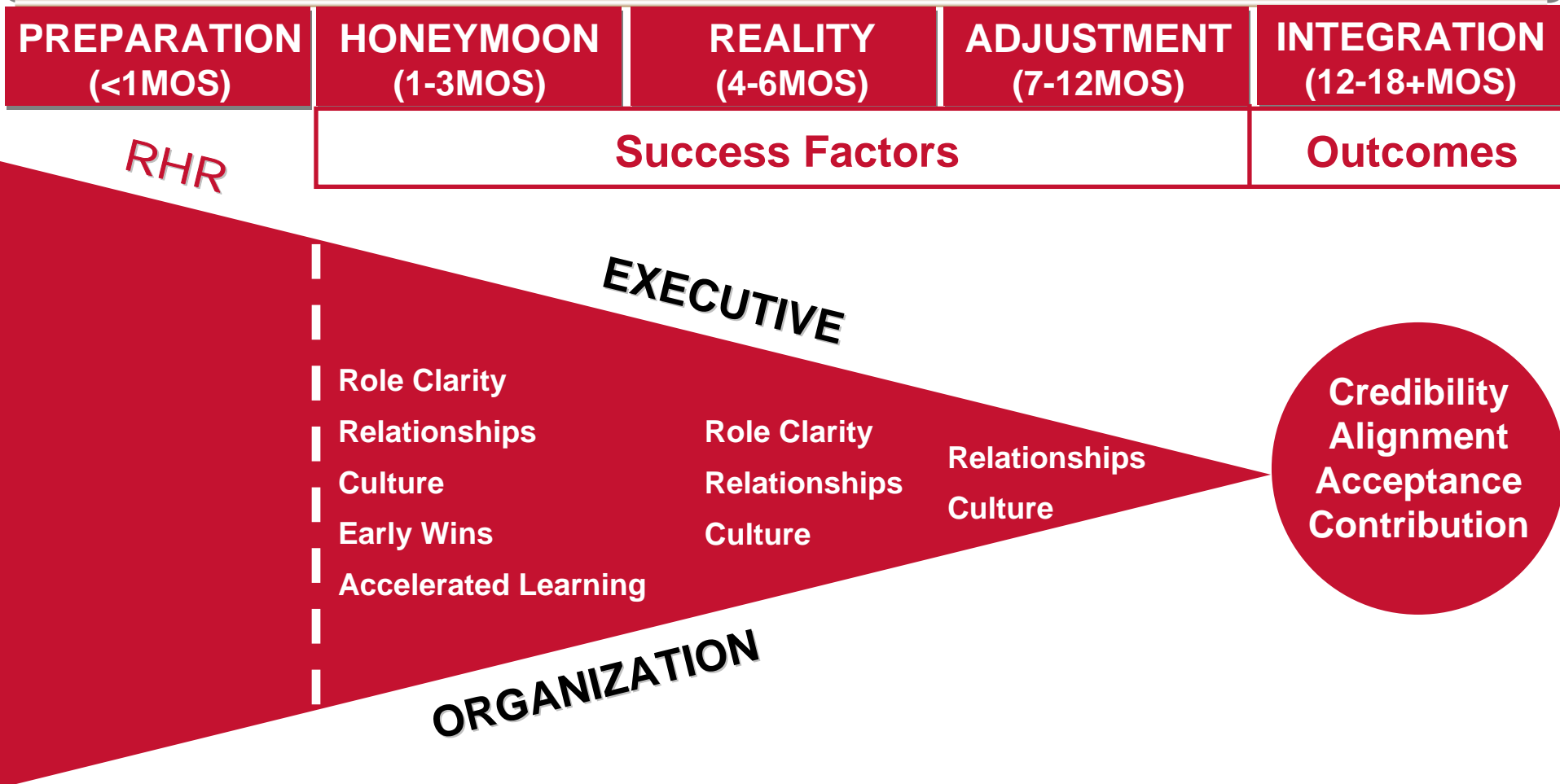
Harvard Business Review, 2003

# Executive Integration: A Success Story

- RHR research indicates that attending to the integration of new senior hires [in traditional hiring/promotion situations] can reduce turnover from 30 - 50% to <10%.
- RHR client impact research demonstrates an integration program accelerates the time it takes for new leaders to be successful.

# RHR's Model for Effective Executive Integration

## Successful Executive Integration



# RHR Model of Executive Integration & Transition Applied to M&A

# EXAMPLE 1: Acquisition & Integration

## Role Clarity

- Understand role in new organization

## Relationships

- Build relationships within new org.
- Create and lead merged teams

## Navigating Culture

- Understand culture, similarities/differences, how to be effective, derailers

## Early Wins

- Demonstrate why you got the job
- Make traction against integration plan

## Accelerated Learning

- Learn new business model, strategy, organization, products, etc.



**ACQUISITION SUCCESS**

# EXAMPLE 2: Merger of Equals

## Role Clarity

- Create new executive team
- Establish vision, priorities, boundaries

## Relationships

- Build relationships within each other
- Create and lead merged teams

## Navigating Culture

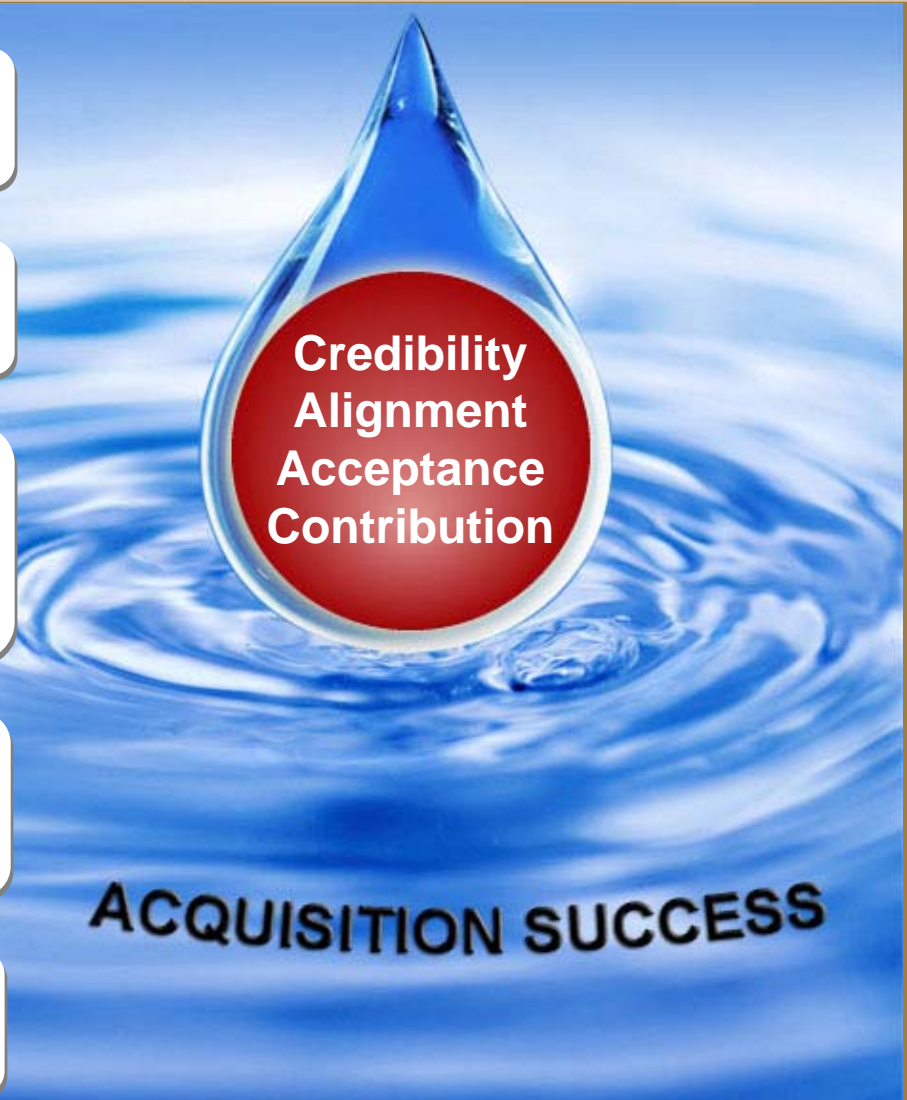
- Understand each other's culture and organization, strengths/gaps
- Create vision of new culture
- Drive culture change

## Early Wins

- Demonstrate alignment
- Share vision and strategy
- Make traction against acquisition goals

## Accelerated Learning

- Learn each other's business model, strategy, organization, products, etc.



# EXAMPLE 3: Acquisition by Private Equity

## Role Clarity

- Understand roles within a portfolio company framework
- Goals and expectations

## Relationships

- Build relationships
- Re-contract team relationships

## Navigating Culture

- Understand culture, expectations, operating model

## Early Wins

- Re-align goals and strategy to investment thesis
- Drive rapid culture change

## Accelerated Learning

- How to operate in a portfolio environment
- Where to focus



**ACQUISITION SUCCESS**

# Applying the RHR EI Model in the Real World of M&A

## CASE STUDY #1



**“COMPANY GOES GLOBAL”**

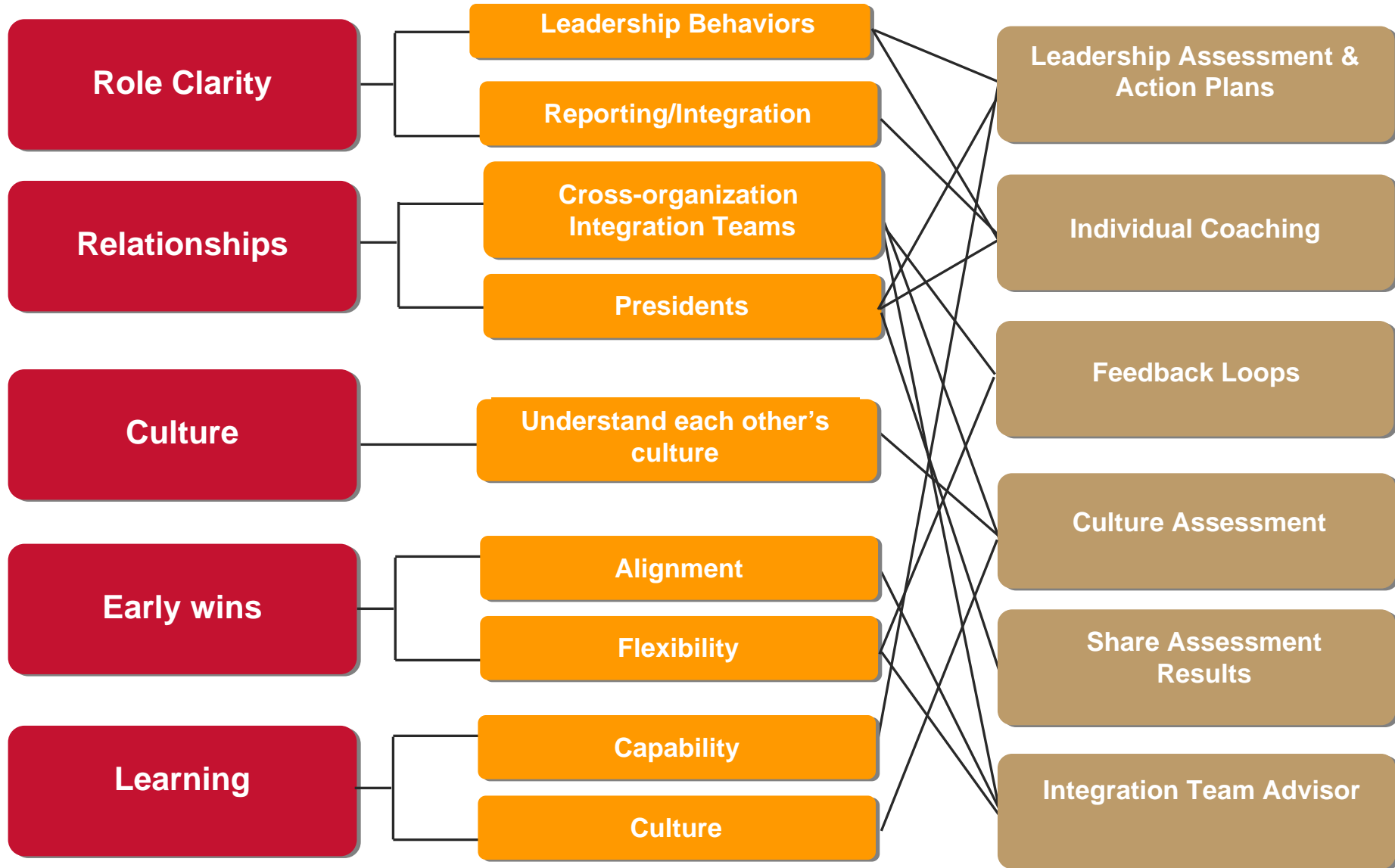
# Key Integration Issues

- Culture
  - Geographical/cultural
  - Company culture differences subtle vs. overt
- Operating Model
  - Same business; different model
  - Shift from privately held company to reporting unit
  - Desire to drive efficiencies
- Leadership
  - Need to retain leadership through transition
  - Capability?

# SUCCESS FACTOR

# KEY ISSUES

# INTERVENTIONS



# Outcomes

- Accelerated understanding of people, leadership, culture
- Integration teams worked more effectively together
- Modified strategy in a collaborative way
- Retained management team
- Realized rapid financial gains
- One of the best-managed integrations in Canadian M&A history

# Applying the RHR EI Model in the Real World of M&A

## CASE STUDY #2



**“WHALE SWALLOWS TROPICAL FISH”**

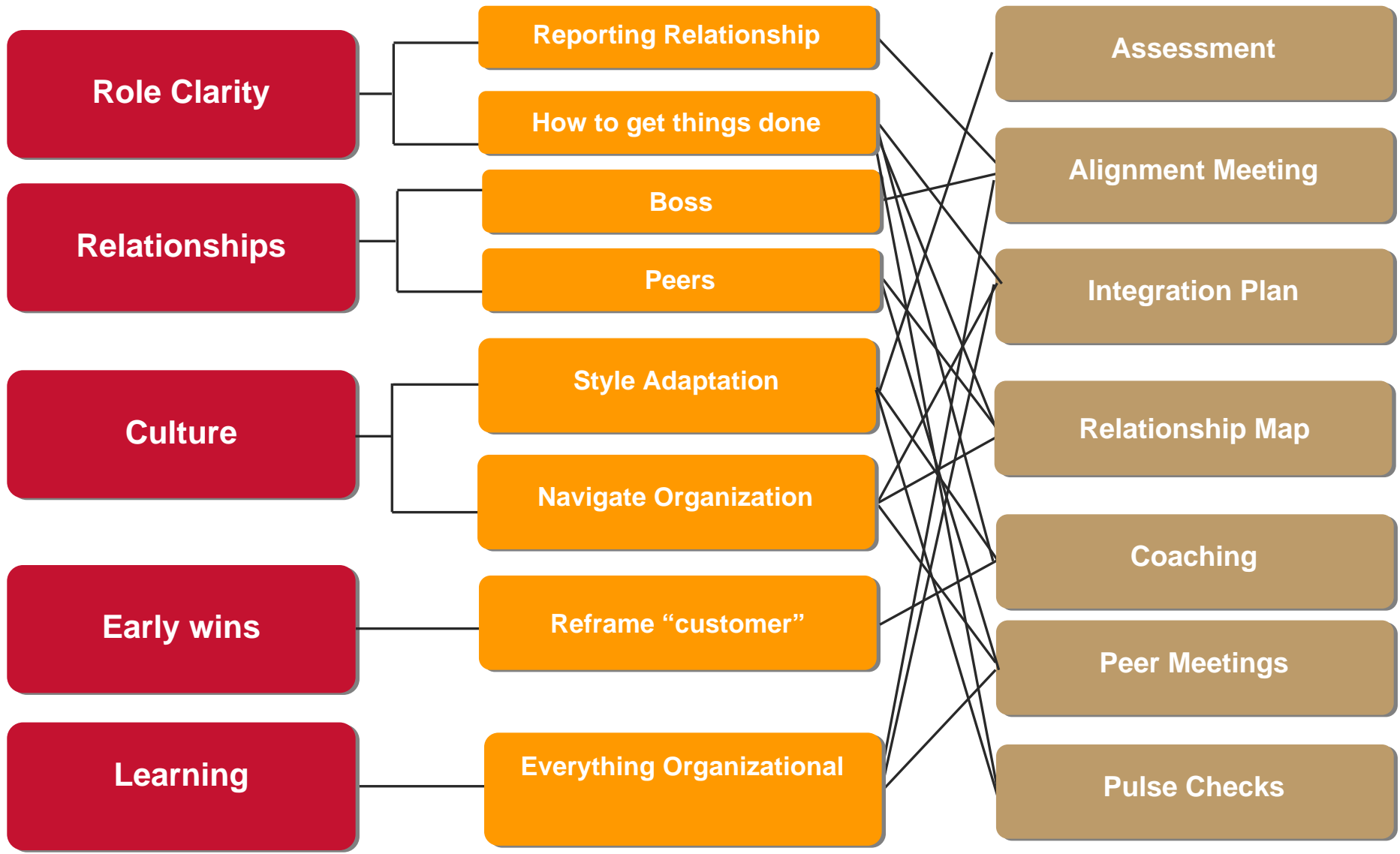
# Key Integration Issues

- Leadership
  - Founder/entrepreneur – retention critical to success
- Culture
  - Learning the organization
  - Leadership style contrast
  - Navigating a large entity, multiple relationships
- Strategy
  - Operational excellence vs. customer intimacy
- Adaptation

# SUCCESS FACTOR

# KEY ISSUES

# INTERVENTIONS



# Outcomes

- Business is flourishing – multiplicative
- Introduced innovation that has transformed the business
- Retained the founder to run the business successfully; intent to stay after contract expires
- Founder learned that it is okay to adapt

# Applying the RHR EI Model in the Real World of M&A

## CASE STUDY #3



**“A MARRIAGE MADE IN HEAVEN”**

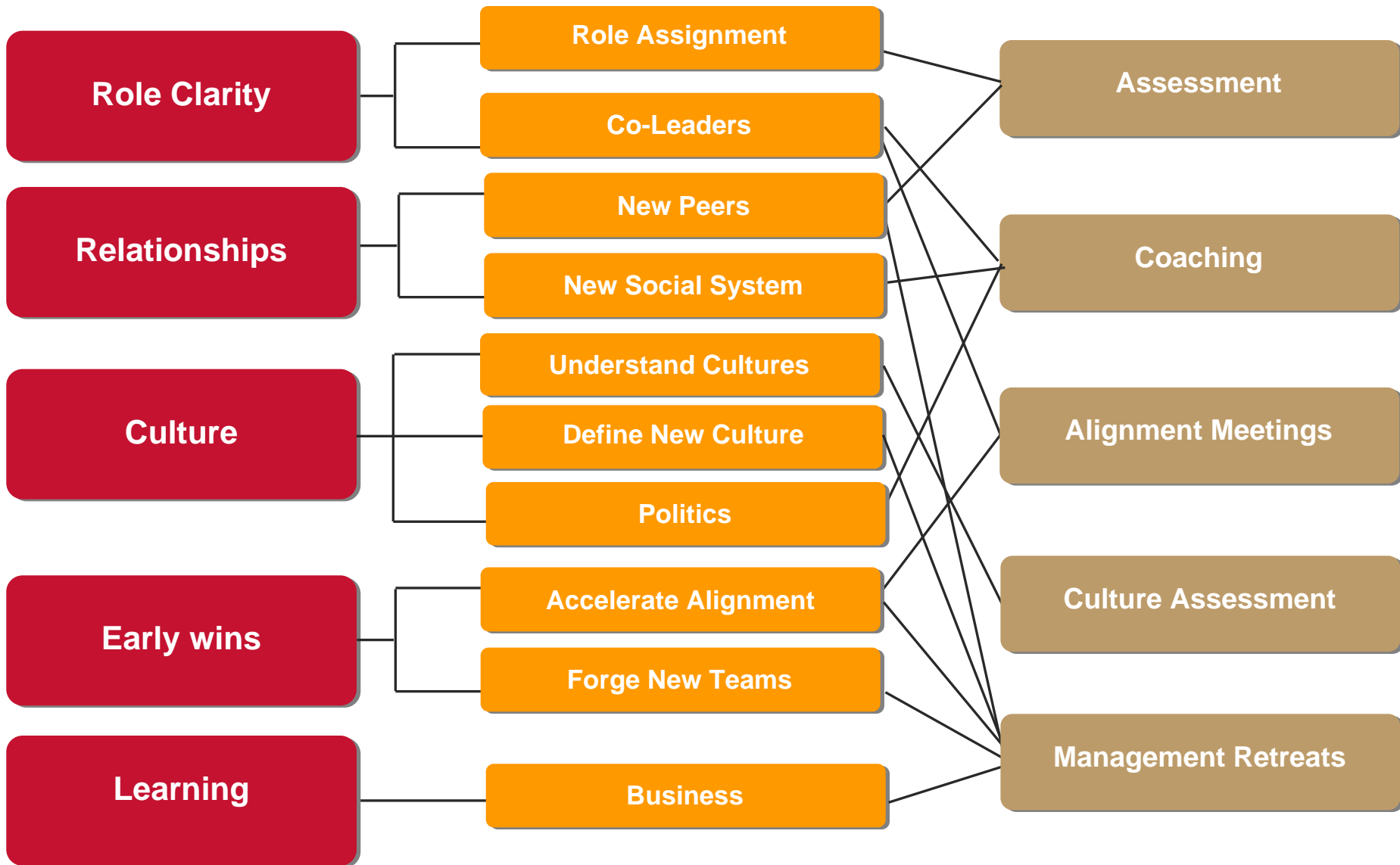
# Key Integration Issues

- Role Clarity
  - Reformulate leadership team
  - Create vision, expectations, norms
  - Co-leader confusion
- Culture
  - ‘Best of both worlds’
  - Dismantle and re-create two social and political systems
- Early Wins
  - Alignment, vision, traction

# SUCCESS FACTOR

# KEY ISSUES

# INTERVENTIONS



# Outcomes

- Successful merger; company has gone on to make subsequent acquisitions
- Right people in roles
- Accelerated ability of the executive team to make decisions and present an aligned vision, strategy, culture to the organization
- More functional leadership structure

# Summary

# Practical Advice for Consultants

- Every situation is unique and complex
- Start with the strategy and philosophy of the merger
- Use a model to provide a framework and focus
- Conduct a thorough needs assessment - identify key integration issues and how they will impact leaders and team
- Align interventions around key issues
- Pay attention and be flexible
- Be a psychologist

# Why Psychologists Should Be in the Room

“The hard part of an acquisition is the soft stuff – people, role clarification, relationships. The reason organizations rise and fall is less around the hard business issues than these issues.”

Hank Tufts, Senior Consultant, RHR International

“We look at issues through a different lens to find underpinnings and potential causes of problems. During a merger, organizations need to get to the root issues. We help them deepen their analysis so they can get to the issues quickly, instead of discovering six months down the line that people aren’t aligned.”

Peter Levin, Managing Director, RHR International

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