

CEO EXECUTIVE NEWS

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October 2015 | Author: Darryl Judd - Chief Operating Officer

Merger & Acquisitions: Stacking the Deck to Ensure Success

It all starts on day one: Emphasising the importance of planning and execution in executing an M&A integration.

The Logistics landscape is changing. Not a day goes by without a news headline flashing in front of us pronouncing a new mega deal. Industry consolidation is upon us and recent deals have exceeded many leading analysts expectations: DSV to buy UTi for USD\$1.35bn, XPO Logistics purchase of Con-Way (USD\$3bn), along with earlier buying Norbert Dentressangle for €3.24bn, UPS acquiring Coyote Logistics USD\$1.8bn and Fedex buying TNT for €4.4bn. Not to forget the moves in Asia from Japan Post who earlier brought Toll in a deal worth AU\$6.49bn and Kintetsu Worldwide Express massive deal for APL Logistics valued at USD\$1.2bn. With near record deal sizes, getting the integration elements right from day is going to be a critical component of realising strategic and operational value.

When most people think of mergers and acquisitions (M&A), they think of companies selling and buying each other in order to facilitate an enterprise growing rapidly in its sector. From a legal point of view, a merger is a legal consolidation of two companies into one entity, whereas an acquisition occurs when one company takes over another and completely establishes itself as the new owner.

It may be more accurate, on a deeper level, to describe M&A as a human resources exercise through company restructuring in order to create a better growth or value effect. Companies in the same industry often find that combining creates synergies and increases market share. Examples of ways in which companies use M&A to achieve their Human Resources targets include the economies of scale achieved by saving money by removing duplicate departments. Some companies even use acquisitions as an alternative to the normal hiring process.

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Despite the goal of performance improvement, results from mergers and acquisitions (M&A) are often disappointing compared with results predicted or expected. The reason for this is often that the Human factor has not taken a large enough emphasis.

This is reinforced by a recent Mckinsey report that found that executive management strategies fail when:

- They don't plan and execute a thought for end and integration process
- They don't put the right leadership in place
- They don't hone the skills needed to realise fully even the most obvious value from the merger
- Success requires deeper stronger integration skills and intense management commitment. This balanced with an integration approach that is flexible enough to allow leadership to pursue sources of transformational and combinational value
- Rigorous analysis and integration management

Based on this analysis it is fair to say that investment in the People integration side of an M&A exercise is critical.

Success depends on aligning the people, organizational and cultural assets of the new entity. Once a deal is sealed, nothing is more important to a successful outcome than effectively managing these "soft" issues. Finessing issues such as workforce management and cultural integration will avoid uncertainty, loss of productivity, talent loss and other factors that

could jeopardise success.

The first thing to do to achieve this is to develop a comprehensive research framework that bridges different perspectives and promotes an understanding of factors underlying M&A performance in business research and scholarship. Management must make a conscious effort to bring new joiners along and the culture they create is as important as the financial elements in making the deal successful

There is a greater need therefore to position Human Resources as a strategic due diligence partner

The involvement of HR (Human Resources) as a strategic and due diligence partner can be of enormous advantage in facilitating this process but only if they possess specific understanding and tools that are unique to the M&A environment.

Members of the HR team should possess the following behaviours and capabilities– collaborative team player; proactive; analytical and detail oriented; ability to work in an ambiguous environment; ability to work under pressure of time constraints; conflicting priorities and agendas; broad knowledge of HR; strong communication skills.

They need to have prior experience that will prepare them for an M&A activity. Examples of how this can be evidenced in their employment experience at the selection stage is as follows:

- Leadership of a functional area that is impacted by M&A activity
- Project management for an

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Global News

Logistics Executive Group Middle East appoints Katharina Albert to head its Corporate Advisory & Supply Chain Consulting business.

In move bringing further expertise to our Middle East business, experienced Supply Chain business leader, Katharina Albert has joined the Dubai team as Practice Leader EMEA – Corporate Advisory & Supply Chain Consulting. Katharine is a leading expert in the areas of material and supply chain flow simulation, SC optimisation, network design and is a cost modelling expert with more than 8 years of experience in the logistics, manufacturing, aviation and oil & gas sector. She holds a Master's degree in Systems Engineering & Industrial Management from Germany and has been based in the Middle East since 2011 in the field of business and

enterprise-wide strategic initiatives

- Ownership of profit and loss or budget
- Membership of an international and cross functional project team
- Alternatively, being an employee of an acquired or spun-off organisation.

A strategic HR approach can take the lead in activities that will ensure a smooth integration. By channelling the skills of enthusiastic employees, merging the intellectual capital of both organisations and streamlining the way the new business operates so it can rapidly overcome hurdles and maximise synergies.

Examples of a top down of approach that a HR leadership can activate in times of a merger include:

1. Mobilising Integration planning around value and events.
2. Identifying and prioritising Day One business critical events that relate to value.
3. Review the transaction strategy and identify operational priorities.
4. Conduct "truth testing" vertical workshops that focus on maximising value events.
5. Analyse people, processes and technology critical to each value event.

Another aspect that can create problems in a merger involves branding. The factors influencing brand decisions in a merger or acquisition transaction can range from ego, political to tactical. **Employee Branding for the new entity will need to be carefully considered as an integral part of the talent retention and acquisition process.**

In conclusion, success or failure all starts at the beginning, on day one. To survive the challenges of post-merger integration it is imperative that due thought and considerations are given to the critical junctions of the new business that are at the heart of its activity: its people.

A strong human resources strategy with consideration to the key pinnacles of leadership, organisational design, talent retention strategies, communication and cultural alignment need to be formulate. This process needs to start right from the beginning of the M&A process and well formulated by its legal conclusion, so that it is ready for rolled out cohesively from day one.

As straightforward and logical as these considerations may sound, in the frenzy of activity that usually follows a merger announcement, even simple things can be difficult to remember and execute. Clearly however, history has shown us that the companies that focus on these issues are the ones that have the most success. A timing reminder in this period of industry consolidation!

supply chain performance consulting. She will lead our business supply chain consulting business unit. Logistics Executive Group Expands Australian Operations opening its new Perth Office Logistics Executive Group has expanded their Australian operations and opens Perth office announcing the appointment of General Manager Joanne Norris. Joanne is an accomplished industry talent acquisition and management specialist with 25 years' experience across the wider Logistics and end to end Supply Chain markets from both Australian and Middle Eastern markets.

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Author Profile



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In 2015, Darryl was named as one the “Top 50 influential individuals in Asia’ Supply Chain, Manufacturing & Logistics industry” in the prestigious SCM Thought Leader publication by SCM World, recognising him as expert in the linkage of business strategy and supply chain best practices to human capital management. Darryl brings 28 years of executive leadership and consulting experience and is regular contributor on thought leadership across numerous industry publications and is a frequent speaker at international conferences and events on business leadership, strategy & people alignment and talent management. He was instrumental in the creation of Logistics Academy and presently holds an advisory board appointment with industry group LSCMS. In 2014, he was appointed as one of five global experts to IATA’s Global Innovation Award selection board and has held senior executive positions within the airline, air cargo and aircraft leasing industry.

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