

Lead with a winning hand

Positioning leaders for integration and transformation

A merger or acquisition (M&A) is one of the biggest game-changing opportunities available to an organization and its leadership. M&A can open doors to new markets, fill talent gaps, improve operational performance, grow shareholder value, and even allow the expanded organization to shape a new culture. To fully realize anticipated deal synergies, the management team needs to lead with a winning hand: Achieving the desired results often hinges on executives' ability to engage the workforce and lead proactively, positively, and enthusiastically throughout the transaction lifecycle—including post-deal integration and organizational transformation.

Stacking the deck: Preparing the leadership team

Experienced CEOs know that a component of an effective M&A transition includes insulating customers from the uncertainty that a proposed deal may present. For this to occur, leadership should rigorously prepare to guide employees through the deal process while keeping it “business as usual” for customers. Preparation begins with selecting an operating model and leadership team to take the helm during the transaction. Smart first steps to consider include:

- **Design:** Define the new operating model, overall organization structure, and leadership roles that will support it.
- **Select:** Choose top-tier, transformative leaders—those who are able and willing

to engage stakeholders in fulfilling the vision for the new organization. Both the executive leadership and transaction leadership teams must be committed and patient throughout the deal lifecycle. Transactions require a steady hand, so it's imperative to find leaders who won't get flustered during this uncertain and dynamic time.

- **Engage:** Define each leader's role in the new organization and address their individual questions or concerns. You can't engage your workforce with a disengaged leadership team; leaders need to know what is expected of them and have no confusion about their roles if they are to achieve the desired result.
- **Communicate:** Tailor messages to address the concerns of each leader's key audiences. Employees notice when a message has been carefully crafted with their specific issues in mind.
- **Practice:** Provide rigorous training and practice sessions to help leaders polish their deal management and communication skills.

Upping the ante: Engaging leaders for success

Identifying capable individuals to lead the organization through an M&A transaction is an important step forward; however, effectively engaging these leaders to transform the post-M&A organization can make or break the deal. Preparing leaders for this important role may require that they:

- **Lead differently.** Post-M&A transformation often calls for new people management skills, especially if the deal combines organizations with dramatically different cultures. Executive and functional leaders should be coached on what to say and do to help move their organization in a positive direction. Training support should include establishing a collaborative environment with transaction planning that is transparent and synchronized; encouraging leaders to talk candidly with their people at every level and promote idea-sharing; and asking leaders to communicate specific ways their people can contribute to the new organization's goals and how they will be rewarded for those contributions.
- **Cultivate patience while driving performance.** M&A-related transformation is an iterative process that for many employees may seem chaotic or disorganized. The resulting anxiety and frustration can interfere with effective day-to-day performance. Leaders should set realistic expectations for employee performance, allowing them time to adjust to new ways of doing business. When leaders inspire and model positive behaviors, they can help to ease employees' concerns resulting from deal ambiguity, thus allowing them to concentrate on delivering an excellent customer experience.

Play it forward: Aligning the team

It's easy to spot a well-aligned leadership team by observing what they say and do. Acting as a unit, they share a consistent, clear vision of the future organization and the value it can provide to all stakeholders, including employees. With everyone playing the same game, the organization can attain the stability and direction it needs to undergo an effective post-M&A transformation. Unfortunately, there's no straight path to alignment. The process begins with a hypothetical future-state vision; one that changes and evolves as the leadership team debates ideas, concerns, and alternatives.

An effective way to develop and test various hypotheses is for senior executives to sponsor a leadership summit to explore operating models, cultures, and structures that may allow the combined company to deliver more synergistic value. Observing how the participants conduct and express themselves during the summit can also give senior executives insights to select the go-forward leadership team. The goal of the summit isn't to gain consensus. Rather, it's to extract sharp thinking that can drive the organization forward. To that end, leaders should aim to answer questions such as:

- Where are we going, and how can we get there? Start a conversation with the leadership team about how the new organization will create future value. The exciting thing about an M&A deal is that the place the new company is going doesn't exist yet—leaders and employees get to invent it. Collaboratively developing a clear end-state vision and an actionable strategy for how to get there are key steps to fostering an engaged transformation leadership team.
- How will the new organization operate? Defining how the organization will satisfy customers requires a thorough understanding of the people, processes, and technologies that are required to do so. Are the right capabilities and resources in place? Can they be adapted? If not, how and from where will they be sourced?

- What's required to realize the deal strategy? Project into the future. What needs to be done and how long will it take before the new organization achieves anticipated deal synergies?
- How will the team execute a seamless transaction? Has anyone on the leadership team been through an M&A previously, or does everyone need to sharpen their abilities and expand their skills to lead through the transformation?

Turn the tables: Creating positive buzz

It typically takes weeks, sometimes months, of thorough due diligence and skilled negotiations to arrive at mutually agreeable M&A deal terms. It's no wonder that leadership teams sometimes forget that certain stakeholders—including employees—may be caught off guard when they hear about a pending deal. Controlling the flow of information is critical to gaining and keeping the trust of the workforce. As mentioned previously, this means that news should be communicated with clarity and enthusiasm.

Leaders should strive to move beyond effectiveness to become influential communicators who create positive "buzz" around the deal. *Effective* leaders control potential rumors and speculation by considering the perspective of their stakeholders—analysts, shareholders, employees, vendors, and customers—as they respond to each group's concerns. *Influential* leaders go beyond control; they build stakeholder excitement and anticipation by communicating the anticipated value that the combined entities will generate in messages tailored to specific groups' interests.

Double down: Building a high-performing culture

A company's culture can be described as "why things work the way they do around here." Building or reshaping culture as a result of M&A takes planning and time. Transformational leaders can help to mold the future organization's culture through their words and actions—the way they treat stakeholders and where they focus their energy and attention. Table stakes for a positive company culture include a clear operating model that each stakeholder understands; an organizational structure that shows people where they fit and provides them with the proper resources and reporting relationships that they need to be successful in their jobs; leadership that's aligned to support common principles and objectives, and that is committed to "walking the talk"; rigorous standards for how leaders communicate; and talent strategies that are focused on retaining key competencies and engaging employees.

Split the pot: Everybody wins

An M&A deal can provide a rare opportunity to bring together the very best people, products, and operations into one organization; to create more value in months than in-house development can in years. However, delivering on this opportunity requires leaders to demonstrate skills that go beyond those needed for business as usual. By aligning, acting and speaking as one, they can help create a compelling vision for the future company and provide the support and resources to achieve this vision. A successful M&A deal requires transformative leaders who will empower and inspire employees to pull together and collectively achieve more than they ever imagined possible.

Contacts

Don Miller

Managing Director
Deloitte Consulting LLP
domiller@deloitte.com

Tom Joseph

Principal
Deloitte Consulting LLP
tjoseph@deloitte.com

Davi Bryan

Senior Manager
Deloitte Consulting LLP
dabryan@deloitte.com

Matt Usdin

Principal
Deloitte Consulting LLP
musdin@deloitte.com

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