

Companies are just like people!

How can we increase our chances of successful business integration?

In company acquisitions, success is anything but guaranteed – not as a direct result of the acquisition itself, but because of the complex integration process that comes after it. This process and the emotions it brings with it are similar to our experiences of human relationships. Think back to when you were young, free and single: you could do whatever you wanted, whenever you wanted. And what springs to mind when you think about the time when you met your partner? When did you know for sure that you wanted to stay together, or even get married? And when did you realize that you really knew and understood each other? Relationships go through many phases, and companies are just the same. In this article, we look at the emotional side of business integration. How can a business stay true to itself and its roots throughout the process? How can you make sure that customers, employees and managers understand what is going on? *Udo Waltman, Director of Sansidor, explains the phases of company integration and opens up about his previous experiences.*

THE DISCOVERY PHASE

Background

‘Do you remember the days when you were single? You could spend Saturday nights in the bar, with total freedom to do whatever you wanted, whenever you wanted, with whoever you wanted. That feeling is similar to how an entrepreneur feels when they are starting out in the world of business. During that initial stage, you make decisions based on your own values, standards and objectives. Over the years, you create your own reality by building your own SME. But sometimes, being single isn’t all that much fun. In time, you feel the need to connect with someone else. You want to move forward and you’re ready for things to “get serious”. With an open mind, you start your search for a partner. Businesses can experience similar changes: entrepreneurs may start to question whether they want to continue alone, or whether a sale or merger might fuel the company’s success and guarantee continuity for the business. They look for partners and discover how this new way of working would affect their business. For most people, it can take some time before you finally find the person you want to spend your life with. The search is a journey of discovery in itself; a learning process that shows you what you really want and who slots into the life you imagine for yourself. Making the decision to sell an SME that you’ve nurtured yourself from the ground up is also a complicated and multifaceted process. There are often many complex experiences and emotions to work through before a decision is reached.’

Experiences

‘For me, the discovery phase is key to uncovering the “whys” behind the sale. It is essential that there are clear factors motivating the decision, as this ensures that both new business partners understand the move from the get-go. A successful SME is usually run by a hard-working, driven and passionate owner with the support of a committed team. Sellers often idealistically state that they are selling the business to ensure its continuity. Many owners are initially keen to remain involved. Sometimes, they suggest that they are interested in making money from their company. In my experience, people don’t need to worry about this factor anywhere near as much as they do. Just be direct, state your intentions, and be clear about which roles need to be fulfilled. As a seller, don’t forget that you have the option of just selling your business, closing the door and walking away. Or be very outspoken than your desire is to remain, be actively part of the new business and go forward with all entrepreneurial passion along with it. And as a buyer, make sure you explain why you’re interested in the opportunity and how the transaction will affect the seller.’

THE FALLING-IN-LOVE PHASE

Background

‘Suddenly, you feel like your soulmate has just walked into your life out of nowhere. Everything feels right, and you’re ready for a new beginning. The love you feel is all-consuming, with romance taking the place of all rational thought. Nothing can hold you back. These feelings are similar to those you might experience when you cross paths with the perfect business partner. This exciting period is full of new opportunities to explore. You discuss synergies in detail, and there seems to be nothing standing in the way of your future success as partners. This time, the loved-up feelings are long-lasting; a sign that this is the real deal. You discuss how you want your relationship to progress. You make decisions on important topics and decide what your lives together will look like – maybe you’ll even decide to get married. In a business scenario, the discovery phase is well and truly over at this point. The letter of intent lands on your desk, the buyer conducts its due diligence processes and before you know it, it’s time to make the acquisition public.’

Experiences

‘In this phase, you and your partner are primarily focused on one another. This is an intense period that can last at least five months, and up to a year and a half. The outside world doesn’t yet know what is going on, so the parties operate in their own little bubble. The new business partners are full of enthusiasm for the new opportunities they are discovering. As well as being incredibly intense, this period is also demanding: the selling party gives the new partner full access to its processes and accounts. Looking back on our acquisition, I think that in this phase we should have focused more strongly on the cultural aspects of the business as was in the management team back then. We were so engrossed in the processes, the figures and answering questions that our culture simply disappeared into the background. It’s important to take the standards, values, culture and any unique aspects of the company into account at this stage; the “personality” of the business should be at the forefront. I think that we should have been more open about who we were as a business during this phase. We should have talked about what is important to us and why we do what we do, to really bring the buying partner into our world. It’s also important to understand that sometimes, things feel more significant than they actually are. Enthusiasm is the overriding feeling you experience during this phase. Usually, only a small group of people know about the acquisition and you’re all thinking about new opportunities. That’s good, and completely normal, but remember that there’s an outside world out there – your employees, for example – who might have a completely different take on the situation.’

Tips

- Be brave enough to admit that a merger of acquisition is a major event that will bring huge changes to your business. Address this directly and don’t skirt around the issue. However, be realistic and remember that to the outside world, the acquisition won’t be such a life-changing event.
- Think about the consequences of the acquisition, not only in terms of cost savings and increased revenue, but also its effect on your company’s culture. What are your values and standards as a company, and will your culture cause issues during the acquisition?

THE WEDDING AND HONEYMOON

Background

‘Eventually, the long-awaited day arrives: your wedding day. Can you honestly say, hand on heart, that this day was everything you had hoped and expected it would be? Was it really the best day of your life? Or did it all go by in the blink of an eye, and leave you wishing you’d had more time to spend chatting with your guests, celebrating and generally worrying less about all of the formalities and everything you had to do? The actual acquisition is a little bit like the wedding day. The contracts have been signed, the money has changed hands and the new management take their place at the table. The honeymoon is a wonderful time, full of congratulatory messages and visits from new colleagues; your customers respond to the news with great enthusiasm. But what happens when the celebrations end?’

Experiences

‘As directors, back then we were convinced that the moment we announced the acquisition to our three hundred employees would be the moment when everything would fall into place. We had prepared a great presentation setting out the future we envisaged for the company: a future full of opportunities and a wonderful new owner who would put the world at our feet. We also wanted to reassure our employees that nothing would change as a result of the acquisition. We would keep the same name and the same locations, our primary and secondary terms and conditions of employment would basically not change, and we would stay true to our established attitude and working methods. The contrast between our euphoria within the management team and the relative sheer indifference of our employees on the “big day” couldn’t have been any greater. It wasn’t that they weren’t happy about the news, but they didn’t experience it in the same way as we did. With hindsight, I can see why: they hadn’t been involved in any of the process before this point. Aside from that, the concept of who owns the company just isn’t as important to employees as it is to management, especially when we were (over)stressing that everything would stay exactly the same. ‘That evening’s football match seemed to be as much as a pressing concern.....’

THE REAL LIVE

Background

‘This is the period in which you really adapt to your partner – when you truly know, accept and understand one another. Two individual business need to become one, which pushes their individual personalities even further to the fore. In companies, this is a confrontational phase; a phase in which it becomes clear how each party benefits the other and what their underlying intentions are. Each party needs to look beyond the boundaries of its own identity, which is not easy to do and requires a great deal of effort. Differences between the partners become evident and the process of personal profiling begins. In a new setting, it’s natural that employees want to show what they are capable of, but this can spark issues with customers or within the management team. If the relationship is to succeed, both parties need to work hard on building rapport and assimilating their company cultures. In effect, two different worlds are merging into one. This process requires time, energy and goodwill.’

Experience

'The cultural differences between the companies become evident at this stage, which can result in problems. In our case, we were very keen to hold on to our identity. The acquisition strengthened our internal bond and we formed a united front to resist the "outsiders". One of the things we argued about was that we didn't want to change our name and logo straight away. We wanted a slower transitional period. With hindsight, I can see that this kind of demanding and closed-off attitude can't have come across well. Our new business partners probably decided to overlook this kind of thing to some extent, knowing that they couldn't expect it to be business as usual straight away. We ended up with an identity crisis: we were no longer a friendly, welcoming SME, but we didn't feel like a corporate giant either. We were a company in transition, and for a while we lost our way. When you find yourself in that kind of situation, closing yourself off to the outside world feels like the safest thing to do. But there is no point in carrying on down this road – an open attitude is the key to success. If we learnt anything during this phase, it was that things are going to change regardless.

With hindsight, we should have got on board with the changes sooner. We spent years trying to cling on to our identity. If I got the chance to do it again, I'd do things differently. To ensure our future success, I would have the courage to change and to intervene where necessary. I'd put an end to anything that wouldn't make a positive contribution to the company culture in the long term, and I'd communicate with others about this. A fast transition to the new culture brings clarity for all involved, and gives you the room you need to grow. In the long term, this is the most beneficial approach. Accept that an acquisition will bring change and don't be afraid to make those changes when the time comes.

Of course, there will be tension, both between the new business partners and with customers and employees.

Customers will want one company's price and the other company's service. Employees, too, will attempt to cherry-pick and look for ways to get the best from each company. The pension scheme from the old company might be more attractive, but the new company might offer a better car scheme. They might want the salary of one company but the holiday allowance of the other. Daring to change is a powerful thing. It shows that you're willing to take risks and work hard.'

Tips

- This period is incredibly positive, rich in opportunity, inspiring and motivating. Don't forget to stop and think about this from time to time, to truly experience and enjoy these feelings.
- Less is more: it can be tempting to go along with everything and get involved with every action that comes up at a meeting. Make smart choices: do a quarter of what is asked of you. Your focus, first and foremost, must remain on the customer, and then on your own employees, followed by management and the new corporate interests.
- During this phase, you need to make a clear choice: will you aim for a slow and gentle transition or make a clean break from the past? A bit of both just doesn't work – this will only hinder integration.
- If you opt for a clean break, you can apply the 100-day change method. Communicate clearly about what will happen and when. Draw up a visual roadmap that indicates when systems, processes and structures will change. This is a great way to ensure that everyone has a clear overview of the situation.
- It's never easy to match up company cultures. Be positive and learn to appreciate the differences you'll discover along the way and from mutual influence both parties -when well willing- can learn and adopt a great deal!
- Synergy effects (such as cost savings and increased revenue generated from combined services) are often the reason why companies decide to work together. However, these effects won't bear fruit until a later stage – in this phase, the parties are still too occupied with themselves. Be realistic and accept this fact without becoming resentful about it.

THE UNION

Background

'A good relationship is hard work. It isn't something that just exists and survives by itself. Situations can change – you might have children, for example – and you need to be able to adapt to these changes. Adaptability is important in company acquisitions too. Your working life now might be completely different, but in successful acquisitions, both parties are willing to do everything they can to make the relationship a success. For the buying party, it is important to keep the “soft” side of the organization in mind, along with all of the hard business interests. The selling party faces an altogether different challenge: letting go of its old identity. Difficult decisions may need to be made to ensure that everyone is on the same page for the future. And this brings us full circle, back to the beginning. Initially, the aim of the acquisition was to build a new future, take the business down a new path and open up new opportunities. As new partners, do what you need to do to succeed in laying the groundwork for this change, focusing on both the “soft” side of the business – the employees – and the hard financial interests. Have the courage to make changes – this will help everyone to understand what is going on and gives the business room to grow into its new shared future.'

Experiences

'Acquisitions aim to enable a company to grow and to take advantage of new opportunities. Looking back at the entire process, I think it is very easy to get bogged down focusing on the wrong things. In the first six months after the acquisition, we spent a lot of time making presentations. We wanted to make ourselves known to our new owners, and show them how nice and hard-working we were. We wasted a lot of time talking about retaining old processes, systems and working methods, which didn't actually help us much at all. We would have been better off devoting our energy to change management and to making more conscious decisions about the implementation of our new culture. I think we ended up too closed off to the outside world, even though a strong sense of belonging and identity does have its benefits too. We were too keen to hang on to the past; we wanted everything to stay as it was. This attitude was a stark contrast to our initial desire to sell the company. We had wanted to open our doors to new partners and to a new future. That's why honesty throughout the process is so important: what do you as a seller actually hope to achieve from the acquisition? Are you prepared to let go of your company in its current form? What are the underlying interests of the buyer? Are you prepared to accept that your partner will always be – to a certain extent – different? Honesty is the only solid foundation on which you can build a successful future together.'

Tips

- Plan fixed points at which you will get together to discuss how the integration process is going. View these meetings as a kind of preventative relationship therapy. Say what's going well and where the companies are proving a good match, and what's going less well or could be done differently. Companies often arrange standard, formal integration meetings to discuss processes and systems, but it is essential to look at things on a deeper level. These meetings need to be about feelings, emotions and openness.
- Never ignore an underlying problem. Instead, put everything on the table and create a space to come up with solutions.
- Accept that it will be many years before you can fully understand and accept one another.

THE NINE PHASES OF COMPANY ACQUISITIONS:

- 1. Independence – two “single” companies operate separately**
- 2. Discovery – the companies put themselves “on the market”, look around and make advances**
- 3. Initial meeting – falling in love**
- 4. Formalizing/letter of intent – engagement**
- 5. Decision to acquire/due diligence – intention to marry**
- 6. Announce acquisition – marriage**
- 7. A future full of opportunities – honeymoon period**
- 8. Settling into a new way of doing things – from euphoria to hangover**
- 9. A true union between two companies – growing old together**