

## **Quality Professionals Can Increase the Success of Mergers and Acquisitions**

Up to 70% of mergers fail to meet their objectives. Valued customers and employees are lost, shareholder values decline, and expected cost savings or revenue gains do not materialize. Fortunately, quality professionals can help their organizations improve on these poor odds.

I worked with nearly a dozen distinguished quality professionals on two mergers (the merger of North Shore Medical Center with AtlantiCare Medical Center and of BP with Amoco in their Liability Management Groups). Our experience suggests that a systematic, objective approach that focuses on creating a win-win situation can help avoid the worst side effects of mergers.

We began by studying the merger literature and found that people who lead successful mergers typically do four key things.

1. They have a positive strategy for the new organization, emphasizing ways they plan to succeed competitively rather than across-the-board cost cutting.
2. They make decisions quickly, avoiding long periods of uncertainty.
3. They communicate regularly and honestly to everyone – employees, customers, partners – about the merger plans and strategy.
4. They pay attention to the cultural aspects of the merging organizations, finding ways to capitalize on both their strengths.

So we designed a cultural assessment process (in which quality professionals play a key role) to accomplish these four key success factors. This process quickly allows the two organizations to get to know each other's cultures, to create a shared strategy, to make vital decisions based on fact, and to communicate in three phases.

In the first phase, a detailed Business Description (such as the one in the Baldrige Criteria for Performance Excellence booklet) is prepared, which allows the two organizations to quickly get acquainted, to identify similarities and differences in their cultures, and to prepare a comprehensive description or vision for the new organization to be. This normally occurs during the due diligence period, before the merger is announced. Quality professionals can help facilitate this process themselves or work with an outside expert. Once the merger is announced, this comprehensive description serves as the strategic document for the new organization and is communicated widely inside and outside the organizations to build support for the merger.

In the second phase, a deeper evaluation of each organization's management and cultural processes is conducted. We recommend basing this on the Baldrige Criteria for Performance Excellence or something comparable because these criteria are complete, well-integrated, and proven to increase the financial well-being of organizations. The goal is to identify the strengths of each organization and how to build on these strengths to make the new organization a world-class competitor. This is usually done as soon as possible after the merger is announced. The assessment is best done by outside experts who are perceived as being impartial, although inside experts can assist in the design, logistics and reporting of the process. As soon as this work is done, the new plans for

excellence are promptly shared with all employees and customers to squelch the inevitable negative rumors and build enthusiasm for the positive changes.

In the third phase after the merger has been approved, the organizations can share the detailed data on their performance results – as described in the Baldrige Business Results category. These detailed customer, market and financial, HR, supplier and operational results permit the new organization to objectively benchmark and set goals. Quality professionals can play a major role in this phase in helping to collect, analyze and report the data and in helping senior managers make decisions and set goals.

Quality professionals can play a role in all three phases. Some of their most important tasks include:

1. Communicate with top managers and others about this cultural integration process and how it can increase the odds of success in order to get the firms to adopt the process. (Since speed and complete discretion are vital in the early days of mergers, quality managers may want to communicate about this process's effectiveness even before they learn a merger is being planned.)
2. Recruit the most senior people possible to champion the process.
3. Identify the outside experts to lend credibility to the process.
4. Set up an internal Integration Team, with members from both organizations, to work with the quality professional in managing the process, supporting the senior champions and communicating what is being learned and decided.
5. Create a detailed communication plan to explain the purpose of the cultural integration process and to build support for the new strategy and other important decision.

While nothing will make a merger seem completely painless, while people will still resist change, and while some employees and customers may still defect, quality professional using the process described here can greatly reduce these negative side effects and greatly increase the odds of a successful merger.

*Article from "Competitive Advantage", published by American Society for Quality, Fall/Winter of 2000/2001.*