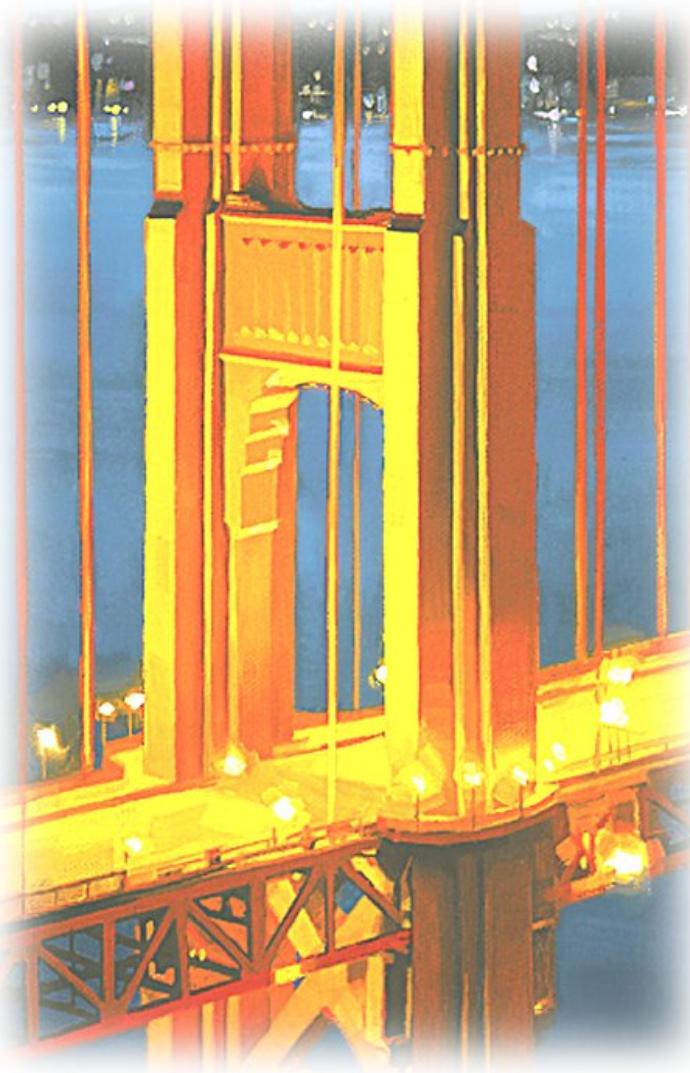


IDEABRIDGE



Implementing Cultural Integrations
Following an Acquisition



CULTURAL CHANGE INTEGRATION

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Introduction

The following pages highlight the tactics that have consistently proven to improve the likelihood of successfully integrating a newly acquired company. There are many pitfalls and rarely do such integrations meet all the intended objectives. However, one can dramatically increase their chances of a successful integration by paying careful attention to the people-issues and by reviewing the following lessons learned and insights gained through the process of integrating many of the most successful acquisitions.

This guide has been designed in a quick-read, bullet point format with the salient points grouped under topical headers. CEOs and integration team leaders have requested this format in order to quickly reference the material.

Critical Summary for CEOs and Integration Team

1. These changes will affect employee attitudes, you just can't get around it, so don't waste your time trying to be the first CEO ever to pull-off a trouble-free acquisition. Take note: there will be problems and surprises no matter how much due diligence took place.
2. It's not unusual for an employee to be an all star in one culture, and fail miserably in another. Plan on taking advantage of the opportunity to adjust the workforce and deal with marginal employees; don't delay, as the people problems will never go away, in fact, they will get worse. Marginal players can torpedo your integration efforts with overt or covert sabotage. Don't delude yourself into thinking that your integration will be different. You will have both outspoken and subtle opposition. If people are not on board with the status quo, odds are that they will really make trouble for you in your change effort.
3. Beware of the unintended consequences of your decisions. Just as you think you've solved one problem, you may have created two new problems. In times like these, it's not just the problems that can derail you, your solutions to those problems may be just as damaging. Don't let this cautionary advice scare you into passivity or inactivity, just be cognizant of the *unintended consequences* and endeavor to think three-steps ahead before you take major action. Think of your integration and change efforts like a chess game: Always be thinking three moves ahead.
4. Corporate integrations and major organizational change is never trouble-free, no matter who is running it or how much planning you've already done. Problems will happen.
5. The destabilization creates an entirely new set of problems, increasing job stress while adding to the workload. Often, employee productivity will get cut in half during the first several months of the transition period.
6. Action works wonders to relieve feelings of fear, helplessness, anger and uncertainty. Keep people busy.
7. Always operate with the assumption that there will be personnel turnover. With this in mind, use this time to rid yourself of those who simply are not on board, won't get on board or who would rather not be on board. There will never be a better time to clean house and improve your roster.



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8. There will typically be a downturn in effectiveness matched by an increase in problems shortly after the acquisition. Be certain to think about this in your planning process and adjust budgets or timelines if necessary.
9. Managing integrations and any major change is always a discovery process. You will never be able to anticipate all of the problems that will inevitably creep up. We advise leaders to plan for a 60 to 90 day period where they should try to keep outside commitments to a minimum while they work through these initial integration issues.
10. Take action that turns heads. Your opening moves should leave no doubt that the old culture is incompatible with what's to come. Trying to be soft, agreeable, malleable and completely open to changing your own culture in order to accommodate the acquired company has not proven to be a successful strategy. Remember, you are the company who is acquiring the other. It's your people, your systems, your strategy, your culture that put your company in a position to acquire the other. Be cautious about adapting wholesale changes or reducing your requirements, process, or standards merely to accommodate those who are not entirely comfortable.
11. Upper management catches a lot of criticism during times of transition and change. You will not be immune, in fact, you will become a target. Major change efforts require a thick skin because unflattering and downright hurtful comments will get back to you. Be prepared, and hopefully, you can keep it all in perspective. If major change were easy to carry-out, then they wouldn't need you right now.
12. Be prepared and be willing to sacrifice those people whose attitude and behavior could sabotage or otherwise undermine your acquisition. If you must get approval to let people go, then do so PRIOR to announcing the change initiative. Talk to your HR people, tee up the ball, get to understand what the potential displacement packages will be. If your gut tells you that a person is not right for the job and is going to undermine your efforts, you must think seriously about getting them out. More times than not, your gut feel is correct on these matters. By the time you've been elevated to a position where you have the authority to make these kinds of change effort initiatives, you have a highly-developed gut feel for people; trust your gut.
13. An overly-democratic process usually inhibits the effort. You will NEVER get 100% concurrence for all of your desired moves. Don't try to get it. What you need is a core group of people that will support your efforts and will carry your flag deep into the organization. Get that core team on board and expect them to help promote and sell your ideas.
14. During times like these, people often feel vulnerable, helpless. It's important that you feed your superstars, let them know personally, that they have an important, and growing role in the company. Pay attention to your all stars. Take note: external recruiting companies will use the uncertainty created by acquisitions to try to convince your all stars to consider a change. Get to your all stars before they get called by outside recruiters.
15. All people, from senior officers to front-line employees need to be aligned and working in concert with one another. That's why it's vital that your plan be communicated in clear and simple terms. Overly complex plans will not be understood. It is vital to keep it simple. We strongly advocate the "Game Plan" booklet (available through IdeaBridge).
16. A direct by-product of the acquisition is an increase in employee turnover. What that means is that if you relax your efforts and standards, then the fence-sitters may stay; these average producers will



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stay because frankly, they have very few options. Use this opportunity to upgrade your entire team and your bench. The marginal producers and the constant complainers that will never be happy should be allowed (or encouraged) to leave. Don't coddle and try to save the marginal players, use this opportunity to clear out the dead wood. Tough? Yep. But bitter, acidic complainers can infect morale, destroy productivity and literally impact your bottom line.

17. Don't waste your time trying to salvage people who won't respond. People that won't change must be invited to leave. If they turn negative and acidic, the cancer must be cut out. Period. If you don't have the stomach for the tough moves, then it would be best to delay your efforts.
18. It's vital that you understand, upfront, that mistakes are absolutely unavoidable when making these integration changes and dealing with all the people issues. Be prepared. You will make some mistakes; it's unavoidable.
19. If nobody takes pains to measure results, employees won't take pains to produce results. It's really as simple as that. Therefore, you must decide, very early in the game what you want to achieve with this integration. Exactly what are your goals? What are the vital goals and what are the goals that are simply nice, but not critical? Focus your measurements on the truly vital goals. Don't try and measure everything, focus on the most important items that will keep you on the critical path toward meeting your integration objectives.
20. Part of your job is to hold people's feet to the fire so they adhere to a very tight integration time frame. This is a very important objective: keep the timelines very tight. Expect and measure results over the near term. Sure, people are going to gripe and complain, but the winners, your all stars will readily embrace the challenge. The fact is that the longer you move out the timeline, the less likely you will hit your targets.
21. There will be a lot of impromptu management decisions that no amount of planning can foresee. Just know this and try and get comfortable that you and your trusted lieutenants will have to be making some decisions on the fly. And when the inevitable mistakes and surprises hit, don't publicly flog the decision maker; if people are reluctant to decide and act, your integration timeline will be severely impacted.
22. Don't be a fool and think that your people are going to be more concerned about your company than they are about themselves. Until employees know exactly where they stand in all of this, they will be making contingency plans, talking to recruiters and your productivity will fall to a standstill. This is a fact that few leaders want to address. It's best to understand this issue and deal with it. The way this can be dealt with is to widely communicate your integration plans, starting in this order: your boss/Board, your trusted internal/external advisors, your trusted direct reports, your all stars, the managers, the rank and file.
23. Deputize employees to be on the lookout for problems. Talk to them often. And whatever you do, don't shoot the messenger! But here is an important point: be sure to get differing opinions. All stories have two sides. Be careful who you are listening to, as everyone has an agenda and their opinions and perspectives will always have a political attachment to the story or outcome.
24. Problems seem to pop-up from everywhere, usually it's a total surprise and couldn't have happened at a worse time. Knowing that this is absolutely going to happen, integration leaders must build in a large window of 'contingency time' to be able to immediately respond to these problems.



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25. Integrate one company...not two. This cannot be overstated. Often the worst course of action is to slowing try to integrate the best of both worlds. In nearly every documented case of this tactic, it has failed. Repeat: this tactic has rarely worked and the odds are stacked against this form of integration. Integrate one company. Even in the so-called 'merger of equals', one culture must survive.
26. Be on the lookout for those who bring you false cheer and just talk a good game. No one is always doing great and never has any problems with their people or business.

What to expect in the Integration Process

1. Keep everyone focused on achieving tangible results and performance gains. Plot and monitor those gains weekly in some cases, daily in others. You must stay on top of the key merger integration targets and benchmarks.
2. Employees must know where they stand in all of this. They must know quickly and you must tell them. If you lie or deceive the employees about where they stand in all of this, productivity will screech to a halt while they meet privately to compare notes on your deceptions and they fill in the gaps where you've been elusive and non committal.
3. Strange as this will sound to most leaders, many otherwise reasonable employees will readily and knowingly damage their own career by doing stupid/illegal/unethical things, if in their minds, they think they're "getting even" with the 'heartless' personnel department, their boss or the new company. This is an absolute reality and one of the strangest dynamics to emerge from the integration process. Just know that some otherwise normal and reasonable people may do some awfully stupid things to try and 'get even' with the company or with you.
4. No acquisition plan is perfect. Be sure to tell everyone at the outset that they can expect some mid-course corrections as problems surface. It's much easier to admit this up-front, than to come back later and admit the foul-ups. We've seen case after case, where management has tried to deny problems, only to completely lose credibility and momentum when they had to go back and admit they were covering up a prior problem. When mistakes are made, fess up, explain what happened, present the new plan and quickly move on. Again, it is far better to admit UPFRONT that you expect mistakes will be made and that there may be some surprises. This will save all kinds of problems down the road. Please take heed of this advice.
5. Everybody ends up losing if people keep questioning the wisdom of the strategy and the speed of the changes. Don't allow this kind of culture to be created. You must deputize your leaders to jump on the negativity and doubt. The naysayers, complainers and saboteurs will infect others and destroy productivity.
6. Some people resist change as a way of getting even or to "punish" the company.

Danger Signs to Watch out for

1. Managing this kind of transition is very difficult and stressful. You will not be popular and must develop a thick skin. People will question your motives, criticize your approach and condemn you



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personally. You will end up questioning some of your decisions because even some of your closest advisors will not agree with all of your moves. This is normal.

2. You cannot afford to go forward struggling to deal with overt opposition or subtle sabotage. You must make it perfectly clear that people must get on the team and get with the program or they will not be welcome. There's not time to sit down with every naysayer and try to convince them to get with the program. If they are trouble-makers and resistors to the changes, then they've got to go. In the long run it may be worth it just to package them out.
3. Moves that cause change are sure to cause stiff opposition. Your popularity will dive into a free-fall. This is normal; get ready, as there is no avoiding it. If leaders attempt to avoid the unpopular decisions, they are not doing the right things for the company.
4. You want to see action and you want to hear reports from others that your key team members are truly on board supporting you and your initiatives, especially when you are not in close vicinity. Never rely on "yes men" who do not challenge your thinking. Those who constantly bring you false cheer and ever glowing reports are likely not giving you the whole story: watch out!
5. There is no doubt that you will have some false starts and probably make some big mistakes, that's the nature of integrating an acquired company and why you should go out of your way, up-front, to warn people that there will be some mistakes and mid-course adjustments. This will serve you well. Plus, when you have to admit the mistakes and changes, it's really no big deal, as people just say, "Yeah, I remember she told us that there would be some changes along the way." End of story.

Ethics and Character must be stressed

1. Sometimes the voice of your conscience gets drowned out by the crowd. That's why taking an ethical stand based on your principles takes nerve, guts and heart. Stay on the highroad in your ethical standards. Now, during the tough times is when you really define your character and when people will be watching you most closely.
2. When you make mistakes, admit to them quickly and get on with your business. Candidly acknowledge errors and press on.
3. When the heat is really on you, you show your true character. Everybody will now be watching to see if you really walk your talk. A real leader does what's right, even when it's hard. Your personal standards are revealed under stress.
4. When considering your actions, if the threat of exposure to public scrutiny makes you squirm, then you can bet it's probably wrong.
5. Stay out of the gray area. Any violation of honesty or integrity, however small, dilutes your ethical strength, leaving you weaker for the big challenges ahead.
6. Don't count on ethics, values and your high principles to make you popular with everyone. In fact, you will become a big target as you take your company through these changes.



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7. People won't show much faith in what you say or your claims of personal standards. Instead, they watch closely. Ethics and character are grounded in action, what you do is ultimately more important than what you say.
8. High standards and principled leadership leaves absolutely no room for soft discipline or mushy morals.
9. Showcase the people who fight for high standards. Spread the word about their example of high ethical standards.

Establishing Commitment from your Team

1. The leader's intensity, focus, drive, ambition and dedication carries major influence with her team; you are always on stage, whether you realize it or not.
2. Commitment and staff morale start to climb when things start to click. People feel better when they are winning. Do what you can to create a winning environment and to showcase successful achievement of your integration benchmarks. It's hugely important that you communicate and showcase success all along the integration timeline. There's going to be plenty of problems and set backs along the way, so showcasing successes is really important.

Leadership Principles to Observe

1. People will listen to what you say, but then they will be watching very carefully to see if you walk your talk. People will be watching you intently looking for a role model.
2. Take charge and stay in charge. Progress stops when people stop believing in the boss. Your people need to have their own ideas, input and opinions, but you need to call the shots.
3. Provide employees quick, accurate feedback regarding shortfalls in their performance effectiveness. Tell them what you expect in crystal-clear terms. Be candid, but caring. There's no place for a leader who is mean-spirited or a bully.
4. Quickly act to clarify roles and responsibilities for each employee and manager who is impacted by the acquisition.
5. Just don't confuse respect with popularity. Forget about popularity and the rumor mill. Focus on results and what needs to be done. When things start to click and momentum is built, your popularity will increase dramatically!
6. You cannot make it work if people are pursuing their own private strategies of sabotage and undermining your strategy.
7. You are paid to manage the problems, the people, the bottom line and integrate the business units along the agreed acquisition timeline. That's a huge responsibility and you've got to be good at juggling priorities because they'll be shifting constantly. Your challenge is to quickly rev-up the group, mobilize it and redirect their activities to conform to your cultural values and business philosophy.



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8. You will be watched very carefully and will be the subject of the company's rumor mill.
9. There's just no way that you can keep every employee happy...don't waste time trying to do that.
10. Raise the performance standards, even though you may expect a decline in productivity during the first few months of a change initiative.

Maintain Open Lines of Communication

1. How you share information with your team heavily influences the trust level in the group. Don't be selfish and tight-lipped. People really need to know where they stand in all of this. It's vital that you constantly communicate the game plan. Again, we strongly recommend the IdeaBridge Game Plan Booklet (ask us for a copy).
2. If you don't regularly update your team, they'll fill in the blanks and rumors will feed the grapevine. Productivity will screech to a halt while everyone meets to gossip and compare notes.
3. Pull no punches when explaining your integration strategy; people must believe that you are being honest with them, even if it hurts. Otherwise, even the survivors will doubt your intentions and question your motives.
4. Clearly explain what the new cultural realities will be.
5. Give your people constant updates. In the middle of an integration, even no news is news.

Putting the Plan together and what to expect

1. Even when an overall strategy is correct and right, you must be willing to live with some mistakes and foul-ups, as they are unavoidable. There is no such thing as a perfect plan for integrating an acquired company.
2. Keep the plan pure and simple. Set short-term goals that can be quickly accomplished, readily observed and easily measured.
3. Many blanks will be filled-in as circumstances develop. The strategy evolves over time as you course-correct based on new information.
4. Expectations and integration timelines should be unequivocal, easily understood and drilled into everyone until it becomes second nature to the lowest common denominator.
5. The Plan should outline in crystal-clear detail, your goals and objectives, giving the team laser-like focus. (Ask IdeaBridge for a copy of "The Game Plan" booklet)

The Necessity of Speed

1. Keep the pressure on for productivity. Set tight deadlines and stick to them.



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2. Push for quicker actions; operate with a bias toward action.
3. Speed creates a sense of urgency, and is also a sign of commitment.
4. The “best of both worlds” strategy can bring traumatic destabilization to both organizations. Playing it safe is often the biggest risk of all. Prudence beyond a point becomes imprudence.
5. In a change initiative, slowing down is often the most hazardous move you can make.
6. Unwillingness to make mistakes because you want a perfect, trouble free plan has shown to be a flawed approach that can paralyze the integration process.

Implementing Cultural Changes

1. Always remember that the existing culture is designed to protect itself, not to bring about its own demise. Very few of the acquired team members will support your initial overtures toward change.
2. The embedded beliefs, values, behavior patterns and ideas about business carry tremendous power. It will take much force to pry people out of their current rut and mentality of the status quo and ‘the way things were before.’
3. Culture change moves at a slow crawl if the existing employees hang to their culture and call the shots. Do not allow this to happen or you may be doomed to sub-par results.
4. Trying to keep everyone happy and appease all their concerns by taking it slow and easy, can be the cruelest move of all. Do not pretend that their old culture is welcome if it is not compatible to your style of business. If it must go away, you must clearly communicate the new realities.
5. About 20% of your employees will buy-in immediately. 50% will be on the fence. The remaining 30% will be anti-change and won’t change until they see some positive moves and momentum. Even then, 10%, if not more, will never buy on and can never be convinced. They will remain negative, acidic and toxic to the 80%-90% who are trying to do their jobs. A huge mistake is to coddle and ‘work with’ the remaining hold-outs. You must get them out of the company; the negative people will just never come back around. And please don’t kid yourself into the false belief that you are different and can convert these lost souls. Your job is to lead the company and build value, not to baby-sit the complainers.
6. The anti-change crowd will roll their eyes and point to all kinds of reasons why this won’t work and why it will be so much trouble. Get ready. They’ll point to the grand success of their own business units and pet projects. Some may have good ideas that you’ll want to incorporate, so hear them out. But ultimately, you must get on with bringing people to a consistent culture and business philosophy.

What to say to your People involved in the Transition Process

1. It’s very common to care deeply for others and still not be in a position to give them everything that they want or need. That’s why we have an HR department with fair transition packages to help those that will never come around to our business philosophy or way of doing business.



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2. The expectations and level of performance that qualified you as a winner in one environment, may not be enough in this environment.
3. Those employees who are flexible, open to growth opportunities and willing to try new things will be best prepared for opportunities in the years ahead, either at our company, or anywhere else.
4. With everything changing so rapidly, any informal “news” you pick from the grapevine may be dead on arrival. Therefore, do not rely on the rumor mill or your neighbor. When there is significant news to report, you will hear it directly from us.
5. Often what looks like a mistake to many, may be exactly the right move when taken into the context of the big picture.
6. You don’t have to like the changes or believe that they were a good idea. But you must support them. We don’t need Monday morning quarterbacks, we need team players. We need everyone on board.
7. What we are experiencing are reactions to changes in the outside world. Markets are putting the demands on us to change.
8. Sometimes you’ll have to do more, with less, and do it better than ever before; this is the new reality placed on us by our outside competitors.

Employee Morale and other Needs

1. Some dry, sterile, commercial goal will not fire up passion and commitment. Instead, build your cause around a concept, a principle, a vision. Keep the vision clear, unequivocal and communicate it constantly.
2. People will not follow a boss they don’t believe in or one which they don’t believe has any power or authority.
3. People are not going to worry about your company until they are assured about their own survival within the company; do they have a job? That’s what’s constantly on their mind until you or someone else tell them otherwise.
4. Employees need answers. They want closure. They need to know where they stand in all of this.
5. When organizations fail to provide a proper orientation, employees feel like victims. If you are leading the change initiative and your company is the surviving culture, go out of your way to ensure that your new employees are given a thorough orientation with respect to your company’s values, work ethic, mission and business philosophy. Give them no reason to come to you later and offer the excuse that they ‘just didn’t know that’s how you did things around here.’ For the transition to be successful, your new employees must adapt the same cultural imperatives as the existing employees. This can only happen if you set a strong example, communicate constantly and provide a thorough orientation.
6. People will respond well when you show earnest respect, empathy and genuine appreciation for their efforts.
7. Make it absolutely clear that you cannot tolerate resistance to change...either overt or covert.

John D. Callos
President & CEO

Mr. Callos advises CEOs and their executive teams on leadership issues relating to corporate strategy, sales and improving business results. His work involves confidential CEO advisory services, keynote speaking, executive coaching, strategic planning facilitation and corporate training. Mr. Callos is internationally recognized for his expertise in the areas of leadership development, executive accountability and sales process methodology. Mr. Callos is an ultra endurance athlete who has competed in world class events around the globe, including the Sahara Desert, Canada and Hawaii.



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Mr. Callos works with business executives to improve their effectiveness as leaders and the results of the companies they lead.

His methods to improve performance and generate results have been featured in American Banker, Selling Power Magazine, The Orange County Register and business publications distributed to 30 foreign countries, including India's professional business journal, *The Effective Executive*.

Mr. Callos' business methods were featured in an international competition where he was awarded the first place trophy and the title of "*Business Guru of the Year*."

Mr. Callos has decades of senior management experience in the areas of corporate strategy, executive performance and sales productivity. He has worked in NYSE banks including Bank of America, Wells Fargo and others. Prior to IdeaBridge, Mr. Callos served as Executive Vice President of the Mainland Business Operations of a NYSE Bank, managing its business units, strategic planning and sales groups.

Mr. Callos served as Vice Chair of the Economic Development Commission and led a task force on economic revitalization for one of America's largest cities, the results of which have been published internationally.

Mr. Callos has been a frequent keynote speaker, both locally and abroad, for banks, insurance companies, trade associations and business schools. His presentations typically address such topics as: leadership principles, executive accountability, personal goal achievement, and sales growth strategies.

Mr. Callos earned a Bachelor of Science degree in Business from the University of Southern California (USC) and graduated from USC's Entrepreneur Program. He completed advanced coursework with the University of Virginia, Colgate Darden Graduate School of Business through an executive development program.

Mr. Callos was raised in Southern California where he earned the rank of Eagle Scout. When he's not conducting keynote speeches or meeting with CEOs and their executive teams, he will likely be found training and competing in ultra endurance events around the world.

Mr. Callos ran in the 155-mile Marathon des Sables, "*The Toughest Footrace on the Planet*", a self-supported race through the sand dunes of Morocco's North African Sahara Desert.

Mr. Callos competed in the invitation-only Ultraman World Championships, a 318 mile triathlon held on the big Island of Hawaii that includes a 6 mile open ocean swim, 260 miles of cycling and a 52 mile double-marathon run.