



HR MERGERS &
ACQUISITIONS
ROUNDTABLE

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Practitioners Teaching Practitioners
How People, Leadership and Culture Drive M&A Deal Value

One Size Does Not Fit All
***Adapting Integration Models and Organizational
Design to Deal Type***

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Session Outline

- Introduction and Context
- Evaluating Deal Types
- Typical Deal Timelines and Activities
- Key Differences by Deal Type
- Common Threads
- Q & A

Introduction and Context

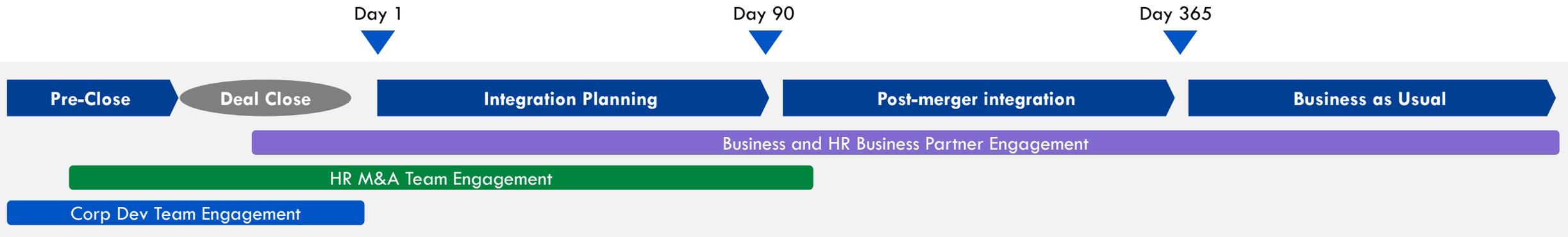
- Unless a portfolio deal, some degree of organization integration is needed to meet deal objectives
- Degree of integration needed HIGHLY dependent on deal type and objectives
- Organization design tends to lack urgency, unlike program integration
- Need for contextual “playbooks” to guide translation of deal objectives into organization and talent plans
- As we will see, deal type is the driving force - and one size does not fit all



Evaluating Deal Types

| Deal Type | Business Driver | Examples |
|--------------------------------|--|---|
| Cost/Consolidation | Enhanced profitability through lower cost structure/ gaining economies of scale | <ul style="list-style-type: none">• American/US Air• Continental/United• Sprint/T-Mobile |
| Product Expansion | Grow by driving new (somewhat-related) products through existing go-to-market footprint | <ul style="list-style-type: none">• Broadcom/Computer Assoc.• Keurig/Dr Pepper-Snapple• IBM/Red Hat |
| Sales Channel Expansion | Growth by accessing new customers and/or expanded profitability through vertical integration | <ul style="list-style-type: none">• Aon/Hewitt• Kraft/Cadbury• Avantor/VWR |
| New Business Platform | Transform business and drive growth through entry into attractive adjacent market | <ul style="list-style-type: none">• CVS/Aetna• Amazon/Whole Foods• Dell/Perot Systems |
| Portfolio | Reap business cash flows, leverage existing capabilities to improve business operations | <ul style="list-style-type: none">• Most private equity deals• Berkshire/Heinz• Citigroup/Banamex |

Typical Integration Timeline and Activities



- Due Diligence conducted
- IMO gets created prior to deal announcement
- Core integration team members identified
- IMO creates initial scope and objectives of integration
- New operating Model defined
- CEO Direct report team identified and announced

- Focus is on integration planning versus integration execution
- IMO mobilizes org design teams based on CEO direct leadership team
- Org design and talent selection process, guiding principles and timelines established
- Detailed cost objectives established
- Key organizational interdependencies identified
- Could be some organization "lift and shifts" depending on deal

- IMO and org design teams are fully mobilized
- Org design and talent selection executed in coordinated fashion across functions (layer by layer)
- Coordinated communications and change management across and within functions

- IMO gives way to more decentralized approaches, with each function taking responsibility for their remaining integration elements
- There may be an enduring tracking/ reporting process, e.g., CFO Commitment

Deal Type: Cost/Consolidation

- ▶ Deep and rapid integration across most or all process – prioritized by cost savings and business disruption
- ▶ Smaller deals fold under acquiror structure, larger deals result in more substantial redesign
- ▶ Organization design executed in two or three steps (lift and shift followed by full integration)
- ▶ Accelerated development and execution of detailed cost goals for all functions
- ▶ Risk mitigation to preserve revenues and maintain business continuity
- ▶ Regimented organization design process
- ▶ High degree of coordination of communications and labor exits across functions and geographies
- ▶ Retention planning more focused on transitional talent than foundational talent



Deal Type: Product Expansion

- ▶ Immediate focus is to “preserve the value” for product, possibly sales
- ▶ Use of immediate, tactical sales “plays” to cross sell new products through acquiror sales teams
- ▶ Acquired sales team operates like specialist sales force in the new company – at least in the interim
- ▶ Product and sales reorganization typically more prolonged than other functions
- ▶ Longer-term product roadmap and changes to sales model will dictate degree of organization changes, work should begin ASAP
- ▶ G&A consolidation runs like cost consolidation deals with accelerated, typically two-step organization design process (may continue to dotted line to previous company leader in interim)
- ▶ Transitional talent is scattered throughout the organization while foundational talent is heavily concentrated in product groups

Deal Type: Sales Channel Expansion

- ▶ Near-term sales plays/motions established immediately to avoid channel conflict and customer confusion
- ▶ Near-term and end-state selling model will drive degree and nature of sales team integration organization design
- ▶ Acquired sales team may act as “specialist” sales force in the interim, depending on the degree of product overlap
- ▶ Heavy focus on sales training and enablement, account coordination and planning
- ▶ Sales team organization prolonged relative to all other functions
- ▶ G&A consolidation tends to happen quickly, much like in a cost consolidation deal
- ▶ Foundational talent logically centered in the sales team, at both leadership and individual levels depending on model





Deal Type: New Business Platform

- ▶ Deep integration of all business process that do not require differentiation (e.g., payroll, accounts payable)
- ▶ Coordination processes developed in some areas (sales planning, product roadmaps)
- ▶ Little if any integration of sales, product, operations and even potentially customer service teams
- ▶ Most of core business remains as a division
- ▶ Light to moderate integration of G&A teams unless acquiror has highly centralized operating model
- ▶ Limited transitional and foundational talent – mostly concentrated in acquired business leadership

Deal Type: Portfolio

- ▶ By definition, little to no traditional integration organization design work
- ▶ Action planning driven by acquisition thesis (cost reduction, change acceleration, etc.)
- ▶ Selective talent actions related to deal drivers, e.g., upgrade of talent in selected areas
- ▶ Foundational talent addressed through regular ongoing LTI grant process





Some Common Threads



Organization Design **PROCESS** is Key to Driving the Right Outcomes

- Urgency to plan future state even if the best path is a longer implementation
- Avoid drifting to the new (unintegrated) normal
- Starts with the operating model which ties directly to desired deal outcomes
- Layer-by-layer design process with robust talent selection
- Functional leader owns their organization design – workstreams leaders help facilitate decision making

Identify Key Players and Invest Accordingly

Identify Foundational and Transitional Talent

Foundational Talent

Key players in delivering long-term deal value

- Concentrated in certain functional areas based on deal type (e.g., product, sales, operations)
- Highly differentiated skillset and strong performance history
- Larger, longer-term retention and high senior leadership touch

Transitional talent

Individuals in best position to mitigate integration risks and accelerate business as usual

- Short-term (e.g., 6 months) retention, even if they stay longer
- Not necessarily top performers or key talent
- More distributed across functions regardless of deal type





Beware the Performance Measurement Trap!

- The more explicitly you track performance of the acquired entity, the harder the pill is to swallow
- Track against a holistic scorecard of financial and non-financial goals that mirror deal objectives
- Subjective assessment of the right goals is better than the objective assessment of the wrong ones

Invest in Change Management, But Pick Your Spots!!

- Degree of change management intensity should not only match degree of change, but criticality to deal thesis
- Consolidation deals should focus heavily on areas where business continuity at greatest risk
- Product deals should focus heavily on acquired (and potentially even legacy) product teams (change agents, leadership attention, etc.)
- Sales Channel deals should likewise focus on sales team, particularly in areas of overlap
- Stand up high-touch, intensive teams selectively with more broad-based actions in other areas





Questions?

Key Takeaways

- ▶ Organization design is easily overlooked, and the outcomes often do not match the deal intent
- ▶ Ensure organizational design gets the same urgent focus, even if the implementation has a longer tail
- ▶ Playbooks are always extremely valuable in driving thoughtful and efficient organizational integrations
- ▶ But unlike program integration, the organization design “playbook” is full of more guiding questions than how-to answers
- ▶ They must include discussion of deal type and value drivers to accommodate the different actions required
- ▶ And HR may not own the organization design decisions, we can surely force the issue and ensure a deliberate process with the right strategic outcomes



Craig Briscoe

Craig is a Business Advisor with Insightory. He has 25 years of HR and business experience including significant tenure in both corporate and consulting environments.

Craig's last corporate role was as the HR leader for integrating Dell's \$60B acquisition of EMC. Before that, he spent 5 years as HR leader for Dell's Global Commercial Sales and Enterprise Solutions Organization (over 25,000 employees and \$40B in annual revenues). During a 13-year career at Dell, Craig also led Compensation and Benefits, HR Mergers and Acquisitions, and HR Technology.

Prior to Dell, Craig had 12 years of experience in consulting. He worked with major firms like Hewitt Associates and Towers Perrin (now Willis Towers Watson), and also founded and ran his own firm, Motivari Consulting. Majority of the work done during this period was around total rewards and mergers and acquisitions.

One of the common threads throughout Craig's career has been working with senior executives. He has worked with over 50 CEOs, over 20 Boards, as well as several dozen CHROs, CXOs and Total Rewards leaders in companies of all sizes and industries, ranging from start-ups to Fortune 50 companies.

Craig is based in Austin, Texas and holds a BA in Business Administration from Texas Christian University and an MBA from the University of Notre Dame.



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