

Korn Ferry's Post-Merger Integration Best Practices

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A background image of a smiling man with dreadlocks, wearing a green shirt, with a green overlay. The image is partially obscured by the text and a vertical line.

What makes mergers work?
Leaders.

What makes mergers fail?
Leaders.



Every day acquirers make mission critical decisions without understanding the distance between where they are today and where they need to be.

We call this The M&A Potential Gap.



The M&A Potential Gap

We see many common reasons for the Potential Gap:

Missed opportunity to reimagine the business

Short-term focus on doing the deal vs an opportunity to transform Newco into an agile, innovative company

Lack of top team impact and/or slow decision-making

Newly configured teams don't gel or take too long to function at their best

Operating model not built for speed

Structure not aligned to growth objectives and slows decision-making

Culture clash slows performance

Cultural differences block and/or inhibit getting things done

Flight risks and talent gaps

Prolonged uncertainty leads to flight risks and capability gaps

Business disruption

Organization distraction and resource constraints impact customers and key stakeholders



Today's leaders must perform and transform

Leaders face digital acceleration, economic and health upheaval, social and environmental crises, increased public scrutiny, and a politically charged environment filled with ambiguity, uncertainty and capability gaps. **It is no longer enough to perform – hard as that is – Top Teams and leaders must now perform AND transform.**

80% > Of work that drives results is accomplished in teams,* yet...

24% > Of leadership teams were rated outstanding and 43% were rated poor.**

Accelerate the perform/transform journey



PERFORM

Drive short term performance
Manage margins
Optimize today's business models
Optimize today's operating models
Optimize in existing markets
Maintain current business trajectory

Capacity
to PIVOT



TRANSFORM

Shape tomorrow
Innovate and lead growth
Transform the business model
Transform the operating model
Enter new markets / adjacencies
Transform the business trajectory



*HBR Better Teamwork Through Better Workplace Design by Anat Lechner, 2011

** Senior Leadership Teams: What it Takes to Make Them Great by Ruth Wageman, Debra Nunes, James Burruss, J. Richard Hackman, 2008..

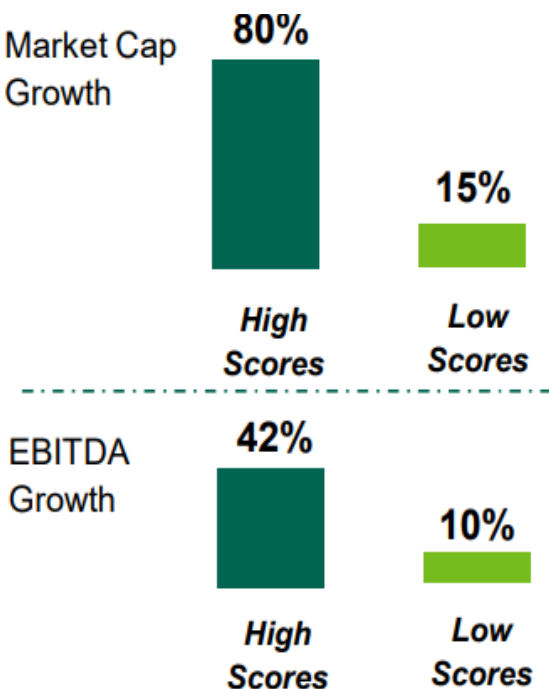
Korn Ferry (KF) has been committed to both the art and science of leadership over its 50-year history.

The Korn Ferry Institute™ is a research organization dedicated to mining insights from Korn Ferry's world-leading database of leadership assessments, leader performance, and organizational performance.

Our longitudinal research on the performance of executives who we have assessed shows that leaders we recommend outperform and have longer tenure than leaders we don't recommend.

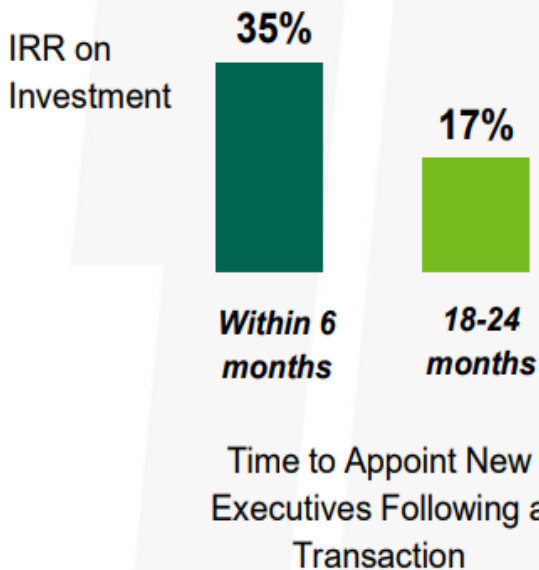
The right leaders impact the bottom line

BETTER RETURNS FROM LEADERS WITH HIGH SCORES IN KF'S ASSESSMENTS.



Source: Korn Ferry Institute™ analysis of 25 years of performance data. Growth numbers capture the average change from the executives first year to the executives last year.

BETTER RETURNS FROM FASTER DECISIONS ON LEADERSHIP.



Source: Korn Ferry Institute™ analysis of 228 investments in Europe and US. Analysis focused on CEO and CFO roles at private equity owned companies

Questions to ask when selecting new leaders

1

What leadership talent do we need?

- What roles will drive success in the merged organization?
- Which attributes are key to Newco's business success and the leaders of the future?
- What is the right mix of breadth and depth required for key leadership roles?

2

What leadership talent do we have?

- How will we ensure that we are selecting the right leaders for the right roles?
- How should we select talent for our most critical roles?
- How can we evaluate potential? Who is ready to assume a more challenging role?

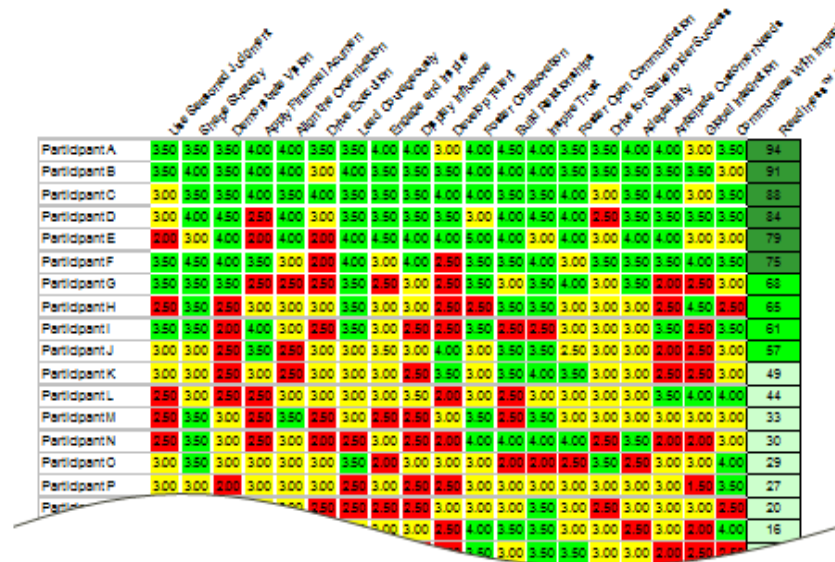
3

How do we close the gaps?

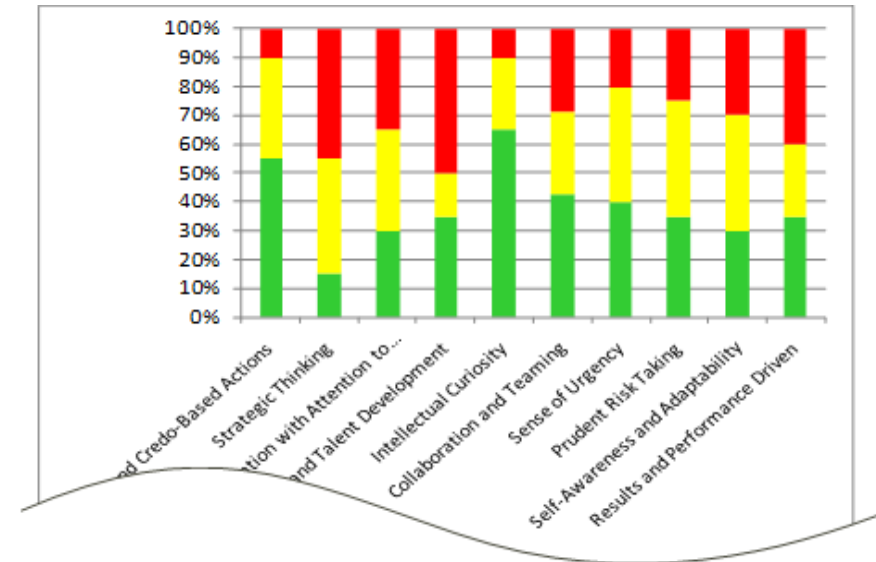
- How can we quantify collective and individual leader strengths and gaps?
- What should we do to ensure the new leaders are ready to lead the Newco?
- How much should we build vs. buy?



Leverage analytics and insights to drive strong selection decisions



- What are the individual and collective strengths of the Top 100?
- Where are there gaps and vulnerabilities?
- How will this impact our integration strategy and growth plan?



- How do our leaders compare to external benchmarks?
- How will we close leadership gaps?
- How do we develop Enterprise Leaders?

Culture is the gap between strategy and execution

“A set of shared **assumptions** that have been **learned** over time, **are taught** to new organization members, and **are believed to be the correct way** to perceive, think, and feel.”

EDGAR SCHEIN, MIT SLOAN SCHOOL OF MANAGEMENT



Culture is what people do, when no one is telling them what to do.



Culture matters because...

It's key to implementing the integration and growth strategy



of senior executives surveyed admit that they **fail to reach their strategic goals** because of execution issues. The number one obstacle cited?

Cultural attitudes.

Source: The Economist Intelligence Unit's (EIU) survey of 500 senior executives from companies with annual revenues of \$1 billion or more, October 2017.




of executives agreed that post merger there remained a **notable difference in culture and levels of commitment** between the two organizations.



of executives believe their digital transformation efforts are stalled because of difficulties in **changing the company culture to be agile.**

Source: Touching the intangibles research, Korn Ferry 2011 and Digital Transformation Survey, Altimeter Group 2014 .



Leaders know the importance
of culture...

72%

of executives say **culture**
is extremely important for
organizational performance.

Source: Korn Ferry Executive Survey 2014.

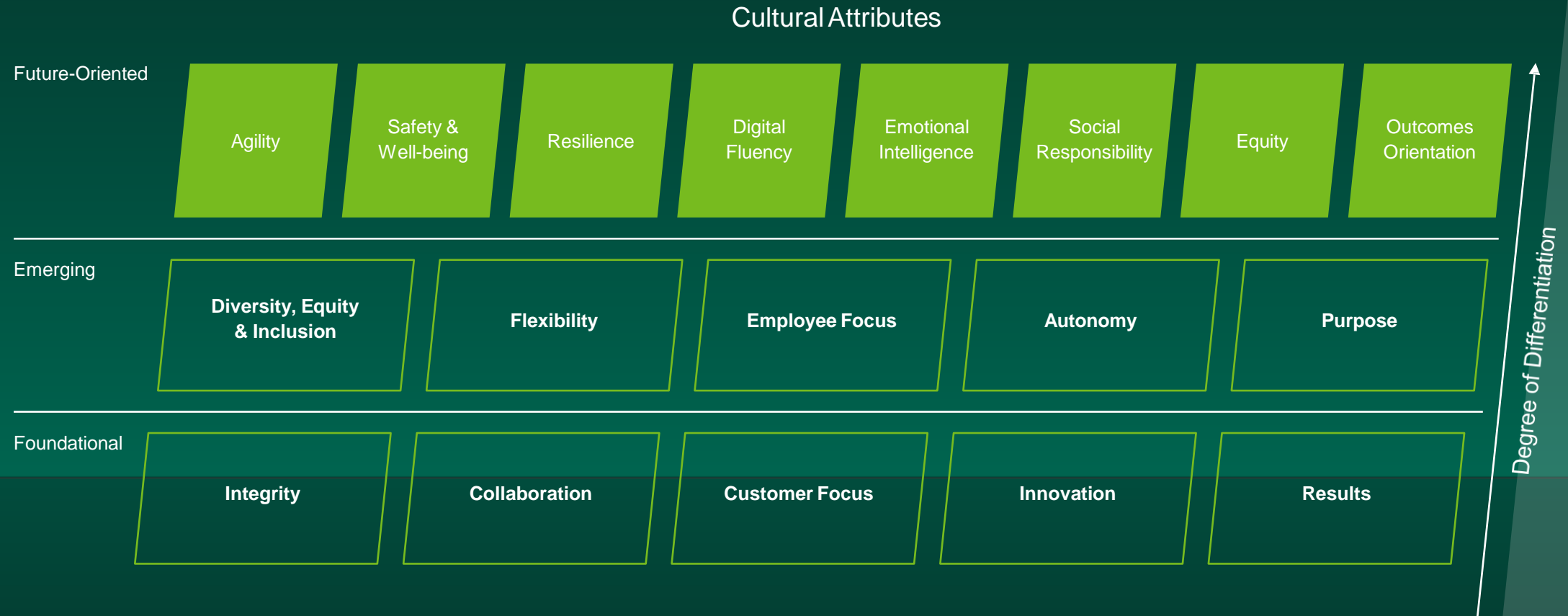
But they're struggling to
create the right one...

**ONLY
32%**

of executives say their
organization's **culture** is **fully
aligned** with the **business strategy.**

Source: Korn Ferry Executive Survey 2014.

Post merger integration is an opportunity to redefine the Newco business identity



Culture integration begins with behavior change

MASS is Korn Ferry's model for understanding individual behavior change. It comprises four elements **M**indset, **A**bility, **S**tructure & **S**ystems — that together influence how people act.

Do leaders have the right **MINDSET** to drive the right behavior?

Does the **STRUCTURE** of operating model and workplace design support the beliefs and behavior we want?



Do teams have the **ABILITY** to behave in the desired way?

Do our core work processes and human **SYSTEMS** support and enable the employee as they attempt to work in new ways?

Ignite a culture movement by pulling the right accelerators in the right sequence

A sample culture change journey



Communications impact outcomes

Organizations that are good at communicating with their people outperform their peers.

80%

Greater trust

More than 80% say communications is key to developing trust with their employers

85%

Increased motivation

85% are more motivated when they have updates on company news

77%

Better performance

More informed employees outperform their peers by 77%.

25%

Greater productivity

When employees feel connected, productivity increases by 20-25%

50%

Lower turnover

Companies with effective communications are 50% more likely to have low turnover



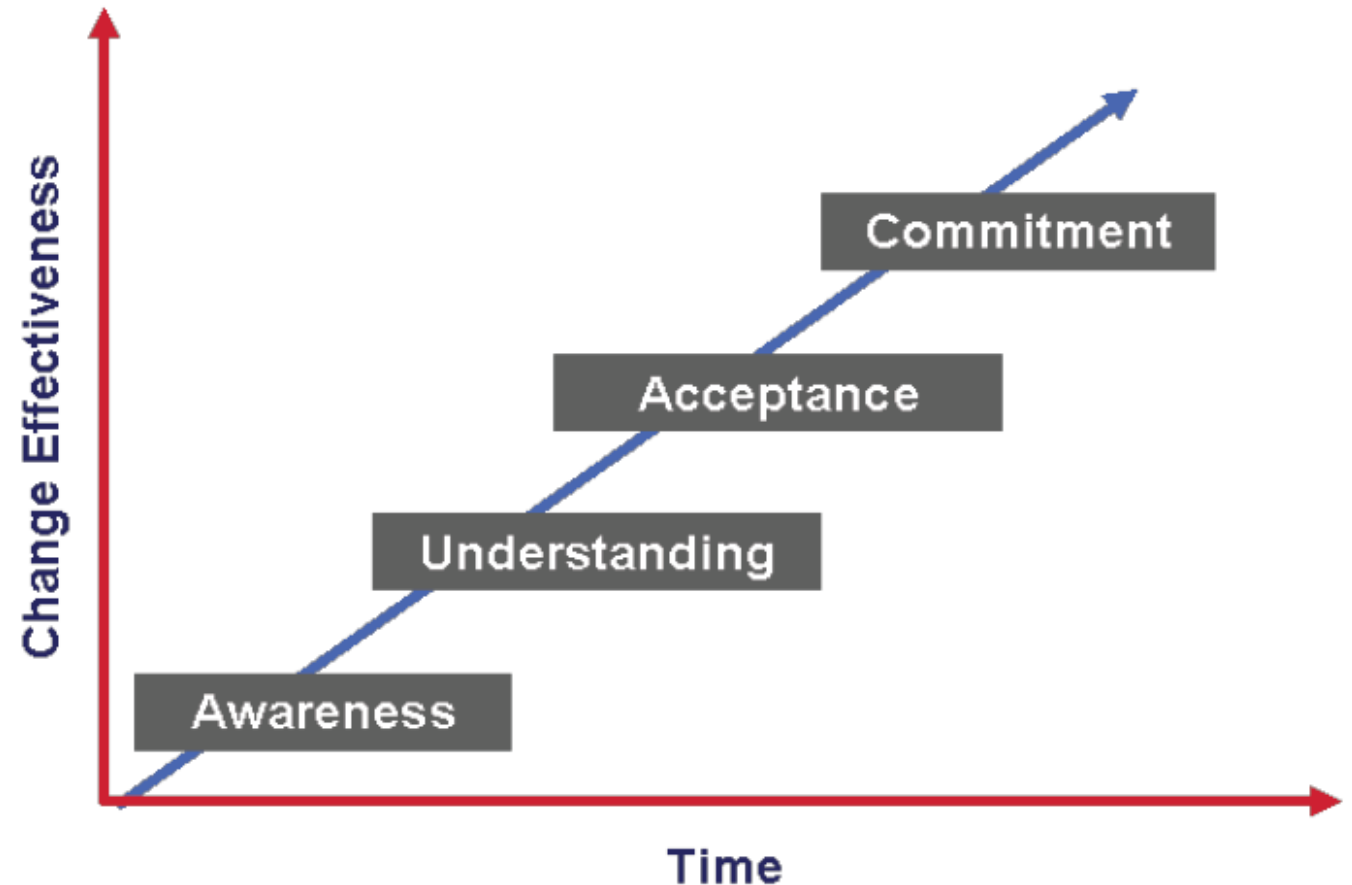
The right change management and communications have the power to move Newco employees from awareness to commitment . . . faster

Mission critical talent are a flight risk.

42% of employees

going through an M&A agreed with the statement *“If I could, I would change jobs tomorrow.”*

21% of employees going through an M&A agreed with the statement *“My manager listens and will respond well to me.”*



Communications tips across the deal cycle

Pre-Announcement

- Create compelling messaging to convey the transaction rationale and how it ties into the company's broader strategy
- Align leadership around the value proposition of the deal and train spokespeople
- Identify threats to the deal's success that can be detected early on and create mitigation strategies
- Develop announcement rollout plan and communications assets to inoculate against misperceptions or potential concerns
- Stand up change management program office

Announce

- Deploy announcement rollout plan and listen for stakeholder sentiment
- Conduct a comprehensive stakeholder analysis to understand impacts
- Develop a master change management plan and FAQ's for all stakeholders
- Create role personas and specific stakeholder group mitigation plans

Transition

- Introduce consistent change methodology and toolkit
- Deliver change training to leaders, influencers/change agents and people managers
- Activate master change management plan
- Review Day 1 readiness checklist

Close

- Host "Top 100" alignment event
- Stand up concierge services

Post merger

- Showcase milestones and successes

LEARN, CODIFY & DOCUMENT REPEATABLE PROCESSES

- Capture lessons learned and opportunities for improvement
- Refine and codify tools tailored to the Newco
- Document repeatable processes to be leveraged for future acquisitions

Position the Deal for Success

Keep the Business Running

Create Shared Identity

Truths about M&A communications in today's world

Employees have increasing expectations for a premium communications experience

Attention scarcity

Employers have more competition for employees' attention than ever before

Demand for consumer grade

Employees want the same communications experiences they have in their personal lives

Influencers everywhere

Social media has enabled bottom-up and peer-to-peer dialogue at scale, and influencers at all levels

The inform: inspire ratio

Visual influence is paramount; people don't just want information; they want experiences

Digital first

When everything is virtual, virtual is everything





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Sherry Duda is a Senior Client Partner leading Korn Ferry's merger and acquisitions (M&A) practice based in the firm's Chicago office.

Sherry joined Korn Ferry from a global advisory firm where she led their organization acceleration and M&A practice. She has over twenty years of performance transformation experience leading some of the world's largest mega-merger, acquisition, divestiture and restructuring transactions. Her expertise includes top team alignment, operating model and functional redesign, brand culture integration, HR and talent strategy, organization communications, CEO and executive succession, and diversity, equity & inclusion (DE&I) strategy. Sherry's high-stakes transformational change experience within multiple industries, working with public and private companies allows her to quickly identify critical issues, develop pragmatic action plans, and support leaders to reimagine the future, deliver speed to value, and reach synergy goals.

Sherry served as President & CEO of a Chicago-based culture-shaping firm specializing in brand and culture alignment and organization effectiveness. Earlier in her career, Sherry has experience as the chief HR, Talent, and DE&I officer for several Fortune 100 companies, including leading talent related activities of the BP Amoco merger. She is also co-author of the Global OD Practice Framework™, an international standard for excellence in Organization Development.

Sherry holds a Bachelor of Arts in psychology and Master of Arts in industrial psychology and organization effectiveness from Ohio State University.





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