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 PotentialGap.
We see many common reasons for the Potential Gap:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Description</th>
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<tbody>
<tr>
<td>Missed opportunity to reimagine the business</td>
<td>Short-term focus on doing the deal vs an opportunity to transform Newco into an agile, innovative company</td>
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<td>Lack of top team impact and/or slow decision-making</td>
<td>Newly configured teams don’t gel or take too long to function at their best</td>
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<tr>
<td>Operating model not built for speed</td>
<td>Structure not aligned to growth objectives and slows decision-making</td>
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<td>Culture clash slows performance</td>
<td>Cultural differences block and/or inhibit getting things done</td>
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<tr>
<td>Flight risks and talent gaps</td>
<td>Prolonged uncertainty leads to flight risks and capability gaps</td>
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<tr>
<td>Business disruption</td>
<td>Organization distraction and resource constraints impact customers and key stakeholders</td>
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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

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

The right leaders impact the bottom line

Better returns from leaders with high scores in KF’s assessments.

Better returns from faster decisions on leadership.

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.

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

90% of senior executives surveyed admit that they fail to reach their strategic goals because of execution issues. The number one obstacle cited?

Cultural attitudes.

63% of executives agreed that post merger there remained a notable difference in culture and levels of commitment between the two organizations.

63% of executives believe their digital transformation efforts are stalled because of difficulties in changing the company culture to be agile.

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

Leaders know the importance of culture…

But they’re struggling to create the right one…

72% of executives say culture is extremely important for organizational performance.

Source: Korn Ferry Executive Survey 2014.

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 Mindset, Ability, Structure & Systems — that together influence how people act.

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

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

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

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

ACCELERATOR #1
Align and enlist an effective senior team who models the desired norms

ACCELERATOR #2
Launch an internal marketing campaign to "sell" the case for change

ACCELERATOR #3
Design disruptive experiences that create mindset shift and build belief

ACCELERATOR #4
Build a Success Profile against which new hires can be assessed

ACCELERATOR #5
Redesign team structure to enable inclusive decision-making and empowerment

Level of Adoption

Leaders
People Managers
Influencers
Individual Contributors

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Communications impact outcomes

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

- **Greater trust**: More than 80% say communications is key to developing trust with their employers. 80%
- **Increased motivation**: 85% are more motivated when they have updates on company news. 85%
- **Greater productivity**: When employees feel connected, productivity increases by 20-25%. 25%
- **Lower turnover**: Companies with effective communications are 50% more likely to have low turnover. 50%
- **Better performance**: More informed employees outperform their peers by 77%. 77%

Sources: Trade Press Services, Lexicon, Inc, Clear Company and Gartner.
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

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**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
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.
Sherry J. Duda  
Senior Client Partner, M&A

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.