



MERGERS & ACQUISITIONS OVERVIEW

HUMAN CAPITAL INTEGRATION STRATEGY

Dear Prospective CCI Professional Partner

Once again, thank you for the opportunity to have connected with you. Your valued time is most appreciated. Pertaining to our ongoing conversation, we would like to share some key considerations regarding our Human Capital Integration approach, when dealing with mergers and acquisitions. From a human-centric perspective, our experience has shown that the sentiment might be compared to that of adopting a new child or reconstituting a family. When dealing with people, the reality is that we are all unique, dynamic, and filled with potential. Unfortunately, we are also messy, moody and sometimes even a bit broken. This is why according to the Harvard Business Review, between 70% to 90% of all mergers and acquisitions fail¹. Research by Forbes indicated that the one aspect they all share is the inability to effectively integrate the people component². This does not have to be the reality of your next merger or acquisition.

Selecting a proven human capital advisor is not only a wise course of action but helps to bring a sense of objectivity to the transition period. As such, the CCI Professional Mergers & Acquisitions Overview document is structured in such a way to provide you with the necessary initial insights on how we will be able to support and empower your company. For any further communication regarding this overview, you are welcome to continue your discussion with any of our consultants.

In anticipation of our next engagement,

The CCI Professional Team

¹ Sources: www.hbr.org

² Sources: www.forbes.com

APPROACH

Clarify your Approach

Generally speaking, a merger refers to the consolidation of two or more companies to form an all-new organisation. Often, such a process will constitute a new name, structure and strategy. Mergers assist companies to pool their capital, resources and strengths, while more effectively dealing with individual limitations and weaknesses. There are four main types of mergers, though some variations exist:

- Horizontal;
- Vertical;
- Congeneric;
- Conglomerate.

Acquisitions on the other hand are where one organisation acquire another, either through handing it over or buying it out. Ownership is acquiring through a more than 50% capital shareholding or taking over the asset base of the company. For the most part, the acquiring organisation determines the new structure and strategy for the acquired company. Common approaches to acquisitions include:

- Hostile;
- Friendly;
- Buyout.

Within both mergers and acquisitions, the question of organisational culture is vital. Peter Drucker made the famous observation that “culture will eat your strategy for breakfast,” implying that when a company strategy is updated or changed, an optimised culture must be considered. In a sense, your culture must become the fuel to drive your new strategy. Hofstede listed four different ways in which this can be done:

- **Assimilation** – Refers to the situation where the acquired company let go of their original culture to embrace the acquiring company’s culture.
- **Integration** – Occurs in situations where the acquiring company can incorporate much of the dominant culture without completely surrendering their original reference.
- **Separation** – Is the process where the acquired company is not willing to adopt the new culture, thereby separating themselves from the dominant culture.
- **Marginalization** – Is an acculturation phenomenon when the acquiring company rejects both their own, as well as the dominant culture.

A Phased Approach

The CCI Professional approach to human capital integration is staged in four-phased:

1. **Negotiation Phase** – Ensure that you select a proven capital advisor while evaluating your business' growth potential and leaders' change-fit levels.
2. **Preparation Phase (100 days)** – Complete your analysis, craft the transition strategy and build the required resilience and agility.
3. **Integration Phase (100 days)** – Lead the transition, integrate the organisational culture and stimulate mindfulness in all management members.
4. **Optimisation Phase (100 days to 1 year)** – Address the unintended consequences, optimise employee performance, while ensuring short term stability and long term sustainability.

TAILORED STRUCTURING

Each merger and acquisition is unique and should be tailored by taking various demographics such as experience, time, budget, logistics, etc into consideration. The following human capital integration structure is therefore to merely serve as a standardised template and should be shaped according to the client partner's requirements.

Negotiation Phase

Aspect	Why	Focus	Duration
Selecting a proven capital advisor.	The complexity of effectively structuring an M&A is frequently outside of the skillset and experience of most leaders. Having a proven advisor on board will significantly benefit the process.	Acquiring company.	At the start of the M&A consideration.
NXTmove analysis (company focus).	Evaluating both businesses structural integrity and growth potential is as important as the financial due diligence. Additional aspects such as the businesses capacity to navigate change are also measured.	Both companies.	6 hours per company Exco.
Shadowmatch analysis (individual focus).	Every leader plays a significant role within the context of an M&A. Understanding individual neurological behavioural patterns and how effective new team collaboration may be is critical.	Both companies' management teams.	30-45 minute online evaluation.

Preparation Phase (100 days)

Aspect	Why	Focus	Duration
Integration strategy.	Mapping the transition strategy through the three phases of Bridge's model of leading change.	Acquiring company Exco with representatives from the acquired company.	3 x half-day workshops.
Organisation culture intention.	Every strategy requires an empowering culture. If such an intention have not previously been defined, this must be clarified pre-integration.	Acquiring company Exco with representatives from the acquired company.	Depended on the maturity of the existing culture intention.
Building leadership resilience & agility.	Ensure that all critical role players have both the endurance and flexibility to deal with the upcoming transition.	All critical role players in both companies.	4 x 2-hour workshops followed by 2 x 1-hour individual mindfulness coaching sessions.
Qualitative RoI measurement.	Ensure that all processes remain in sync while addressing the unintended consequences.	CCIP lead consultant and M&A integration champion.	Weekly 1-hour check-in.

Integration Phase (100 days)

Aspect	Why	Focus	Duration
Mindfulness workshop.	The centrepiece of bringing the two management teams together, focussing on executing the transition strategy and building unity.	All management member of the post-integration company.	2 x full-days' workshop.
Mindfulness coaching.	Focusing on each management member and their unique Action Plan of integration within their departments.	All management member of the post-integration company.	1-hour individual mindfulness coaching session.
Executive coaching.	Additional support for executive team members who are directly and operationally leading the M&A process.	Executive team members who directly lead the M&A process.	1 hour every 2 weeks.
Qualitative measurement.	RoI Ensure that all processes remain in sync while addressing the unintended consequences.	CCIP lead consultant and M&A integration champion.	Weekly 1-hour check-in.

Optimisation Phase (100 days)

Aspect	Why	Focus	Duration
Performance optimisation.	Ensure that each employee is optimally engaged from a performance mastery perspective.	All management member of the post-integration company.	4 x half-day workshops
Companywide implementation of the Shadowmatch system.	Serving as the future basis for recruitment, promotion, succession, team dynamics and performance optimisation through in-house top performance benchmarks.	All employees.	30-45 minute online evaluation following by an optional 1-hour individual debriefs and/or two-hour team debriefs.
Implementation of NXTmove report recommendations.	Having utilised the NXTmove report as a map for structural integration, the existing results should now be further explored in the form of strategic optimisation projects.	Post-integration Exco team.	4-hour workshop then project depended.
Dealing with the unintended consequences	Each M&A and environment is unique, resulting in both positive and challenging discoveries. These need to be addressed in a timeous and accurate way. Examples may include misaligned organisational culture intent, communication and trust challenges, conflict resolution, etc.	Focus depended.	Intervention dependent.
Intergenerational succession bench.	Ensuring a strong intergenerational bench is pivotal for any enduring organisation.	Executive, management and technical expert positions.	To be evaluated and crafted based on the desired outcome.
Qualitative measurement.	RoI Ensure that all processes remain in sync while addressing the unintended consequences.	CCIP lead consultant and M&A integration champion.	Monthly 1-hour check-in as required.
Quantitative measurements	RoI Provide insight into the long term effectiveness of the integration. Various tools can be used, but most often is an annual NXTmove and Shadowmatch re-evaluation. The recommendation is 36 months of evaluation.	Focus depended.	Measurement dependent.

CONCLUSION

As human capital investment specialists, CCI Professional will play a critical role in your next merger and acquisition. Our 4-part approach can be tailored to suite any environment, ensuring that your people integration goes according to plan. Experience has demonstrated that empowered leadership can navigate any transition. As an organisational leader, alongside your team and a proven integration partner, you can do this!

"At any moment, the decision you make can change the course of your life forever"

Anthony Robbins – Internationally Acclaimed Coach, Speaker & Author

MERGERS & ACQUISITION

HOW TO LEAD TRANSITIONS

HUMAN CAPITAL INTEGRATION STRATEGY

According to the Harvard Business Review, between 70% to 90% of all mergers and acquisitions fail. Research by Forbes indicated that one aspect they all share is the inability to effectively integrate the people component. This does not have to be your next M&A reality!

Sources: www.hbr.org & www.forbes.com

NEGOTIATION PHASE

Pre
M&A

ENSURE THAT YOU SELECT A
PROVEN CAPITAL ADVISOR,
WHILE EVALUATING YOUR
BUSINESS' GROWTH
POTENTIAL AND LEADERS'
CHANGE-FIT LEVELS



100
days

COMPLETE YOUR
ANALYSIS, CRAFT THE
TRANSITION STRATEGY
AND BUILD THE REQUIRED
RESILIENCE AND AGILITY
PREPARATION PHASE

100
days

INTEGRATION PHASE

LEAD THE TRANSITION,
INTEGRATE THE
ORGANISATIONAL CULTURE
AND STIMULATE
MINDFULNESS IN ALL
MANAGEMENT MEMBERS



100
days

ADDRESS THE UNINTENDED
CONSEQUENCES, OPTIMISE
EMPLOYEE PERFORMANCE,
WHILE ENSURING SHORT
TERM STABILITY AND LONG
TERM SUSTAINABILITY
OPTIMISATION PHASE



As human capital investment specialists, **CCI Professional** will play a critical role in your next merger and acquisition. Our 4-part approach can be tailored to suite any environment, ensuring that your people integration goes according to plan. Experience has demonstrated that empowered leadership can navigate any transition! Find out more and share your M&A requirements with us by visiting:

www.cci.ac.za



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City Changers Institute