



Capturing Post-Merger Value from Commercial Integration:

Part 3: Following best practices in the PMI execution

By Bulend Corbacioglu and Kevin Mulloy

Acquisitions (mergers, carve-outs, bolt-ons and tuck-ins) are important to many companies as they manage their overall corporate development. Success depends upon: (1) Selecting acquisitions that can create value – **making the right strategic choices** and (2) Effectively managing the Post Merger Integration (PMI) – **integrating the business and commercial engines effectively**. This article is part 3 in a 3-part series that talks to how to best run the overall integration process.

The way you execute the merger integration work is critical to its acceptance by the organizations and its ultimate success. We believe that there are three things that companies should do to have a successful PMI process:

- 1. Ensure the investment thesis drives the new GTM Model.**
- 2. Leverage a Program Management Office (PMO) approach and a structured integration process.**
- 3. Follow important change management principles in managing the PMI.**

1. Ensure the Investment thesis drives the new GTM Model. Rather than just working through how to put two organizations together, one should start from the investment thesis and ensure the new GTM Model is designed to capture those intended benefits. With a clear view of commercial objectives, a PMI allows an organization to build the required future competitive commercial engine from the “piece parts” from both sides. It is also a great time to assess the entire GTM Model and address issues that would otherwise be more difficult to tackle.

At a minimum, the following areas need consideration:

- **Organizational structure** – the fundamental alignment of organizational units to drive commercial performance in the market. There are a range of choices – by customer segments, by products/services, by verticals, by geography. In the abstract, there is no one “right” answer. The ideal choice or choices focus on how to best leverage the inherent organizational capabilities and competitive advantages to maximize the sale of products and services to the target customer segments. Many organizations end up with some form of a hybrid model.

- **Sales roles and role definitions** – This is the core of the GTM model, identifying what roles will be used to drive what offerings with which customers. This requires reviewing and updating roles to provide clear responsibilities and accountabilities. This will be especially important if the two companies had similar but slightly different historical roles.
 - **Coverage model** – once the GTM structure and roles are clear, one can address the optimal coverage (number of various roles needed based upon business objectives). The coverage model should be designed so that the lowest cost role is used where possible to produce an efficient Compensation Cost of Sales (CCOS).
 - **Sales process** – The summary of how the sales team should execute the sales activities and which is typically captured in a playbook (the what and how) and associated Pipeline system which summarizes the activities which are the leading indicators of future commercial success.
 - **Sales cadence and coaching** – Sales cadence is the pattern of repeating activities and interactions between front line sellers and 1st level Managers/coaches and sales management. The cadence is typically documented as the weekly, monthly and quarterly activities that should be conducted. Coaching is extremely critical and the 1st line managers are central to driving an aggressive and successful cadence. Coaching and Cadence are typically two of the most important levers that can be pulled to raise sales performance.
 - **Sales Ops** – Sales Operations is the foundation for executing and implementing most of the new integrated sales model. Ensure you have the right capabilities and resources.
 - **Reporting** – central to an effective commercial engine is the metrics and reporting systems that allow participants and business leaders to assess performance. Ideally the reporting should reinforce the cadence efforts and help drive business.
 - **Motivation and compensation** – Compensation will be key especially if there is a significant shift for one or both organizations. But it's also important to look beyond compensation. Motivation comes in many forms (e.g., recognition, celebrating success, non-financial rewards, appreciation) and these can be important levers for change as well.
- 2. Leverage a Program Management Office approach and structured process to manage the PMI.** Successful PMIs typically employ a PMO structure and a structured process to ensure the work progresses smartly.
- **Use the Program Management Office to ensure clear roles and coordination across the PMI** – A typical structure includes a steering committee, a PMO office, and area or issue teams that do the heavy lifting for key integration topics.
 - **Follow a structured process to ensure consistency and rigor** – A typical process includes Integration Team Charters that define and launch teams with clear scope, boundary conditions, deliverables, and regular review meetings to ensure smooth progress.

- **Track growth and value creation metrics** – it is important to track progress in integration milestones, but it is just as important to implement metrics to track progress against the growth related objectives of the merger immediately after close to ensure the commercial organization keeps their eye on the ball.
 - **Keep the teams focused on selling** – Remove obstacles that consume mindshare and distract the sales teams.
- 3. Follow important change management principles in managing the PMI.** Following simple guiding principles in managing the PMI will increase the likelihood of successful organizational buy-in and value creation.
- **Staff the PMI with top performers from both sides and bring the integration teams together** – working together will build important connections. Sometimes the final tweaks to the design and model are less important than the fact that the team did it together. Formal and informal interactions are important to build awareness and understanding of alternate views.
 - **Use a best-of-both-worlds approach:** Selection of the new processes, systems and people should be solely driven by a vision for the most productive new environment, leveraging the merger as an opportunity to shift the sales function to a more company-driven sales model vs. a self-driven model, getting the right talent in the new roles, and it should not be:
 - A bolt on of the new organization to the acquirer's systems and processes or vice versa.
 - The simplistic result of a political negotiation, e.g. one box on the org chart filled with a person from Company A, the next from Company B, and so forth.
 - Giving people positions, regardless of the talent needs, just because they need a job in the new organization.
 - **Identify champions and change agents – you will need both.** Don't count on luck, find and nurture the key individuals which includes champions at several levels and change agents throughout. Find the people that others will "follow into battle" and win their hearts and minds. The best way to do this is to involve them in the integration.
 - **Promote Transparency and Fairness.** Make sure key issues are addressed and resolved in daylight – not in the dark corners of back rooms. Make logical decisions based upon facts and reason where possible. Make sure every issue gets a fair hearing. This doesn't mean the world is a democracy and everyone gets to vote on everything. Everyone may not like every final decision but if they feel the issues were dealt with fairly, that will help build buy in as you move forward.
 - **Use pilots to test and refine important adjustments prior to rolling out.** Every launch

is bound to encounter unexpected issues, due to various reasons, including known and unknown unknowns. The best way to avoid larger issues is to define limited pilots to test and fix any issues that arise before a full roll-out.

- **Solicit inputs and syndicate findings.** Successful integrations require listening carefully to organizational inputs and syndicating preliminary findings to surface unaddressed issues and build buy-in.
- **Invest time and energy.** Successful integrations require personal dedication and commitment. The PMI leader or leaders need to be visibly driving and managing the efforts and checking on all the spinning plates.
- **Over communicate constantly** – you have to repeat the messages multiple times for them to sink in. Use the personal touch across multiple forums.
- **Celebrate progress and successes.** Take the time to recognize and reward individuals and teams who have helped make the integration process work. Don't underestimate the value of a simple thank you.

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