

Beyond the Deal Newsletter

***Mergers and Acquisitions that
Achieve Breakthrough Gains***

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Greetings!

Quote of the Month

"Bringing organizations together is not just about moving bricks and mortar and reassigning people. It is really identifying what the new culture of the organization will be. Will it be the culture of the acquiring company? The company that has been acquired? Or will it be a hybrid of the two?"

Jamie Macdonald, CEO of INC Research

In the January 2013 Newsletter:

**A Clinic on Carrying Out a Transformational
M&A Integration, Part II**

This month's Newsletter continues the webinar conversation on how INC Research achieved its successful transformational acquisition of Kendle International. Panel members were INC Research's CEO, Jamie Macdonald, and Jeffrey Kueffer, SVP of INC Research's Global Operations Management. Jay Chatzkel, Principal of Progressive Practices and editor of the Beyond the Deal Newsletter served as the webinar moderator.

This conversation gives you a front row seat and opportunity to experience the "what's" and the "hows" that were the keys to success in this transformational acquisition and integration. Macdonald and Kueffer were two of the core leaders that shaped and implemented this excellent achievement. They show how to make their extraordinary and remarkable process an understandable that you can replicate. For INC this was not a heroic or special endeavor but rather the best and most sensible way to move INC Research forward and get the results they wanted.

This session explores the biggest challenges that INC Research's leadership faced in the acquisition and integration processes, how it met those challenges, how INC Research's customer satisfaction levels actually improved over the normally disruptive time from when the integration began through its completion, and finally what the most important lessons learned were from the Kendle integration.

This conversation became a clinic on how to carry out transformational integration. The lessons found here can be put into place by any organization when it combines with another organization, regardless of size or complexity.

There has been much talk asserting that while transformational acquisitions and integrations may have great appeal as a glamorous, trendy way to go - that aspiration is just not workable. The belief is that, quite simply, there is too much to bite on and chew upon for the goal of a transformational acquisition to be a practical option. And, it is true that many of the attempts at transformational acquisitions (such as the AOL/Time Warner, Sprint and Nextel Communications, Bank of America and Merrill Lynch acquisitions) have left a trail of dry bones behind them.

While the list of failures and sub-optimizations goes on and on, INC Research's success clearly demonstrates that transformational acquisitions are not a pipe dream to be discounted and judiciously avoided at all costs. INC's experience shows that success in a transformational acquisition is not easy but it is quite attainable. With a rigorous strategy, vigorous cultivation of capabilities, intelligent, thoughtful and active leadership, along with the right approaches the "holy grail" of a transformational acquisition can

become the norm - and not the exception.

INC Research acquired Kendle International, a company two and a half times its size, something that make a transformational acquisition an even greater challenge. But it was exactly this scale of their differences that made a transformational acquisition the most sensible approach to take.

To be successful, a transformational integration requires the leaders of the companies to operate strategically from conception through integration implementation and post integration. There can be mistakes in this endeavor, but there can be no lapses in either the level perception of degree of engagement throughout the entire integration process.

Once again, we would like to note our appreciation of eknow's permission to present the transcribed panel's remarks. You are invited to listen to the full recording of the Webinar at the eknow.com website:

<http://eknow.com/news/webinars>.

You can also access the first section of this conversation at:

www.beyondthedeal.net/NewsletterDecember12.pdf.

A Clinic on Carrying Out a Transformational M&A Integration, Part II

Meeting Leadership Challenges in a Transformational Integration

Jay Chatzkel: Jamie, what were the biggest challenges that INC Research's leadership faced as in the acquisition and integration processes and how did you work to meet those challenges?

Jamie Macdonald: Both the INC and Kendle organizations were fairly experienced on the acquisition/integration/merger front. The scale of the acquisition, the combination of the two businesses and maybe the differences in structure were the major challenges. There was a fairly quick move to map out the executive structure, which meant that there was certainty around leadership and decision making across the organization. That helped quite quickly.

The therapeutic structure that we were going to adopt to manage the business was a relatively easy way to pull in the existing customer projects. That was critically important. Therefore retaining employees was to us a natural view of how the acquisition would happen. It was not necessarily seen that way from the customer side. We spent a lot of time with customers explaining that: "Yes", there would be headcount rationalization, but that would be in the selling, general and administrative space, and "No", there wasn't any planned loss of head count at was not going to happen on the project deliver side.

Clearly we had some rationalization of facilities to do. Some of our service platforms, in areas like data management, had to change. That resulted in some loss of headcount operationally. Generally we had to reassure customers that their projects were going to continue to be served, that their points of contact and for escalation would remain the same, and dealing with any misinformation, rumors or speculation that was out, either internally or with customers, was a big part of having a comprehensive communications plan.

We had not just mapped out the initial communications, which obviously included the rationale for the acquisitions but we also included a series of follow up communications to ensure that there was consistency in the messaging, we addressed topics that came in from employees and customers to share more broadly and we continued to follow through on key deliverables.

Adding the eknow tool and mapping out the chronology of the integration activities allowed us to report back on a very metric driven basis, which resonates on our theme and with our customers. That is, we had this number of parts within our legal group, our IT group, our finance group, our project management group. We are this far through our tasks, behind schedule in some areas and ahead of schedule in others. You could really give a comprehensive overview for where the integration was on a very granular basis and on a functional basis. What became very apparent to customers was that the operational integration happened very quickly and that some of the legal activities had a natural sun setting period, so some of these activities took longer. Consistent communication, the follow through, the deliberate nature of the messaging was a big plus in terms of meeting some of the challenges.

In the culture, as you have said many times in your literature and many people on this call will appreciate, bringing organizations together is not just

about moving bricks and mortar and reassigning people. It is really identifying what the new culture of the organization will be. Will it be the culture of the acquiring company? The company that has been acquired? Or will it be a hybrid of the two?

Senior management and Jim Ogle, who was the CEO at the time, felt that it was important to adopt a unified culture, which was predominantly the INC culture, although there were aspects on the customer service side of Kendle that resonated well with employees and customers. Identifying those cultural aspects and seeing that management reinforced those, and ensuring that the employees felt that this was an organization that they wanted to be part of going forward was a key part of mitigating risks.

Can Customer Satisfaction Improve During an Integration - Yes It Can!

Jay Chatzkel: That was an excellent rendition of the kinds of things that any organization that is going to be successful at a transformational integration needs to take on. You touched on customer focus. One word that you did not use but that you did act on was transparency. You did engage in extensively was "transparency". Both transparency and communication are key and central to keeping everyone less jittery and more confident in the company that is going to be emerging. I also appreciate your comments on culture. That is one of the thorniest issues for any acquisition to deal with.

To go a little further on customer satisfaction, one of the unique accomplishments was that INC Research's customer satisfaction levels actually improved over the time period from when the integration began through its completion. In most cases just the opposite occurs. How do you account for this running against the grain achievement?

Jamie Macdonald: We were very focused on ensuring that we did not drop the ball with existing customer projects. It would be very easy for customers to feel a sense of uncertainty and hold off potentially future work or be excessively concerned about existing work. One of the things that INC does particularly well and is driven by Jeff's team is very regular communication and transparency with customers around their projects, particularly the key milestones and interim deliverables. As we progress in our studies we try to share that information on a weekly basis for all customers, including on a more regular and dynamic basis with other customers through secure information exchanges, customer portal, and taking customers through

exactly where their projects are relative to baseline planning or projections gave customers confidence that their project was progressing.

Additionally, something that helped us a lot was that we work not just for customers but we work with physicians too, who work as investigators as part of our delivery model. Those physicians give us positive feedback to our selves but also to our customers as well. That definitely helped increase customer satisfaction. We tracked the metrics around performance very closely. We looked at how quickly we were bringing new projects on stream, how quickly we were meeting schedules for the initial deliverables in the set up of those projects, the adoption of INC's Trusted Process and taking customers through what we call a "quick start camp" gave customers certainty that we had the right plan.

We had plans around delivering the project, communication, risk mitigation and that they could see that we were, at a comprehensive level, on top of the delivery of their project. If there were needs to bring in contingencies or risk mitigation that we already had potential actions lined up for their review and consideration. That really helped. Obviously the next general validation to the industry standards reports and our own customer feedback surveys that showed it worked well.

I think that it is more of a product and testimony to what went on behind the scenes that led to continued focus on quality and focus on customer deliverables. Ultimately that fed through into customer satisfaction surveys and the industry reports as well.

Jay Chatzkel: You made it sound simple but it is very extensive and complex when you carried it out. It is a remarkable accomplishment. My kudos to you for accomplishing that.

Jamie Macdonald: There was a lot of hard work from a lot of the teams. The credit goes out to a very wide group within INC.

Lessons Learned From the Kendle Acquisition and Integration

Jay Chatzkel: You need to have everyone engaged in the organization. There is the mechanics of the integration and then there is viewing it as a continuous conversation. You have done very nicely on this one.

Jeff, what do you think are your most important lessons learned from the

Kendle integration?

Jeff Kueffer: Here are the top of my list of key lessons learned:

- At the risk of sounding redundant or beating a dead horse, the most important lesson is that you have got to do your homework. There is a lot of material out there. You've got to read the books and study because this is very important and challenging work. If you don't get it right people lose confidence in you. You don't get a second chance to convince your employees that you know what you are doing. You have to get the right tools. You have to figure out the tools you are going to use to control your projects. We use eknow's Integrator tool. There are other tools out there. There is MS Project and things like that. We thought that was too clunky. You have to get the right tools.
- You have to set expectations. Good is good enough. You are not going to get to perfect and if you strive for that you'll get bogged down into details and trying to go for the last ten percent. Get it down to where you can operate and get the company so that it can continue to move on. We are doing post integration activities now as part of the normal course of doing business. But that is just ongoing process improvement. As we have said throughout, this is all about communication. You cannot communicate enough. Jamie Macdonald spoke about all of the different ways we were communicating. We had ambassadors out there. We had podcasts.
- I had the senior executives going out literally to every site in the first seventy two hours across the globe starting on Day One. We did not see Jamie, Jim and the other presidents for weeks because they were out at the sites talking to customers, talking to our employees. You cannot underestimate the power of face-to-face communications, especially at the beginning.
- We used consultants. We like to say we did it by ourselves - absolutely not. We brought in key consultants for the HR piece, for tax issues, Jamie's head person for legal integration. A lot of HR issues when you are dealing with labor law, have a great deal of particulars we needed to have dealt with.
- The last thing that I personally walked away with is this is that hybrid solutions/blended solutions really don't work ultimately. When you to split the baby and say I am going to take half of this system and half of that system and try to bring it together, it doesn't work. It's better to make the hard decision and go with a proven approach, rather than trying to build a hybrid.

Shaping a Corporate Communications Strategy

Jay Chatzkel: Those were all essential. It is a testimony to the approach that you used and the organization that the leadership was able to go out to far flung range of global offices for an extensive period of time without any detriment to how the operations of the organization were running. That shows that you have a very good and deep bench and that the principles and practices are embedded in the organization, which all together allowed the leadership to make that kind of exceptional moves.

Is there anything further that you would like to say about the corporate communications strategy and how it engaged the various stakeholders during the acquisition and perhaps afterwards?

Jamie Macdonald: To cover all the detail of an acquisition of this size in an hour webinar is a challenge. We certainly would not say that this was a simple task. One of the things that was important was that we focused on the employees and their immediate line management, but we completed an integrated census of all employees, so that five thousand, including location if they were office based, or their home office if they were field based, and their immediate line management. We tried to ensure that we knew exactly where everybody was in the organization.

Some people might find that amusing that organizations may not know where everybody is. However, anyone who runs an organization of any size and scale, that is multinational, that has ongoing growth and hiring, and replacement of some staff that are leaving, the importance of ensuring that you have a complete, dynamic census of all employees is a big part of ensuring that you are effective in your communications. We had key distribution by geography, by country and by function as well to make sure that specific messages were given and that they were functionally related, that they went to the right audience.

People that were working on customer projects don't need to know what is happening from a legal standpoint or a financial standpoint but if you are in the finance group you want to know if anything is changing in terms of systems, tools or procedures. In working at your communications strategy make sure you have the right target audiences as well. Consistent messaging on the macro level goes to all employees. But at the sub level, communications need to be keyed to the right employee group is an absolute must, rather than blanketing all employees with messages that may not be relevant to them was a key part of the communications strategy as well.

Jeff Kueffer: Communication was so important that it was a parallel activity

headed up by another senior vice president, who took charge of marketing and corporate communications as well as training. Everybody was focused on IT and to use a multimedia approach and not just relying on a single way. We used all the tools that were available to us. Going forward, what is the impact of social media? How would we be doing the next integration obviously we would want to incorporate those kinds of aspects to make sure that our employees could get the information they needed, and where to go to get that information. If they do not have the information, they are going to make something up.

One other thing that I thought was important is that integration puts a huge stress on the middle managers. These young leaders are put in the position and they are expected to know how things are done in the business. They are coaching the teams. When you come together and do this acquisition, sometimes it changes as it is happening. You have to be very sensitive to you are making sure you are dealing in with the direct leaders, the first line leaders - and giving them the information they need to run their teams. If you focus down there at the granular team level, it comes back. They will solve the problems as long as you give them the information. I cannot stress enough that having effective, redundant communications is absolutely key.

The last thing is that, as you can tell, Jamie is a very effective and eloquent speaker. Make sure that you get your leadership out and get the message out. That is who employees want to listen to. They don't want to hear from someone like me or some manager. They want to hear it from the leadership. Making sure that the leadership has an effective message it is focusing on, and using the leadership as effectively as possible is an essential and powerful tool for bringing change to the organization.

Jay Chatzkel: Thanks to both of you. This has come together for not only how to achieve a successful integration but for achieving that rare accomplishment of a truly transformational integration. Congratulations and our appreciation participating in this important conversation.