

Beyond the Deal Newsletter

*Mergers and Acquisitions that
Achieve Breakthrough Gains*

www.beyondthedeal.net

November 2011

Dear Jay,

Quote of the Month

"Every time you are tempted to react in the same old way, ask if you want to be a prisoner of the past or a pioneer of the future."

Dr. Deepak Chopra

In the November Newsletter:

Volatility continues to rule the markets. Nonetheless, major acquisitions continue to affirm that deal strategy can be more of a driver for acquiring companies than immediate market conditions. This can be seen in the Kinder Morgan Energy Partners (KMP) \$38 billion acquisition of El Paso Corp (EP) that will roughly double its natural gas pipeline in the United States. This is the second largest deal of 2011.

The storminess in the markets also has an impact on what happens after the deal. Its uncertainty generates pressures for a quicker pace for integrations to grow, and more rapid returns on invested capital than ever. This, in turn, requires being able to put a set of ever more robust integration capabilities into play. However, only limited capabilities may be available in the acquiring organization, with the result that the integration takes place with even less effectiveness, and more costly missed opportunities and forced errors in approach, actions and outcomes.

So, can an integration still create unprecedented amounts of value optimization in this pressure cooker environment? Not easily, but it is still possible. As we discussed in previous Newsletters,

a new set of approaches and tools we call Integration 2.0 is available to move an integration through its various stages with enhanced speed, accuracy and effectiveness.

We are pleased to report that another element is making its way to the integration forefront. This is the "*community management*" approach to frame and execute the integration. In this Newsletter we look at how community management may be a better way to carry out the full range of integration processes, including such vexing problems as culture clashes that can hinder and undermine the transition into the "new company".

- [**Community Management: The Missing Dimension**](#)
- [**Communication and Change Management**](#)

Community Management: The Missing Dimension

Mobilizing Social Media + More in Your Integration

Organizations that are in the midst of acquisitions need to seriously consider putting in place a community management approach to harness the powers of social media and any other related initiatives in the integration process. Organizations that manage this complexity will get far more successful outcomes than those who do not take this path.

Social media, for one, is moving from being seen as an interesting gambit into an set of tools and technologies to engage relevant communities in all types of organizations. Although most social media is primarily used in marketing, it is taking on a growing role in connecting networks of people both internally and externally to projects and operations. As of yet social media is only being used in isolated instances in integrating acquisitions to increase effectiveness, decrease costs and time spent. But this will change over the next several years. One stumbling block for using social media in integrations is that people have little experience in managing this array of processes so that they lead to creating value. This is a critical gap that can be bridged by using community management to facilitate the full range of integration processes which, of course, includes social media.

From Project Management to Community Management

One of the major reasons integrations fall short of reaching their goals is that they are viewed, for the most part, as exercises in project management that are carried out by a select and limited number of people. A contrasting approach fusing community management and social media together to allow the mobilization of a markedly broader range of critical people. It seeks to engage individuals both inside the acquiring and acquired organizations as well as those in the

network, but outside of the organization, to participate in necessary integration processes during that unique window of opportunity that an integration presents.

A successful outcome requires quite a bit more than merely adding a few social media technologies to the integration mix. Like any other element of an integration effort, social media will not thrive by itself. All integration elements, including social media require active cultivation and responsive, intelligent management.

In a recent webinar, [Rachel Happe](#), co-founder and principal at the [Community Roundtable](#) (www.community-roundtable.com) focuses on exactly these points. Happe and her colleagues developed the community management model that is discussed here. She asserts that "Community is not social technologies...It is the about relationship and connections" and what is essential in these types of endeavors is a business understanding of community structure.

Happe defines a community as a group of people with shared values, behaviors and artifacts. If any of these three elements is missing the type of relationship shifts to a less powerful relationships found in an affiliation or network.

What are the payoffs for instituting community management? The most valuable benefits are:

1. A networked structure to that speeds information transfer
2. Shared ownership and commitment
3. Maximum investment, and
4. Reducing costs

A Strategic Initiative

Since community management is a strategic initiative, the first step is to address the need to understand goals and the business context. That allows the organization to understand the size of the community that has to be created to accomplish the desired outcomes.

For the community to work it cannot be a one sided proposition where the organizations harvests all the gains and those participating do not benefit in a significant way. There has to be a balance between the goals of the organization and the needs of community members.

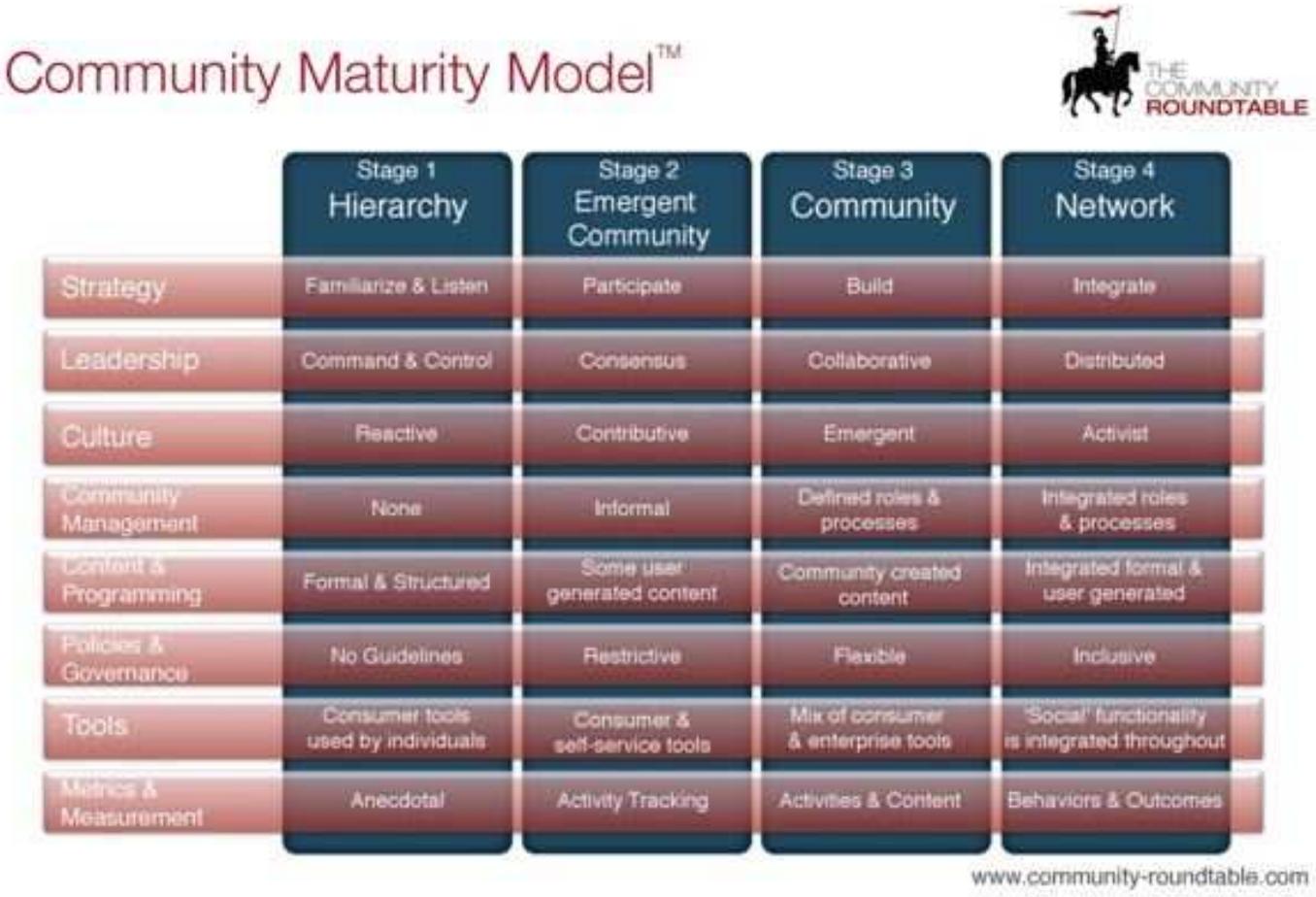
Culture Eats Strategy For Lunch

Those involved in managing the community must create the architecture and environment that support the people involved in an integration in achieving their goals. Managing the community is not a mechanistic act. It recognizes that an array of people from different backgrounds and perspectives must collaborate for success. As Happe put it, "If the culture is not supportive of what you are trying to accomplish, you will not get very far. [Culture eats strategy for lunch](#)". This is not an easy task and, in fact, integrations very often falter due to these underlying cultural

conflicts. Culture as used here means the organizations values and its way of doing its business.

The Community Maturity Model

The Community Roundtable developed a "community maturity model" to give an organization a way to gauge the maturity level of current competencies and determine what issues it needs to address to move through subsequent stages. The further along the continuum, the more ability the organization has to achieve outcomes that might not have been possible in earlier stages.



There are eight competencies in the model and four stages of development. Every organization will have a different competency profile. Some may have a more developed strategy competency, while others will have come further along in culture or content and programming. There will be uneven development until congruency across all competencies is achieved.

When an organization determines where it is in the model it can have a realistic understanding of what it can achieve at its current stage and identify what is involved in building towards the next stage of development. Project management is not jettisoned in this model. Its importance remains critical, but it is now seen as part of this fuller picture.

According to Happe, the model allows you to:

1. Identify desired business outcomes
2. Understand target audiences and members
3. Build short and long term value for all constituents for their participation
4. Know the role and value of a community manager,
5. Be able to prepare a State of Community Management Report

Try This Experiment

Map out your integration approach from the community management perspective. Gauge what stage you are at in these capabilities and what more you might be able to accomplish if you could develop them sufficiently to move to the next stage.

In the course of this experiment you will learn both where your strengths are as well as about what gaps you have. By doing this you will give yourself beginning familiarity with the community management approach and what it can do for you as well as a gaining a better understanding of where and how you are having the most success and what is having a drag effect on your integration efforts.

Please send any insights or comments you have from trying this experiment to jaychatzkel@progressivepractices.com. We are breaking new ground here and your comments will help build a body of knowledge and experience on how to use the community management model for the best outcomes.

Communication and Change Management

Good communication is critical if your acquisition is to be effective. First, you need to assure your investors that the acquisition is a good financial and strategic move. Second, you need to make sure that your employees are aware of their changing roles and whether they will or will not have a place in the newly emerging company. Transparency, openness and respect for people's legitimate concerns are key in keeping everyone involved in a positive way during this trying period. If you deal with your employees honestly and directly, you will develop their trust, which will help you enormously as you map out their future responsibilities. It is essential that you have a clear plan and communicate information about who will stay and who will not stay as rapidly as possible, in order for your company to implement the changes you want

Change management has to be an important consideration when you are going through these transitions. Acquisitions and integrations can be an extremely novel and volatile experience for both the acquired and the acquiring company. When done in accordance with the "quantum leap" approach, the acquisition is not just a static addition to an existing company but an

opportunity to rethink and reframe a large part of your company or even your entire company. This means making almost every dimension of your company eligible for recasting in light of new conditions and a new set of options. It is a time for reappraisal of strategic business goals, major markets, customer targets, core processes, and how your company is structured for making the newly emerging company able to succeed.

Subscribe to the Beyond the Deal Blog

Link to the Beyond the Deal Blog, with continuing updates on the changing world of Integration 2.0, with additional articles and commentary. You can subscribe to it at: www.beyondthedeal.net/blog/.

Using Social Media to Speed Up and Improve Performance and Outcomes of Your Integration Processes

Is social media a fad or is it a viable set of tools for advantage in an integration? Social media is now mature enough to be a major accelerator of speed and quality in integration outcomes. Click on this link to the [Social Media Strategy to Transform Integrations](#) PowerPoint presentation to see how you can start developing this capability in your organization now. See how you can develop and implement an effective social media strategy in your firm. Contact [Jay Chatzkel](#) or [Euan Semple](#) to make arrangements and for further information.

In addition to having the Newsletter sent to you directly, you can access the Newsletter and article library at: <http://www.beyondthedeal.net/Newsletter.html>

Please send in your comments, contributions and suggestions to [Jay Chatzkel](#), editor. They are important to making the newsletter as relevant to you as possible.

You are welcome to forward this newsletter on to a colleague or friend.

All the best,

Jay Chatzkel
Progressive Practices

Jay L. Chatzkel is coauthor of the [Beyond the Deal](#), and editor of the Newsletter. He is Principal of [Progressive Practices](#) where he assists organizations in transforming themselves into knowledge-based, intelligent enterprises. This includes working with organizations to develop

skills and practices in the areas of merger and acquisition integration, intellectual capital, knowledge management, leadership and collaboration, business process management and performance measurement.

He is also author of *Knowledge Capital: How Knowledge-Based Enterprises Really Get Built* (Oxford University Press, 2003) and *Intellectual Capital* (John Wiley & Sons, 2002).

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