

Perspectives on merger integration  
June 2010

Next-generation integration management office:  
A McKinsey perspective  
on organizing  
integrations to create  
value





# *Next-generation integration management office:* A McKinsey perspective on organizing integrations to create value

By James McLetchie\*

Mergers offer tremendous opportunity to create and sustain breakthrough value, especially for companies that get three mutually reinforcing attributes right: pursue transformational as well as combinational sources of value; target a new level of synergies; and understand and address the merging companies' points of cultural incompatibility.

The traditional program management office (PMO), focused on process, is poorly suited to handling the complex, often disruptive change typically needed to achieve breakthrough value in a merger. Instead, CEOs must establish a new breed of integration management office (IMO) – viewed, designed, and operated as a highly empowered vehicle to realize deal strategy and deliver value.

## *Profile of the IMO*

This value-focused IMO should report directly to a CEO-led Steering Committee and be staffed with the company's top performers. Indeed, it should be conceived as a vehicle to test and reveal the "leadership of tomorrow." The IMO experience gives these future leaders significant exposure across the entire organization.

For this reason, the IMO team requires careful selection: in McKinsey's experience, more than 70 percent of integration leaders assume more senior roles post-IMO. At one high tech company, senior leaders must have served as an integration leader on their path to the executive suite.

In addition to having top-caliber leadership, strong IMOs share three characteristics:

- They can conduct the rigorous analysis needed to support aggressive, stretch synergy aspirations.
- They take the lead in generating ideas for creating value and constantly re-energizing the integration process around ambitious goals. For example, in a year-long merger process between two multinationals, the IMO held a major global event every 6-8 weeks, bringing together key players to develop ideas and build momentum.
- They do not see process management as their primary focus, but they nonetheless apply rigorous mechanisms to track progress against milestones and hold people accountable for achieving results.

The central task of the IMO is to orchestrate pursuit of the major value creation opportunities presented by the merger. For example, a global healthcare IMO accelerated the combined company baseline to drive 40 percent higher targets through comprehensive analysis of projects.

\*The author wishes to acknowledge Sarena Lin's contribution to this article

### *Supporting IMO roles*

Supporting this objective, the IMO must play several other roles. It must manage the complexity inherent in most mergers, building robust yet simple processes that surface and resolve thorny issues and facilitate value creation.

Further, the IMO should take the lead in identifying and developing the capabilities needed enterprise-wide to capture transformational value opportunities, such as a step-change in customer intimacy or a radically enhanced supplier negotiation capability. Indeed, the best acquirers have used mergers and the integration structure to build unique organizational capabilities for the future – well beyond the immediate needs of the integration.

An often overlooked but highly impactful role of the IMO is to address organizational compatibility, or culture, issues. It can take the lead in understanding and assessing the culture of the merging entities “going in,” especially the cultural incompatibilities that represent the greatest obstacles to deal success and performance. This intelligence should inform integration design, the choice and profile of integration leadership, and ultimately the way the IMO runs day to day – as well as the broader organizational design and governance model for the merged entity.

In a global mega-merger, the CEO and his integration leadership faced an incumbent culture where functions operated as silos, using meetings for “extreme collaboration” – code for slow decision making. The IMO needed to address this problem early, since 50 percent of synergies were expected in year #1. Accordingly, the IMO “forced” cross-functional interaction and rapid decision making – for example, organizing targeted special teams (legal entity, branding, product labeling, and so on) to handle cross-cutting strategic or value capture initiatives.

The new culture was also expected to drive rapid decision making. Eventually, the weekly IMO meetings held integration leaders accountable for decisions and timelines more aggressively than the general company culture. While this approach was tough at first, the front line of future leaders and the IMO itself became highly visible role models of the new, “can-do” culture.

What, then, does a next-generation IMO look like in practice? Its purview is cross-functional, as it must drive decisions across functions, business units, and divisions at a faster pace than the current organizational construct allows. For this reason, the IMO should be a microcosm of the existing company and governance model, with its own empowered “CEO” (Integration Leader), “CFO” (Value Creation Lead), and Executive Committee (Steering Committee).



The IMO is the “orchestra” of the deal: an ensemble of different talents playing their “instruments” together in a coordinated sequence, led by a respected “conductor,” in a highly visible performance that – at its best – delivers work worthy of a standing ovation.