Managing your integration manager

Michael J. Shelton

An integration manager can help make a merger more successful, but only if the top team knows how to choose and install one.

For some years now, CEOs have turned to integration managers—usually mid- to upper-level executives relieved of their customary duties for six months to a year—to help lead the task of integrating companies after big mergers or acquisitions. Although an integration manager can contribute significantly to the realization of a merger’s promise, the implementation of this important role often bedevils CEOs, few of whom have sufficient experience with mergers to hit on a plausible formula. No surprise, then, that the effectiveness of integration managers varies widely.

Many CEOs see them simply as process coordinators or project managers. But the best play a far more pivotal role, helping mergers to succeed by keeping everyone focused on the issues that have the greatest potential for creating value and by infusing integration efforts with the necessary momentum. Unfortunately, however, too many integration managers never assume such a role or, if they do, find it hard to succeed in it. Our experience during the past five years with more than 300 integration efforts—most involving Global 500 corporations—suggests three reasons: CEOs fail to recruit the right people for the job; integration managers don’t become involved in the merger process early enough; and CEOs fail to give them adequate support.
Recruit the right person

Some CEOs aim too low: for them, the integration manager’s role resembles that of any other process-leadership position a company might create to drive the large systems-implementation or performance-improvement initiatives it undertakes.

Admittedly, much of the role does involve project management. The integration manager helps create the integration teams—perhaps dozens of them around the world—that merge the various parts of the two organizations, consolidate operations and transfer critical skills across them, launch new products, and struggle to meet targets such as head count reductions, share-of-market goals, and time schedules. Another responsibility is to create and oversee a small integration office, usually including three to eight full-time analysts and junior managers who track the progress of the integration teams. And the integration manager reports on the teams’ progress to a senior-executive steering committee that is ultimately responsible for capturing the cost and revenue synergies propelling the deal.

Yet effective integration managers do much more. Instead of merely overseeing the merger of two HR departments, for example, they push those departments to identify the top performers, whose retention is a priority. They not only report to steering committees but also help set the agenda; during the first 60 days, it might be more important, say, to meet cost targets and retool the sales force than to combine accounting systems. What is more, effective integration managers don’t just track whether synergies are being captured; they help capture those synergies by breaking the deadlocks that inevitably occur when two organizations merge.

Such deadlocks and the resulting loss of momentum jeopardize many mergers. For example, because they lack information, fear taking risks, or think they don’t have the authority to act, executives hesitate to make decisions about the merged businesses or departments they have been chosen to run. This kind of paralysis can be dangerous, since financial markets demand early signs that value is being captured from the merger; recruiters and competitors eagerly poach top employees nervous about their future in the new organization.

An effective integration manager not only reports to the steering committee but in addition helps to set the company’s agenda.
and everyone finds it difficult to focus on everyday business when so much is changing.

Notwithstanding these difficulties, the merger must be completed, and the integration manager’s job is to accelerate the pace by anticipating problems, rapidly solving them, and, above all, constantly driving the decision-making process. Thousands of decisions must be made in a merger, but in an uncertain environment people often refer them to higher authorities, thus automatically creating a bottleneck. By intervening wherever possible to speed up the resolution of problems, the integration manager keeps the process flowing—for instance, by ensuring that the steering committee quickly takes up issues requiring top-level input.

The integration manager in a recent pharmaceutical merger broke up an impasse involving several integration teams. In the absence of knowledge about how the new organization would be structured, the finance integration team felt uneasy about giving cost reduction targets to the functional teams, which in turn felt unable to proceed without firm financial and head count targets. The integration manager found the solution: the financial team provided ballpark figures, which the functional teams then used to develop high-level organizational structures, thereby allowing the finance team to refine its targets and the functional teams to complete their organizational designs. The company’s cost reduction efforts stayed on track.

In another case, the information systems executive of a consumer products company involved in a merger refused to develop an IT plan that would have made it possible to migrate production capacity quickly from a facility slated for closure to a new location. The fast pace being imposed on him, he said, would compromise the flawless execution the project demanded—and his reputation as well. Delay, however, not only would have been costly to the company but also was sure to set off alarm bells for investors judging its ability to capture value from the merger. The integration manager briefed the company’s president and invited the systems executive to describe his relatively time-consuming plan to the steering committee. After the presentation, however, the president told the systems executive that the facility definitely would close quickly and that he should come up with a suitable solution and a cost estimate.

A week later, the executive returned with a new, faster proposal that met his own quality standards. It cost several times more than the initial plan but won quick approval because it enabled the facility to close on the target date, thereby generating savings that a delay would have squandered. These
savings, and the positive signal they sent to financial markets, made the onetime systems costs relatively unimportant. As this example shows, an integration manager may not have the authority to resolve everything alone but does serve as the eyes and ears of top management. At a time when CEOs are stretched to the limit, the integration manager decides when the CEO does and doesn’t have to take part in a decision.

So it is clear that the role requires much more than project-management skills. Although they are crucial, effective integration managers will be strong general managers who have excellent decision-making instincts and are comfortable working cross-functionally. They will also be courageous, politically astute, and capable of influencing corporate opinion. And they must be people who top management respects and trusts, since they will often act as its proxy and confidant. Where can they be found?

Look within

To fill the post, a CEO shouldn’t look to outsiders, to the acquired company, or to high-level executives whom the merger might make redundant. The CEO needs someone who already knows the acquirer’s organization and systems and is committed to the merged entity’s future.

An old hand—a general manager who has 15 or more years of experience with the company, including frontline operating experience—is often a safe choice. But what if such people are indispensable, especially at companies short on top talent? A riskier alternative is to pick a less experienced rising star; but in this case there must be compelling evidence of unusually well-developed general-management potential.

Organizations that actively manage their talent pipeline will have an easy time identifying candidates; they can quickly pull up lists of “A” players, many of whom will be suitable for the role. Other companies will need more time—a scarce resource in mergers. Serial acquirers should therefore have a strong talent-management system that makes it easy to identify potential integration leaders.

Get your candidate on board

Identifying suitable candidates is one thing, persuading them to take the job quite another. Many will be reluctant to give up important positions for a 6- to 12-month stint of intense work, at the end of which their previous job may have been eliminated or given to someone else and numerous attractive positions created by the merger will probably have been filled. CEOs can
appeal to the candidates by explaining the importance of the integration-management role and by assuring them that they will remain in it only as long as they are needed to maintain the momentum of integration. Other people in the integration office can track the progress of capturing synergies once the key decisions have been made, the detailed plans have been approved, and the heads of business units and departments have accepted accountability for specific targets. Sticking to these promises will help CEOs recruit integration managers for coming mergers.

Ideally, the integration manager should know what position he or she will assume after successfully completing the job. If it isn’t possible to promise a specific one, the CEO should sketch out some realistic possibilities and describe the process for choosing among them as the integration effort unfolds. Finally, the integration manager should have a senior-executive sponsor to help with his or her next career move. It is easier to offer such support in a company where highfliers periodically move around the organization. In a company where advancement takes place mostly in functional or business-unit silos, the CEO may need to offer a personal assurance that the prospective integration manager is taking a prudent career step.

An integration manager who has a clear picture of his or her future will also be more effective in the job. Many people who assume this role without knowing where they will eventually land become anxious as the game of executive musical chairs progresses and the interesting seats fill up. This anxiety can distract integration managers from their work as they search for senior leaders who will hire them later on, and it may also compromise their objectivity.

**Install the integration manager early**

Timing is crucial. After recruiting an integration manager, the CEO must have him or her in place a month or so before the deal is announced—something that often fails to happen when the CEO is inexperienced, overwhelmed by more pressing merger demands, or eager to minimize disruption. Yet if integration is to proceed effectively and efficiently, the integration manager must be installed early enough to have a detailed understanding of the goals of the merger. Suppose, for example, that using the acquirer’s superior distribution system to disseminate the target company’s products represents a major portion of a merger’s value and that it is therefore important to carry out this part of the integration effort rapidly. An integration manager who knew this could identify—before the deal was announced—the sales, marketing, and logistics specialists whose services were needed to achieve that goal. No time would be lost getting them to address the problem as soon as the merger became public.
In addition, working early on with the CEO and with the team supporting the negotiations for the deal allows the integration manager to learn which customers, personnel, and projects will be critical for the success of the combined business and to take steps forestalling problems that involve them. Identifying employees whom the company can’t risk losing to competitors and headhunters, for instance, enables the integration manager to make sure that senior executives approach these valuable people, to suggest the messages the executives deliver, and to learn whether the conversations are having the desired result.

Furthermore, deals often involve informal, unwritten understandings, and integration managers should know what they are before the merger announcement. There may, for instance, be off-the-record agreements about which business-unit heads will stay in place and which features of the existing organizational structure can’t be touched. The CEO may have expressed a view about whether the merged company should adopt the acquiring one’s systems, operating practices, and organizational structures. During the negotiations, certain executives may have signed on to specific performance targets, and an integration manager who knows about such commitments early in the game can hold these executives to them.

Any merger involves countless understandings of this kind, and without some degree of participation in the deal-making process an integration manager might not know of them. Without these details, the manager starts at a disadvantage. With them, he or she can create a road map of the principles that will guide the integration process and the teams that drive it. Developing such a map, and communicating it to key senior executives before the merger announcement, helps the integration manager obtain the leadership alignment needed to force a rapid pace from the outset.

Despite the benefits of getting an early start, it can be hard to remove the prospective integration manager from a previous position—usually an important one—before it is even clear that the merger will go ahead. Our advice is to identify and recruit a candidate as soon as it seems likely to go through but not to relieve the chosen executive of his or her primary responsibilities until its completion is imminent. Exactly when this point occurs will vary from merger to merger. Occasionally, early discussions make it clear to a CEO that a deal will probably be completed quite rapidly, perhaps in just a few weeks. In these cases, the integration manager should be installed immediately. More often, the transaction takes longer to unfold, and the integration manager shouldn’t be appointed until the remaining
negotiating points are lodged in fine detail, an approach that should give him or her a good month to work with the deal team. In the interim, executives close to the deal should give the prospective integration manager whatever details of the merger can be shared and would help clarify its rationale.

Even with careful planning, integration managers are sometimes removed from their previous responsibilities prematurely or even unnecessarily. But urgency is needed to reap the benefits of integration leadership, especially if a particular deal is the CEO’s first as the acquirer’s top executive. If the deal falls through, an integration manager who has had a real opportunity to examine the people, the resources, and the priorities of a company contemplating a merger will have developed a meaningful plan that can provide a head start the next time around.

Support the integration manager

To succeed, the integration manager will need the CEO’s support in several key ways.

First, the CEO has to trust the integration manager. It isn’t uncommon for a CEO to appoint a good one and then fail to build this trust, for the CEO must confide in someone who may not be very familiar but who will nevertheless provide an invaluable set of eyes and ears throughout the integration process. The CEO should therefore keep the door to the executive suite open at all times for the integration manager, who must be trusted to recognize that since time is a scarce resource for CEOs, conveying only targeted information is appropriate.

Then too, the CEO must give the integration manager the authority to do the job and make it clear, at the integration kickoff meeting, that the integration manager will be serving as the CEO’s proxy in many meetings over the course of the merger. The integration manager should also be authorized to lead discussions in the steering committee and to enforce a truly rigorous decision-making process. That approach may make the CEO uncomfortable, but it is essential if the integration manager is to be seen as more than just an order taker or process leader.

Moreover, the integration manager may need the CEO’s support in mustering resources; heads of business units, for example, can be reluctant to let good people join integration teams, but a word from the top can overcome such recalcitrance. A related task for the CEO is to ensure that the integration manager provides serious input to appraising the performance of many part-time team members, who will otherwise have little incentive to make their integration responsibilities a high priority. Finally, as the integration
manager begins driving initiatives into the operating units, it may well be necessary for the CEO to step in and encourage their leaders to support these programs. By championing them, by making other executives responsible for their success, and by ensuring that the heads of business units assign the right talent to each opportunity, the CEO can ensure that the integration manager’s job will be finished before too long.

The appointment of an integration manager can be instrumental to the success of a merger, but it requires diligent attention from senior management. A chief executive officer who knows how to recruit and install the integration manager is more likely to make both the holder of that position and the merger itself successful.