Merge *With* CAUTION

Once the ink on the merger deal dries, the real work begins: uniting disparate projects and teams across the portfolio.

BY MATT ALDERTON

Merger and acquisition deals (M&As) may seem the domain of accountants and attorneys, but it's project leaders who help a new organization thrive by helping decide which legacy initiatives to keep and which to kill.

And it looks like there will be more post-merger portfolio transitions to contend with. Some 40 percent of executives told Deloitte in June they expect M&A activity to increase in the future. Likewise, M&A tracking company Intralinks Holdings reported in July a five-year high in the growth of early-stage M&A activity, suggesting a substantial jump in future deals.

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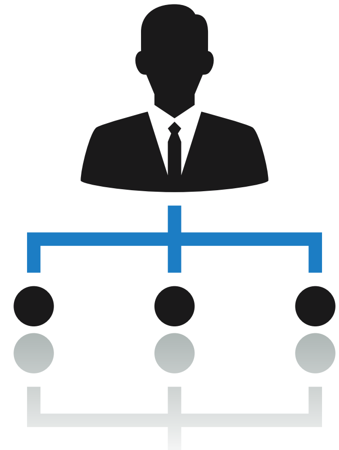
For these deals to truly succeed, organizations must take a deep dive into the portfolio, assessing whether the new company has the right mix of projects. A project that might have been perfectly aligned to the strategic vision at one company may be redundant or out of sync with the new organization's goals.

"It is of the utmost importance to revisit projects at the portfolio level in order to determine their strategic relations and importance to both companies post-M&A," says Eric Phua, PMP, senior project manager at telecom firm Telstra Corp., Melbourne, Australia.

He offers an example of two companies with a shared customer. In each company, the customer may be considered a low priority because of its lesser spend relative to other customers. When the companies merge, however, a portfolio analysis shows the customer's combined spend with both entities now makes it a high priority. "This is a simple illustration of the benefits of looking at projects collectively as opposed to reviewing them in silos."

Here are four tips to ensure a happy marriage:



Establish Centralized Leadership

M&As don't just affect existing projects. They create new ones, says George Penton, PMP, senior director of the corporate services post-merger integration program management office at PMI Global Executive Council member SAP America Inc., Lake Mary, Florida, USA.

"The merger itself will typically result in the launch of an enormous project. Both companies have an existing portfolio of projects that already have resources, timelines and budgets associated with them," he says. "Now, suddenly, this new post-merger integration project comes along and forces you to go back and question the relevance of those portfolios."

Once the deal is closed, organizations may want to consider forming an enterprise project management office (PMO) to lead the integration process. Mr. Penton says this post-merger PMO should have oversight of all other PMOs—for instance, the IT PMO, marketing PMO and human resources PMO—to direct them on which projects to continue, cancel or postpone.

To promote rapid and effective decision making, the PMO should have a clear line of sight to executive sponsors and should treat all lines of business objectively.

Most of all, however, it should be inclusive. "The only way it will succeed is if it's a joint team," Mr. Penton says. "It needs to have representation from both sides of the merger or acquisition."

Define Strategic Priorities

The first order of business is for the executive leadership to establish new strategic objectives—and then pick the projects that will help the new organization achieve them.

"You need to start with a strategy and establish the main goals to be achieved," says Antonio Adolfo Fonseca, PMP, IT manager for the Brazilian division of U.K. engineering firm Subsea 7, Rio de Janeiro, Brazil. "This is a top-down process."

When Subsea 7 merged with rival Acergy in 2011, the strategic direction coming from the executive office helped forge true integration, says Mr. Fonseca. "The strategy was to build one new organization, not improve the existing organizations," he says.

Without that kind of clear direction from the executive suite, project teams can get lost.

"Project teams can get off track or have conflicting messages or resource-contention issues across the integration portfolio and not meet the tactical objectives," says Ed McCloskey, PMP, assistant vice president and deputy head of the PMO at SCOR Global Life Americas, a global reinsurance firm in Charlotte, North Carolina, USA.

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Take Inventory

With strategic objectives established, the integration team must identify projects currently underway at both legacy organizations.

"There needs to be an assessment done sooner rather than later of your entire portfolio," Mr. Penton says. "You've got to bring both organizations together to do an inventory of everything that's on the table."

Initially, this inventory simply lists all projects underway and resources deployed. Once strategic priorities are set, however, organizations must take a deeper dive to make a call on which projects should be continued, canceled or deferred when the merged company rebalances its portfolio. Among the most important decision points:

- **Strategic alignment:** Projects that further the merged organization's goals should be continued, and those that don't should be killed or postponed. When Subsea 7 and Acergy merged, Acergy had already approved an enterprise resource planning (ERP) implementation project. But because one of the merged organization's strategic priorities was security, explains Mr. Fonseca, the ERP project had to be re-evaluated before it was allowed to proceed. "The main assumption for the project was not to compromise the security of our vessel operations," Mr. Fonseca explains. "A decision was ultimately made to postpone by one year the deployment of the ERP for vessels."

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- **Project type:** Some project categories should be considered mandatory. "Let's say there's a project that is intended to address a regulatory/compliance issue. You would probably proceed with that project because it's critical to the organization," Mr. Penton says.

  But even compulsory projects should be scrutinized post-merger. "Challenge any dates established to confirm priority," advises Mr. McCloskey. The original implementation date for the European Union insurance regulation Solvency II has been extended, for example. "In some cases, changes can be pushed back."

- **Project timeline:** A project's post-merger survival often hinges on time, including how far along the project is and how long it will be useful post-integration.

  "If there was a project to design an application or solution with a useful life of eight to 10 years, and it was going to cost X amount of money," Mr. Penton says, "but, because of post-merger integration, now it might only have a two-year life—is it still worth it?"

  If the integration will take several years, a cost-benefit analysis might show it makes sense to proceed with projects that enhance the company's ability to do business in the near term, even if their long-term value is questionable.

- **Project status:** Troubled projects, especially those in their early phases, typically are prime candidates for cancellation, deferral or de-scoping. But not all nascent projects should be dismissed. "Projects that are tracking well should be looked at to make sure they can still track to dates given the integration work," Mr. McCloskey says. "You want to guard these projects to make sure they get through the finish line."

(Re)Allocate Resources

Of course, project portfolios aren't the only things that have to be rebalanced post-M&A. Human resources must likewise be assessed against new strategic priorities, so HR practitioners should be brought into the post-merger integration as early as possible, says Betsy Mathew, PMP, senior manager of HR programs at AECOM Middle East Ltd., Abu Dhabi, United Arab Emirates.

"Integration is never easy, and very often what HR is left to deal with are issues related to low employee morale, frustration and job uncertainties," she says. Calling in HR as early as the due diligence phase can also help mitigate cultural differences and risks, Ms. Mathew adds.

In collaboration with the post-merger project leaders, HR professionals help determine the merged organization's needs and the legacy employees available to meet them, while also identifying gaps to fill and redundancies to eliminate.

"HR will seek to answer: Can we as an acquiring company absorb the acquired company's skill sets and expertise? Are there project resources that can fill our current gaps? Who are the key staff we want to retain?" says Ms. Mathew.

One of the best ways to answer these questions is to involve as many project professionals as possible from both legacy companies in the post-M&A project. "By having both sides involved in integration planning and execution, you can get a good feel for project management capabilities and skill sets," Mr. McCloskey says. "Make sure to allow some time to assess and monitor this as people transition through the change."

M&As inevitably set everyone on edge, so it pays for organizational leaders to be transparent. "You need to make decisions and communicate those decisions in a very clear way to everyone," Mr. Fonseca says. "The best approach is to be very open and very honest."

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Making the Cut: How to Survive a Merger or Acquisition

Mergers and acquisitions are a business blood sport. Although organizations often emerge leaner and stronger, the same isn't always true of project managers and their team members, whose positions are sometimes casualties of post-merger integration. The following tips can help you survive—even if your job as you knew it doesn't:

- **EMBRACE CHANGE.** "Resistance is futile," says George Penton, PMP, SAP America Inc., Lake Mary, Florida, USA. "Companies are more likely to adopt people who are dynamic than they are people who try to protect the status quo."
- **BE FLEXIBLE.** Just because your job is eliminated during post-merger integration doesn't mean you will be. If you're open to relocation or reassignment, opportunities may exist elsewhere in the organization, according to Debasis Sengupta, PMP, general manager of innovation and development, Philips Electronics, Gurgaon, India. Left jobless after a recent post-merger integration project, he didn't leave Philips, but rather looked for jobs internally across sectors and geographies.
- **BE PART OF THE DEAL.** "Any opportunity a project manager has to get involved in the phases of a potential acquisition helps one continue to build business acumen, develop relationships and work closely with senior executives," says Ed McCloskey, PMP, SCOR Global Life Americas, Charlotte, North Carolina, USA. "It is an excellent opportunity to prove your value in the organization as it is being formed." **PM**