CHANGE MANAGEMENT PROGRAMS

Driving the change to performance excellence

Execution | Advisory | Strategy | Organization

Fairfaber

Human Resources Management. In action.

CHANGE MANAGEMENT PROGRAMS

ERP IMPLEMENTATION PROJECTS

POST MERGERS INTEGRATION

ABOUT FAIRFABER

Change Management Programs

Introduction

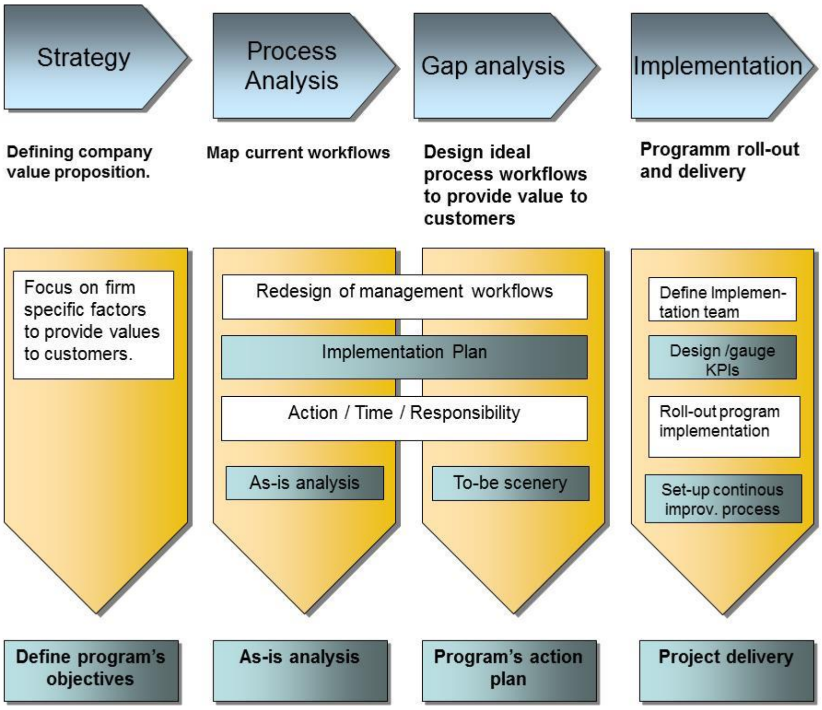
Globalization, disruptive innovations, new business models and many other causes force companies to change organization, behaviors and processes. The success of change programs is fundamentally linked to changes in people behaviors and that is why they are normally very difficult exercises to perform. If we look at people after coronary-artery bypass grafting two years later, 90% of them have not changed their lifestyle. Personal health is overtly much more important than any possible business program. So how it is possible to change people mindset?

This can be achieved by targeting the drivers of organization behavior. At most our personality and rational motivations can explain a 30% of our choices. The remaining 70% is explained by the underlying environment in which we operate. That is why organizations turn out to be far more resilient than executives generally think. Organizations are like tropical forest, no matter how many efforts you make to tame it, it keeps regenerating over and over again. People mindset cannot be changed as a machinery set-up. People need to feel they are in charge to gain the purpose of action. Fairfaber consultants bring to clients a wealth of experience on organization transformation projects and can both advice company management or manage directly clients' change projects.

PERFORMANCE RECOVERY & LEAN ORGANIZATION

The ultimate goals of performance recovery is to provide value to customer. Value is simply what customers are willing to pay for. Waste is everything else. As simple as these concepts may sound they need to be clearly defined in order to serve as strategy compass all along programs roll-out. Indeed by exactly understanding the value proposition we intend to offer to our customers we will be able to steer program activities appropriately. A value proposition has to be something that can be easily understood and defined. It is indeed nothing more than what a company actually produce or process. If you produce pencils, or shoes or design buildings then everything else you do in your company, however smart and fascinating, it will not be paid by your customers.

Once the business value proposition has been defined it will be clear which are the processes and activities that need to be improved in terms of efficiency or quality standards. Managers are usually keen to concentrate their efforts on what they reckon to be company's weakness, and this sounds perfectly reasonable, although focus on improving existing key factors and differentiation firm-specific resources can often grant even greater pay-back in term of long-term competitive advantages.



Targeted processes have then to be precisely identified, in terms of start and end point, trigger mechanism, responsibilities, input-output, resources and methods. Even at a very initial phase it is normally possible to spot a number of interesting low hanging fruit:

- Bottlenecks in the workflows that reduce business efficiency;
- Unclear roles and responsibilities which generate organization waste and reduces attention to efficiency / quality standards;
- Inaccurate reporting that provide a distorted perception of business operations.

Different analysis methods may be employed during data gathering activities. Fairfaber experts normally proceeds with an extended Process Flow Analysis - which allows an accurate tracking of documents and information as they move through the value stream. These methods are expedient to check every kind of organization waste.

ERP Implementation Projects

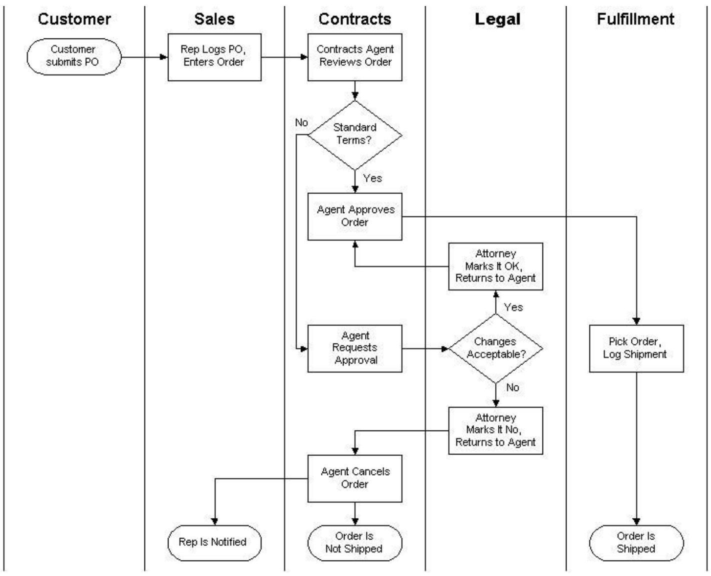
OUTRIGHT CHANGE MANAGEMENT EXERCISES

As in the case of M&A ventures ERP implementations present elevated percentage of failure. Planned benefits are often far to be achieved as management processes are not fully supported by IT functions.

The most important elements in any ERP implementations are people. Technology and process albeit crucially relevant came at a second stage. This is why it is fundamental to get all players on board assuring their full committment to the project.

MAP THE CHANGE

What are the main changes that will affect management and employess? They have to be mapped and included in the communication plan and in training. Organization structure and role responsibilities may be affected by significant change elements. Fairfaber guides clients through an extended review of company structures and process in order to assure consistency with revised workflows and system functions.



SHARE THE VISION

There isn't such a thing as over communication. Project goals have to be cascaded throughout the organization in order to activate energies. When people know where they are going, have an idea of the road ahead of them, and can see their progress, it makes everyone's job easier and more rewarding. Furthermore, if the whole team knows the desired destination, there is a better chance of getting there.

Past organization strenghts have to be preserved and reinforced.

PRESERVE EXISTENT ORGANIZATION STRENGHTS

Organization cultural background need to be incorporate in the design of the implementaion schedule. Past organization strenghts have to be checked in the design in order to assure that they will be preserved and possibly reinforced. A deterioration of existent competivive aspects would undermine morale and staff commitment, rising a major roadblock to a sucessful project roll-out.

KNOCK DOWN THE WALLS.

Cross functional cooperation is a key factor to assure an efficient flow of information. Organization silos are indeed one of the most important problems in an ERP implementation projects. They are most likely to emerge after the go live, when the implementation dust settle down and it is made clear who is the information provider, which doesn't get significant benefits from feeding data into the system, and who are the internal customers, which need information to carry on their tasks. Mitigation strategies and teamworking initives have hence to be part of the project.

Post-Mergers INTEGRATIONS

Every day it seems there is a new merger and acquisition deal splashed across the headlines and all are portrayed as glamorous solutions that will lead to huge increase in shareholders value. Unfortunately many M&A ventures result in value destruction. For this reason the demand for management advice and guidance is steadily on the rise. Although many agree that poor strategy and overpayment are often responsible for unsuccessful M&A deals, poor integration planning and execution is a third important cause of failure. This is because executives focus mostly on the technical side of the deals at the expenses of soft or human issues.

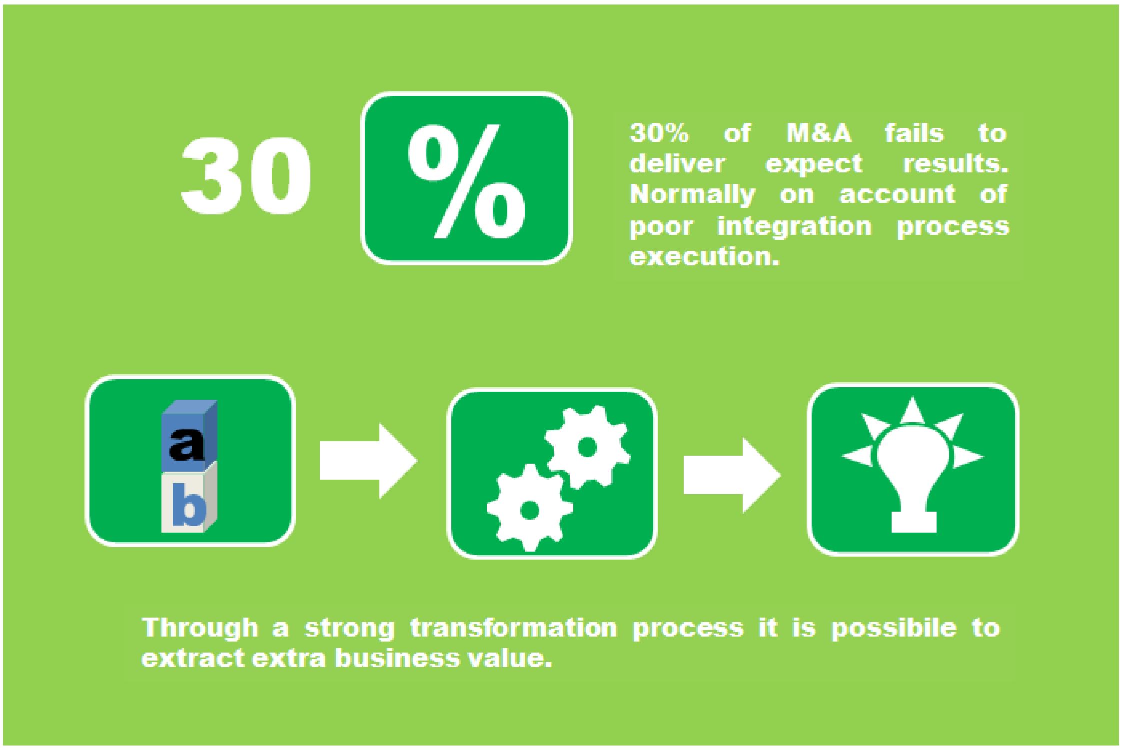
Indeed human aspects are fundamental in any merger or acquisition scenario. Fairfaber is the partner of choice to implement the key steps of post-merger integrations, from delivering an effective communication plan to the redesign of organization structures and realignment or management and company values.

INTEGRATION ACTUALLY MEANS TRNSFORMATION

Every single acquisition is a unique case in itself and must be managed with a specific tailored approach.

The challenges and tasks that managers face dealing with M&A projects are huge and present enormous risks. Post-mergers integrations are indeed very complex exercise and about a third of them fails to deliver expected value. In addition M&A are subject to any kind of pressure, every single step of the integration process, from renaming to management realignment and processes streamlining is watched in a concerned way by both employees and investors.

Every single acquisition is a unique case in itself and needs to be managed with a specific and tailored approach. This is because mergers are game changing programs aimed to get more value to the mere addition of the single components. In any M&A it is possible to identify combinational and transformational opportunities. Combination is the product of simple integration of previous organizations, while transformation implies creating new potential for growth and profits.



SYNERGIES? FINE – BUT WE WANT MORE

The most accurate due diligence will just find out 80% of all possible synergies and a very small percentage of potential value connected to organizational transformation. In fact due diligence are normally executed with a conservative approach and are fundamentally biased with a liabilities sensitive attitude of financial auditors.

The goal to create synergies on operating costs is prominent in most cases. It is indeed normally possible to achieve saving on overhead, purchasing, IT, payroll, marketing, R&D, buildings, etc. In some critical situations integration programs look alike to business turnarounds focused on cost cutting. Since synergies are such a common result of M&A they have become to be assumed and hence feared by middle managers and employees which grow considerably concerned in view of organization integration programs. The risk to loose critical competences and skills to competitors is hence substantial and therefore companies have to act quickly and resolutely in order to prevent it. Open and honest communication, retention plans and targeted disclosures on future organization frameworks constitute essential actions needed to protect the most valued organization assets.

ORGANIZATION TRANSFORMATION BOOST POST-MERGER PERFORMANCE

Transformation requires huge management efforts and business knowledge. It is in its very nature a completely different exercise than the execution of common combination programs. It has to conducted by high calibre professionals and demands a considerable portion of leadership's time. Even more importantly organization transformation implies risk taking and it makes the difference between high-flyers and more conventional leaders.

Transformation put the business on a new territory, which normally didn't appear on the M&A radars right from the beginning. A frequent source of unexpected breakthrough performance is represented by the identification of specific target's organization capabilities which can be leveraged on a global scale and developed to constitute decisive competitive advantages. Those kind of strategic opportunities will certainly appear evident at the outcome but are often overlooked or not sufficiently seized.

A ROADMAP TOWARD VALUE CREATION

Fairfaber adopts a four steps integration process which ensures a disciplined and consistent roadmap to execute a successful structures and processes integration. While it is indeed possible to define more fragmented workflows, we believe that a four steps process is the most appropriate solution for a lean and unhampered integration roll-out. Sub processes might be identified and structured for each of the four main phase while maintaining a clean and lean project framework.

PHASE 1 – Defining the combined business baseline

This phase focuses on the overview of combined target's and acquirer's operating cost (payroll, IT, buildings, overhead, etc.). The more accurate the picture we get about every and any type of cost prior the integration, the more precise we will be in calculating achieved results in terms of synergies and process optimization. A detailed initial mapping is also expedient to execute a comprehensive integration plan, avoiding the risk of leaving some process out of the picture. While a superficial analysis of possible synergies will have already been completed during project validation or subsequently during the due diligence process, this phase is intended to roll-out a much sharper focus on cost and expenses.

PHASE 2 – Defining top-down end-game design.

In this phase acquirer's top-management, desirably together with target's top-management, defines a concept of future integrated company structure. The structure concept will then be used to drive the integration roll-out in the following phases. While it is important to allow a certain flexibility to the integration team even in the final steps, the availability of a document already factoring in at least a number of fundamental choices will avoid gross misunderstanding and missteps.

PHASE 3 – Design bottom-up process integration plan

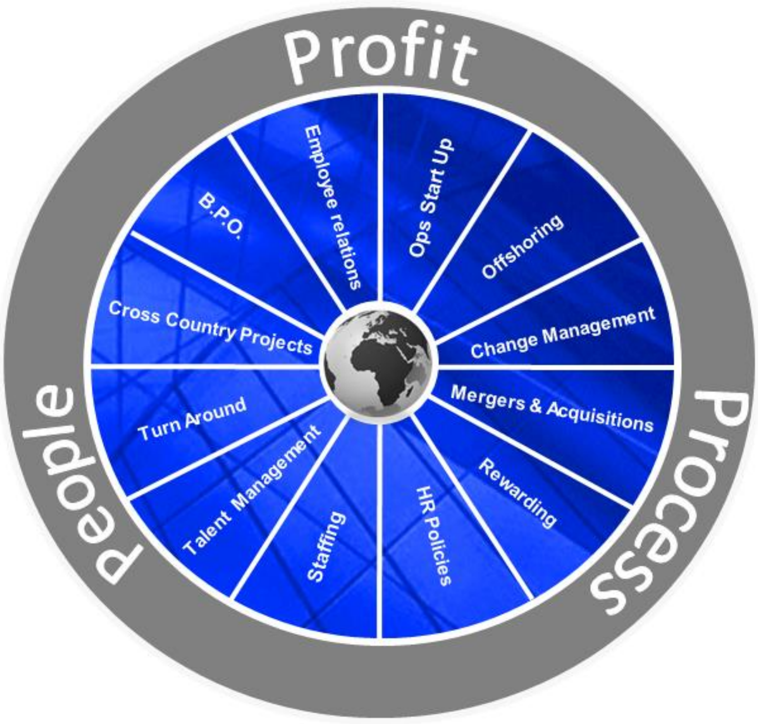
Building on the integration concept designed in phase 2 a team of experts, representing principal organization functions, draws a detailed and actionable integration plan, comprehensive of structure design, workflows and implementation schedule, putting particular care to understand interdependencies. The phase's output is an extremely detailed master plan for integration roll-out.

PHASE 4 – Roll out and delivery

The integration roll-out is executed by a dedicated team led by an experienced professional owning a strong background in conducting post-merger integrations. The presence of a high calibre executive at the helm is fundamental to avert and compensate the loose of momentum which typically integrations undergo along the process, as top management get distracted by the routine and resistance to change grows within both side of the integration front. Speed and resolution cannot however hinder the attention toward possible additional value creation opportunities, to be realized through organization transformation initiatives, which whenever identified need to be analysed and reported to the top management.

M&As bring a lot of change in the organization. Beside the technical aspects of combination / transformation actions we need to consider their political side. Human issues are frequently not taken sufficiently into consideration by managers, the reason is that though to be considered very important they are very difficult to manage, so executives concentrate on technical factors they feel they can control. However where there are people there are political issues and they have to be addressed lest they will undermine any progress obtained on pure technical aspects.

Here we list the 3 key elements of successful change:



Establish a sense of urgency

Many executives who have gone through M&A integration comment that if they were to run it over again they would speed up the process. It is fundamental to generate a sense of urgency to get momentum in view of the massive change demand. The slower the change process the more people tend to resist change.

Develop and communicate the vision

Few things are more detrimental to an M&A project than the lack of a shared vision from both entities. Both companies need to focus their energies in the same direction. Once a shared vision is defined it need to be communicate to the newly formed organization. Messages have to be constantly reinforced by means of different channels and media. Meetings, memos, newsletters, formal and informal interactions. Also the sense of urgency has to be communicated vividly and repeatedly. There is not a thing as overcommunication.

Consolidate gains and produce more change.

A good way to promote change is to break the process into discrete steps and address each step thoroughly before moving to the next. Although all the emphasis put on speed it has never to be done at the expenses of effectiveness.

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About Fairfaber

Fairfaber provides full-scope HR management services to big and small organizations. Our ambition is to provide clients with innovative and reliable Human Resources management processes. We execute project management assignments and provide advisory services concerning all domains of organization management. We are proud to ensure long-term reliability, strict confidentiality and the highest ethical standards. We collaborate with corporate Head Office managing global off-shore structures.

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