Cross-Border Mergers & Acquisitions

Reducing the Risk of Failure
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The globalisation of business over the last 20 years has seen companies search out new markets in order to grow and maintain their competitive advantage. This globalisation has been accompanied by a surge in cross-border mergers and acquisitions.

Research into companies involved in cross-border mergers and acquisitions, however, points to failure rates of up to 70% with very few deals enhancing shareholder value. When analysed in more detail, the overwhelming majority of senior personnel highlight culture and communication as the two areas that prove to be the most challenging. This is substantiated by a survey of Fortune 500 CFOs where 45% attributed M&A failure to “unexpected post-deal people problems”. Issues ranging from corporate governance to employee welfare or customer satisfaction become complex when different cultures are involved.

Understanding the opportunities and threats that these cross-border M&As present must form a key part of any pre and post-merger integration strategy.

High Failure Rates of Cross-Border M&As

What is driving failure rates of up to 70% in cross-border mergers and acquisitions? Research has shown that the parties involved do not adequately address the culture and communication issues that are at the heart of integrating two organisations.* Culture has often been described as ‘the way we do things around here’ and differences in management styles, attitudes to planning, communication channels, approaches to decision making and other workplace behaviours can cause huge frustrations if not addressed in the early stages of a cross-border integration.

Culture Matters

The distinct national cultures involved in cross-border M&As offer increased opportunities but also increased risks from within and outside the organisation and any pre-deal due diligence needs to include an assessment of these cultural risks. Misaligned expectations, behaviours, practices, processes, structures and reward schemes can lead to frustration, employee disengagement and eventually loss of key talent. External challenges such as a disparity in attitudes to issues such as corporate governance, social responsibility, ethics, litigation and intellectual property rights need to be identified and addressed early on in the process to avoid significant problems further down the line.

*Industrial Management
People Matter

Approximately 40% of corporate revenues are spent on human capital and an average of 50% of managers leave a year after a merger or acquisition. This suggests that integrating organisations need to look after their people and engage appropriately with both cultures. Human capital risks are much greater when mergers cross borders and employees will naturally feel anxious and uncertain about their future. It is crucial that the leadership team understands how to engage, inspire and motivate the newly integrated workforce and create an atmosphere of respect, trust and enthusiasm so that they achieve buy-in from employees on both sides of the border.

Communication, Communication, Communication

Senior leadership teams need to prioritise their communication planning as a key part of their strategy and make the time to communicate the vision, approach and structure of the merger throughout both organisations quickly and transparently. Using a variety of communication channels and methods will ensure that they engage with the maximum number of employees.

Recognising and adapting to the different communication styles and expectations of the cultures involved will also help to reduce any feelings of mistrust and concern - not only among employees but, just as importantly, among clients and other stakeholders in the new markets.

Cultural Fusion and Integration – Creating a ‘Third Culture’

Successful cross-border M&As are often those that embrace cultural diversity as a creative and fertile source of positive new ‘ways of doing things’ and go on to create a ‘third culture’ that is shared by all employees and embraced by external stakeholders. Awareness of language, cultural values, attitudes and behaviours are critical success factors of the integration process.

Organisations involved in cross-border M&As need to have a firm understanding of, and sensitivity to, often hidden and implicit values and an ability to reconcile cultural differences and harness similarities to create positive outcomes for the new organisation. Failure to do so will significantly reduce the likelihood of success.
Cross-Cultural Training and Consultancy Significantly Increases Success Rates

Addressing the key cultural issues and potential flash-points that threaten the success of any cross-border M&A must be tackled as early as possible. Those involved in cross-border integrations might be aware of the challenges of culture but they may not always anticipate their full complexity and how long they will take to resolve. Communicaid’s suite of cross-border M&A training and consultancy solutions are designed to help organisations meet these challenges head on.

Working with your organisation at all levels, our team of consultants will review the impact that the cross-border M&A will have on your business and staff and address each area with targeted training and consultancy services helping to:

• Develop the intercultural competence of your staff
• Manage cultural change more efficiently
• Accelerate the M&A process, particularly post M&A integration
• Reduce misunderstandings and frustrations
• Increase trust and well being across all parties involved
• Speed up effective communication
• Improve client and supplier satisfaction
• Decrease employee disengagement and attrition
• Diminish direct financial losses
• Avoid potential failure of the M&A and consequent loss of business and reputation
Solutions – Ensuring a Successful Integration Process

Communicaid has extensive experience of assisting leading international companies to be successful with their cross-border merger, acquisition, collaboration, joint venture or other business integration projects. We provide consultancy, training and support services at all stages – from pre to post-deal.

**Stage 1 - Pre-Deal Consultancy**

When selecting potential international markets or partners, organisations need to evaluate cultural considerations at the earliest possible stage. To facilitate and inform your decision making process we provide board level consultancy, market analysis, evaluation of prior international experience and contemporary cross-cultural data to map out the cultural distance between the parties involved in a potential international integration.

This cultural mapping and forecasting identifies the cultural risks and opportunities you will face, enabling you to estimate the activities and resources you will need to mitigate potential challenges and obstacles and achieve your desired post integration state.

**Stage 2 - Cultural Due Diligence**

Once the decision to proceed towards an international deal has been made, teams leading the integration need to act quickly to identify and assess the cultural and communication factors likely to hinder their progress. Working with all integration parties, Communicaid conducts comprehensive communication audits and cultural due diligence through detailed discussions, interviews, observations and individual questionnaires to establish risks in the journey towards cultural integration.

The due diligence process identifies the cultural distance and misalignment between the integrating organisations in areas such as existing communication styles, behaviours, practices and procedures where misunderstanding and disruption are likely to result.

After identifying the cultural gaps and areas of existing or future possible conflict, Communicaid will design an intervention plan that addresses any mismatches through bespoke training and consultancy that will reconcile the different cultural perspectives. This plan is carefully co-ordinated with the overall post merger integration process.

**Stage 3 - Post-Transaction Training and Support**

Communicaid supports organisations throughout the integration process providing cross-cultural training, support and consultancy from board level through to administration teams. Key interventions at a pre or post-merger stage include:

- Cultural change management
- Cross-cultural leadership
- Cross-cultural team building
- Organisational values workshops
- Communications planning
- Executive coaching
- Executive coaching
- Effective matrix management
- Managing virtual teams
- Individual psychometric profiling
- Business language training

Depending on the complexity of the integration, we can offer a combination of face-to-face training, coaching and consultancy targeting individuals from senior leaders to front-line staff, national teams and functional groups from across the new organisation in order to:

- Help them understand the specific cultural values, attitudes and behaviours of their new counterparts
- Increase awareness of each party’s own culturally driven behaviours and their impact on others
- Develop greater intercultural competence and sensitivity
- Form long-term relationships and improve collaboration across territories
- Build practical techniques and strategies for creating a shared vision and a ‘third culture’ enabling both organisations to work more effectively together
- Improve communication to increase trust and transparency for employees and management across both organisations

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Success Stories

Communicaid has extensive experience working with a wide variety of organisations at different stages of their cross-border merger and acquisition activity. Detailed below are just some examples of recent success stories where Communicaid has been engaged.

**HEIDELBERGCEMENT**

Communicaid was selected to design a series of post-deal cultural programmes for HeidelbergCement following its acquisition of the UK aggregates firm Hanson. Cross-Cultural Team Building workshops were delivered in Germany, the US and the UK. Workshops increased awareness of the respective business cultures and helped employees from both companies form stronger cross-border and cross-organisational relationships.

**BNP PARIBAS**

Through our successful relationship with BNP Paribas, Communicaid has developed a series of training interventions for middle and senior managers involved in integration activities between BNP Paribas and Fortis. The programme, *Working Effectively in Franco-Belgian Teams in an M&A Context*, has been delivered to over 450 employees in Paris and Brussels. Training provides delegates with greater awareness of their colleagues’ attitudes, perceptions and expectations and provides a series of practical tips and strategies for improved intercultural working. Following the success of this programme, further programmes will be rolled out to continue to support the organisations’ integration efforts.

**BANK OF SCOTLAND**

Following a number of European acquisitions, HBOS identified integration issues with senior managers working across a range of European cultures. Through close consultation with HBOS’ senior HR team, Communicaid designed an interactive programme for mixed nationality managers which would enable them to understand their colleagues’ working and communication styles as well as provide them with practical strategies for managing more effectively across cultures. Training highlighted how national cultures impact on organisational culture and illustrated how cultural difference can be harnessed as a positive factor. The programme was regularly delivered in Frankfurt and Edinburgh.

**INVENSYS Rail**

After a period of extensive organisational integration and realignment, Invensys Rail Group approached Communicaid to design a cross-cultural management programme for senior directors from each of its pre-integration businesses. The range of national and organisational cultures involved in the integration created a number of cultural challenges which were impacting both the integration process and team performance.

Following a detailed diagnostic consultancy with key decision makers, Communicaid developed targeted training interventions which raised delegates’ awareness of the impact of culture on individual and organisational working practices, increased understanding of the respective cultures involved in the integration process and provided a wide range of practical strategies for more collaborative cross-cultural working and management. The programme has so far been delivered to mixed-nationality audiences in the UK, Spain and India.
Providing training and consultancy to international organisations involved in cross-border M&As is an important part of Communicaid’s work but our solutions go much further in helping organisations to build profitable relationships and work effectively across cultures.

With twenty years’ experience of assisting the world’s leading corporate and public sector organisations to work successfully across borders and cultures, Communicaid operates across five continents through offices in London, Paris, Brussels, Frankfurt and New York and has a network of affiliates and like-minded partner organisations worldwide.

Communicaid’s training, coaching and consultancy services are based on our 3-step approach and in line with our ISO 9001:2008 and ISO 14001:2004 certification.

In addition to training and consultancy for cross-border M&As, our areas of expertise include:

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<td>• All world languages and dialects</td>
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<td>• Living and Working in Country series</td>
<td>• Industry specific training</td>
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<td>• Working Successfully across Cultures</td>
<td>• Language Testing</td>
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<td>• Negotiating across Cultures</td>
<td>• Recruitment Testing</td>
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<th>Specialist English Language</th>
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<td>• Building International Teams</td>
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<td>• Developing Global Competence</td>
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<td>• Managing Virtual Teams</td>
<td>• Financial English</td>
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