Post–Merger Integration Guide

A Comprehensive How-To Guide

trenegy®

Using This Guide

At Trenegy, we've created a comprehensive toolkit to help merged companies operate cohesively and in alignment with a focused mission, vision, and strategy. The post-merger integration process is centered around building a foundation for an integrated operating system (IOS), where every activity contributes to strategic value and cash flow and each merged function is aligned toward the organization's betterment.

This handbook alone will not guarantee a successful integration. Establishing governance is crucial to post-merger integration. It's recommended to have a post-merger integration program management office to coordinate activities across the organization.

We trust this guidebook will be valuable to your company's merger, and we hope you find it informative and useful.

What Is an Integrated Operating System?

"Integrated operating system" (IOS) is a relatively new term, but the concept has been around a long time. The jargon has morphed over the years, and you may have previously heard it called "company management system" or "combined operating model." Having a common operating model for a merged company is critical for future success.

Contrary to how it sounds, an IOS isn't a computer program or a replacement for an ERP or CRM. It's the processes, systems, and roles and responsibilities that allow merged organizations to operate consistently and efficiently. Put simply, an IOS is an operating model where an organization's mission, vision, and strategy influence how they do business.

Too often, norms and processes in a newly merged organization are morphed out of legacy companies' capabilities. One company operates from a different set of norms than another and they usually conflict. It creates inconsistencies, inhibits collaboration, and prevents organizations from integrating effectively. A strong IOS aligns departments and functions across the organization to optimize synergies of the combined organization.

Context of an Integrated Operating System

Before jumping in, it's important to understand how and where a combined integrated operating system fits into an organization. The visual below provides context.

Merger inputs are the starting point. These lay the foundation for an integrated operating system. The integrated operating system is at the core of the organization and will help bring clarity to existing documentation (aka outputs). These outputs should be updated as a part of an ongoing process.

Merger Inputs

Most organizations define these prior to the merger. They help shape and define the new company to ensure alignment with the combined organization's objectives. These must be established and understood before the merger.

- Mission, vision, & goals
- Synergy goals
- Capabilities assessment (e.g. surveys, SWOT, maturity model)

Integrated Operating System

The IOS is at the core of how a business functions. It shapes the organization's outputs listed to the right.

- Guiding Principles
- Process Improvement Vision
- RACI
- Performance Metrics
- Service Level Charters
- Initiative Charters

Integration Outputs

The IOS will improve many existing corporate documents to ensure the merged company is aligned.

- Job descriptions
- Organization charts
- Policies and procedures
- Process and control documentation
- Implementation roadmap
- Technology requirements
- Operating budgets

In this guide, we'll be focusing on building out the six components listed above.

The Toolkit

The following pages in this guide cover the six components of a comprehensive and effective integrated operating system.

Guiding Principles

Value

Guiding principles are short statements that describe core values of the merged company's functions. They outline goals for interacting with and serving the rest of the business. For guiding principles to have a real impact, they should be based on input from all other areas of the organization. These guiding principles serve to provide structure and direction. Without them, it's a little like riding a horse without a bridle. You'll get somewhere, but it might not be where you intend.

Key Steps

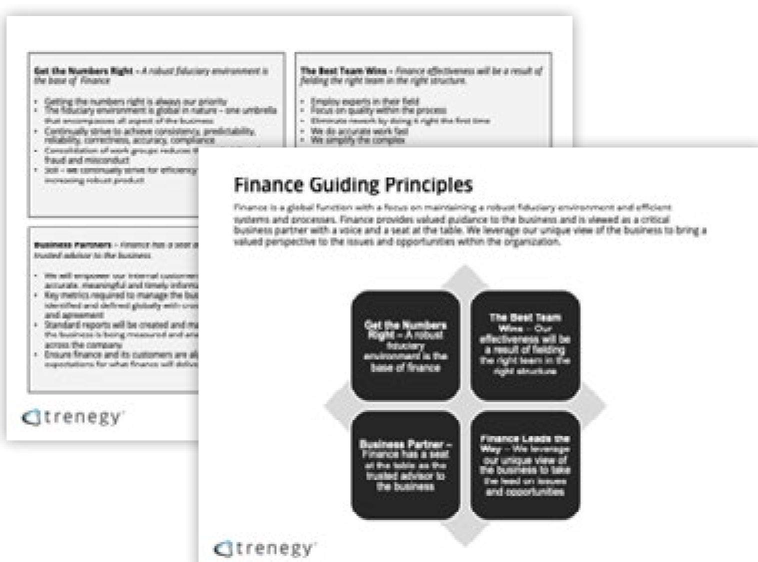
1. Review merged organization's mission and vision
2. Make a prioritized list of what's important to the combined organization
3. Gather leadership from both legacy organizations to brainstorm guiding principles
4. Review guiding principles with executives and other teams for feedback
5. Communicate principles to the entire team

Do's

- Keep the statements brief and clear
- Communicate to everyone on the team and other teams across the integrated company
- Strive for inspirational statements
- Use the process as a way to encourage the team to pick the best from each organization

Don'ts

- Don't confuse guiding principles with goals
- Don't get bogged down with too many principles
- Don't spend too much time wordsmithing



Process Improvement Vision

Value

A process improvement vision is a picture of how well a company wants to perform across key processes and what capabilities are needed to accomplish goals for the combined company. Creating a process improvement vision helps companies decide what peak performance looks like for each department.

Key Steps

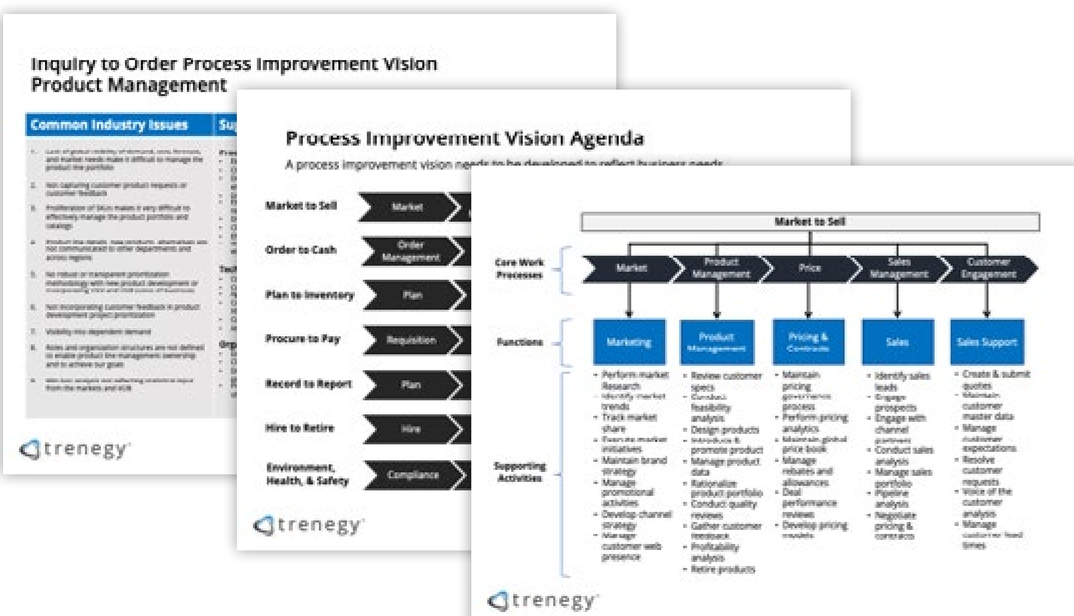
1. Define key work processes required to run the combined business
2. Identify sub-processes and activities within each key work process
3. Gather team to identify differences and commonalities between legacy organizations
4. Identify how process changes, organization roles, and systems can be used to achieve goals
5. Share practices and goals with other teams and executives for feedback

Do's

- Communicate across departments to ensure there are no inconsistencies
- Focus on what the organization should be doing
- Start with process and organization leading practices from each legacy company
- Be honest about addressing differences between each organization

Don'ts

- Don't be too detailed or bogged down with minute steps
- Don't identify leading practices solely focused on technology
- Don't get defensive when the organization adopts the "other company's" process



RACI

Value

A RACI is a tool enabling organizations to identify roles within processes established in the Process Improvement Vision. The RACI identifies who is **R**esponsible, **A**ccountable, **C**onsulted, and **I**nformed for each business activity. A well-constructed RACI identifies duplication of efforts and allows organizations to streamline roles and decision making. It's used to ensure that the combined organization has clarity and of roles and accountability.

Key Steps

1. Gather list of activities from the Process Improvement Vision
2. Identify key roles within the merged organization
3. Gather team leaders to map who is responsible, accountable, consulted, and informed for each activity
4. Identify areas of overlapping accountability and adjust the RACI accordingly
5. Capture process improvements needed to implement RACI
6. Rationalize RACI with new company, job descriptions, policies, and procedures

Do's

- Make sure everyone understands what the four components of a RACI mean
- Break up activities where there are potentially multiple "accountable" roles
- Use a large group setting to build merged consensus when developing a RACI
- Align RACIs across all business functions to identify overlap

Don'ts

- Don't include approval steps as an activity (e.g. approve payroll)
- Don't have multiple people accountable for one activity
- Don't overthink consult and inform

Business Process Optimization RACI		Varies	Steve	Lisa, Mike, Teri, James, John	CFOLT Members	Robin	Executive Leadership
Project Phase	Activity	Project Lead	BPO Lead	Advisory Team	CFOLT	CFO	ALT
Survey	Complete Initiative Request (Phase I)	R	A				
Analyze	Complete Phase II of Business Case	R	C	A	C, I		
Analyze	Review drafted Business Case	I	R, A	C			
Confirm	Approve project	C, I	R	A	I		
Confirm	Determine project funding, priority, and kick-off	C	C	R		A	
Confirm	Develop Change Management Plan	R	A	C, I	C, I		
Confirm	Review and approve Change Management Plan	C, I	R, A	C, I	C, I	I	
Confirm	Complete PM or AFE Forms	R, A	C, I	I			
Implement	Present Status and Milestone Updates	R	A, C	C, I	I	I	
Implement	Communicate Project Risks and Issue Resolution	R, A	C, I	C, I	C, I	C, I	
Implement	Track project scope changes and obtain approval from	C	R	A	C, I	C, I	
Implement	Conduct Change Readiness Assessment	R, A	C, I	C, I	C, I	I	
Implement	Communicate Go/No-Go Decision	C, I	C, I	R, A	I	I	
Sustain	Provide Project Evaluation & Sign-Off	R	A	I	I	I	
Sustain	Document Lessons Learned	A, C	R	C	I	I	
Sustain	Perform project lookbacks	A, C	R	I	I	I	

Performance Metrics

Value

Performance metrics identify key leading and lagging indicators of the merged organization's success. Performance metrics give individuals and teams a way to measure success in alignment with overall organizational goals. An integrated and well-defined performance metrics program helps teams and individuals know what's important for success and drives them to focus on achieving what's important following the integration.

Key Steps

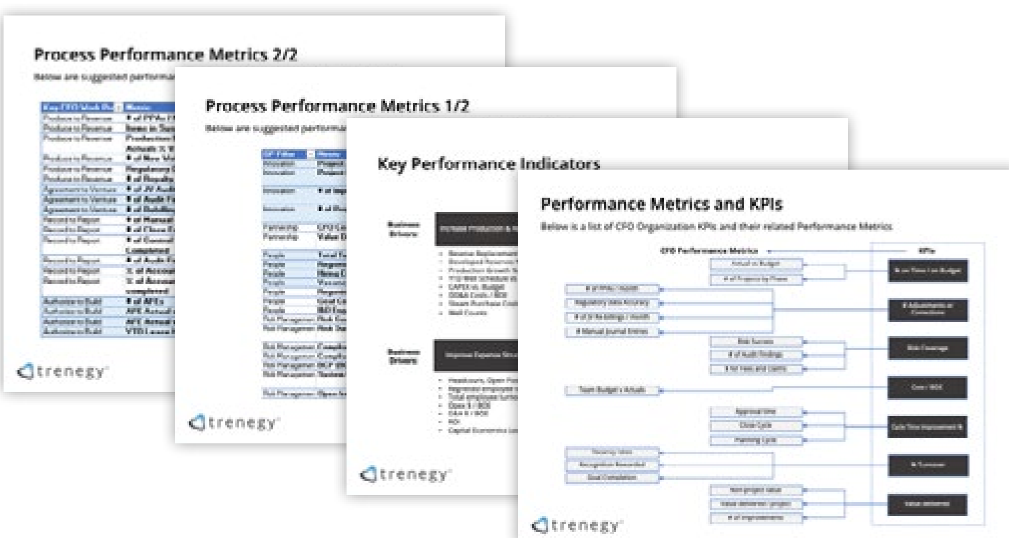
1. Review company goals and objectives
2. Identify critical success factors needed to achieve post-merger objectives
3. Identify metrics for each critical success factor
4. Review metrics with teams to identify process for capturing and reporting metrics
5. Set targets and align metrics with team and individual goals
6. Incorporate metrics in performance management processes

Do's

- Remove critical success factors that cannot be measured (e.g. employee happiness)
- Keep metrics simple and straightforward
- Develop a common language for metrics for the common organization
- Clearly define each performance metric to avoid confusion
- Rationalize duplicate metrics from legacy companies
- Clearly understand how metrics tie to overall organization value measures and goals

Don'ts

- Don't create complicated formulas
- Don't consolidate multiple metrics into one complex metric that nobody understands
- Don't include metrics that aren't tied to the organization's critical success factors



Service Level Charters

Value

Service level charters rationalize the work being done in each role and drive accountability for meeting efficiency targets. Defining responsibilities and accountabilities provides a clear picture of each department's role in the merged company. A service level charter that defines roles between departments improves communication, provides a source of accountability, and increases efficiency for the combined company staff.

Key Steps

1. Prioritize critical work processes providing a service to other parts of the organization
2. Identify scope and limitations of service provided
3. Identify service metrics and targets
4. Identify risks and expectations from internal customers
5. Review and negotiate charters with internal customers
6. Build charter governance processes

Do's

- Keep it to one page so it's a quick, easy read
- Assign single team accountability for each
- Include what's expected of the internal customer in turn for the service provided
- Understand potential costs for a higher or lower level of service
- Include the right parties in the negotiation of agreements
- Identify clear metrics for measuring success

Don'ts

- Don't create charters for internally focused activities that aren't tied to internal customer success
- Don't create long, wordy charters that won't be read by anyone
- Don't overcomplicate internal customer expectations
- Don't set targets that cannot be achieved

Initiative Charters

Value

Initiative charters are a way to scope and prioritize project work that needs to be accomplished within the organization. Initiative charters are a mini business case and scope document containing the rationalization, scope, milestones, risks, and resources for each initiative. Initiative charters hold teams and individuals accountable for success and ensure the organization is aware of upcoming changes across teams.

Key Steps

1. Prioritize leading practices and barriers to success from Process Improvement Vision and RACI
2. Group the merger integration activities into logical initiatives
3. Scope project work to be completed (timing, costs, milestones, etc.)
4. Develop a value case for each initiative and re-prioritize
5. Identify dependencies and internal capacity to set timing expectations
6. Assign ownership and accountability for each integration initiative and incorporate with the performance management process

Do's

- Clearly identify the rationale for each initiative
- Capture other options that were considered
- Ensure timeline and milestones are achievable
- Track success and progress of initiatives under the merger integration program office to tie initiatives together
- Understand the organization's real capacity for getting things done

Don'ts

- Don't include initiatives that lack a clear start and finish date
- Don't include initiatives without tangible outputs
- Don't forget to understand dependencies between merger initiatives

Want to Learn More?

At Trenegy, we specialize in supporting organizations as they go through the post-merger integration process. If your organization requires guidance or would like to explore industry best practices, feel free to contact us at info@trenegy.com. We would be delighted to assist you.

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