

## Securing the benefits of globalisation • Part IV, Chapter 5

Insights  
from  
Unisys

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## The DNA of effective post-merger integration

We have all heard the stories about merged organisations – the so-called successful ones and those that are less successful if not deemed absolute failures. Many of us have also seen the statistics of those perceived ‘failures’. Gartner has claimed a mergers and acquisitions (M&A) failure rate of between 30-70%, as measured by reduced shareholder value and / or unexpected multiple increases of post-merger activity costs.<sup>1</sup> This is an extraordinarily broad range, a range that expands or contracts depending upon the criteria used to assess post-merger performance or stipulated objectives of the merger – for market penetration, for enhanced growth, for defensive positioning, or whatever.

What is it about post-merger activity that makes it so hard to do?  
This is a simple question met, far too often, by difficult answers. Just think about the number of books and articles, seminars and workshops, consult-

1. Robert MACK, Michael GERRARD, Ned FREY, *An IS Perspective on Mergers and Acquisitions: A Six Stage Handbook* (Stamford : Gartner, April 17, 2002).

## Securing the benefits of globalisation

ants and board members who offer their opinions and insights, their lessons and models, their proposals and papers on the complexity of risks and interdependent processes that need to be managed to begin even to 'make sense' much less 'take action' regarding what needs to be done for effective post-merger activity.

But it need not be so. There has to be a better way. And there is. In this chapter, we take on the same issue, but from a different perspective. The challenge remains the same: *how to get done what needs to get done* – how do you decrease your risks as you increase your effectiveness of your merged organisations. But we start with a different set of questions:

- Are there common issues, constraints and problems underlying post-merger activities?
- Is there an underlying strand of – let's call it 'executorial DNA' – for post-merger activities?
- And, if there is, what is it? And how can we manipulate it to make more effective your post-merger efforts?<sup>2</sup>

To no surprise, the answers to the first two questions are a strong 'yes' and answering the last question is the focus of this chapter.

In short, knowing what this 'executorial DNA' is, and manipulating it to your advantage, are key to cutting through the noise of the multiple (and often conflicting) recommendations, to help you both 'make sense' and 'take action' to meet your post-merger objectives.

We will identify this underlying DNA for effective post-merger activities and show how it helps you put in context, prioritise and manipulate other recommendations. It's not that other recommendations are irrelevant. On the contrary. They are well grounded in experience and are critical to exploit. Again, our approach is different; we want to focus on the underlying issue – the DNA – of these explanations the understanding and manipulation of which can augment the relevance and impact of any and all post-merger activities you undertake.

2. See Ralph WELBORN and Vince KASTEN, *Get it Done! A Blueprint for Business Execution* (New York: John Wiley & Sons, 2006), where we explore the DNA of execution and apply its insights to a number of specific areas: how to make strategies more useful, securing global supply chains, outsourcing decisions, business process designs and integrating existing with emerging technologies.

## **The fundamental challenge of integration: mobilising your merged T-Shirts, Turtlenecks and Suits**

### ***Integration***

As a success factor, IT integration seems obvious, if only because it expresses the essence of what a merger should be, and how – on paper, at least – the newly combined entity will yield value.

Still, for all the obvious focus on integration, it's clear that, in most places, there's a fundamental disconnect here – indeed, a breakdown that greatly decreases the chances of an organisation getting done what it needs to get done. Moreover, it is a problem that seems invisible for the simple reason that organisations want to assume that it's not a problem. After all, if the organisation is hyper-focused on having a successful integration, how could it fail to communicate and execute on its aims? Simple. Commitment to the mission is not the same as having the organisational appreciation of the problems, the capabilities and the structures to support it.

To understand this disconnect, let's step back a moment. Let's first think about what we *mean* by integration in even a single institution, let alone two.

As we know, what people and organisations 'mean' is open to interpretation when presented inconsistently and without context. For example, how often in your experience has the leadership / strategy end of the house created business requirements that the technical organisation then fails to execute properly? Or stated in reverse, how often have your technical teams complained that the business requirements they received were so insufficiently clear and cogent that they could not execute on them effectively? Yes, the requirements are carefully documented. Yes, they are discussed at length. Yes, the technical team is committed to the project. Yet, with all the ingredients for success present, the result is wrong. It doesn't perform as advertised. Worse, it fails to deliver the kind of performance and value that the team projected. Why is that? And is there a root cause of this integration challenge – an underlying DNA that, if isolated, could be manipulated effectively for post-merger activities?

George Colony, CEO of Forrester Research, an industry research group, humorously characterises an organisation as consisting of three types of people: 'T-Shirts', 'Turtlenecks', and 'Suits'. 'T-Shirts' are the operations people, 'Turtlenecks' the marketing teams, and 'Suits' the management folks. They may all acknowl-

## Securing the benefits of globalisation

edge the same set of organisational objectives and high-level metrics that tell how well they are doing in meeting their objectives. However, each group has its own focus, language, and orientation, making their cultures vastly different, and making each group's approach to accommodating change equally different. It is, consequently, no wonder that organisations seldom achieve the 'executional consistency' needed. The differences in approach, in understanding, in orientation, and in perspectives are so different that it makes any type of executional consistency a pleasant surprise rather than an operational norm.

What specifically is the problem here? What, specifically, is the underlying challenge that must be overcome?

The answer is what we call a *semantic disconnect*. 'Semantics' is defined as the sharing of meanings among different people. Thus, a semantic disconnect occurs when different people take away different understandings of what has to get done to reach an objective. Given such different and disconnected understandings, it is no surprise that what results is an ever widening 'execution gap' that over time merely gets perpetuated, widened and institutionalised.

### ***T-shirts, turtlenecks, and suits***

Each job has a specific language – a way of communicating, understanding, and consequently acting – associated with it:

- The CEO (presumably a 'suit') uses a vocabulary that includes things like top-line growth, bottom-line profitability, share price, earnings, client or customer retention and satisfaction, etc.
- The Senior VP of a business unit (also presumably a 'suit') uses a vocabulary that includes top-line growth and bottom-line growth for the business unit, and also things like productivity, transactions-per-headcount, utilisation of resources (or efficiency of resources), customer-share-of-wallet, etc.
- The people in marketing ('turtlenecks') use a vocabulary unique to marketing like adoption rate, elasticity, demographic, psychographic, market message, etc.
- The people in the trenches processing customer-related things – the people who approve insurance claims, provide help desk support, judge the credit-worthiness of a mortgage applicant, etc. – use a vocabulary completely focused on their day-to-day job, like *validate claimant eligibility*, or *credit customer's account*.

- The analysts and programmers who create and maintain the applications that support the people in the trenches use a technical vocabulary that includes things like system use case, Enterprise Java Bean (EJB), or XML document.

The technology operations people who install and maintain the computing infrastructure that the applications run on use a unique infrastructure vocabulary that includes things like router blade, storage area network, or SONET ring.

Yet, even if T-shirts, turtlenecks and suits happen to use the same language, they often mean strikingly different things by the language used. For example, think of the word 'account' or 'customer'. These terms often mean widely different things to different parts of an organisation. Ask yourself: how many hours and dollars are spent on clarifying what these terms mean, in getting the head of the business, the IT manager, and the marketing analyst to agree on something that on the surface seems so obvious? But is it? Is an 'account', or 'customer', someone who purchases one of your products, receives specific services, a data structure in a database, a demographic to be mailed to, a prospect to be sold to, a statistic to be measured, an asset to be exploited, a cost to be handled, an opportunity to be positioned to, a risk to be managed, or one of a dozen other descriptions?

Which characterisation is best? Which most appropriate? The challenge is that each of these characterisations might be appropriate. Moreover, there is seldom a way to show how these different understandings connect with each other – and impact each other. After all, what is it we really need to get stuff done? Well, we need to know *what connects with what, where, when, how and how much* – we need to know how what is done 'over here' impacts and is impacted by what is done 'over there.'

It is *this* connectivity that is critical to resolve the *semantic disconnect* across these different yet equally important understandings of what constitutes an 'account', or a 'customer.'

It is *this* connectivity that is necessary to get done what needs to get done.

It is *this* connectivity that is essential to make your post-merger activities more effective. Yet, it is precisely *the lack* of this connectivity that is the fundamental challenge of effective integration that we need to overcome. Creating such connectivity – of demonstrating how they impact each other and thereby make sense to each other – is what we need to do to get the *alignment* desired and the *executorial consistency* needed so critical to make post-merger activities more effective.

## Securing the benefits of globalisation

Let's think about this. Semantic disconnects occur again and again in organisations all over the world, leading to extra work, additional costs, finger pointing, personal and personnel frustrations, budget blowouts, exacerbated organisational silos, and – need we add – project delays that sap the organisation's capability to mobilise in response to a need for change. Now multiply *these* disconnects within your own organisation *across* merging organisations, with their *own* disconnects facing very real executional challenges, and you end up with an enormous combinatorial problem.

So, now let's restate the post-merger integration challenge. *The fundamental post-merger integration challenge is how to overcome the semantic disconnects that cut across nearly all activities of your organisation making getting stuff done more a pleasant surprise than an operational norm.*

Now, having defined the fundamental challenge this way, the logical next question is how to overcome this challenge?

Posing the fundamental challenge this way makes the response profoundly simple: create a process and set of tools that allow you to create the shared understanding and capabilities that are as understandable as they are usable. Such shared understandings and capabilities will help you get done what needs to get done, again and again by your different T-shirts, turtle-necks and suits, both within your former and your newly formed, and merged, organisation.

## The role of Business Blueprints

What does this have to do with your business, and with post-merger integration? Think of the immense complexity of your business in operation – the thousands of interconnected parts, all of the communications between the people, the tangle of technology, the relationships with each of your alliances, the obligations to each of your customers, the web of vendors and partners, the different types of employees scattered throughout – the T-shirts, the turtle-necks, the suits. Then, multiply this complexity by the combinatorial complexity of merging with another organisation. And what do you get? Lots of stuff to do. But focusing on the underlying DNA simplifies the complexity and suggests a pragmatic way to work through the challenges.

Given the combinatorial complexity you face, there is more to your own business than any one person can keep in their head: yet, when asked, you can describe your business in a two sentence 'elevator pitch.' The elevator pitch is a very high level *model* of your business, a meaningful representation of what it is

that gets done – that, after all, is all a model is, and does. When a change comes along, the two-sentence description of your business may stay the same, but somewhere in the business, things are going to change. Understanding the relationship between the impending change and its impacts – between some cause and lots of effects – means you can execute effectively. Lacking such understanding makes change increasingly risky and resource consuming.

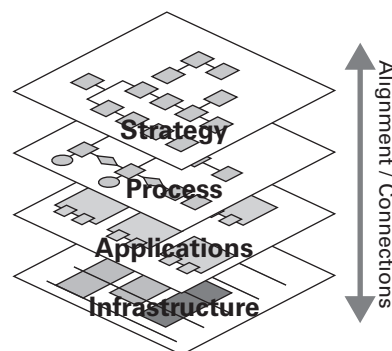
### ***The Business Blueprint – the ‘Where’s Waldo’ of your organisation***

Suppose you could have a model of your business that captures the important properties of the whole thing, from the elevator pitch view through to the actual, nasty complexity of day-to-day operations – of your business processes, applications, networks and hardware. Such a model would, like a pile of maps of a city, actually consist of multiple and different types of models. Each individual model would show important properties of a piece of the business in terms that the person responsible for that piece of the business would find useful. The models would be connected – like the street map and transit maps are connected through street addresses – by *traceability* that shows, for example, how a computer application is used by a call centre staff member.

The challenge is to define the set of models and the level of detail that captures the information you need – the useful properties – while at the same time hiding the details so that it is easy to place those properties in the proper context.

That is what a *Business Blueprint* does.

**FIGURE 1: A Business Blueprint**



## **Securing the benefits of globalisation**

Figure 1 shows our icon for a Business Blueprint. At first glance, it should be clear that this is related to the semantic stack, with some of the layers combined. It's a simple and logical way to distinguish different types of things, and activities that occur in a business. There are 'strategy' things, 'business process' things, 'application' things and 'infrastructure' things – all working together and held together somehow. And each of these things has their own set of people who work on them with their own priorities, perspectives, metrics, and language. In any going business, they work together, somehow. The challenge is in digging into and understanding that 'somehow'.

A *Business Blueprint* consists of a set of connected models that captures the useful properties needed to understand the business and predict the impact of change. *Business Blueprinting* specifies a set of models and methods that together can be used to represent the important aspects of any business problem, from strategy right through to infrastructure. As we said earlier, it is not reasonable – or even desirable – to expect that every person in a business will know everyone else's jargon and share his / her semantics. But it is as reasonable and desirable, as it is important and critical that there be a way to create shared semantics across, with, and through these people.

Each layer of Figure 1 has its own ways of doing what it does and isolating what is important for it to do. Each layer then has its own set of models to isolate specific activities, each aimed at a specific audience with a view of the overall business problem using a vocabulary suited to the audience.

Business Blueprinting specifies how the parts of the different models relate to one another. This 'relationship' – or connectivity – among the different models enables a Business Blueprint to communicate the impact of a change in one model to all of the other models in the Blueprint, answering the *what impacts what, when, where, how and how much* question.

Thus, the language of the Business Blueprint creates the shared semantics needed to create executional consistency – not by requiring everyone in the organisation to understand everyone else's job but by employing specific tools, methods, and techniques for letting the groups understand that "when I say this or do that, it maps to *your* world and affects *your this* and *your that*." In this way, you can begin to understand the rippling-effect of merging different parts of your organisation – throughout the different layers of activities that will occur.

### ***The Business Blueprint – the ‘What’s Waldo Doing’ in your organisation***

A Business Blueprint can be thought of as providing four different flavours of information, each of which corresponds roughly to the needs of a particular business audience, as represented by the four layers shown in Figure 1. There is nothing magical about these four layers; they are logical sets of ‘stuff’ that an organisation does. What is helpful about these layers is that:

- They are intuitive, logical and simple,
- Each has its own set of people who work in them with their own vocabulary, metrics and behaviours, perspectives and processes and
- They clearly reflect a simple ‘bucketing’ of stuff that has to get done.

Such simplicity masks tremendous complexity – but models, as we’ve discussed above, need to start somewhere to build-up the ‘grammar’ for effective execution.

The top layer of the Business Blueprint, Layer 1, is the *Strategy Layer*. Models in the Strategy Layer represent things that are interesting to executive management such as the CEO or head of an organisation large enough to create and execute a strategy. What does this person care about? Generally three things, as told to us by a gracious, intelligent now retired CEO of two large Fortune 500 companies: growth, profitability, and keeping their job – and not necessarily in that order. Models in Layer 1 need to engage executives, showing the things that they care about, and providing an anchor so that each of the detailed business process and technology activities can clearly be related to goals that executives care about. This helps make sure that executives understand the context and impact of process and technology initiatives. At the same time, it helps ensure that the initiatives are indeed aligned with their objectives for the firm.

Executives, supposedly, set the vision and direction for an organisation. However, the people who do the work do so by executing business processes that result in the value – the products and services – delivered by the company. The next layer down in the Business Blueprint, Layer 2, is the *Process Layer*, and has models of interest to these people, typically a Business Line Executive – a more operational audience than Layer 1. These models express the sets of activities that determine how the organisation creates value (its products or services), how it services its customers, alliances, partners, vendors, and itself.

## **Securing the benefits of globalisation**

Business processes, and the people who execute them, are supported by automation – computer applications. Thus Layer 3 of the Business Blueprint is the *Applications Layer*. The models in the Application Layer really have two audiences. One of these is the people who perform the business processes, since they want to know that the applications that are created really meet their needs. The other audience is the people who have to create the applications to support those needs. Thus this layer has both models with a real business flavour as well as those that are intensely technical.

Layers 2 and 3 share an audience and are closely related. They are separated in a Blueprint for two reasons. First the two audiences have different vocabularies so the models in each layer are targeted to the layer's specific audience. But there's another, more pragmatic reason: for flexibility and executional consistency, it is important that the business process not be tightly tied to the underlying application. Business folks have to be able to change their processes as the needs of the business change. Technology folks have to support these changes; but they are also responsible for accommodating technology changes – for example, a vendor-required software patch that may or may not be tied directly to a business change. Each group, in other words, while dependent on each other, has its own set of concerns and issues, shared semantics and executional consistency that they need to address. Yet, equally, and arguably more importantly, they need to be able to understand and act on what is important *to each other*. This becomes critically important as people from different organisations attempt to figure out that 'connectivity and relevant' thing.

Finally, the people, the applications, and the information in the company need a place to live. The models of Layer 4, the *Infrastructure Layer*, represent the physical things that the company uses to do what it needs to do as well as the services that the people and applications depend on to do their work. The physical things in the infrastructure layer include computers, databases, networks, telephone connections, and the physical machines that sit on people's desks. The services include things like email, and security. As change ripples from the strategy layer through the subsequent business process and applications layer, models in the infrastructure layer need to reflect the resulting impacts on the stones and boulders of these ripples. Keep in mind, also, that ripples don't start from Layer 1 and move down. No matter where the changes start, at any level, there are likely to be implications (too often invisible ones) in the other layers. Just think of what happens if your mainframe or email sys-

tem goes down – the hue and cry by you, your customers, suppliers and, if out for long enough, market analysts.

Layer 4 models are used by the CIO, CTO, IT managers, and hardware and network engineers. IT investment is largely tied to the infrastructure modelled in Layer 4; the fact that the Business Blueprint connects the models together means that infrastructure investments can be tied all the way back to the strategic goals they support.

Each layer of a Business Blueprint has its own set of activities, metrics, owners, and behaviours. The challenge, as we've said several times, is to understand *what connects with what, when, where, how and how much*. It is getting the *visibility* and *traceability* into these *connections* so critical to mobilising very different and diverse resources quickly, consistently and effectively.

In the formal language of the models presented so far, the challenge is to mobilise the intellectual assets of all of the owners into a common expression of a problem to be solved, and to create common expressions across the layers so that the requirements and expectations at, for example, the Process Layer, are equally understandable and usable to those at the Applications Layer, and so on.

*This creation of shared expressions of differences is the crux of creating executional consistency so critical to get done what needs to get done; it is also critically important to 'bridge the semantic disconnects' when merging organisations, each with their own set of behaviours, processes, and 'shared semantics' of what to do and how to do it.*

In short, Business Blueprints create these shared semantics that are as meaningful to everyone as they are usable by them all. And this is the key issue.

If we define the fundamental challenge for post-merger activities as one of driving executional consistency, and the problem of doing so, the existence of a semantic disconnect, then the response becomes clear: creating tools and methods to create the shared semantics of what has to get done and how to do it – in a way that is as understandable as it is usable by your necessarily diverse teams.

*What connects with what, when, where, how, and how much* has been a holy grail for many of us for years. And having this capability is the DNA of strengthening your post-merger activities. Isolating this capability and beginning to exploit it is precisely the purpose, and use, of Business Blueprints. Imagine being able to see and understand the cause and effect relationships of integration activities before they are executed. For instance, how do decisions to consolidate from 8 contact centres to 3 affect the business processes and

## **Securing the benefits of globalisation**

applications used to support key client interactions? Such knowledge is critical, above all in aligning behaviour and understanding with the implications of decisions made, investments proposed, and actions taken.

### ***Haven't we heard this before?***

Haven't we already heard these claims about being able to link business processes and technology applications? Yes, for years we've heard it, but times have changed. Indeed, several factors now make Business Blueprinting a reality.

- Maturity of modelling methodologies. Until relatively recently, model-driven methodologies were far too complex and cumbersome, taking months and sometimes years to create integrated business models. Today, the Rational Unified Process (RUP) and Unified Methodology Language (UML) methodologies are proven. They're also aggressively results oriented.
- Relevance of business and computing standards. For years now, infrastructure standards around TCP / IP have been driving business infrastructure. Standards defined by J2EE and .NET provide a common computing environment across multiple platforms. In addition, emerging standards around business processes (BPEL) is being piloted, meaning, that the power of standards in driving consistency and scalability has come to business processes as well.
- Relevance of code generation. Yesterday, automatically generated code was voluminous, cryptic and monolithic: in short, the old generated code was extremely difficult to read and understand, much less to modify. Today, again, is a very different story: code generation is component-based and it supports reusability.

Today, all these critical ingredients are there: traceability, component-based architecture, increasingly rigorous industry standards, and visual traceable models. Once linked through Business Blueprinting, it then becomes clear how the requirements of one layer of the business are tied to those of another layer to drive executional consistency across them all.

## In closing

So, let's step back. Having walked through what Business Blueprints are, let's re-focus on how they address post-merger integration challenges.

A fundamental integration challenge is bridging the 'semantic' gap. Doing so requires exploiting what we have called the DNA of post-merger activities – creating the shared semantics that are as meaningful as they are usable by your necessarily different teams, both of your former and now newly merged organisation. And, this is precisely what Business Blueprinting tackles: helping you to make visible, and then exploit, what connects with what, where, when, how and how much – across the different sets of stuff that has to get done to help you meet your merger objectives – in a way that is as understandable as it is actionable.

Optimising post-merger activities is daunting, in the best of times. Doing so in a competitive environment of continual uncertainty and margin pressure merely compounds the challenge.

No matter where you start – infrastructure rationalisation to wring out redundant costs, business process reconciliation to realise efficiencies, IT portfolio re-assessment to gain leverage – there will be impacts and implications in other areas of the organisation. Knowing how to identify and thereby anticipate those impacts provides a tangibility and focus to help prioritise and monitor, execute and realise the leverage so important for effective post-merger integration. Understanding what the DNA of post-merger activities is and how both to isolate and manipulate it provides you the power of control and focus, of decreasing your risks while increasing your capabilities at getting done what needs to get done.