



Due diligence: Minimise integration risk.

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Due Diligence & Integration

Due Diligence is the process of investigation prior to signing a contract. The contract is normally a Sale/Purchase agreement for a significant item. We most often hear the term relating to business activity, for example Merger & Acquisition (M & A) activity, restructuring, or a major contract with a new supplier. This paper is concerned with those activities that will require significant organisation change, such as the integration or alignment of two businesses following an acquisition or merger contract of agreement. There is much written on due diligence and many well understood processes, but one area that requires further tools and process is the Organisation Development (OD) area of integration, which is often where the expected gains or Return On Investment (ROI) following a contract are won or lost.

The research conclusions are as follows:-

1. More effective and detailed assessment of both organisations is required to determine the integration capability and capacity of each part, the differences between the capability and capacity of both and confirm integration is actually feasible within the defined constraints (time, cost, quality) – ***(Due diligence on integration capability, to confirm if it's possible and what it will cost)***
2. OD interventions may be required individually, with the units to be integrated before they start to integrate either, to close the gap between them in capability levels or to bring one or more parts to a level to which they have the capability to effectively integrate. – ***(Prior to integration specific OD work may be required with individual units/teams)***
3. Once integration has started and, during integration continuous periodic assessment of the functioning levels of the integrated units is required, in order that they can continue to be facilitated with the correct interventions. Thus bringing the organisation as a whole to the highest level of performance as quickly as possible. ***(Periodic survey of integrated units and tailored OD actions for each)***
4. Both for due diligence and on-going assessment of organisation unit maturity/functioning current standard descriptive tools do not provide adequate measurement of the human systems and cultural/behavioural dimensions and a normative measuring process is required. ***(A normative scientific assessment must complement standard descriptive evaluations)***

Why is integration important?

When we consider the goals of a (re)structuring activity (Financial, Operational, Market, Technology etc.), these goals and the outcomes expected will be delivered through the changed organisation, whatever the planned structure is. What we are considering is that we are bringing together people and groups to form new teams to deliver on the goals. Not only will the team(s) be new but it's quite likely the policies, procedures, processes, management and leadership will also change to reflect the new entity and the goals to be achieved. So many of the systems that the new entity operate will change and this change will be designed, implemented and achieved through the human systems, which will also be changing in the process. The bottom line is that integration is a critical success factor in all M & A and/or OD activity where re-structuring is required.

(The quality of the integration, will directly impact the achievement of the business goals)

What are the critical success factors (CSF's) for successful integration?

There are several CSF's that are important, and there is much written about many of these, however the area we are concentrating on is the human systems, the organisation maturities and learning levels as key areas that up to now have not been adequately covered and deployed in the change process, thus leading to loss of momentum and ROI because the integration process failed to consider one or more of these. The CSF's are:-

- The target structure and change/integration plan are a core element of the overall business strategy.
- There is an effective diagnosis of the human systems and organisation maturity in those units who will be involved in the change.
- There is clear criteria for go, no-go relating to due diligence of these organisation functioning elements. (Ability or capability to integrate of one or more parts may be at a level that the cost benefit may not be justified).
- There are tools to help align the people and units coming together to optimise the integration and attain the best business outcomes.
- There are clear criteria to confirm the ability and capability of each part to integrate, and interventions are deployed to bring both sides to a level where they can integrate successfully rather than joining in a dysfunctional manner prior to readiness.
- There is a clear set of relevant CM/OD interventions calibrated for each new group to enhance and accelerate the new entities level of functioning.
- There is a method to periodically diagnose progress and adapt the integration plans.

Full Life-cycle Integration process (An integrate aspect to any OD, CM or M & A process)

A full life-cycle integration process has 4 key components

1. Standard descriptive assessments, document/process/performance reviews, comparisons and gap analysis (or benchmarked to a known accepted standard (ISO, FDA, FRS etc.))
2. Standard Individual and Team engagement and assessment (interviews, workshops, forums etc.)
3. Scientific based normative diagnostic survey, with reports and dashboards. (Before, During and on-going periodically as a minimum every 6 months)
4. Individual and Team/unit based interventions appropriate to their specific circumstances before , during and on an on-going basis

Summary conclusions

The ability to integrate two or more organisations or two or more units of an organisation is not a given, so understanding the capability and capacity of each should be determined in advance of any project , including a cost benefit analysis . It can be discovered through proper diagnosis that the cost an effort to achieve integration may outweigh the benefits. However more likely with a scientific analysis, it will surface out the human system, cultural and behavioural maturity of each and allow for the correct level of intervention with individual units before and during the integration phase. The diagnostic dashboard provides integration management and senior management with a benchmark of where the overall organisation is developing towards a leadership position.

The Holignment Maturity Index and on-line diagnostic surveys are the most comprehensive available scientific based tools available to assist with Organisation Change and Integration.