



## **June 2010 - Leadership Letter (50)**

**Our old office number is no longer in service ... our new phone number is ... 513/919-7672. If you haven't already, please make a note of this change. Thanks!**

### **SUCCESSFULLY MANAGING ACQUISITIONS**

**Hello ...**

Whether caused by an improving economy, more financially distressed firms, or both (or something else) ... acquisitions seem to be increasing.

Across the economy, auto businesses, e-businesses, retailers, hospitals, consulting engineers ... are seeing an increase in acquisitions.

Here (following) we've pulled together some "new" learnings to add to our "old" learnings on the topic of acquisitions.

I hope you find something that interests you! Feel free to pass it on to others you think may have an interest or need for some of these topics.

Regards,

**Mel**

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## SUCCESSFULLY MANAGING ACQUISITIONS

Many years ago, fate brought us several clients who were heavily into acquisitions, and who asked for help in successfully **integrating** them. Over the years, we assisted other clients with integration, and shared some learnings in ASCE management paper #2475 in the April 1992 issue of *JME (Journal of Management in Engineering)*.

Mergers and acquisitions are still fraught with risk, and fewer than 50% meet expectations. Problems can include: loss of staff, loss of clients, loss of business development focus, confusion as to accountability, loss of credible reporting, loss of profitability, overload on leaders, frustration, lowered morale, and lots more.

On the plus side, several clients have been excellent at integrating their acquisitions, while several others were mostly successful. One was disastrous, losing almost all the acquired staff over a few short years! In several other situations, we encouraged further due diligence and helped clients avoid acquisitions that wouldn't work well ... leading to a different kind of success.

More recently, we've been asked to help a bit with the **integration** efforts of several more consulting engineering and environmental firms. Their acquisitions were major in terms of their relative sizes, adding new offices, new geography, and/or new services. Their progress (to date) is very positive and promises to continue well.

The March 8, 2010 issue of *The Zweig Letter* predicts that M&A activity will likely increase, and offers several tips for "**making one firm out of two**" ...

- Structure the deal to facilitate cooperation, not competition.
- Provide a unifying company name sooner rather than later.
- Ditto, for unifying policies, practices, and benefits.
- Co-locate people in geographically nearby offices, sooner vs. later.
- Move people across company lines, both ways, and work together on projects.

We support all those Zweig tips based on lessons learned by our own clients.

Plus we have a **few more suggestions to offer** from our recent clients' experiences, while even keeping a few tidbits from my old ASCE management paper:

- In the due diligence (pre-deal) stage, **evaluate the culture** of the other firm as carefully as you evaluate their clients, projects, practices, and finances. Cultural compatibility is often hard to assess, but can be a critical issue.
- As part of that, be certain that you're getting some **excellent younger leaders** who are likely to stay on. Leadership transplants can be problematic.

- Consider a **transition or integration team with key people from both firms**. Start before the deal is final if possible, or **very soon** thereafter. That team will need a respected and facilitative leader with time available to do his/her work.
- Be sure you have excellent leadership on **critical corporate functions**, including HR and Benefits/Policies, IT and Systems, Accounting and Reporting, Technical Operations and Risk Management.
- Quickly develop an excellent communication channel among the acquiring firm's corporate functional leaders (IT, HR, Operations, Accounting, etc.), and the acquired firm's office **managers and administrators**. Office administrators usually know best how things work.
- Make sure the transition/integration team and leader are set to **continue working closely** over the next year or more. Sometimes when the CEO believes it's all working well, serious "we-they" problems fester in the acquired offices and/or corporate functions, usually both—even years later!
- Provide opportunities for all the key leaders of both firms to meet and work together **face to face**. It also helps your own staff be more supportive of one another, continue to learn about technology, risk management, business processes, new systems, etc.  
S&ME's annual management and technology conferences are a great example.
- **The staff below** the level of corporate functional leaders, must make a continuous commitment to handle requests and questions from the acquired firm's leaders and administrators with patience, respect and helpfulness.
- **Pursue frequent feedback** from the acquired **offices'** managers and administrators as to what's working and what's not. Address the problems that surface quickly, because they won't go away or improve with age.
- **Help your own staff understand** the value an acquisition brings to the firm and therefore, to them. Be specific in terms of new locations, new expertise, new clients, new resources. Not once, but several times. Encourage them to be supportive of "new" staff and offices, etc.

The time and focus you provide up front will pay big dividends (pay now or pay a lot more later). There's probably a lot more, but that's all for now!



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