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# WE C R O F

Mergers are getting ugly—  
with project portfolios and  
teams caught in the crossfire.



BY SARAH FISTER GALE :::: ILLUSTRATION BY OTTO STEININGER

Finally emerging from the wreckage of the recession, some companies see this as a prime time to swoop in and snap up struggling competitors.

For the conquering companies, it comes down to crafting a winning project portfolio—at any price. If some projects and employees are scuttled along the way, that's just part of business.

Faced with that kind of brutal reality, portfolio, program and project managers must race to prove their own worth. Given the hush-hush nature of all the wheeling and dealing, it helps if they have an “in.”

“During due diligence, the executive team is the one vouching for projects,” says Kersti Nogeste, PhD, PMP, principal consultant at Project Expertise Pty Ltd., a project management consultancy in Melbourne, Australia. “So as a project manager, you need to ensure that your project has top-level support on a day-to-day basis before the merger happens—otherwise you'll be in trouble.”

### THE GLOVES ARE OFF

Nowhere is the newfound ruthlessness more prevalent than in the financial services industry, says Paul Schaus, president of CCG Catalyst, a financial services consultancy in Phoenix, Arizona, USA.

“It's a unique time right now for mergers, and it is far from normal,” he says.

Three years ago, a typical bank merger tended to be a rather civilized affair. Both parties worked together as a team to identify those projects, processes and staff that brought value to the business and melded the two teams together.

“In a friendly merger, you are buying the goodwill of the community and the clientele. You want to look like the good guy,” Mr. Schaus says. “But in the banking space right now, it is the purchase of clients and locations at a below-market price. There are no friendly deals.”

Instead, strong banks are snapping up weaker institutions, so there's not much concern about keeping up appearances. The mergers are secretive and quick, and the acquirers care little about laying off staff and halting projects.

“It's vicious,” Mr. Schaus says. “The goal is to absorb assets as quickly as possible and cut everything else.”

This usually means that the day the takeover occurs, all projects stop. Except for the few project professionals who might be placed on the transition team, everyone else is out of a job.

“In a friendly merger, you'd review the project portfolio and take the best-of-breed systems,” Mr. Schaus says. “But with a failed bank, odds are the new owners don't want new systems, and it's easier to get rid of every project,



In a friendly merger, you'd review the project portfolio and take the best-of-breed systems. But with a failed bank, odds are the new owners don't want new systems, and it's easier to get rid of every project, contract and deal because it will all be seen as a liability.

—Paul Schaus, CCG Catalyst, Phoenix, Arizona, USA

## » FAMILY TIES

Just catching on in the Middle East, mergers typically require a careful cultural consideration before sealing the deal.

“The market in the Middle East has a significant number of family-owned businesses, and mergers are a new trend in this region,” says Philip Diab, PMP, Past PMI Chair, CEO of Leadership Formation, a leadership consulting and training firm in Amman, Jordan.

Typically, in these types of organizations, a merger occurs if a family faces a succession-planning crisis or it’s looking to expand into other areas or regions.

But these decisions are usually made slowly and carefully.

“Family-owned businesses are driven by the core values of the family, which dictates how it operates,” Mr. Diab says. “Middle Eastern people are more concerned about relationships than quick turnaround.”

When it comes time to close a merger deal, there must be a consensus of how to make decisions, manage projects and treat people.

“It’s not just, ‘We bought you, now do what we say.’ It’s a marriage,” he says.

If mergers aren’t handled properly, companies risk losing key project talent at the acquired organization—no small matter given the dramatic skill gaps in certain parts of the Middle East.

“Sixty percent of the population is under 30, so it’s not easy to replace knowledge workers,” Mr. Diab points out. “It is better to help workers adjust to the new environment than to replace them.”

Every company has its own organizational culture. What one views as micro-managing, another might consider standard operating procedure. To ease the transition and avoid causing conflict on project teams, executives should address these issues immediately.

“Consider conducting an organizational assessment focused on values and behavior to understand the decision-making process for the organizations embarking on a merger,” Mr. Diab suggests. “This way, a gap analysis can be conducted to determine the differences and potential cultural barriers that have to be addressed.”

contract and deal because it will all be seen as a liability.”

### MAKING THE CUT

In less-aggressive scenarios, some IT systems, business processes and personnel might be saved for continuity’s sake—at least for the transition, says Amanda Warfield, PMP, a conversion program manager in the merger integration office at financial services giant Wells Fargo, Charlotte, North Carolina, USA. Ms. Warfield has been involved in several mergers in the last 12 years, most recently Wells Fargo’s merger with

Wachovia, which was finalized early this year.

“March 2009 was the most painful month I’ve ever had to live through,” she says, blaming the unstable economy and rapid decision-making process that came with the merger. “Integration decisions had to be made quickly, because if they weren’t, Wall Street would have done it for us.”

The system-conversion decisions were all made at the CIO level, with the executive team reviewing the overall project portfolio to decide which systems were to be integrated and which could be cut.

“Each area may have over 100 systems and interfaces, so it’s a bird’s-eye view,” Ms. Warfield says. “There can never be a truly sound IT decision that is not rooted in the business processes that build the foundation for any IT platform. Otherwise, it becomes technology for technology’s sake.”

In many bank mergers, the financial institution will hire or assign someone to review the business processes and infrastructure for both companies. This person determines what’s needed to achieve the merger’s goals and keep both banks operational, as well as the costs associated with each system.

“It’s a pretty involved due-diligence process,” she says. “But when you can match the integration plan to the end goals of the merger from the outset, you are more likely to achieve success.”

The key is in the metrics, Ms. Warfield adds. “You need to track the right information to be able to show success, both in the middle of the process as well as at the end, when you are trying to prove your end result was a good one. Without constant rigor and active tracking of the right metrics, there’s really no benchmark to show progress.”

Yet because merger due diligence is most often conducted under a shroud of secrecy, project professionals are often at the mercy of the few high-level people making decisions, Dr. Nogeste says.

And if the executive team isn’t invested in and educated about the project portfolio prior to merger talks, the project management team and often the project management office (PMO) will have few champions representing them in those discussions.

“Ideally, the PMO will be perceived positively during due diligence, but it depends on the sponsor and the value or benefits the PMO is perceived to bring to the organization,” Dr. Nogeste says.

If a PMO has strong executive sponsorship, it’s more likely to be seen as an integral part of a merger strategy.

To secure that backing, portfolio, program and project managers need to advocate for themselves and their teams long before a merger occurs. Then, once the deal happens, they must make the business case for their portfolio to sponsors and try to smoothly integrate their processes, projects and teams with the acquiring company’s culture and goals.

“Find out their motivation and strategically align yourself with it,” Dr. Nogeste says. “Articulate your performance metrics and be able to make the case for your team.”

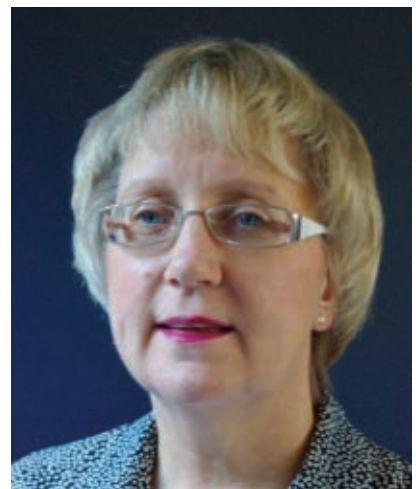
### A NEW TEAM EMERGES

Even the survivors will face a whole new project landscape.

Depending on the reasons for the merger, there will be dozens of projects

Ideally, the project management office (PMO) will be perceived positively during due diligence, but it depends on the sponsor and the value or benefits the PMO is perceived to bring to the organization.

—Kersti Nogeste, PhD, PMP, Project Expertise Pty Ltd., Melbourne, Australia



**>TIP** **Don't shy away from taking the reins of a merger project.** The best thing project managers can do during a merger is present themselves well, adapt to changes quickly and take every opportunity to prove their strategic value to the company, says Scott Mairs, PMP, PlumRhino Consulting, Atlanta, Georgia, USA.

"There is no faster way to rise in an organization than to successfully lead a merger project or program," he says. "If the opportunity is there, step up and take the challenge. If you make the right choices and the project is seen as a success, your value as a project manager will be highly visible to the entire organization. In other words, you'll be a rock star."

that need to be accomplished in a very short amount of time, with few people available to take on those responsibilities, warns Scott Mairs, PMP, president of PlumRhino Consulting, a financial staffing firm headquartered in Atlanta, Georgia, USA.

Mr. Mairs joined the company in 2009 after it was acquired by Comsys, an IT firm looking to expand deeper into the staffing arena. While still in the middle of that merger, global workforce solutions firm Manpower Inc. in turn bought out Comsys.

"We are in the process of a multi-stage integration," Mr. Mairs says. To make this complex process as smooth as possible, executives identified key stakeholders and created a team tasked to lead the effort to blend the companies.

"People can't do their existing jobs and focus on the merger, so you need a plan and a dedicated integration team to execute that plan," he says. "Project management strategies are absolutely critical to success."

Once the decision has been made to acquire a business, the leadership team has a limited time to perform due diligence, and inventory and map projects, contracts and employees.

When they know what they want to keep, cut and combine, senior executives should put a plan in place to accomplish the integration quickly and

painlessly. Top management on down must maintain a constant dialogue with project staff about the company's objectives, Mr. Mairs says.

In the early days of the Manpower merger, the integration team discussed the future of the organization by hosting several events, including webinars, on-site events and one-on-one meetings.

"You cannot communicate enough," Mr. Mairs says. "The worst thing you can do in a merger is make people guess what your intentions are."

When people don't have answers—as painful as they might be—they start to wonder, worry and look for new jobs.

Implementing projects that can be delivered quickly can boost spirits and create a sense of optimism in the midst of the confusion. When Mr. Mairs took over as president of PlumRhino, he launched a project to upgrade his team's laptops and applications to Comsys' more current systems.

"I looked for ways to leverage the relationship to Comsys through vendor contracts, new technology and expanded locations," he adds.

Mr. Mairs also held integration and partnering meetings at the Comsys and Manpower offices. "Bringing people together created efficiencies and built trust," he says.

Done right, a merger can result in one, big happy family. *PM*



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