

Achieving ROI on Change

Planning for a M&A or large change initiative

By Lorraine A. Moore



About
Lorraine
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Lorraine has held executive positions in the financial services and the energy industries for several years. With a wide-spread reputation as an intrapreneur and leader, she created a coaching and consulting practice in response to a growing demand. In her corporate roles, as a leadership coach and management consultant, she helps others achieve success with **organizational change and revitalization, leadership challenges, personal transformation, talent management and overcoming tough business challenges.**

To balance the demands of her professional life, Lorraine, her husband and two children enjoy spending time outdoors, world travel, adventure and immersing themselves in new cultures and diversity.

An uptick in mergers and acquisition activity in late 2010 and into 2011 commenced what analysts believe will be an active merger and acquisition (M&A) period for the foreseeable future. Corporate balance sheets are flush with cash and cost of capital is forecasted to remain low. These factors point to an organizational requirement for effective change. Is your organization well positioned to seize these opportunities?

Are you responsible for the ROI on a merger or your large change initiative? Failure rates run 50 to 80%. By consistently following proven tactics described here, you can more effectively manage the myriad of stakeholders and your change effort or integration will be considered one of the successes.

Having participated in organizational change initiatives for over 15 years, including mergers, acquisitions and divestitures, I have observed failures and best practices. Achieving the forecasted ROI on a successful integration or change effort requires careful management of stakeholder groups including customers, employees and media. A carefully executed change plan is a vital contributor to success.

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Stakeholder management is time consuming and can add cost to your change efforts. Is it really that critical? Consider WestJet. This Canadian airline carried a hallmark of excellent service and lured many customers away from competitors. Thirteen years of effort were eroded dramatically in only six weeks when a new reservation system crashed. Over 600,000 customers were impacted and many actively posted their anger and negative reviews on WestJet's Facebook page. One disgruntled customer stated, "Maybe it's time for change management. When you're on hold three days, a total of one hour and 37 minutes, just to ask a simple question, it's ridiculous."¹

WestJet's first mistake? They did not provide advance communication of the change as they did not want competitors to be aware. The result? Customer loyalty plummeted and WestJet subsequently invested heavily in defensive marketing including a full-page apology on their website².

It took several months to regain lost revenue and customer loyalty. A few well-executed steps could have minimized the impact of this flawed project.

How big is the prize of a well-executed stakeholder plan?

TD Bank Financial Group acquired Canada Trust. At that time, this was the largest financial services merger in North America. This involved a rebranding effort in 2000. In June early 1999, TD's share price was approximately \$30. Following a track record of consistent growth, in early 2012, TD's shares are roughly \$80 and market cap is over \$70.3M.

In 1999, Canada Trust customers were not optimistic. A former TD customer stated, "I was once a customer at TD and I wasn't happy with the service so I came here to Canada Trust."³ Later on in 2005, TD Canada Trust won the JD Power Award for "Highest Customer Satisfaction Among the Big Five Retail Banks". And by 2011, TD Canada Trust has received this auspicious award 6 years in a row.

As District Vice President in Ontario and as Vice President, IT for e-services, I actively contributed to the integration of TD and Canada Trust, leading retail branches and 500+ employees through biggest merger in the history of financial services in North America. I had the opportunity to lead aspects of the customer service change initiative and others. While participating in large change efforts across multiple lines of business and industries, I have utilized a core set of principles. These proven change management techniques are applicable to all scale of integrations and to organizational change such as ERP implementation, disposition or sale of a line of business. Even those change initiatives cited as "reasonably successful" by senior executives often fell short of meeting their goals.

"You created a positive dialog for change while courageously challenging our status quo. Your breadth of experience in IT, marketing, HR, and financial services, contributed to an exceptional outcome for us. I recommend you highly."

- Derek Bullen,
President and CEO,
S.I. Systems

Combined with a delicate economic recovery, effective change management is imperative. Engaging the services of an expert in an advisory or consulting capacity is recommended. With that said, simply utilizing the recommendations in this series will increase your likelihood of success.

Appoint a Change Leader

Ideally, this senior role reports to the executive accountable for the integration and scope of responsibility should include the entire breadth of the program and organizational area. When possible, staff this role with a senior leader from the acquiring organization. Their understanding of corporate culture, existing relationships and influence, as well as knowledge of HR practices and business acumen will contribute to enabling cultural change more successfully.

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Incumbents for this role require the following abilities: demonstrated experience in leading large operational teams or establishing new lines of business; tenacity; political acumen and influence; demonstrated ability to deliver results; empathy and relationship building; financial acumen; global experience and/or demonstrated aplomb with diversity if cross cultural or over a wide geographic area.

Craft a Communication Plan

An early deliverable of your Change Leader is a comprehensive communication plan. A complete Communication Plan includes:

- Identification of the vision, sponsorship and two-way communication methods.
- Frequency and methods of communication. I recommend updates from leadership every two weeks. Some updates will have no new information but will

provide reassurance and confirm expectations of your staff and their role in the change.

- A vehicle for staff to raise questions and concerns.
- The program and its progress, to answer those asking, “What does this mean to me?” It is not the same message to every employee group or business area. The messages need to be developed and tailored.

Components of an Effective Integration or Change Initiative

A well-implemented integration addresses process, people, technology and stakeholders.

Process

This is a fertile opportunity to re-design existing processes. If you are expanding from regional to global or merging with another firm, determine early whose processes you will adopt and who will have accountability for these decisions. About 20% of your employers will be early adopters who will offer a wealth of suggestions for process improvement. Create a forum to capture their great ideas. A collaborative workspace on your corporate intranet or departmental wikis can work well for this.

People

Are you contemplating or have you announced a merger, a divestiture, a new technology, a large organizational or functional change? Productivity will or has taken a sudden and dramatic hit. Impacted employees will crowd around the figurative water cooler to assuage their anxiety in collaboration with their community. Best in class organizations ensure their leaders watch for and mitigate this by being highly visible to their staff and rewarding the right behaviors. Regular communication will also sideline some have the speculative and productivity reducing chatter.

“Lorraine is intelligent, creative, and absolutely fearless in her willingness to take on new challenges and tackle issues.”

- Karen Dunk-Green,
VP, Operational Risk,
TD Bank Financial
Group

Without effectively integrating technology changes, your ROI will suffer.

The role of human resources will vary with the culture and practices of your organization. Whenever possible, use HR to provide guidance on policy, legal and union considerations. Rely on leadership for people selection and to communicate updates, respond to employee concerns, and advise on role Technology

Without effectively integrating technology changes, your ROI will suffer. This is particularly important when your technology change is visible to your customers, such as an airline reservation system.

Your change initiative may result primarily from a technology change, such as an ERP implementation, or a single component of a larger change. Consider the following:

- Will you acquire external expertise and, if so, what is the budget and what gaps in expertise are you seeking to fill? Who will manage the vendor relationship?
- Manage scope creep and scope seep. The latter occurs when the external partners offer additional value that may be worthwhile but if not carefully managed can negatively impact schedule or costs.

Customers

No organization can afford a sustained decline in customer engagement or customer loyalty. However, a merger or significant change will never be flawless. Engaging stakeholders is key to mitigating the change risks. Your Change Leader and Marketing team need to work closely to identify any customer impact and to create key messages.

If customers will be impacted by this change, create and deliver key messages. When TD Bank purchased Canada Trust, the resulting technology implementation was bumpy and frustrating for customers and employees. Senior leaders

knew this would be the case as over 1200 bank branches stretched across Canada and call centre agents responded to customer calls numbered in the hundreds of thousands.

TD Canada Trust ran full-page ads in major newspapers. Employees were empowered to resolve customers' problem quickly and at first point of contact. This included refunding fees, providing small gifts to customers, waiving service fees and more. Competition rules in Canada required TD Canada Trust to close some of the bank branches across Canada. And, as with any merger, duplication of staff positions existed across the combined organization.

This and the business imperative to achieve ROI for shareholders necessitated a reduction in staff count. This was communicated to customers and staff alike. Commitments were made to retain bank branches in small locales. Staff were advised of the process for staff selection and timing of decisions.

Executives across the country communicated directly to staff and customers by being on site in customer facing locations. While customers remained sceptical that TD Canada Trust would regain the prior levels of service provided by Canada Trust, they acknowledged that they were well communicated with. Therefore, in many cases, they were willing to adopt a "wait and see" attitude. This, combined with TD openly acknowledging service failings, retained many customers through the transition.

"She has challenged her team and peers to perform at a higher level and has a leadership style that encourages the organization to find ways to continuously improve while tracking tangible measures of success."

- Ray Barham,
President, Bar Higher
Consulting Inc.

Preparing for Impact on the Customer

Will customers be impacted by this change? If so, what are the key messages you want to relay to them? Consider fees, access to products and/or services.

- To whom will they direct their questions or concerns?
- Will employees losing their jobs?
- How will you use media to reinforce key messages?
- What about social media?

Achieving ROI

Achieving the forecasted ROI on a successful integration effort requires careful management of many stakeholder groups including customers, employees and media. As with any large organizational change, a carefully executed change plan is a vital contributor to success.

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Checklist for an Effective Integration

- ✓ **Appoint a change leader.**
- ✓ **Craft a communication plan that includes:**
 - ✓ Identification of the vision, sponsorship and two-way communication methods.
 - ✓ A vehicle for staff to raise questions and concerns.
 - ✓ Vehicles for communicating the program and its progress to answer those asking, “What does this mean to me?” It is not the same message to every employee group or business area. The messages need to be developed and tailored.
- ✓ **Make plans for:**
 - ✓ Developing new processes.
 - ✓ Encouraging staff satisfaction and productivity.
 - ✓ Maintaining customer satisfaction.
 - ✓ Identifying customer impact and creation of key messages.

A carefully executed change plan is a vital contributor to success.

¹ Roseman: *WestJet reservation change frustrates*. Ellen Roseman. December 2, 2009. The Star. <http://www.thestar.com/business/article/733290--roseman-westjet-reservation-change-frustrates>

² *Global CIO: WestJet's IT Nightmare And The Power Of Customers Information Week*. Bob Evans. April 16, 2010. InformationWeek: GlobalCIO. <http://www.informationweek.com/news/global-cio/interviews/224400478>

³ *TD Bids for Canada Trust*. Kimberley Noble, Jennifer Hunter, Danylo Hawaleshka, John Geddes. August 16, 1999. The Canadian Encyclopedia. <http://www.thecanadianencyclopedia.com/articles/macleans/td-bids-for-canada-trust>