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Successful Healthcare Provider Mergers & Acquisitions

The Key Roles of Branding & Brand Implementation

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introduction

Think Blink

At Shikatani Lacroix, we design compelling brand experiences using our Think Blink philosophy and strategic design approach.Everything we do is geared to providing an immersive brand moment. Our firm has a well-earned reputation for designing integrated brand experiences that effectively connect brands with customers to drive measurable results for clients.

About the author

Jonathan Faria, Senior Director, Brand Implementation
Shikatani Lacroix

Jonathan leads the Brand Delivery practice at Shikatani Lacroix, assisting clients with best practices consulting; navigating complex budgeting, cost/benefit analysis; and providing disciplined project management.

As passionate about the delivery of a new brand as he is about the actual design, Jonathan provides a wealth of experience in brand implementation management. He has lead corporate rebranding conversions for Fortune 1000 companies within the healthcare, oil and gas, energy, and utilities sectors, among others.

introduction

Healthcare is facing a great deal of upheaval due to profound changes influencing finance, regulation, supply chains and technology. To address this evolving landscape, organizations are changing business strategies to remain solvent and competitive.

In response, many American healthcare systems and hospitals are intensely focused on how to make smart investments in activities aimed at acquiring, merging, integrating, and upgrading, all with the goal of improving patient care at an affordable cost.

Figure 1. Announced U.S. Hospital Mergers & Acquisitions

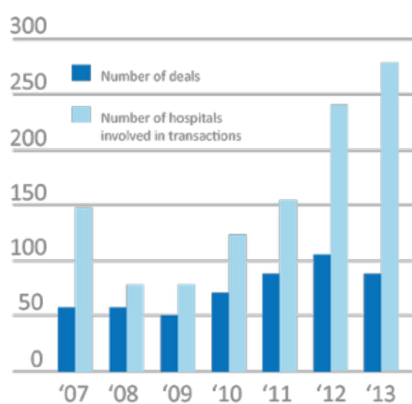
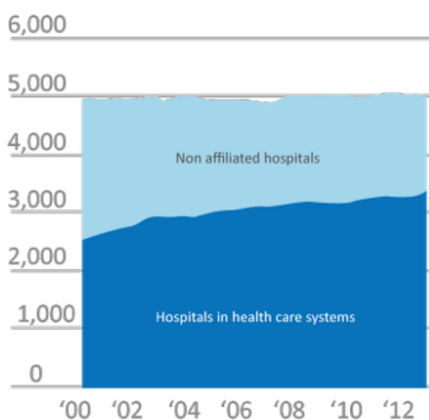


Figure 2. More U.S. Hospitals part of a Health Care System



The Explosion of Healthcare Merger & Acquisition Activity

In recent years, North American healthcare as been one of the most targeted industries for M&A activity. Reflecting this, the volume of industry mergers, acquisitions and joint ventures has doubled since 2009. This is not expected to change: a KPMG survey of 553 M&A Professionals conducted in November 2015 showed that approximately half of all respondents believed that healthcare would be in the top three sectors to experience a high volume of M&A activity in 2016 and beyond.

At the core of it is a need to provide quality care to more people at an affordable cost, while at the same time complying with regulatory change and finding the most cost-effective ways to invest in new technology and infrastructure.

In the U.S. specifically, the Affordable Care Act (ACA) of 2010 has had a significant impact on M&A activity, as both health providers and insurers look to these transactions as a means to pursue increased efficiencies and bargaining power. This is required as the related exchanges and subsidies that enable millions of additional Americans to participate in the healthcare system are driving increased volumes but also necessitating lower margins.

Healthcare merger activity is being driven by providers looking to expand geographically, develop new service lines and adjust to changes in reimbursement.

For larger Healthcare systems, the primary goals of consolidations are to realize improvements in: operational efficiency, access to care, quality of care, and cost efficiencies.

For smaller systems or independent hospitals, an acquisition or a joint venture arrangement with a larger partner allows their patients better access to specialists and advanced medical technologies, such as high tech imaging procedures and electronic medical record systems. It also provides cost reductions and efficiencies by enabling the smaller partner to leverage a larger supply chain and technology infrastructure.

Expected Near Term Healthcare M&A Trends and Issues

As discussed in the previous section, there are a number of factors driving M&A activity in the healthcare sector. The following are some of the more prominent trends, challenges and predictions for the future healthcare landscape and near term M&A environment and activity.

With millions of dollars of cost, and tens of thousands of man hours of internal labor involved, post merger integration and branded asset conversion is the definition of "high risk, high reward".

Regulatory Scrutiny

The impact on multi-state service areas will continue to attract national media attention and intense scrutiny from state and federal regulatory agencies. The Federal Trade Commission (FTC) will use its considerable power to monitor potential deals if there is concern they pose a threat to consumer choice. While this is nothing new, the FTC has ramped up its scrutiny of consolidation deals, particularly among health systems. Several prominent health system mergers have been forced to disband because of the FTC.

Blurring of the Lines Between Competition and Collaboration

Market conditions and organizational needs are opening up collaborative possibilities for organizations that may have viewed one another as competitors.

Healthcare organizations are growing both horizontally (e.g., hospital to hospital) and vertically (e.g., healthcare system to health plan), and different types of organizations are combining forces (e.g. academic medical centers and regional health systems).

FUTURE LANDSCAPE

The local nature of healthcare will persist. As a result, the future landscape certainly will look different, but not monolithic. The current consensus is that five or six large national systems will prevail, some with a Catholic heritage and others primarily investor-owned. There also will remain strong local and regional systems large enough to bend the cost curve and assume clinical and financial risk for the populations they serve. The number of independent hospitals and health systems inevitably will decrease, but not all independent hospitals will be swallowed up by large chains; certain community-based hospitals and systems that are indispensable in their local markets have the potential to survive, and even thrive, in the new era.

PAYER / PROVIDER CONVERGENCE

There is significant convergence across industry sectors, blurring the lines between payers and providers as acquisitions increasingly go vertical. For example, a subsidiary of St. Louis-based Ascension Health announced plans to buy U.S. Health and Life Insurance Co.

HEALTH PLAN SECTOR CONSOLIDATION

Acquisitions among national payers will likely spawn a new crop of agreements in 2016. Small, regional health plans have been acquisition targets for larger health plans. Now mid-tier and large payers in a market or state that boast strong name recognition in their respective markets will become acquisition targets. For example, California-based Kaiser Permanente plans to acquire Group Health Cooperative, based in Washington, which will expand Kaiser's footprint. Mid-sized insurers in a market or state will also merge to combine forces in an effort to remain a strong local player. The resulting entity will increase its clout and ability to partner with Integrated Delivery Networks (IDNs) for Accountable Care Organizations (ACOs), and may diversify its health plan product line. Also expected is that IDNs and health systems will target health plans as a means of diversifying their portfolios. An example of this is the decision by Fairview Health Services in Minneapolis to exercise its option to buy struggling Preferred One health plan in January 2016.

THE EMERGENCE OF NEW ORGANIZATIONAL COMBINATIONS

Healthcare organizations are growing both horizontally (e.g., hospital to hospital) and vertically (e.g., healthcare system to health plan), and different types of organizations are combining forces (e.g., academic medical centers and regional health systems).

The rise of alternative consolidation methods – partnerships, affiliations, alliances, and joint ventures will be more popular among health systems in 2016.

AFFILIATION AGREEMENTS

The rise of alternative consolidation methods—partnerships, affiliations, alliances, and joint ventures—will be more popular among health systems in 2016. It is expected that such deals will account for approximately 50 percent of these types of health system mergers this year, up from approximately 40 percent in 2015. These transactions stop short of full ownership changes but still have a substantial impact on a market's competitive landscape.

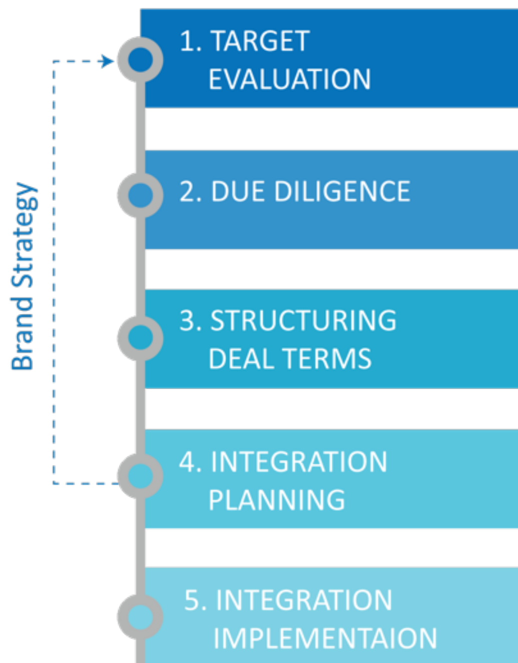
Figure 3 Type of Provider Affiliation Agreements

AFFILIATIONS	JOINT VENTURE	JOINT OPERATING AGREEMENT	MERGER	ACQUISITION
• Most flexible form of consolidation, though option of a weak vs strong affiliation exists • Utilized to increase Footprint, gain economy of scale, supplement an already successful set of services, exchange best practices • Do not necessarily change management or governance	• A mildly flexible arrangement • Used to create something new (limited inpatient or outpatient activity, service, purpose) that may be overwhelming to do solo • Shared governance between two hospitals • Contains some form of profit/risk sharing	• Virtual Mergers, where assets may separate but services are coordinated • New overarching governing board is created but hospitals maintain independent boards as well. • May borrow for capital investments as one organization • Similar to a joint venture, but larger. Extends past just a specific service or activity	• Mutual decision of two companies to combine • Leadership may be a combination of the two hospitals or from an outside source • Hospital's absorb each other's assets and debts • Goal is to increase economy of scale, improve quality, increase market share	• Purchase of one hospital by another • Usually smaller acquired by larger, but not always • Goals: increase market share, footprint, acquire additional services, financial stability • Hospitals may continue to function semi - independently or make transformational changes to match buying hospital

The Merger & Acquisition (M&A) Framework

The following framework illustrates the typical 5 phases of a merger and acquisition event. Research shows that the first 3 phases of the M&A framework are typically led by Finance and Legal with strong CEO involvement in **Target Evaluation** phase. HR is often engaged during **Due Diligence**, but Branding is often lost in the M&A deal-making process and treated as something of an afterthought. Branding consideration is typically started later in the process during **Integration Planning**.

Figure 4. The Merger & Acquisition Framework



Mergers and acquisitions are hard. They are complicated. They are fraught with details, decisions and innumerable contingencies. From financing to IT integration, there are lots of moving parts. Yet there is one element that is too often over-looked or at least under-looked: Branding. It has the potential to create chaos, expense, and confusion in both the short- and long-term. Before you acquire a company you must have an understanding of and a plan for the target's brand before, during, and after the deal.

Companies spend their time pulling the deal off. They often don't put enough focus on the most important part, the integration. The integration is the key to value. If you don't get the companies integrated properly, you will have paid too much.

When looking at research focused on both the biggest challenges in properly assessing an M&A deal as well as the major factors that companies face when planning and executing post M&A integration, it quickly becomes evident that the lack of inclusion of branding evaluation and strategy earlier in the process would appear to be a significant handicap.

The Role of Branding in M&A Success

To get the most out of their investments – to connect with patients, healthcare professionals, and the communities they serve – hospitals must build and leverage one of their most important business assets: their brand. At a time of increasing industry investment – and competition – a brand can be one of a healthcare system's most important business assets, as it helps them to attract new patients as well as skilled healthcare professionals, and, in turn, supports their goals of becoming the provider of choice within their region(s) of operation.

Figure 5 below represents just one key U.S. market (Chicago area). A dense competitive landscape is thinning due to the prevalence of M&A activity that has accelerated over the last 3 years. Competitors are becoming larger and threatening to become stronger as post M&A integration happens.

Figure 5. Healthcare Provider M&A Market Example (Chicago)

The role of brand strategy early on and throughout the M&A framework process would address the following types of issues and considerations:

- Researching and evaluating potential acquisition candidates or merger partners by answering questions like: "How does the prospect's brand compare to your company's brand?"; "What is each brand's strongest attribute?"; "How is the brand relevant to future customers?"; "Which candidate will best help reach strategic objectives?"; "Should one brand dominate or should a new brand (e.g. Northwestern Medicine) or hybrid brand (e.g. Edward Elmhurst Healthcare or proposed Advocate NorthShore Health Partners) be created?"

The role of brand strategy early on and throughout the M&A framework process would address the following questions:

"How does the prospect's brand compare to your company's brand?"

"What is each brand's strongest attribute?"

"How is the brand relevant to future customers?"

"Which candidate will best help reach strategic objectives?"

"Should one brand dominate or should a new brand or hybrid brand be create?"

- Assessing and deciding which brands and sub-brands to keep or eliminate and determining the appropriate investment in each. Retaining current brands isn't always the most effective or cost-efficient approach.
- Implementing a communication plan strategy to communicate the merger to employees, clients, shareholders and the public.
- The creation of new, or updating of existing policies and guidelines, as well as training and compliance programs, which are critical in helping employees understand and effectively communicate the new brand values.

But why is brand strategy and management frequently overlooked in the M&A process? There are three primary reasons for this:

- Business leaders neglect it because they are concentrating on financial, regulatory and legal issues.
- Organizations don't realize the need to address it until it's too late.
- Companies lack the experienced resources to focus on it.

In reality, the brand's value is one of the key assets being purchased. Simply put, brand strategy and management help to secure stability and brand loyalty for your organization. Those organizations that ignore or fail to recognize its importance to the M&A process may suffer one or more of these possible consequences:

- Brands are managed inconsistently and brand equity suffers
- Management and staff send mixed messages, creating confusion in the marketplace
- Company image/brand loses value
- Employee morale decreases, and turnover increases
- Customers lose confidence and leave
- Competitors steal your best customers
- Shareholder price plummets

So when deciding on a new post M&A brand identity, which approach should an organization be applying to increase the probability of a successful M&A result? There are three common brand strategy approaches, each with its distinct set of Pros and Cons. (See Figure 6 for details)

Figure 6. Common Branding Strategy Pros and Cons

APPROACH	DESCRIPTION	OBJECTIVE	PROS	CONS
Business -as-usual	Neither firm changes its branding, and each therefore continues to operate under its original name and mark	Preserve both brand identities	• Preservation of brand equity of both brands • Expediency • Segmentation of the market • No or minimal rebrand costs	• Long-term to maintain two separate brands • Impedes post-merger integration
Acquisition *Rebranding Required*	Branding of one firm is retained as the identity for both firms, and the other is discarded	Discard brand equity of the target firm and focus on stronger brand	• Simplicity & clarity • Expediency & efficiency • Long-term lower costs • Market Power	• Discards all brand equity and associated goodwill of target's customer and employees • Immediate cost to rebrand operations of the target
Fusion *Rebranding Required*	Both firms contribute core elements from their brand identities to form a new brand	Leverage brand equity of both merging firms to enhance overall value	• Preservation of both brands' equity • Sends a unique signal of continuity & integration • Long-term lower costs • Market power	• Immediate cost to rebrand the operations of both firms • Requires buy-in from the stakeholders of both firms

In a ground breaking September, 2011 study, there was one merger brand strategy that was significantly more effective than the others: Fusion branding.

Although each can be valid to consider, given the specific context of the transaction, according to at least one ground breaking study, there is one that is significantly more effective than the others: **Fusion branding.**

In September 2011, the Harvard Business Review published a ground-breaking study (Mizik , Natalie; Knowles, Jonathan; and Dinner, Isaac (2011), "Why Fusing Company Identities can add Value") specific to real world, cross-industry (not just healthcare) results of M&A branding strategies, which analyzed results three years from the day of the merger announcement. After adjusting for such factors as risk, size and market-to-book ratio, the study drew the following conclusions:

- Fusion - exceeded the market return by plus 3 percent on average
- Business-as-usual - fell short by minus 25 percent on average
- Acquisition - fell short of the market return by minus 15 percent on average.

The explicit attention that a Fusion brand strategy approach pays to the combination of the two merging entities may play an important role in facilitating the post-merger integration process.

- Business-as-usual - fell short by minus 25 percent on average
- Acquisition - fell short of the market return by minus 15 percent on average.

The key takeaways for marketers: this suggests that the explicit attention that a Fusion brand strategy approach pays to the combination of the two merging entities may play an important role in facilitating the post-merger integration process. Also, while the thinking around M&A so often appears to be dominated by cost synergies - these research results are a good reminder of the importance of brand, customer and employee equity in ensuring the success of a merger.

The Reality About M&A Results

While intended M&A transactions are normally announced by participants amid a flourish of excitement and high expectations, especially the largest ones which receive broad coverage and scrutiny, the value of these undertakings is refuted by a stark fact: the vast majority of them fail to deliver the projected benefits and do not sustain or bolster shareholder value. In fact, according to the Harvard Business Review, ***study after study puts the general failure rate of mergers and acquisitions somewhere between 50% and 80%.***

This should be a very alarming revelation for those organizations considering a trip down this path, as patients, employees and investors are all affected by the combination of two organizations, and the loyalty and support of all of these stakeholders is at risk during the process. But exactly what do the numerous studies mean when they refer to the "failure" of these activities?

Research shows a number of key factors have been identified that explain why it is easy to buy but hard to execute a successful M&A integration: insufficient prior planning; inaccurate assessment of synergies; culture differences at the organization, management, and geographic levels; selection of the wrong integration approach; lack of knowledge of the proper management tools to aid in the process; and errors made during negotiation.

Research in this area primarily focuses on examining the long-term "synergy potential" of mergers, and comparing that with how much is actually realized in the implementation. Based on a significant amount of analysis, a number of key factors have been identified that explain why it is easy to buy but hard to execute a successful M&A integration: insufficient prior planning; inaccurate assessment of synergies; culture differences at the organization, management, and geographic levels; selection of the wrong integration approach; lack of knowledge of the proper management tools to aid in the process; and errors made during negotiation.

These different challenges can be categorized under two key categories:

1. Deal Assessment
2. Integration + Human Factors

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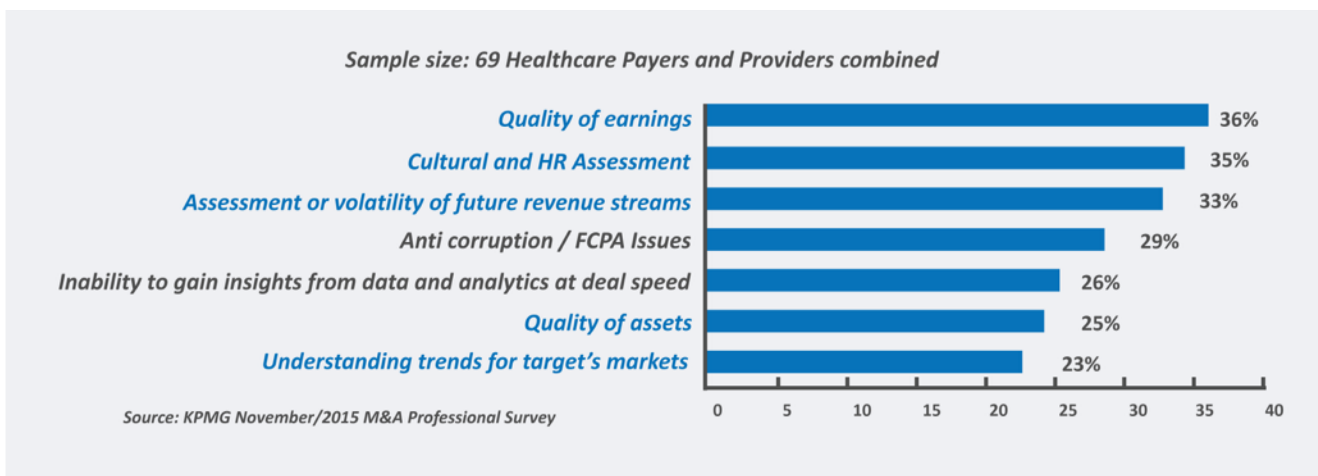
Deal Assessment

During the first three (of five) stages - **Target Evaluation**, **Due Diligence** and **Structuring Deal Terms** - of the M&A Framework, many of the top deal assessment challenges are clearly areas where Marketing and Communications could play a critical role in helping to provide a more accurate assessment. Of the top 7 deal assessment challenges, at least five would benefit from including Marketing and Communications and brand equity and valuation assessment earlier in the process (please refer to the five issues highlighted in blue in Figure 7).

Figure 7. Top 7 Challenging Deal Assessment Issues



In reality, the brand's value is one of the key assets being purchased and should have a stronger consideration through the entire M&A framework process.

Integration + Human Factors

Without a doubt, M&A events require a transformation that is disruptive including as it does: organizational restructuring; management team changes; combination and rationalization of product and service line portfolios; reconfiguration of supply chain and distribution arrangements; and workforce attrition.

With this long and formidable list of areas to cover, it isn't surprising that post merger integration benefits are often not realized.

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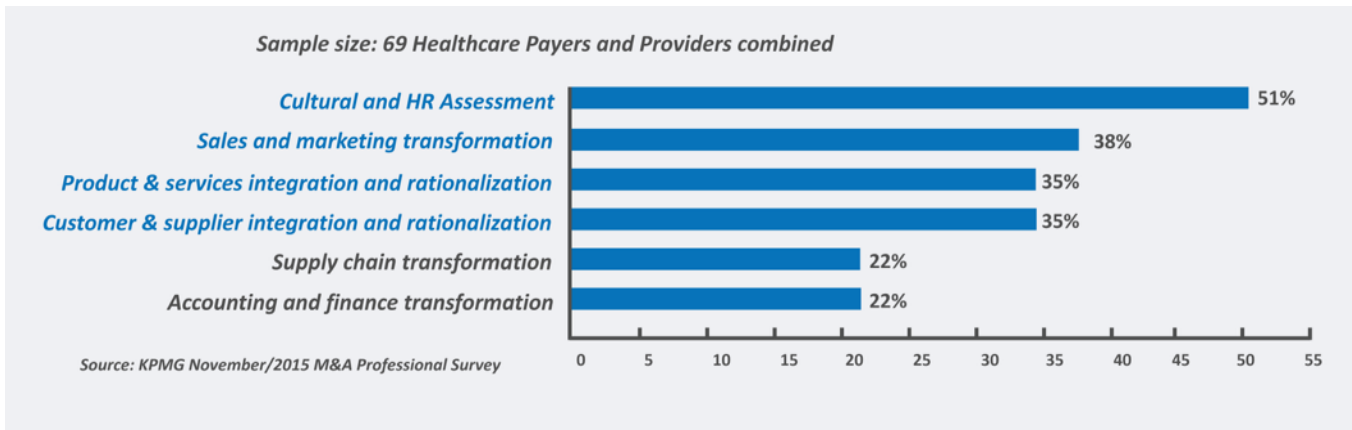
Brand strategy, with the related decisions that it entails; should be the first step in uniting two entities and communicating the expectations of leadership.

In addition to Human Resource and cultural integration considerations which we will touch on shortly, the other top reported challenges that health systems face during **Integration Planning** and **Integration Implementation** phases are inherent areas that Branding and the Marketing and Communications function can play a critical role in ensuring success (please refer to the four challenge areas highlighted in blue in Figure 8).

Figure 8. Top 6 Most Challenging Merger Integration Areas



Human Factors represent those interrelated elements that impact work performance, productivity and workforce behavior. As referenced above, Cultural and HR issues represent the biggest challenge to successful M&A integration. Drilling down further, three of the top five Human Factor challenges are again areas where a cohesive brand strategy and Marketing and Communications can contribute significantly to integration success (please refer to the three Human Factor issues highlighted in blue in Figure 9).

Figure 9. Top 5 Most Challenging M&A Human Factor Issues

RANK	HUMAN FACTORS	COMBINED EXTREMELY & SOMEWHAT CHALLENGING	EXTREMELY CHALLENGING	SOMEWHAT CHALLENGING	NEUTRAL	NOT AT ALL CHALLENGING
1	Aligning the different cultures	85%	32%	53%	12%	3%
2	Communicating and managing change with employees	77%	14%	63%	19%	4%
3	Integrating compensation and benefit programs	71%	17%	54%	24%	5%
4	Maintaining employee engagement and productivity	72%	16%	56%	23%	5%
5	Retaining key talent	70%	15%	55%	17%	13%

Source: "People issues in Mergers and Acquisitions: Learning from Experience";
CFERF Executive Research Report (Feb,2010)

"Culture isn't just one aspect of the game. It is the game."
--Lou Gerstner, Former IBM Chairman & CEO

If Cultural and HR issues are the leading factor behind the frequently disappointing results of mergers, then the process of defining and articulating the brand is synonymous with the process of integrating cultures. Brand strategy, with the related decisions that it entails; should be the first step in uniting two entities and communicating the expectations of leadership.

How Brand Strategy Should Integrate Within the M&A Framework

Brand strategy is a long term plan for the development of a brand that is aligned with specific business strategy goals of the organization. It is a comprehensive exercise that considers all aspects of a business as it relates: to the needs, perceptions and emotions of customers, partners and employees; and context within the current and projected future competitive landscape.

Let's assume for a moment that a company pursuing an M&A transaction has a firm grasp of the critical success factors in such a process, and is committed to including branding consideration and assessment in the early M&A phases. What should their M&A framework and plan look like, and what role should Branding and Marketing and Communications play within this larger framework of related tasks?

Figure 10 on the next page illustrates the role of brand and MARCOM within the M&A framework.

Figure 10. The Role of Brand and MARCOM within the M&A Framework

M&A FRAMEWORK PHASES	BUSINESS & FUNCTIONAL TASKS	BRAND & MARCOM TASKS
1. TARGET EVALUATION	Business Strategy • Growth opportunity (acquisition / organic) • Vertical Integration and economy of scale opportunity • Geographic and service line expansion opportunity • Focus areas and centers of excellence opportunity • SWOT analysis	Brand Evaluation • Brand compatibility assessment • Sub - brand portfolio analysis • Market and customer analysis
2. DUE DILIGENCE	• Service Line & Offering Strategy • Revenue, Growth and Cost synergy evaluation • Functional and HR integration evaluation • Legal and regulatory issues	Brand Strategy • Brand and Market research • Brand Valuation • Business-as-usual, Acquisition or Fusion scenario decision
3. STRUCTURING DEAL TERMS	• Business Case • Shareholder and investor impact evaluation • Legal and regulatory issues	Go-to-Market & Sub-Brand Portfolio Strategy
4. INTEGRATION PLANNING 5. INTEGRATION IMPLEMENTATION	BRAND IMPLEMENTATION MANAGEMENT (BIM)	

BRAND IMPLEMENTATION MANAGEMENT (BIM):

- HR & CULTURE INTEGRATION
- IT INTEGRATION
- SUPPLY CHAIN INTEGRATION
- ACCOUNTING & FINANCE INTEGRATION
- FACILITIES INTEGRATION
- SERVICE LINE RATIONALIZATION & INTEGRATION
- CENTERS OF EXCELLENCE
- MEDICAL & CLINICAL INTEGRATION
- TECHNOLOGY AND R&D
- PHYSICIAN GROUP INTEGRATION
- ACADEMIC & TEACHING
- EXTERNAL STAKEHOLDER COMMUNICATION PLAN
- INTERNAL STAKEHOLDER COMMUNICATION PLAN
- BRAND IDENTITY
- BRAND CULTURE
- MARKETING & ADVERTISING
- BRANDED ASSET CONVERSION

Inclusion and embracing branding as a lens for helping to guide M&A decision-making provides many benefits throughout the process.

This holistic framework illustrates how the interrelated brand strategy and marketing and communications components should be incorporated at each stage with corresponding Business Strategy. It also touches on the cross pillar role that Brand Implementation Management (BIM) plays during Integration Planning and Integration Implementation.

Inclusion and embracing branding as a lens for helping to guide M&A decision-making provides the following benefits throughout the process:

- Reduces employee and patient / customer uncertainty and turnover
- Builds new energy and alignment in the leadership team
- Enhances internal cooperation and facilitate team building
- Signals a fresh strategy to the outside world
- Forges common behaviors that support the new organization
- Purges tired legacy perceptions
- Tells a more compelling story to associates, patients, hospital boards, investors, the public and the press (see example in Figure 11).

Figure 11. Example of Goals and Talking Points for a Healthcare Provider Merger

DRIVES MISSION:	STRENGTHENS BUSINESS:
• Creates internal alignment	• Regional and national partnerships
• Connects with patients	• Acquisitions and negotiations
• Delivers on person-centered care	• Physician/caregiver recruitment and retention
• Positions us to transform healthcare delivery	• Legislative influence
• Connects communities	• Marketing analytics and cost reduction
• Expands social responsibility reach	• Portfolio expansion
• Sustains our Ministry	• National service line expertise
BENEFITS OUR MISSION, AND OUR BUSINESS	

It is clear that in order to optimize the return on these investments – to connect with patients, healthcare professionals, and the communities they serve – hospitals must invest in, and leverage, one of their most important business assets: *their brand.*

As hospitals continue to invest billions to deliver exceptional health care, to realize the true business impact of these investments (including M&A activity) they must translate this spending into powerful value propositions for patients and caregivers. It is clear that in order to optimize the return on these investments – to connect with patients, healthcare professionals, and the communities they serve – hospitals must invest in, and leverage, one of their most important business assets: *their brand.*

What is Brand Implementation Management (BIM)

In the following section, we provide an overview of how Brand Implementation Management (BIM) fits into the overall M&A process, and insight into the specific activities that comprise the actual implementation.

Brand Implementation Management is not about adding a large team, but instead establishing a layer of expertise specific to brand integration, to assess, integrate and track the long list of "moving parts" required.

At a fundamental level, BIM is the "glue" or process that holds the whole brand transformation together as it becomes operationalized. Given that the brand implementation always relies on internal personnel, who have knowledge and experience in each area of the organization, the process is not about adding a large team, but instead, establishing a layer of expertise specific to brand integration, to assess, integrate and track the long list of "moving parts" required.

Brand Implementation Management is based on the premise that HOW the brand is implemented is as important as WHAT gets implemented. The BIM process consists of it's own 3 specific phases:

1. **BIM Assessment Phase** - typically relates to M&A Integration Planning Phase, but can begin earlier.
2. **BIM Planning Phase** - corresponds to M&A Integration Planning Phase.
3. **BIM Execution Phase** - corresponds to M&A Integration Implementation Phase.

At its core, Brand Implementation Management involves the assessment, strategy development, detailed planning and full conversion of a company's branded assets to the new corporate identity as either part of a corporate rebranding or as the result of a merger or acquisition requirement.

It includes, but is not limited to the following elements:

- Review of options and scenarios specific to branded asset conversion in line with the determined brand strategy
- Focus on efficiencies (time/money), structured financial analysis (costing/budgeting), quality decisions and risk reduction
- Technical and practical expertise for high cost, logistically complicated branded asset classes (e.g. architectural signage and wayfinding, large scale fleet graphics conversion, uniform program implementation, etc.)
- Development of a detailed project plan for branded asset conversion
- Best-practice applications and templates to maximize planning efficiency and asset conversion strategies
- Development or support of project organization
- Engagement/coordination of relevant internal personnel specific to branded asset conversion
- Branded asset conversion input into key stakeholder Communication Plans to provide specificity and set realistic and accurate expectations
- Vendor strategy, RFP execution and vendor management

The term "branded assets" runs the gamut from product and packaging, architectural signage, fleet graphics, uniforms, business cards, security badges, all customer touch-points, human resources, printed materials and forms, digital assets, etc. Anything that has the logo, word mark, and potentially the color scheme, is included (as Figure 12 illustrates).

Figure 12. Example Overview of Branded Assets

Why Brand Implementation Management (BIM) Is Important?

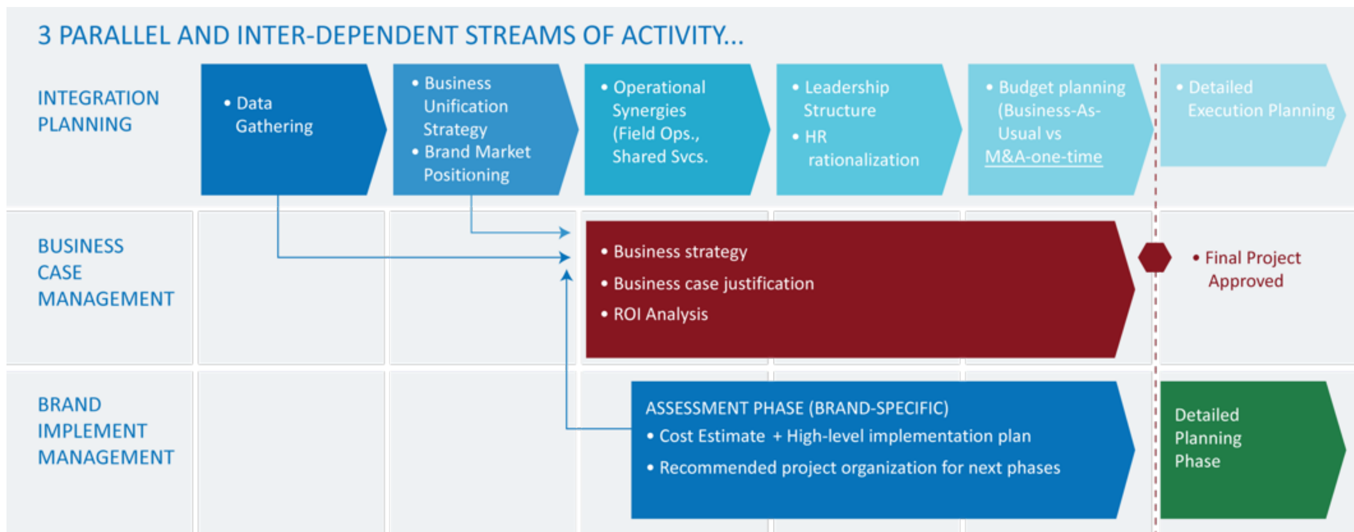
The reality is that most organizations may only go through an M&A process once every 10-20 years; even the most active companies that are considered to be “serial acquirers” spend an average time of 3.1 years between the end of one acquisition block and the start of the subsequent one.

The reality is that most organizations may only go through an M&A process once every 10–20 years; even the most active companies that are considered to be "serial acquirers" spend an average time of 3.1 years between transactions.

What this means is that organizations that participate in M&A transactions often do not have the internal expertise to lead this scale of brand implementation, nor could they possibly be expected to. And it is a very unreasonable and unsuccessful approach simply to assign an internal project manager who has no experience with these processes, which must be thorough and comprehensive to deliver positive returns.

Drilling down into the process, the workflow in Figure 13 identifies the specific set of steps required to work through the **Assessment Phase** of a BIM project. This component, which is aligned with the **M&A Integration Planning** phase, seeks to provide: cost estimates and high level implementation plans for branded assets; timelines and critical paths; and recommendations, tools and expertise to related PMI organization teams. This forms an important part of the M&A business case development and validation process, which involves the ongoing overall refinement of integration costs.

Figure 13. How and Where Brand Implementation Management (BIM) Fits



From the above discussion, it is unmistakable that the work to implement, and thereby operationalize, a brand transformation is substantial. While that may be so, it is fair to ask why it is critical that this be done through the engagement of external BIM expertise, as it is a common misperception that this can be addressed internally by strong project managers who are employed by the organization.

The need, post deal close, to build momentum and maintain excitement and engagement relies on the ability to capitalize on early `quick wins' and drive an accelerated, but consistent pace of branded asset conversion and operational integration.

There are four main reasons why Brand Implementation Management expertise is critical:

1. Branded asset conversion often represents a large part of one-time M&A integration budget costs and internally developed costs are often over-estimated or even worse under-estimated due to lack of experience and assumptions used.
2. Engagement of an external 3rd party BIM consult who does BIM as both a business and core competency, with extensive experience in managing many client projects provides a sponsoring Marketing group with the confidence and credibility when presenting Senior Leadership with the rationale, timeline, budget request and depth of planning.
3. A project of this scale will involve millions of dollars and tens of thousands of client organization man hours. A BIM consultant and advisor is an essential resource in being able to focus a project organization efficiently, to provide a resource or expertise gap filling role in key areas, and to ensure that best practices are used by all branded asset or functional area workgroups in both their planning and execution.
4. Unlike Business & Functional integration (i.e. 6 - 36 month timelines), branded asset conversion is often substantially complete within 3-12 months providing quick wins; and the key symbolism of integration and critical optics and reinforcement early on that progress is happening quickly. The diagram below illustrates where BIM plays this role.

Figure 14. Typical Post-Merger Integration Progression

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Brand Implementation Management (BIM) Case Study

As part of Deal Pre-Close conditions, the amount of information and data that was available to share was extremely limited by a "clean room" request and security process. Ultimately, very little information about the target company could be made available.

This brand transformation initiative was the result of the $35B merger announcement of two massive world-wide Oil Services firms. The Post-Merger Integration (PMI) organization consisted of 500+ dedicated individuals from both companies organized into 14 functional integration teams, 13 Product & Service Line teams, and an additional 7 Value Driver teams. At the time of BIM engagement, the PMI organization had already been in place for over 9 months and they were 3 months away from the target Deal Close date. However, as part of Deal Pre-Close conditions, the amount of information and data that was available to share was extremely limited by a "clean room" request and security process. Ultimately, very little information about the target company could be made available.

Within a six week BIM Assessment engagement, the BIM consultants developed various key branded asset scenario models, with associated costing estimates, that had significant cost implications. This included categories such as fleet and equipment paint and graphics, architectural signage for 1,000+ worldwide locations, personal protective equipment (PPE) and work wear for 100,000+ workforce worldwide, and over a 1,500+ marketing collateral pieces across many business units, to name just a few.

Working with the client's marketing group and senior PMI organization leaders, the BIM consultant refined the implementation strategies based on their preferred timeline and resourcing requirements. While some preliminary high / low costing estimates had been done internally during the earlier 6 months, there was concern over the validity of the numbers and assumptions that drove them.

Despite the limited target company data, and as a result of the BIM consultants extensive experience and expertise they were able to perform relevant cost modeling based on a sound set of assumptions and leveraging past client projects both in the oil & gas industry as well as other comparable heavy infrastructure rebranding projects (e.g. utilities and mining).

The original internal high/low $125M -200M branded asset conversion cost estimate range, (that was projected before our engagement), was refined to a $95M estimate. This revised estimate was based on a much more thorough analysis and highly informed assumptions around post-merger headcount down-sizing, facilities consolidations and divestitures, fleet and equipment redundancy, internal versus external vendor resourcing, leveraging business-as-usual normal operational spending, and other factors.

The resulting BIM Assessment report and associated costing estimate brought a level a confidence to the process that had been lacking. More specifically, the original internal high/low $125M–200M branded asset conversion cost estimate range that was projected before our engagement, was refined to a $95M estimate. This revised estimate was based on a much more thorough analysis and highly informed assumptions around post-merger headcount down-sizing, facilities consolidations and divestitures, fleet and equipment redundancy, internal versus external vendor resourcing, leveraging business-as-usual normal operational spending, and other factors. Additionally, we helped to define how costs would be split between the M&A integration budget versus normal annual business-as-usual operational business unit budgets over multiple fiscal year periods.

Despite an existing robust PMI organization, and people with internal expertise and knowledge of the business, the engagement of an external 3rd party BIM Consultant helped galvanize action, crossed silos of data and activity that existed, and provided a confidence level that allowed the PMI Organization budget process to move forward. The net result was that we were able to help our internal partners to allay the fears of senior management and give them confidence in a defined path to completion.

Communication Plan

It almost goes without saying that the success of any project requires frequent, meaningful and effective communication to achieve success with the users whom it is intending to support. The importance of the twin components of Communication Plans and Employee Engagement can simply not be overstated. With a project as far reaching as the integration of two companies, the need for a comprehensive Communication Plan that incorporates all external and internal stakeholders: customers, employees, labor unions, board of directors and senior leadership, the investor community, channel partners, business partners, affiliates, suppliers, media and the general public is critical.

An M&A project may take up to a year to launch, and multiple years to complete and deliver promised benefits. As a result, it is imperative to set expectations around the pace of conversion, and how customers, employees and other stakeholders will be impacted at a group and a personal level.

Without a strong communication plan and consistent key messaging the danger is that even if a project is being very well managed, it can be perceived to be unjustified or chaotic, and ultimately unsuccessful.

Without a strong communication plan and consistent key messaging the danger is that even if a project is being very well managed, it can be ***perceived*** to be unjustified or chaotic, and ultimately unsuccessful, because expectations were not level set properly. To address this, an effective communication plan must be created that: articulates the vision and reasons behind the merger; sets and reinforces expectations; and constantly updates people on what has been achieved against the overall plan – both pre- and post deal close.

An external BIM consultant partner, that is well versed in the different ways and times that people are most likely to be impacted during the brand implementation process, can make a strong contribution to this effort to keep the organization's stakeholders, both internal and external, properly informed throughout the exercise.

The need, post deal close, to build momentum and maintain excitement and engagement relies on the ability to capitalize on early 'quick wins' and drive an accelerated, but consistent pace of branded asset conversion and operational integration. Defining the plan with key milestones and realistic timelines (with on-going progress tracking) into communication plans is critical to manage the perception and expectations of stakeholders, and keep them informed as to how well the post merger integration is progressing and how successful the integration is being managed.

Employee Engagement

A well-crafted communication plan can help reduce employee anxiety and cynicism, protect the acquirer's credibility, and prevent top management from being accused of reneging on its promises.

As would be expected, employees typically face significant uncertainty as they move from their legacy company into a merged organization. The integration of different teams, cultural norms and performance systems can be disruptive, making employee and talent retention and productivity top challenges. So how best to rally employees around the brand so they can help build momentum and deliver on the promise of a merger?

The M&A "deal close" clearly has a strong symbolic impact, and to build initial optimism and enthusiasm, organizations normally follow this up with celebratory "Launch Day" events that include things such as a CEO video explaining the integration, often a new website reveal, a new advertising campaign launch, executive media interviews and PR efforts, and employee gifts.

Effective communications, brand training and partnering with Human Resources to ensure that branding is incorporated into key HR initiatives like recruitment, new employee orientation

and leadership training are key to instilling the desired brand culture.

All of these efforts play a major role in engaging employees to generate support for the new combined company and building on the brand promise over time. However, the process of operationalizing the merger is what makes the process real and meaningful to employees on an ongoing basis. This means that the brand implementation process, and specifically the conversion of branded assets that is a primary focus of this work, plays a critical role in positively reinforcing the changes that will occur.

While the challenge of integrating corporate cultures, management, systems and operational integration, customer coverage and go-to-market strategies is a much larger effort, the symbolism and visual nature of converting branded assets is incredibly powerful in showing and demonstrating post merger integration progress and often can be done more quickly. As mentioned earlier, unlike Business & Functional integration which can take between 6 to 36 months; branded asset conversion is often substantially complete within 3 to 12 months providing quick wins.

The consistent, progressive conversion of high visibility and tactile assets like architectural signage, fleet graphics conversion, uniforms, security badges, etc. continues to boost the perception, both internally and externally, that integration is happening successfully.

Conclusion

The full scope and complexity inherent in implementing a new brand are too extensive to be included in this white paper. What we have tried to do is touch on the key areas that a Chief Marketing Officer should focus on to provide the best opportunity for M&A success.

With millions of dollars of cost, and tens of thousands of man hours of internal labor involved, post merger integration and branded asset conversion is the definition of "high risk, high reward". However, if done right, it also represents a set of activities that have the potential to deliver significant rewards from several standpoints: corporate financial benefits, stronger market presence and brand value; as a means of driving major corporate cultural changes; and, at a personal level, as the type of successful initiative that could be one of the highlights of a marketing career.

Remember, HOW you implement your brand is as important as WHAT you implement!

For more information, contact:

Jonathan Faria
Senior Director, Brand Implementation

Shikatani Lacroix
387 Richmond Street East
Toronto, Ontario
M5A 1P6
Telephone: 416-367-1999
Email: jfaria@sld.com

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