***Winning over the Skeptics in an M&A Deal***

**Challenge**

Ascension Insurance is a private-equity owned insurance brokerage building a nationwide presence through mergers & acquisitions. To deliver on the potential of these acquisitions, as much attention needs to be paid to the integration plan as is paid to the due-diligence process and reaching a deal. In its early years, Ascension used a corporate diligence team and then turned the integration over to one of its hub organizations. By excluding the integration team from the underwriting process, this approach set the stage for a bumpy integration and worked against Ascension’s desire for a unified culture.

The “hub” organization for which I was CFO identified a friendly competitor organization as a logical acquisition opportunity for Ascension and a good sister company for the hub. Because we knew the people, customers and business of the target firm very well, we inserted ourselves into the courtship from the beginning and took responsibility for the on-boarding experience. Good thing, because it turned out the acquired company personnel were strongly opposed to the idea that their brokerage was being sold, mostly out of fear of change but also out of concerns that the culture that they all admitted they liked would be subsumed into a corporate bureaucracy.

***Our challenge: win over these skeptics and keep them focused on doing what they did very well: selling insurance.***

**Actions**

The hub CEO (with whom I worked), the acquired company CEO and I worked closely at all stages of the diligence process with the goal of knowing so much about each firm – its talents, concerns, sensitivities – that we could orchestrate a smooth integration. Deciding how to handle integration fell to the acquired company CEO and me as regional CFO. He and I worked very closely to develop a strong personal bond and to present a unified front.

We developed a series of intentional actions, which my finance team executed:

* On the ground-services front, we moved staff from crowded, substandard office space to an attractive, spacious location. We seated personnel in the building based on “practice” groups, to encourage teamwork and load sharing. We initiated an equipment modernization plan. This move was greeted with enormous enthusiasm.
* We transferred the administrative functions that weren’t done well by the acquired company to the hub under my Controller: customer-payment posting, accounting, accounts payable, bank account management. Freeing people to pursue their best-and-highest use was welcomed.
* We improved personnel policies and execution. The Western Region HR director and I instituted a performance-review policy and delivered reviews to all personnel. The CEO and I established an annual staff bonus pool, and tied the awards to the review outcomes. We changed pay frequency to semi-monthly from biweekly to create greater pay-cycle timing predictability, especially producers who were paid only once a month. We implemented a flexible work hours program, allowing staff to set their start/end times to fit their personal lives. All of these steps created a beneficial form of structure where previously it was missing.
* We incorporated financial-results reviews into staff meetings, with on-site presentations to all staff at least semi-annually. The annual business plan was presented to all staff. There was genuine interest in this topic, as evidenced by great question-and-answer sessions.
* We introduced a sales management accountability system, a radical departure from absence of new-business accountability with which producers became comfortable. To alleviate producers’ anxiety, we offered a wide range of desired new markets to producers and enlisted the help of hub-organization colleagues when needed.

**Results**

The results of this careful integration process were:

* Employee insecurity and negativity about the acquisition was virtually eliminated,
* The professionalism of operations was materially improved by transferring many functions to the hub organization finance team,
* The culture was moved incrementally toward the type of unified culture Ascension is building,
* The success with the integration paved the way for necessary changes to compensation programs that would be controversial – which changes were approached with the same roll-out intentionality and care as the integration efforts, and
* Even with these investments in the unit, it met or exceeded all of its post-acquisition financial targets.

This was the most successfully executed acquisition in the company’s history because it was handled by people who were close to the business challenges/opportunities and who were dialed into cultural issues that affect employee alignment with strategic goals. Of lasting significance, it changed the firm’s approach to M&A for the better.