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Jump Starting a Corporate Merger

By Wendy Heckelman, Rich Smith

THE BEGINNING

As a result of the April 2003 merger between Pfizer, Inc and Pharmacia, leadership in the newly merged animal health division faced a daunting array of challenges. Even though the animal health organization was a relatively small part of the total transaction, there were still ambitious financial goals that had to be met to make the merger viable for Pfizer and Pharmacia shareholders. Meeting investor's financial expectations required achieving rigorous revenue targets while also overcoming the numerous complexities of integrating two similar yet different organizations.

As in any merger, there were predictable undercurrents of doubt, anxiety and skepticism among managers and employees from both organizations. To make matters worse, rumors circulated that the new animal health business would be spun off to help finance the merger of the human pharmaceuticals business. While the new field-based sales and technical organizations were clearly anxious, so was the cadre of middle managers, many of whom had little experience in merging two businesses and even less experience in the art of managing the essential cultural aspects of integration. Most managers believed they had more important things to do: new sales territories to cut, company cars to swap, expense reporting systems to implement. And if that were not enough at the time of the merger, Pfizer employees in one major segment of the division were already preoccupied with implementing a significant change in business strategy. These distractions adversely impacted the abil-

ity of employees to achieve the ambitious integration goals their management had set.

Knowing that most mergers fail because management does not successfully address cultural issues between the two companies, Pfizer leaders recognized the need to create a common framework for working together and achieving results among divergent business practices. The new company needed quickly and proactively to build trust and commitment among leaders and employees if it were to minimize the potential for misunderstanding, misdirection and lack of confidence in leadership. It was also imperative to engage every level of the organization in a teambuilding process that gathered input from employees, not only about their fears and anxieties, but also their ideas about how to make the new organization work. This article outlines the unique challenges Pfizer Animal Health faced during the recent integration and describes the Jump Start process, a change management tool developed and used throughout the corporation to accelerate the integration process.

CONFERENCE CONNECTION



Wendy Heckelman and Rich Smith are presenters at the 2004 OD Network Annual Conference in San Juan at the following session:
311T Merging in the Fast Lane: Lessons Learned in Leadership Development
Tuesday, Oct. 5, 2-4pm

THE LEADERSHIP VISION

From a practical point of view, management had to find a way to create greater synergy and collaboration among sales, marketing and technical operations in the face of an historical lack of alignment. Management had to earn trust within the organization by living and modeling its commitment to the new company’s future. The debate over which culture was “best” had to be transformed into a commitment to create a new organizational culture that kept the best from both organizations. Managers and employees at all levels in the organization had to refocus their efforts on what they could proactively achieve together in the present and future, rather than dwelling on a past that no longer existed.

At a meeting to integrate US Operations attended by all managers throughout the organization, senior leaders spent a majority of the time addressing cultural issues. Prior to the meeting, attendees completed a cultural survey to identify shared beliefs, assumptions and values between the organizations, and to clarify potential conflicts. The data indicated that the legacy organizations were characterized by very different cultures.

Blending the two would thus require a specific and targeted strategy and effort. Each culture, for example, handled risk in different ways. In one organization, consensus was generated before a decision was made; in the other, a decision was made and support and consensus were built around it. The data revealed similar differences on a variety of other cultural dimensions such as risk tolerance versus security. For example, individuals in one organization believed it was better to seek forgiveness than always have to ask for permission, while the people in the other organization thought it was better to get per-

mission than to have to ask for forgiveness. On the dimension of decision making and communication styles one organization felt that open disagreement and conflict can be healthy while the other thought that disagreement and conflict was often dangerous.

Given these differences, the meeting agenda provided an opportunity for cross-functional, self-managed groups to create metaphors for how the organization needed to operate to achieve its ideal future. The groups then planned how they would successfully define and communicate the division’s purpose and direction, create value for all stakeholders and anticipate and benefit from changing market conditions. While the metaphors varied – from Olympic relay team, to a migrating flock of geese, to a NASCAR racing team, the metaphors converged in describing a future complete with shared vision, sense of teamwork and common understanding of key business imperatives.

THE OVERALL STRATEGY

Although the integration meeting was very successful at demonstrating the importance of creating a unified culture, each business unit and work team still needed to understand and commit to their long-term and short-term business challenges. This required the design and roll-out of a “Jump Start” process over a four-month period to nearly 60 teams. Based on a core set of objectives, each Jump Start meeting still allowed customized agendas to meet the needs of different organizational levels and business units. Central to the overall process was the desire that each team should focus on empowering managers and colleagues to define and realize their own shared future. Jump Start utilized a six step process designed to accelerate progress towards critical business and transition goals (See Figure 1.)

Before each Jump Start Team Working Session, a Fast Cycle Diagnostic was conducted for each team through surveys and/or interviews to identify and prioritize business goals and challenges most likely to deliver results during the first 100 days. The Diagnostic also assessed how team members viewed the challenges they faced and identified the roles they hoped to play in meeting them. Consistent with the commitment to build one culture, the Diagnostic also helped team members understand the cultural and organizational context in which they functioned. Table 1 illustrates the types of concerns that needed to be addressed by one business unit with regards to improving communication. The scale used was (1) strongly disagree to (6) strongly agree. The shaded areas represent areas of opportunity for the team.

After Diagnostic data was collected and analyzed, it was fed back to the team leader and used to define objectives and design the Jump Start meeting. Because many teams were meeting for the first time post-merger, and would be integrating new team members and/or leaders, team building was made

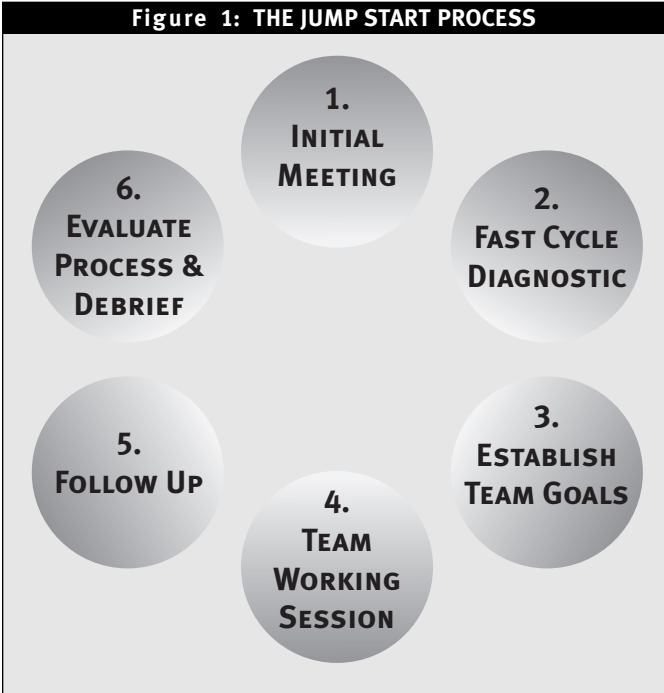


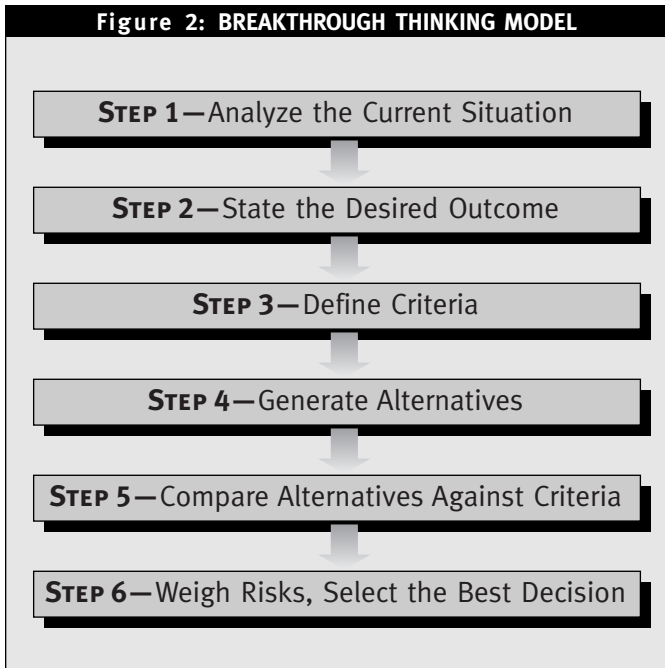
Table 1

Question	Mean	Valid N	Strongly Disagree	Disagree	Inclined to Disagree	Inclined to Agree	Agree	Strongly Agree
My department head successfully communicates how strategies and activities will help achieve the vision and mission	4.12	162	4%	12%	11%	25%	33%	14%
My second level manager successfully communicates how strategies and activities will help achieve the vision and mission.	4.28	161	4%	6%	14%	27%	32%	17%
My direct manager communicates the most important information in a clear and timely manner.	4.46	160	8%	5%	6%	24%	29%	28%
Communication within our team is open and honest.	4.26	164	10%	7%	9%	18%	34%	22%

part of the agendas. Many managers included social events as well.

At the one- or two-day Jump Start meetings, the consultant fed back data from the Fast Cycle Diagnostic to provide a context for identifying and prioritizing organizational challenges, and opportunities and for building action plans to address them. These plans were developed by using a “Breakthrough Thinking Model” (see Figure 2). Teams were divided up into small groups to “workshop” the model and asked to weigh the risks of alternatives and select the best solution. Finally, teams developed specific action plans to implement that helped accelerate each team’s ability to meet performance objectives and to ease the challenges related to the integration.

The Breakthrough Thinking Model created a common



approach and language for all teams to follow in developing disciplined, 100-day action plans that included methods for monitoring each team’s effectiveness for two quarters following the meeting.

Jump Start groups also established “Team Charters” – guidelines and boundaries for making decisions, defining accountabilities, clarifying communications and resolving differences. The process of constructing these Charters constructively surfaced cultural differences, strengthened collaboration, opened communication and built trust among team members and across functional boundaries. See Figure 3 for Sample Team Charters.

INITIAL OUTCOMES

By using the Jump Start process and allowing each team to develop its own action plans based on the Breakthrough Thinking Model, Pfizer Animal Health improved its ability to align its strategies and objectives at the organizational, business unit and team levels. Units made considerable progress in shifting from the reactive mode imposed by the corporate merger to a more proactive mode with improved planning and stakeholder input to decisions. While the Jump Start process enhanced communications across the organization, marketing and field operations, especially strengthened their abilities to plan new product launches and understand customer needs by obtaining field input in an earlier and more organized manner. Other cross-functional teams were organized to address specific process improvements and concerns about organizational health. Most important, senior leaders demonstrated their commitment to build upon the strengths of both companies and create a unified culture.

At the individual team level, the Jump Start meeting provided a forum for airing past concerns while maintaining a

Figure 3: SAMPLE TEAM CHARTER STATEMENTS

1. Maximize meeting effectiveness by staying with an agenda; always have a “Parking Lot for follow-up items.”
2. Use timely and clear communication and be certain that the “take-away” message is understood.
3. Give recognition of each other’s contribution to the team.
4. Be accountable/take ownership for your own actions.
5. Ask for what you need.
6. Be more proactive.
7. Have lots of fun!
8. Keep it positive!

future focus. Objectives, strategies, and tactics were clarified for teams and individuals, who were enabled to refocus their sales efforts on targeted accounts. Teams also improved their communications to inform all members, share best practices, and create greater organizational alignment and collaboration.

During follow-up meetings, team leaders reported on action plans, highlighted successes and identified continued opportunities for improvement. In addition, senior leaders undertook a critical organizational review of both the qualitative and quantitative data collected prior to and during the Jump Start meetings in order to address common issues across teams, functions and business units. Among those common issues, talent development was identified as a key area for improvement within the organization.

HUMAN CAPITAL DEVELOPMENT

Acting on the need to develop talent, work was begun on a comprehensive Human Capital Strategy. This strategy aimed to create an overall framework for attracting, developing and retaining middle managers. This strategy had to be linked and aligned with the organization’s talent review and succession planning processes, which were also being developed.

Linking these two initiatives – Human Capital Strategy with performance review and succession planning – began by developing role profiles and capability models for key middle management positions. These role profiles and capability models clarified performance expectations and drivers in clear, task-specific language. Interviews were conducted with a group of high-performing incumbent managers to identify the critical capabilities that accounted for their success. These capabilities were validated by both their managers and direct reports. The initial profiles were done for field sales managers who provide critical liaison between senior management and the sales force – the

largest employee population in the division. Field sales managers were targeted in order to leverage their skill improvements to their sales teams.

After role profiles and capability models for field sales managers were created and tested, a web-based, 360-degree feedback instrument was developed to measure the capabilities of incumbent managers. On an aggregate basis, this data was used to develop a curriculum to close skill gaps across managers. Development guides were established to assist senior managers in coaching and developing their field sales managers. Middle managers were challenged to take ownership of the 360 feedback process from initially soliciting feedback providers, to how and when the data would be shared with their managers and direct reports. This ownership reduced the tendency of middle managers to fear that senior management was secretly motivated to thin their ranks.

On the back end, retention tools were designed and provided, to help protect the company’s investment in high performing colleagues. These tools included a training program to help managers identify early warning signs of employee turnover and engage in re-recruitment conversations with “at-risk” employees, thus maintaining productivity and reducing the costs of turnover.

On the front end, guides for interviewing, selecting and

AUTHORS

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recruiting talented middle managers will be developed and implemented.

RESULTS ACHIEVED

In the year since this initiative was launched in April 2003, managers and colleagues report:

- Significantly improved clarity around roles, responsibilities, strategies and tactics that allow individuals and teams to effectively focus on business performance
- Broad and deep understanding of “we” as an organization replacing the previous “us versus them” tensions resulting from the merger
- Streamlined work processes that enhance productivity, especially in developing loyal relationships with priority customers and accelerating new product launches
- Dramatic improvements in cross-functional collaboration replacing the former competition between sales, marketing and veterinarian operations
- Clear and supportive top-down and bottom-up communication.

The sustained efforts begun in this process has led to the following business results:

- Achievement of 2003 revenue targets (in spite of the challenges caused by the merger integration)
- Successful transition of a number of new colleagues into key leadership roles within the organization.

LESSONS LEARNED

Among the lessons learned during the Jump Start process and its follow-up, these stand out:

1. **Establish Priorities:** While short-term business results properly take precedence in the early days of a corporate merger, the handling of issues related to cultural integration must also be clearly articulated as a key priority or they may ultimately derail it.
2. **Sustain Change:** Change initiatives cannot be effectively sustained solely on a top-down basis; they require a fusion of sustained, coordinated efforts to identify challenges and opportunities for improvement throughout the organization – both bottom-up across functions and outside-in from key stakeholders and customers.
3. **Commit Resources:** Successful change requires a commitment of time, talent and resources commensurate to the difficulty of the challenge and the desired business outcomes; the greater the challenge and need for success, the greater the commitment.
4. **Take Risks:** Change involves risk at a personal and professional level; the more senior leaders openly

accept and acknowledge that risk for themselves, the more they can expect individuals and teams to do the same.

5. **Communicate Often:** No matter how often and how well you communicate the goals and meaning of desired change, you need to communicate even more frequently and effectively.
6. **Encourage Open and Honest Discussion:** Senior leaders build enormous credibility during the merger process when they respond – publicly, fairly, quickly, and unambiguously – to feedback (especially negative feedback) from the organization, make sound decisions based on it and walk the talk regarding the organization’s corporate Values and Leader Behaviors.
7. **Obtain Assistance:** Achieving short-term business results while integrating disparate cultures will almost certainly overwhelm the resources of any organization and the services of an experienced management consulting firm can provide significant benefit.

During 2003 and 2004, managers and colleagues have aired and addressed concerns in an organized and focused manner throughout the “Jump Start” process. By focusing specifically on the challenge of integrating two cultures, the merger has been successful beyond the financial targets established by senior leaders. The people of Pfizer Animal Health take justifiable pride in their ability to meet challenging business goals while integrating disparate organizational cultures. By referring constantly to their Mission, Values, and Leader Behaviors, they have discovered individual and collective strengths to master challenges that might easily have pulled them apart. ■

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