



# The first battle in a merger is to win over the troops

  
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## General Sir Peter Wall

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Every time there is a defence spending review it results in the disbandment or amalgamation of units, as well as, on the upside, the formation of new units. These changes are sometimes regrettable but they are essential to sustaining the affordability and relevance of the armed forces.

In a similar way, the commercial ecosystem depends on businesses' ability to change shape as markets evolve. This is a natural phenomenon, but it may involve considerable risk and cause much apprehension.

Studies indicate that up to half of mergers and acquisitions do not create any shareholder value; some destroy it. Why do initiatives that look compelling on paper have such a high failure rate? Why are they sound in theory but not deliverable in practice?

Often these involve former opponents in hard-fought markets, brought together for strategic financial reasons. They may

start with antipathy but success depends on the ability to work together within a common culture. As the business guru Peter Drucker put it: "Culture eats strategy for breakfast."

Get this wrong and you generate political infighting, waste money and lose performance. Get it right and the sky's the limit. Ultimately it's down to leadership.

Imagine you are thrust into the role of chief executive of a merger. What are the key ingredients of your merger plan?

First, you have to understand the purpose of the new entity. This has to be more than maximising shareholder value, customer satisfaction, or, in the case of the forces, combat effectiveness. Every peer organisation is trying to do the same. It must be a philosophical rationale that will rally people behind the cause and inspire them to deliver. It may be about brand supremacy, technical innovation, or social benefit. It has to be much more than a list of immediate actions or objectives.

Second, be clear about the culture your new organisation will live by. This is

Peter is an occasional author and a speaker on leadership and geopolitics, drawing upon his experience of running the Army and working at the top of government. He is a visiting professor at Exeter University and Chairman of the think tank, Policy Exchange. He is CEO of Amicus and a director of the General Dynamics Corporation.

+44 7437 446599  
office@amicuslimited.com  
www.amicuslimited.com

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*Defence reviews can result in the amalgamation of units, meaning the military sees plenty of mergers. It is vital to gain full operational benefits.*

the leadership code, professional ethics and habits that will allow the organisation to meet its purpose by getting the very best from its people.

Third, be crystal clear about what it is the business exists to do in practical terms. Then, fourth, identify the factors that will be instrumental to success. Having done all this, you can identify short-term objectives and delegate responsibility for their implementation to individuals.

The military has plenty of experience of mergers, and just occasionally it is done to exploit an opportunity. Between 1999 and 2000, we faced the challenge of fusing our helicopter-borne and parachute forces to exploit the combat potential of the Apache helicopter, the army's most potent and expensive platform.

The two forces sound quite similar but they had rather different

backgrounds, and a degree of rivalry. Which one was to provide the nucleus around which the new 16 Air Assault Brigade would be built? What would be the operational culture, and how would it take the best techniques and experience from each part? How would it create esprit de corps and attract the right talent?

How would we ensure that the operational potential of this huge investment was fully exploited? In short, was this going to feel like a refreshing opportunity or a fractious procedural exercise? It fell to me to apply the model in establishing the new brigade with broad direction from the top, and the necessary resources. The challenge was to deliver the optimum merger, including marketing the utility of the organisation to the rest of the army, the Royal Navy and the Royal Air Force.

We developed the plan with the senior leadership team, which was about 10-strong – more would have been too many. There are three reasons for being consultative: to get the best mix of ideas, to win backing for the plan and to identify any outliers who may impede momentum.

Once the plan was finalised, it was tested and conveyed to the new brigade through seminars, workshops and practical exercises. A clear communication strategy explained the purpose of the brigade, the stages of its formation and the involvement of each of the force elements in the overall plan.

An ambitious exercise programme, using transport aircraft and helicopters from the RAF, built trust and mutual respect. It also assisted with building operational readiness quickly, and the brigade was soon deployed to Macedonia, Afghanistan and Iraq.

The merger model was a great help in this project. Getting the culture engrained proved to be the decisive aspect. It is key to success in any M&A activity, and surely improves the prospects of shareholder benefit.