A Practical Approach to Building M&A Integration Performance Dashboards

by Ricardo Alvarado

When it comes to the integration phase, a KPI dashboard is just as important as an integration project plan.

The use of KPI dashboards is a standard business practice to help track successful execution of critical initiatives. Common scenarios include the deployment of corporate business strategies or as part of large operational transformations. KPI dashboards can be just as critical to the success of mergers and acquisitions.

In prior Jabian Journals, we've highlighted the challenges with returning positive value from M&A deals, and shown Jabian's Value and Integration Management Office (VIMO) approach ensures its realization through integration (*The Jabian Journal*, Fall 2013). Here, we'll expand on the use of integration dashboards to capture that value, and share some keys to success from our most recent experiences.

Before we get started, let's establish what we mean by an integration dashboard: a visual display of a set of metrics defined by the steering committee and used to track progress against the achievement of the investment thesis goals.

Simply stated, it's the tool used to monitor progress toward a successful integration. It is important to note that an integration dashboard does *not* replace the integration project plan, which details all activities that must be executed to complete an integration and is further subdivided into specific work streams. Rather, an integration dashboard captures the impact of the successful execution of the overall project plan.

With that in mind, these tips should help you build and manage practical integration dashboards to keep your eye on the prize and over-achieve on your investment targets.

Keys to success:

DEFINE OWNERSHIP AND ACCOUNTABILITY

As our definition suggests, KPIs are best understood as a joint effort between an established steering committee and an integration lead at the helm. Though it stands to reason that the integration lead naturally becomes the dashboard manager, individual KPI ownership is more effective when assigned and distributed evenly across steering committee members. Keep in mind that ownership does not necessarily mean measurement responsibility, though it does mean coordinating measurement activities, target definitions and adjustments, and awareness of cross-functional efforts to move the needle. In short, a KPI owner is responsible for reporting status of the metric to the steering committee. It is likely that steering committee members will be assigned ownership of KPIs that more closely relate to the integration work streams they will drive. However, give close attention to ensure that the workload is evenly distributed.

ESTABLISH A FORMAL CADENCE FROM INTEGRATION DAY 1

The intensive nature of business integrations calls for achieving significant milestones early and often. An integration dashboard is meant to measure the tangible effect of these milestones to either confirm or adjust the integration plan accordingly. Though the frequency of measurement will vary across metrics, there should be significant progress to report against all metrics at least monthly. This allows the steering committee to validate the relevance of all metrics and confirm target expectations and outputs. A secondary benefit is encouraging frequent cross-functional communications, which further accelerates integration.

DEVELOP A TEMPLATE THAT IS VISUALLY INSIGHTFUL

As with any good dashboard, the eye should capture what's important at first glance. Integration dashboards differ from other more

ON TRACK
AT RISK
NOT ON TRACK

Sample Integration Dashboard

INCREASE REVENUE GROWTH	BASELINE			
	1/1/15	JAN 2015	FEB 2015	MAR 2015
INCREASE YOY REVENUE	100%	100%	110%	125%
REVENUE FROM NEW PRODUCTS	100%	100%	110%	130%
REVENUE FROM NEW SERVICES	100%	100%	110%	120%
AVG REVENUE / NEW CUSTOMER	$20,000	$20,000	$25,000	$30,000

INCREASE SHAREHOLDER VALUE	BASELINE			
	1/1/15	JAN 2015	FEB 2015	MAR 2015
ADJUSTED EBIDTA MARGIN	30%	30%	32%	35%
REMOVE SGA COST REDUNDANCIES	$-	$-	$200,000	$200,000
OPEX AS % OF REVENUE	50%	50%	49%	45%
CASH FLOW AS % OF REVENUE	27%	27%	28%	30%

IMPROVE CUSTOMER BASE	BASELINE			
	1/1/15	JAN 2015	FEB 2015	MAR 2015
SHARE OF WALLET INCREASE	5%	5%	6%	7%
MARKET PENETRATION	15%	15%	16%	20%
NPS OF NEW CLIENTS	50	50	60	70
AVG REVENUE / CUSTOMER	$5,000	$5,000	$750	$10,000

BUSINESS PROCESS EFFICIENCIES	BASELINE			
	1/1/15	JAN 2015	FEB 2015	MAR 2015
REDUCE NEW PRODUCT TTM	3 MONTHS	3 MONTHS	2 MONTHS	3 WEEKS
REDUCE VOLUME OF LEVEL 1 TICKETS	100	100	50	5
REDUCE SERVICE ROLLOUTS	250	250	125	125
ROLL OUT WEBSITE POS2.0	20%	20%	30%	40%

BUILD CUSTOMER-CENTRIC CULTURE	BASELINE			
	1/1/15	JAN 2015	FEB 2015	MAR 2015
NEW PRODUCT CERTIFICATION RATES	0%	0%	50%	75%
DEPLOY NEW PERFORMANCE REVIEW PROCESS	0%	25%	50%	75%
EMPLOYEE ENGAGEMENT	80%	80%	90%	95%
TALENT RETENTION	100%	100%	95%	95%

KEY NOTES & MILESTONES	BASELINE			
	1/1/15	JAN 2015	FEB 2015	MAR 2015
INTEGRATION PLAN TRACKER	0%	0%	25%	50%
QUICK WIN TRACKER	$50,000	$50,000	$75,000	$200,000
CRM ROLLOUT COMPLETION	60%	70%	80%	80%
JOINT FINANCIAL REPORTING	50%	50%	75%	100%

traditional dashboards because they are short-lived and are put into use right away. They should showcase the status of *all* metrics based on immediate actions because, in this case, it's more important to drive and maintain positive momentum than to review trends and analytics. Recent experience confirms that dashboards built on standard business software (e.g., Excel, PowerPoint, etc.) to initiate manual collection and tracking have the best chance at maximizing their benefits.

DEFINE PRACTICAL METRICS

Consider these tips when selecting your metrics and constructing the dashboard:

Simplify the measurement. Gain common agreement on acceptable sources for both existing and new metrics. Then, begin measuring. The more complex metrics will naturally either evolve into more practical definitions or be replaced by suitable alternatives.

Leverage benchmarking data from due diligence.
A recent survey conducted by APQC on the value of benchmarking during M&A showed that about 42 percent of organizations use benchmarking as part of their M&A process. The survey also showed that organizations that use benchmarking either met or exceeded their benchmarking expectations. As investors consider integration benefits, good benchmarking will clarify opportunity costs and help define attainable outcomes in support of the integration. The integration dashboard should then include benchmarking data from the investment thesis and clearly illustrate how whatever gap existed before the merger is being addressed (e.g., market penetration, customer feedback, share of wallet).

Combine qualitative and quantitative data. The same APQC survey revealed how both quantitative and qualitative data can be used during integration. Our experience confirms the need to rely on both types of data to ensure progress against practice as well as performance expectations. Commonly used methods for capturing qualitative data—surveys from a representative sample or focus groups to collect anecdotal evidence of cultural stickiness and practice transformation—are reliable and easy to implement. As we've said in previous Jabian publications, achieving cultural fit is the No. 1 cause for concern during post-merger integrations. Practice adoption is as much a sign of cultural integration as the performance outputs of the processes governed by those practices.

Select a "balanced" set of metrics.
Though most integration theses are based on financial and commercial benefits, these are commonly measured by lagging indicators. A recent APQC study on business excellence priorities and challenges revealed that adopting some common methods such as the "balanced scorecard" can ensure that M&A managers identify leading indicators that monitor process and performance and include them in a dashboard. The balanced scorecard normally breaks down strategic metrics into four perspectives: financial (e.g., growth, profitability, shareholder value); customer (e.g., customer satisfaction, NPS, share of wallet); internal business operations (e.g., cycle time, quality, product volume, productivity); and learning and growth (e.g., corporate culture, individual performance, employee attrition). This common practice is just as relevant for integration dashboards as it is for other strategic dashboard scenarios. Integration dashboards differ from others because of the time crunch under which process and performance impact must be determined. It is acceptable to include project tracking of key initiatives such as tool consolidation or policy/procedure deployment as qualitative metrics.

TRANSITION FROM INTEGRATION INTO STRATEGIC EXECUTION

Though most integration initiatives have defined duration periods, they rarely wrap up on a set date after which business as usual resumes. Rather, these initiatives continue until the investment thesis targets are achieved and/or key processes are successfully executed under a new model. The governance structure built into managing an investment dashboard can help transition from a mindset of integration to one of strategic governance. As integration thesis metrics reach their targets, the team can define new ones related to the next strategic planning period. It can redefine practice adoption metrics to monitor their corresponding process outputs. Similarly, the dashboard itself should be absorbed by more robust tools and measurement systems and evolve into a standard business strategy execution dashboard.

The most critical period of mergers and acquisitions is the first 100 days of integration, when theory must become a reality. By successfully building and managing a dashboard throughout the integration process, organizations can properly focus on tasks that drive value and ensure sustainable progress. Moreover, they can provide executives with solid evidence to reaffirm investments and communicate success.

Ricardo Alvarado
ricardo.alvarado@jabian.com