

The Awesome Opportunity of Change

By Louise Anderson and Carol Kinsey Goman, Ph.D.

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When a merger of two strong companies is imminent, employees, supervisors, and executives often share the same unwelcome vision of the organization's future: anxiety surely is bound to climb, enthusiasm certainly will plummet, and the values and systems that these good people in both companies have carefully created most likely will be trashed. Following the merger, the impact on sales can be brutal as sales forces are forced to learn quickly about new products and new systems for selling them.

If the merger is well directed, however, the environment of change it introduces actually will serve as a suitable and timely framework for personnel training. It also will provide rare opportunities for building new leadership and creating a healthy degree of motivation, engagement, and commitment for everyone it touches.

This story about two companies has been fictionalized, but it is based on an actual corporate merger. The issues and opportunities we discuss here are derived from dozens of true situations we have watched in recent years.

We would like to introduce you to Szemsted Industries of New Jersey, a leading developer, manufacturer, and seller of prescription pharmaceutical and consumer healthcare products. Szemsted is a public company with worldwide annual sales of about \$30 billion, a promising group of pharmaceuticals in the new-product pipeline, and a good record of success in obtaining quick FDA approvals for new medicines.

“We are dedicated to supporting mankind’s search for healthier lives through innovative pharmaceuticals,” the company said in last year’s annual report. The chairman’s letter said that this work, and the interests of the company’s shareholders, could best be achieved by strong organic growth and by continued acquisitions.

Last year, in an effort to provide a boost to the development of new pharmaceutical products, Szemsted acquired Watson-Baker, a smaller rival. Important to Szemsted, the deal also brought a balance to the company’s consumer healthcare portfolio by taking it into key niche areas such as weight loss aids. In addition, the deal strengthened Szemsted’s positioning within its broader market, both in the U.S. and abroad.



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The consumer healthcare market has been characterized by consolidation in recent years with a sustained level of mergers and acquisitions among the leading players. Consolidation has proved critical in an industry characterized by high research and development outlays as companies have been forced to better manage the escalating cost of bringing new products to market. Companies also have needed to keep a wide range of products under development in order to maintain shareholder value.

The intent of the acquisition was to expand opportunities for product development, production, and sales of health-related products. As far as the finances and corporate structures were concerned, the deal was treated as a merger. The two years that it took to complete negotiations and initial restructuring were costly in terms of both time and money.

Acquisition-related costs in the past year alone approached \$900 million. This included combining the staffs of the two companies plus restructuring of operations and system integration. Other significant expenses were related to severance payments, costs of vacating duplicate facilities, and other exit costs such as contract terminations. Clearly, the Watson-Baker deal represented not only opportunity but also a world of pain, confusion, and cost for those responsible for managing the merged company's operations and finances.

But perhaps the most challenging aspect of this union had to do with people, and not with numbers, systems, or real estate. The skilled, motivated and well-compensated individuals who constituted the sales forces of Szemsted and Watson-Baker made up two strong teams. In order for the combined company to succeed, they needed to become one strong team, and quickly.

The job of bringing together sales forces in any industrial environment is not an easy one. In an industry as specialized as healthcare, it can be uncommonly difficult. To learn why, let's look at those employees who make up the sales staff.

Characteristically, pharmaceutical sales jobs are quite secure. The reps have excellent income potential and often enjoy very comprehensive health and medical benefits. They can build long-lasting careers selling a continuing flow of new products that generally are in strong demand. Sales reps, many of whom are extensively trained and who deal directly with physicians in their work, represent a substantial investment for the drug companies.

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And as with any other significant investment, they demand, and deserve, careful, active management at a time of major corporate change. They must become involved in the story of the merger, learning to focus on the positive aspects of the change in their relationships with customers, and enjoying suitable rewards for their extra efforts.

Let us take a look at the issues that executives of Szemsted Industries faced when they were confronted with bringing together the skilled, but differently trained, sales forces of their own company with those of Watson-Baker. The first one is characteristic of most mergers among companies that produce and sell science-based products.

The pharmaceutical company that emerged at the end of the process found itself with a sales and marketing dilemma. Until a unified marketing strategy could be drawn up, drugs that had been developed by the separate companies continued to compete against each other after the companies had joined. And the sales reps, highly competitive by nature, were reluctant to abandon their aggressive selling against the former competitors even though they now were colleagues. Slowdowns, upsets, and misdirection caused by the transition could have been financially devastating.

Often, at the outset at least, this type of problem is compounded because separate marketing strategies have driven the sales efforts. When sales reps eventually are asked to take on new lines, they must learn not only about the products themselves but about the unfamiliar marketing and promotional efforts that stand behind them.

This creates major work for management which is obliged to move quickly to unify the sales forces, bring differing marketing, advertising, and promotional efforts together promptly, and deal with variations in sales incentives and salesforce compensation. All this contributes to the significant expense of merging two large firms and offers little payback in terms of increased income.

But the situation also offers a fine opportunity for management to boost the effectiveness of the combined sales force. This was exactly the right time, we feel, to take significant steps to upgrade sales performance in a way that need not add much to top-line, costs but that can contribute significantly to bottom line income almost immediately.

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Management can take advantage of the changed environment, one in which most employees are confused or unsure, to introduce new unified strategic thinking and performance standards, plus new incentive programs, that can actually improve morale and enhance production.

During this time, management's public focus must remain on communicating the specific benefits of the event to its customers. It is normal for executives to want to focus mainly on values that will accrue to the company itself at such a time. But if the earliest messages from the executive suite relate to customer benefits, this simple tactic will help drive a strong customer-focus message throughout the company.

One of the most significant issues that executives of Szemsted Industries faced during the merger process was getting its sales reps to perform in a way that would maintain, and even increase, the company's success in that critical transition period and beyond.

We feel that one tool that could have been applied is a performance improvement program that would have brought about lasting behavioral change and created focus during the time of transition. This complex process actually is simply defined. Managers should identify the behaviors that lead to success, teach others how to employ these behaviors, and then reward employees who do so successfully.

Given the complications of the restructuring of the company, this isn't exactly the best time for a research and training program, you might say. *Au contraire!* The opportunity to make a fix during transition reminds us of the old adage so many of us have invoked – "As long as we're moving into a new house, let's change the dining room furniture. And while we're at it..."

This confusing time of change is exactly the opportune time for analysis and training, because it is much easier to study and modify programs that are in flux than those that are embedded in years of established culture and corporate tradition.

This is a time when most minds will be open to new ideas and ways of doing things. It is easier to sell the resulting policies and procedures to employees at this time as well, particularly if management has positioned the merger as an opportunity for employees as well as for stakeholders.



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Gaining employee buy-in for the merger, or any transformation for that matter, is critical to success. It is not poor analysis and bad strategy that causes most corporate restructuring to fall apart. When change fails, the reason almost always involves people issues. Examples are employee resistance, a poor internal communications effort, a dysfunctional corporate culture, and lack of line management understanding of what needs to be done (which usually looks a lot like lack of support).

The turmoil of a merger provides a suitable, even a very good, environment for analytical programs that will upgrade sales reps' performance.

Let's look at a program that the management of Szemsted Industries could have put in place early in the merger process to help upgrade sales rep performance across the board. The first step is to identify those among the group who might be considered to be the best performers.

This is the elite collection of top producers, or the "Cream of the Corp." as I (Louise) call them in my recent book of that name. These are the reps at Szemsted and Watson-Baker who always meet and usually exceed their goals. These are the winners who really get it, who seem destined to achieve because they are constantly finding new ways to win and beat the odds.

These clearly defined leaders, who we'll call the "Stars," will constitute about 10 percent of the sales force. Beyond them fall the remainder of the reps who constitute the large "Middle Group," perhaps 80 percent of all the reps. At the bottom of this list will be the lowest 10 percent in terms of performance. We'll call them the "Others."

Managers frequently tell us they would like to clone their Stars because they are so few in number and so important to the success of the sales effort. But instead of cloning their Stars, the executives at the merged companies should try to clone what their Stars are doing. We cannot clone people yet, but we surely can clone what they do.

If the techniques the Stars employ could be taught to members of the Middle Group in an effort to help them improve their performance, even a small improvement in performance by each of these would have a dramatic and positive effect on total sales. Here are the ways in which managers at Szemsted could have followed this process and enjoyed better sales performance instead of suffering from disruption during and following the merger.

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Their first step would be to identify and isolate their own group of Stars – the top 10 percent of sales performers – and determine what and how these performers do what they do. Individual interviews would unlock the special techniques each uses to win over the docs they visit.

After a while it would become clear that the Stars rely to a large extent on individual personality traits in building trust and confidence among their customers. But when these personal human characteristics are set aside, there almost always remains a batch of little tricks of the trade that can be brought out by additional probing.

A Star might explain, for example, a special technique she always uses to get past steely-eyed gatekeepers. Another might reveal that he has spent an unusual amount of time logging questions asked by doctors so he could spend his first few minutes with the customer discussing answers to those pertinent questions. Still another might show how to accumulate and present evidence to doctors and their staffs about how the rep's information has been applied beneficially in the past.

Good questioning and analysis of interview results produce a wealth of field-proven ways that are used by the Stars to help them become and remain successful. Once this information has been accumulated, it can be formulated into a set of best behaviors and practices that can be taught, practiced, and reinforced to everyone. It is very likely that the production of the Middle Group will improve dramatically.

While much of this process is directed toward improving the performance of the Middle Group, techniques involving ways to explain product strengths and capabilities also will be immensely valuable to reps in other divisions who eventually might be selling that product. In an environment of change such as that existing at Szemsted, for example, this process of obtaining and communicating best behaviors and practices should be an essential element of the change management task.

Management must be engaged early in this task and should create systems for distributing knowledge effectively to employees. This will give employees the tools they need to amplify positive messages and thus build understanding and encourage customer support of the event.

It is essential to the success of this effort that the whole process and its purpose be communicated clearly to the sales reps. They need to understand and be convinced of its validity and its value. They need to know how it fits into the bigger picture of the newly merged companies.

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They also need to know that this is not going to go on forever. The program should be designated for a certain limited period of time, which will be sufficient to conduct the research and training and to evaluate results. It's important for employees subjected to change to know that there will be an end point to the transformation.

In the meantime, they should be helped to feel that the sooner they engage in the new ways of doing things, the sooner they will enjoy the satisfaction and rewards of the new venture.

This project is designed to build revenues and cut costs at companies like Szemsted. It also is designed to take advantage of the time of uncertainty at the company because most employees will understand the need for setting new standards and bringing unity to the combined operations. Acceptance of the program by employees, and their willing participation in it, is sure to be fortified by their need to learn new rules in order to succeed.

A second issue faced by the executives of Szemsted, who were trying to smoothly unify the two sales forces, was to assure that the reps from both companies maintained positive attitudes and remained engaged in their work. Maintaining normal employee engagement, even in a low-pressure company that is free of stressful change, is a major management challenge.

In a high-stress company the challenge could be more serious, and we'll get to that in a minute. In a typical organization, however, half of the workers are doing just enough to get by. Another 25 percent are totally turned off. This means that only one-quarter of them are usefully engaged in building the organization and helping to meet its goals.

Recent studies that have profiled U.S. companies report that a number of employees are not enthused by their jobs, not willing to go the extra mile, and not inspired to deliver great customer service or to create great products.

A recent Gallup Management Journal report depicts three types of employees which are the engaged, the non-engaged, and the actively disengaged. In their words, engaged employees work with passion and feel a profound connection to their companies. They drive innovation and move the organization forward.

Non-engaged employees essentially have “checked out,” the Journal says. They’re sleepwalking through their workday putting time – but not enough energy or passion – into their work. Actively disengaged employees are said to be not only unhappy with their work, but busy acting out their unhappiness and undermining what their engaged coworkers accomplish.

While some leaders feel this issue is related to entrenched corporate culture, we disagree. We think engagement is related directly to leadership. The reason is that in all organizations, even those with “unenlightened” cultures, there are pockets of true engagement because of the magic presence of one manager, one team leader, one department head who truly understands how to inspire and motivate people.

At Szemsted, of course, we might have expected a higher level of employee engagement because of the sophisticated level of the company’s products and the professional relationships it has with the medical people to whom it sells. But most studies show that the level of an employee’s engagement actually is related more often to that person’s relationships in the workplace and to the leadership, direction, and support he enjoys.

This means that a lack of employee engagement, and mutual trust, by the way, can be a major problem for any type of company that is in the process of change.

Even in successful companies enjoying good times, employees are reluctant to share information with others when they don’t know them well enough to evaluate their trustworthiness. Toss in a merger or a similar situation involving high turnover or mass layoffs, and it becomes extremely challenging to develop the mutual trust necessary to build strong relationships. Yet too often, in the rush and confusion of a merger, employees are grouped together and told to “get to work.”

Well-placed trust grows out of experience and interaction – usually extended over time by talking and asking questions, by listening and determining how well claims and actions hold up. Effective teams have learned that the time to get to know one another and to build valuable “social capital” at the beginning of a project leads to the kinds of trusting relationships that pay off in increased productivity later on.

In a merger situation, sales people who may have achieved a degree of success and prominence in their own organization can find themselves working unexpectedly for a leader who has no clue who they are or what they want. The negative workplace relationship that can result from this is one of the primary causes of disengagement.

Leaders who want to know who among their employees, their managers, and their teams are engaged can set up a recognition and rewards system for the behavior they are seeking. The reporting alone will demonstrate engagement. The subsequent sharing of new results and rewards can build upon itself to help build a culture of engagement.

Employee engagement, however, is not all about monetary rewards, a formal recognition program, a once-a-month pat on the back, and a little verbal feedback now and then. Careful analysis shows that worker motivation really is about the kind of support and encouragement that happens only when the boss or peers understand and embrace employees at the human level.

Also, most studies in this area report that engaged employees highly value their friendships at work and see a degree of selflessness in their managers and work partners. This probably is why motivational leaders almost universally inspire high levels of commitment and performance. Working with one of them can be a highlight in anyone's career.

It is hard to force-feed close friendships in a new company resulting from a merger. But since friendships are critical to employee engagement, the leadership job facing the Szemsted management team should have included building a framework of caring, cooperative workers.

This can be tough duty when corporate leadership is preoccupied with structure and finances. But as in the case of combining sales staffs, the turmoil of a merger provides a suitable, even a very good environment for corporate efforts to build commitment and performance.

The job of creating leaders who can foster warm, trusting relationships is an achievable project that should be undertaken by every company entering into transition.



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Most of the candidates are managers who are accustomed to dealing with stability by arranging resources, putting staffs together, working the money flow and supervising tasks. But strong leaders are required during transition when people and cultures merge. They are expert at building teams, creating an environment of engagement, and reinforcing the behaviors of cross-functional collaboration. The need for thoughtful leadership is greatest during a merger, so the chances for acceptance and success should be good.

At Szemsted Industries, where the sales reps do knowledge work, the first hint of a coming merger would have provided a perfect opportunity to have begun training sales executives, and particularly their supervisors, in the leadership skills of collaboration and internal communications.

Those are the human strengths that clearly would have been needed most when it came time to unify the selling forces, eliminate internal confusion, demonstrate the values of collaboration, provide early results to build upon, and create new opportunities in sales.

Louise Anderson is president and CEO of Anderson Performance Improvement Company (www.andersonperformance.com), a company that is accelerating the art of selling through the science of performance. Louise has been published in the Twin Cities Business Journal, Insurance Marketing, Pharmaceutical Executive, Sales & Marketing Management, and many other magazines. She is also the author of "Cream of the Corp.," a book of practical suggestions and ingenious ways companies can get people doing things that accelerate profits, available on Amazon.com and www.AndersonPerformance.com

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