



EMCC company network

Managing change in EU cross-border mergers and acquisitions

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The European Foundation for the Improvement of Living and Working Conditions organised a seminar for its company network on November 29–30, 2007, hosted by Santander at its corporate headquarters in Madrid, Spain. In intensive discussions over the two days, 32 representatives from companies, trade unions, universities, research organisations and the European Commission discussed the management of change in EU cross-border mergers and acquisitions (M & A). The Impress case was presented by Peter van Spaandonk, the company's director of Human Resources.

Background to the company

Impress is a privately owned worldwide manufacturer of metal food cans. It operates in 21 countries, with 59 production facilities, 8,000 employees, and sales in 2006 of a value of €1.6 billion. Impress as a legal entity is based in the Netherlands but its head office is in Paris, and its executive committee is made up of nationalities from across Europe and the United States. Although a global company working in all parts of the world, the majority of its operations are centred on Europe, with a large presence in eastern Europe.

Impress strives to be the best metal can manufacturing company in the world, as opposed to the biggest or most profitable. Central to all of Impress's activities are its values of operational excellence, adapted to the country and plant environments in which the firm operates and the nature of the industry. Impress's corporate culture is summed up in its vision and values statement, which emphasises trust, transparency and teamwork as key elements.

Acquiring other companies has long been the basis of Impress's growth. Although formed in 1997, its roots go back to the beginnings of can manufacturing in the 19th century, with predecessor companies in the Pacific, Atlantic, Baltic and Mediterranean rims as well as across continental Europe.

Many of the factories and plants that Impress operate are old, with long histories in their regions and a tradition of jobs passing down between the generations. While Impress seeks to create lean, low-bureaucratic operations that are cost-efficient and reliable, it also understands the need to respect these traditions. Plants are locally managed, which enables local understanding to filter up to the corporate level and corporate values to filter down to the workers, fostering a feeling of mutual respect.

Impress views acquisitions as tools to meet specific company objectives and not as a purpose in themselves. In general, acquisitions are undertaken as a market development tool or for geographical expansion. However they may also be undertaken in order to add value or diversity to the company. Often, companies are acquired in order to maintain the relationships of these companies with suppliers, or to acquire companies that are in a competitive global position.

Background to the merger

To illustrate the company's acquisitions strategy, Impress presented the example of a factory that they acquired in Sutton, UK from Alcan. It was a factory with a long history and a unique production process. It was a sound business that provided a complementary product range that fitted well into the overall Impress holdings. The acquisition also gave Impress access to an important technology that would enable the company to continue supplying Alcan customers. It had a large and stable customer base and had been in business for many years.

The lead-up process

In every acquisition process, Impress starts by considering its strategic aims as a company and how the target company will help to meet these aims. If there is no strategic advantage, then Impress decides that the company should not be acquired. Having identified the strategic aim, and the target company's relevance, Impress begins to look in more detail at the costs and benefits and sets in train a process of due diligence. At the centre of this process is the question of whether the target organisation is ready for change. All relevant parties are brought to the table, using both the resources and contacts of the target company itself, and the resources at the disposal of Impress. Human resources, finance, legal, production, management and technical teams are all considered and evaluated. This approach is made in an unaggressive and unobtrusive way.

Potential acquisitions are evaluated on their potential to move from often inefficient, stand-alone, multi-product operations based on local standards to lean, cost-efficient, subsidiaries producing core products in a state-of-the-art manner according to global standards. During this time, Impress managers also seek to understand the culture and management model of the organisation and its capacity for change. Impress representatives meet with the target company's management in order to evaluate their capacity to undertake and provide leadership in the change process. They also investigate the reputation of the company in the local area, analyse employee behaviours and skills and note the company values and how they are communicated throughout the organisation.

The post-acquisition process

Impress' systematic approach to new acquisitions seeks to minimise uncertainty and make the transition as smooth as possible. On the first day of the process, a welcome meeting is organised for employees; existing signs and logos are replaced by the Impress branding; plans are set out for the integration of company structures; synergies and benchmarking are sought; and restructuring plans are made. Central to this strategy is ensuring that all information is communicated as clearly and widely as possible in order to keep all relevant parties informed. Management changes are implemented as quickly as possible and a vision is developed for the acquired company.

Impress then undertakes a company integration programme aimed at bridging any gaps between the target company and Impress. Local management is permitted to lead the programme and ensure that employees are informed of the changes and what may be required of them. These programmes may involve redundancies and plant restructurings, with related union negotiations, training and skills development and general changes in the overall working environment. In addition, the acquisition is paired with a 'big brother' plant – a similar-sized operation that has also undergone a similar Impress acquisition process. This enables shared learning and guidance throughout the post-acquisition process.

Overcoming challenges

Impress presented a framework for the acquisition process and the different stages that are typically gone through during this process. Four distinct phases can be identified: forming, storming, norming and performing.

Forming describes the initial stages of the acquisition. The companies are both eager to work together, get to know each other and learn from each other. There is excitement about the change process and most parties are eager to make the new relationship work. At Sutton, Impress undertook an extensive listening process, and also incorporated the closure of another Impress plant close by into their future plans for staff and in the creation of a vision for the acquisition.

Storming refers to the end of this ‘honeymoon’ period between the two entities. Disagreements emerge, expectations are not met and conflicts occur. At Sutton, this was illustrated by difficulties in integrating new product lines, reluctance on the part of local management to have Impress officials visit the site, and a certain preference for previous management methods. There were also redundancies, conflicts with the unions over pension plans and a general distrust of the new owners (known as a former competitor and with the reputation of being a ‘lean and mean’ manufacturer).

However, this conflict gives way in due course to the next phase, **norming**, in which both parties renew their efforts to learn to work together, listen to each other and create compromise and meaningful change that benefit all involved. In the case of Sutton, the norming process involved a general acceptance of the new incorporated nature of the factory, acceptance of the new management policies, the establishment of a relationship with a big brother plant in Italy and resolution of the pension plan conflicts.

Finally, the last phase is **performing**. With new norms of working, production and management in place, the benefits of the hard work begin to show and people understand the advantages of the partnership in the long term. As the change grew to be accepted and understood at Sutton, so too did the plant’s performance. Sutton became ‘a showcase of synergies’, achieving a transfer of production lines, volumes and customer supply and producing significant cost savings as well as diversifying its production capabilities.

Lessons learnt

Impress uses a ‘learning by doing’ framework for acquisitions, which facilitates the integration process and creates enough flexibility within Impress to allow its processes and values to be influenced by the cultures of the companies it acquires and the countries in which it operates. In the immediate post-acquisition period, time must be spent on the floor with the target company and communication is a priority for all levels of the organisation.

It is important to find a balance between two important principles: minimising uncertainty on the one hand and listening and learning on the other. Minimising uncertainty can be achieved through the formulation of clear goals from the outset, and effective and clear communication of these goals and plans for achieving them to all relevant parties. ‘Quick hits’ can contribute to getting the message across that change can be positive – for instance, by introducing best practices from other plants that clearly demonstrate improvements. While it is important to establish a new tone from the outset, it is also important to avoid creating a sense of imposing an alien culture from above. Listening and learning involves taking time to learn the local culture and ways of doing things. It also means avoiding introducing unnecessary changes and putting effort into bringing practices into alignment with each other. Exchange visits play an important role here, involving not just visits from senior corporate staff to the local site to investigate how things are done locally, but also invitations to local managers to visit other Impress sites.

Being open on all sides, developing trust, teamwork and transparency at the beginning are regarded as the key ingredients of success in Impress’s acquisitions strategy.

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