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Patricia Mathieson takes a look at some of the challenges presented by business mergers and what can be done to overcome them, and along the way gets an interesting take on what went wrong between HP and Autonomy.

To our surprise, the most difficult thing has been merging the different working practices and corporate cultures. Both companies used the same specialist customer database software, but who could have foreseen such different ways of using it? As for the company structures and the ways in which the two teams operated and individuals related to each other, creating harmony between them has been a nightmare. Everyone wants to impose their own views on everyone else and few people are prepared to capitulate."

"A cheese roll hurtles across the office, narrowly missing the sales co-ordinator. She responds with a notepad, followed by a diary. "You've entered the client records in the wrong places," clamours an account manager. "We've always done it like this: it works fine," the co-ordinator retaliates.



The atmosphere has been like this for days and is deteriorating. People spend more time complaining about each other than working. Three months after our company took over a competitor, the cracks are appearing. What should have been a relatively straightforward transition has been anything but. We've avoided compulsory redundancies in cases such as the company secretary where we only needed one person and two were available. But some of the incomers are more experienced than the existing staff and also, coming from London, were generally on higher pay scales, and this has caused friction.

Many people in the Cambridge area have been through similar experiences and many more will do so in future. Indeed, unanticipated differences in their corporate cultures, policy structures and modes of operation may well have been a significant contributor to the troubled integration of Autonomy into HP. No wonder that so many such sales end up with the technology being subsumed into that of the purchasing company, whilst most of the original staff are let go.

A former Autonomy manager has an intriguing perspective on the HP/Autonomy merger: "There couldn't have been a worse culture clash," he says. "HP has a nurturing, team-building culture; Autonomy was a dedicated sales and marketing machine in which CEO Mike Lynch and his management team constantly cracked the whip to ensure that staff met their sales targets. The attrition rate was huge, but so were the rewards for success. With the merger into HP, much of that incentive will have gone, so no wonder if sales have slowed. >



When is the right time to sell your business? Should you tell the staff? These are questions that will face an owner manager seeking an exit, and we put these (and a few more) to Peter Watson, Director of Corporate Finance at Prism Corporate Broking, specialist in company sale and acquisition, to see what light he could shed.

Well let's start at the beginning – when is a good time to sell your business?

First, I'd like to remove a myth – very few people actually achieve the optimal exit point, we just happen to know about the ones that do! We see exit as a combination of business, personal and market timing. If you happen to achieve all three, great, but "two out of three ain't bad"!

Another common question is if, and what, to tell the staff? Do you have any experience of this?

We are currently working on a deal where all the staff are aware that a sale is in progress. Where there is an evident reason for sale, or you believe it is inevitable that the "word will get out" then it can make sense to speak to staff before going public. This way you can control the message.

We have however worked on many deals where staff have remained unaware of the sale until after completion. This has the advantage that if the deal does not proceed, you have not been compromised in any way, and the staff don't have to worry about any consequences that they cannot control. As with much in the world of Mergers & Acquisitions – it depends on the specific circumstances.

And finally, what's your top tip for getting the best deal?

In one word – competition! It is the reason why so many records were smashed at the Olympics, and it works for business sale too!

Prism Corporate Broking is a business broker, helping people to buy and sell businesses. It operates from offices near Cambridge and works with clients across the UK. Prism provides extensive advice on preparation for business sale, focussing on steps to maximise value prior to selling. They also work closely with clients throughout the entire sale or acquisition process: managing the preparation of documentation, identifying and approaching targets, negotiating deals, plus continued support and advice up to and beyond completion.

To discuss your individual needs call Peter Watson on 01638 743 123.
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"Whilst it's unlikely that Autonomy could have sustained such an assertive business model as it grew, I doubt whether HP can provide a long-term future for the company," he continues. "Indeed, HP seems to have lost its way strategically. Recent acquisitions such as Psion and Pam have not been technical successes. My impression is that HP intends the Autonomy software to become an enterprise class search facility, overlaying large IT infrastructures such as those in the National Weather Centre and NASA. Autonomy's technical staff were highly skilled at applying the software to customers' needs. Has HP really had time to assume that knowledge before letting Mike Lynch and many of his team go?"

This is not to say that mergers cannot be made to work, even long after they falter. Some years ago I was contracted by a large healthcare organisation to review a team that it had inherited in a reorganisation of London's emergency services. After seven years of co-habiting, the parent organisation felt the merger had been unsuccessful and was considering whether to close the subsidiary.

My role was to assess the situation prior to the final closure decision. However, I found that the subsidiary had immense, albeit untapped potential. With a little reorganisation, the introduction of modern technology and some cultural realignment, not only could it add significant value to the parent organisation's own work, but it could offer extra, income-generating services.

The big issue was how to put the recommendations into practice, especially in a unionised environment. Overcoming cultural differences presented a major hurdle: the smaller team had always managed its own affairs in a fairly relaxed style. Members did not fit comfortably into the larger organisation's more formal style. In addition, the systems and procedures needed updating, but this also met with resistance because staff were unfamiliar with modern technology and feared it would bring redundancies.

On the grounds that they were going to operate the new, enhanced service, the staff themselves were invited to develop it. The fifteen-strong working group comprised staff from both parts of the organisation, senior managers, junior part-timers, union representatives and customer representatives.

Patricia Mathieson is joint founder of Bardwyck, a Cambridgeshire-based business process consultancy. The aim is to streamline the whole organisation's way of working and, by reducing the amount of wasted time and resources, to produce significant improvements in profitability. patricia.mathieson@bardwyck.com <http://bardwyck.com>

“What is the union’s official position on this? was the immediate question”

Calming their fears and persuading them that the re-modelled operations would save and even improve their jobs was the first and most challenging task. We used group discussions, one-to-one meetings and anonymous questionnaires to draw out their concerns and highlight the contribution that their expertise could make to a winning formula for the new service. We then fed the detailed results back to them.

The day came when, in mid discussion, a wave of realisation swept across the room. Suddenly they understood that the changes they were developing would create a new, highly prestigious role for their part of the organisation. From then on the team began to meld closely and the project went from strength to strength, building on the initial foundations until we were able to launch a brand new emergency service for London.

At the same time, we encouraged staff from both parts of the organisation to collaborate more in their work and to mix socially. This proved extremely productive.

Finally, before the official launch, we presented the results of the project to the parent organisation's management board. "What is the union's official position on this?" was the immediate question. To my immense pride, the union representative replied: "We are 100% in support of the new service – after all, we designed it!"

The new service, operated and managed by the staff from the subsidiary, went from strength to strength and became a flagship for the parent organisation: the problem child had become a hidden jewel. Perhaps, after all, HP has missed a trick with Autonomy. ■

