



M&AS: WHAT'S THE BIG DEAL?

Organisational buy-outs are starting to make headlines again, and once more FMs are being presented with a range of last-minute, challenging, issues. But the experience can present personal opportunities too.

Illustration: Aude Van Ryn

When US food giant Kraft acquired chocolate manufacturer Cadbury earlier this year, it signalled a general revival in merger and acquisition activities. Companies were seeking out bargains in readiness for an economic upturn.

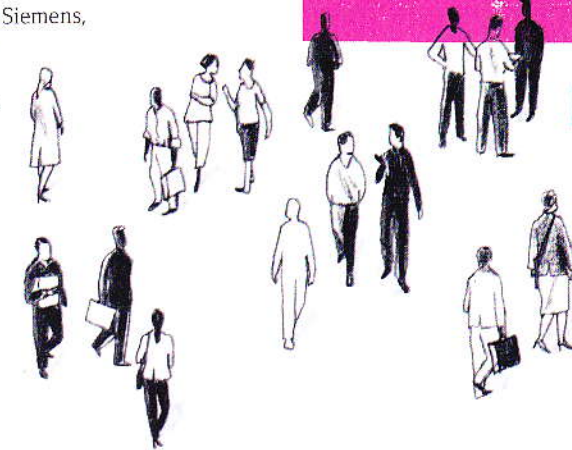
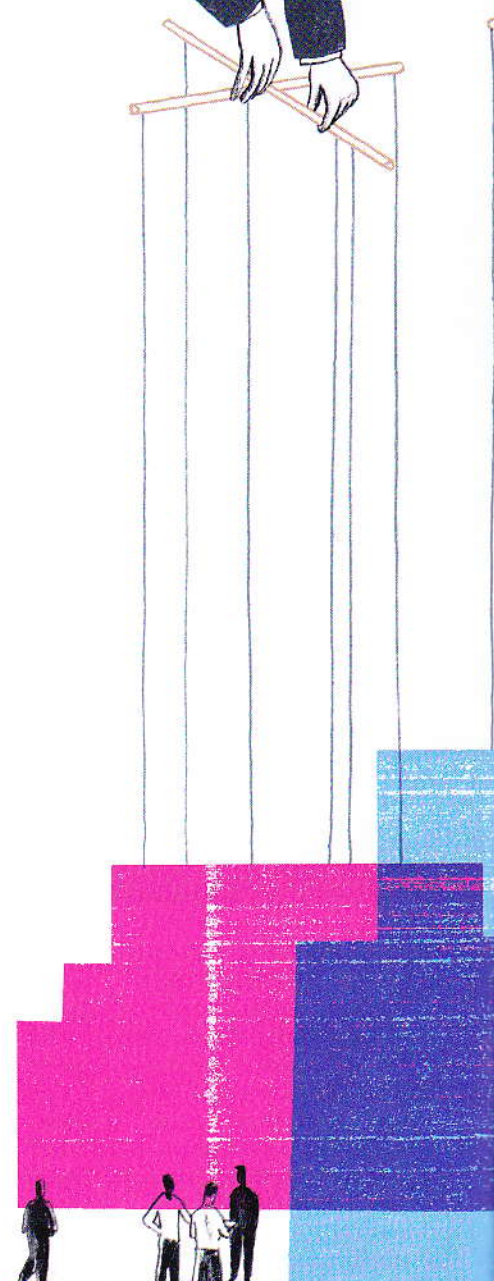
There were plenty of other examples too. In April, car rental firm Hertz agreed to buy its smaller rival Dollar Thrifty for \$1.2 billion, while computer equipment manufacturer HP acquired smartphone business Palm for the same amount. Also that month British Airways finalised plans to merge with Spanish airline Iberia.

Deals done in 2009 at the depths of the recession included those between Pfizer and Wyeth, Oracle and Sun Microsystems, and Yorkshire and Chelsea Building Societies.

Such activity can present a range of issues for FM directors and their teams, not least because they are often unaware of any deal until late in the day and can find themselves having to react at very short notice.

Short notice

Until 2009 Gail Mee worked for Siemens, initially as FM manager before becoming mergers and acquisitions transition manager. She was at the company for six years, at a time when it was on a major acquisition spree. "Within FM we were very late to be approached for any sort of merger or acquisition," she says. "We would get a knock at a point



"THE FM TEAM IS OFTEN LEFT TO PICK UP THE PIECES AFTER A MERGER BUT WHAT COMPANIES TEND TO FORGET IS THAT THEY ARE ALSO IMPACTED AS A GROUP OF INDIVIDUALS"

when things were happening and we would have to mobilise for or integrate with a new site with six weeks' notice."

Ian Fielder, chief executive of BIFM, says this is a common complaint. "A lot of mergers and acquisition discussion goes on at board level but once the decision has been made to move ahead to the next stage in the process most of the FM team would say they should be involved, even as early as the due diligence stage," he says.

Often one of the first challenges for an FM director of a dominant partner in such an arrangement will be to address the fears of those in both their existing team and in the acquired business. "The FM team is often left to pick up the pieces but what companies tend to forget is that they are also impacted as a group of individuals," says Liz Kentish, director of Liz Kentish Coaching and chair of the BIFM Women in FM group.

According to Lionel Proddgers, director of consultancy Agents4FM, FM needs to work with HR to organise roadshows and workshops to inform

staff about what is happening and keep them on side. "You need to ensure the workforce is fully operational so you're not risking operational failure or people not understanding the arrangements that are likely to happen," he says.

Hand-holding

This was one area which Siemens generally handled well, says Mee, who now works alongside Proddgers at Agents4FM. "We'd learned the hard way through some too-speedy mergers so we spent effort in the softer areas," she says. "We spent a lot of time developing induction processes for all the people who would be transferred in and I implemented and rolled out the first induction packages with our HR partners for people being transferred into our FM team. There was a need for hand-holding and because we were such a large and complex organisation."

Others, though, were less fortunate. One FM, who asked not to be named, working for a large blue-chip recently acquired by an international rival said a lack of communication had a detrimental effect on the whole team. "There was muddiness on both sides but it did feel as if the takeover was happening to us rather than us being involved in the process," she says. "It was a difficult time to stay motivated and carry on delivering when there was all this uncertainty going on in the background."

Once a merger or acquisition has gone ahead, FM directors must bring the two disparate FM teams together. In mergers, senior execs are likely to have already decided which team will take the lead, while in acquisitions it would normally be the acquirer.

Smoothing the path

One thing to watch out for here, says Kentish, is power struggles between individuals in parallel roles. "It may be that you can have two roles, although probably not identical ones," she says. "Or it may be that one person has more experience and can take the lead."

FM will also have to redesign the internal arrangements to accommodate the new setup, points out Proddgers. "You're likely to be talking about move management, bringing similar functions of the business together, probably into consolidated space, and at that point you do start to think about redundancies," he says. Ensuring communications and IT systems are running effectively, complete with any new branding, is also a priority, he adds.

A further headache comes from inheriting a second set of suppliers, which will usually lead to a reduction in the number of providers. "It's very difficult to split it and have competing suppliers doing different parts of the business," says Kentish. "There's no easy

FM QUICK FACTS

42%

of UK executives are putting aside capital for merger and acquisition activity rather than paying down debt or dividends, compared to 25 per cent in November 2009

57%

of global business executives believe they are "likely" or "highly likely" to buy companies in the next 12 months

27%

The value and volume of mergers and acquisitions fell by in 2009 compared to 2008

answer; it's just about being as ethical and moral as you can and telling them what's happening. It might be that one company has a very small supplier which just can't manage that whole contract."

Yet there can be problems hidden in existing contracts, says Fielder at BIFM, particularly when one party has a "rest-of-property" agreement under which they are entitled to work on any future properties acquired. "You have to make sure that not only are you doing the due diligence properly but you are aware of the political situation as well," he warns.

At Siemens, the situation was even more complicated, says Mee. The FM department was only an optional service provider for the rest of the business – and it was often a more costly choice for the acquiree. "We would generally do – and this is where our procurement department came in – a really thorough rationalisation where we would look at who their suppliers were and speak with their current providers," she says. "Transition services were required; you would agree with a current provider to carry on providing the services for a certain period of time."

Consolidation

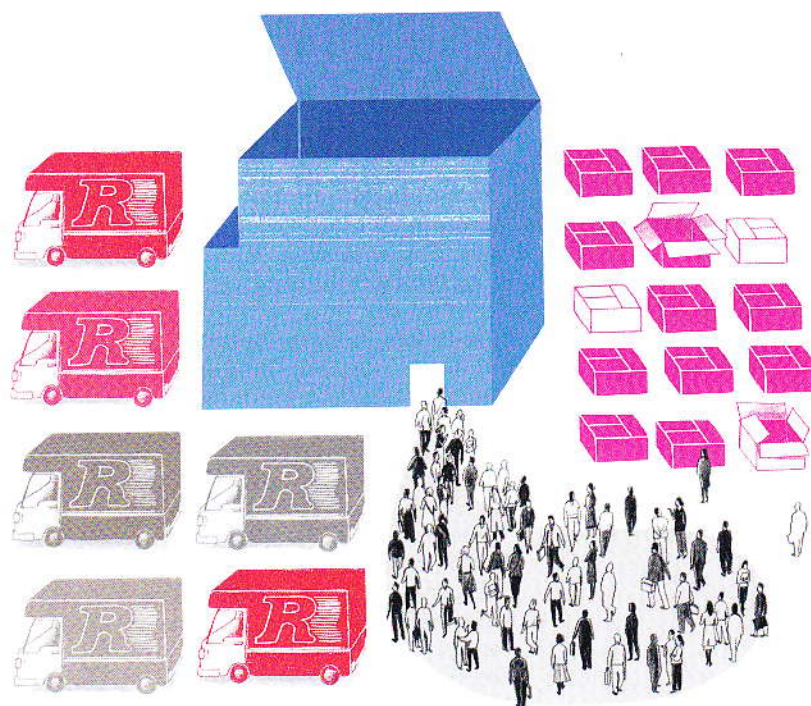
Another priority is to assess and rationalise the company's new property portfolio, with a view to disposing of any unnecessary sites. "The people at the top of an organisation might just think they can finish a lease or sell a building but it's not that simple," says Kentish. "There are rules to follow and contracts to be dealt with."

The due diligence carried out ahead of the deal going through should have identified any long-term commitments and the potential for savings, says Producers. "It could be that none of the properties are suitable and a new HQ has to be acquired," he adds. "It creates a lot of work for the FM so there may be an increase to the team because of the increased workload and then a scaling back later."

The number of buildings was dictated by our space strategy team, recalls the blue-chip FM. "We just got advised as to the decision and then had to go off vacating and relocating staff. My personal role was around the hard services of the building, so closing down or reducing services, trying to understand when we could hand the building back to the landlord or if we were going to mothball it for 12 months, in which case we'd need to do certain maintenance on it."

New opportunities

Yet if going through a merger or acquisition can bring with it uncertainty, stress and a notable increase in workload, it can also create opportunities. In the end, the whole experience worked out well for the unnamed FM. "My role



"YOU MUST MAKE SURE THAT NOT ONLY ARE YOU DOING THE DUE DILIGENCE PROPERLY BUT YOU ARE AWARE OF THE POLITICAL SITUATION"

is now bigger and better and it presents more opportunities for career progression, either inside the company or externally," she says. "In terms of personal experience for managing processes like this, it was absolutely invaluable."

"There's a huge opportunity for the whole team to demonstrate their value-add to the boardroom, and as individuals it gives you the chance to broaden your scope and expertise," adds Fielder. "FM teams in pharmaceutical, ICT or telecoms will have had great experience of this, and you'd imagine that in a couple of years those in insurance and banking will be very active in this area. People who have been through the process and got the experience will be much sought after." **FM**

TOP TIPS

How to handle a merger

When Ready Mix Concrete (RMC) was acquired by Mexican company Cemex in 2005 it presented the UK FM team with a range of challenges.

"Within a very short space of time we had 300 colleagues descending on the UK so our role was to make sure there was adequate space, workstations, buildings, technology and accommodation," recalls Diana Kilmartin, head of UK FM at Cemex, who then worked for RMC.

Her Mexican equivalent came over to the UK and between them they established how FM would function going forward. "The majority of the legacy RMC practices remained in place because they were more tailored to the UK," she says.

The difference in business culture was an issue. "My colleague suggested we changed the cleaning company because he thought the cost was high," she recalls. "In Mexico you can just tell them to go but we had contracts and legislative procedures to follow."

There were some redundancies but this was not such a big concern as Cemex had no existing UK presence, says Kilmartin. It was a similar case with supplier contracts, bar a few major international deals.

One area where there was an impact was in rationalising the property base. "Cemex saw that as quite an opportunity," she says. "We have reviewed about 130 office locations over the past couple of years and reduced that down significantly."