Leveraging Coaching Interventions for a strong Cultural Integration: The General Mills and Pillsbury Merger

Coaching For Leadership, 2004
By Kevin D. Wilde

There are a lifetime of leadership challenges contained in the relatively short time period of a major acquisition or merger. Many of these challenges are well known —melding organizations with different operating styles and processes, calming the primal fears of employees, getting through the messiness and disruption of the transition and onto the real business of the new company. A less than fully successful organizational integration carries huge downsides, not the least of which is failure of the deal to generate the promised returns to shareholders.

Another way to think about the leadership challenges of an integration is to see the opportunity for “high leverage coaching.”

When General Mills (GMI) set out to acquire Pillsbury in 2001, the HR team devoted significant energy and resources to developing a coaching strategy and implementing it throughout the new company. Though there may be bigger business deals than GMI acquiring Pillsbury, this merger strategy merits attention, as it has helped GMI achieve two important goals. The first is retention. Rather than risk losing some of its best people, as is typical of many companies during mergers, GMI has held onto the top 400 value creators throughout the process. The second is high employee satisfaction and performance, especially from employees of the acquired company, Pillsbury.

A Little History

General Mills, the maker of Wheaties and other leading food products, is a 100-year-old company with a long-standing commitment to its employees, the consumers who buy its products, and the communities in which it is located.

In 2001, General Mills acquired long-time, cross-town rival Pillsbury, a move expected to nearly double its annual in revenues to make it one of the largest food companies in the world. The acquisition doubled General Mills’ revenues in the high-growth international arena, provided it an operating platform in 20 more countries—including 30 non-U.S. operating plants—and positioned it for significantly rapid growth through Pillsbury’s dough business, an entrée into nearly every culture on earth. With more than 100 well-known consumer brands, the new company would be a market leader.

The successful integration of an acquisition is one of the more rare corporate phenomena, and the issues facing the new General Mills were especially significant given the dramatic changes in organizational size and composition associated with the acquisition. More than 16,000 Pillsbury employees would augment General Mills' workforce of about 10,500, including an international workforce that grew from less than 1,000 to 7,500 employees, nearly all of them Pillsbury foreign nationals. General Mills' top management knew it had no small challenge on its hands to integrate the two organizations into one productive, highly committed workforce that could deliver on the promise of greater shareholder value.

6 Critical Coaching Spots

GMI top management developed a coaching strategy that was focused on how to most effectively build and reinforce a high level of commitment among all the new company's employees. This transition strategy entailed six critical coaching spots:

- Early Encounters
- Day 1: Strategy and Customer Focus
- Structure and Staffing
- Performance Management
- IDP
- Climate Tracking
- Early Encounters

The intention to merge the two companies was announced in July 2000 and due to a prolonged government review, the Early Encounters period was extended from the expected 90 days to 17 months. Many companies fail because they lose sight of the strategy of the merger and they focus so much on their internal restructuring that they forget about the customer. Realizing this, Pillsbury and General Mills took great pains to coach their leaders to frequently communicate to employees the strategy and purpose of the merger and to stay focused on the overall objective of both companies, to serve customers well.

The goals of Early Encounters were to coach leaders communicate frequently to employees about the objectives of the acquisition and to address fundamental concerns and anxieties that the acquisition was bound to create among employees from both organizations.

Leaders of both companies were well aware that if employee concerns were not addressed relatively quickly and they were not supported through these early, anxious stages of the transition, their attention and energies would be absorbed in these concerns rather than focused on those activities that would get the new company moving in the right direction. The vice chairman of the process formed 14 standing committees, which was a blended group of Pillsbury and General Mills functional and business leaders. This core leadership team was involved in conference training and worked with an outside firm to prepare for the integration in terms of the cultural dimensions of merging the two companies. Within the limits of government rules, teams met during the 17-month period to discuss and plan for Day 1 (the day the merger was finalized) and then shared information gathered at these meetings with their departments. During this time, it was not uncommon for leaders to take their teams out for social functions to get to know each other on a personal level, to talk about where the business was headed, and to discuss how they might support the success of the company. They were coached on how to be visible and available, which eased anxiety amongst employees, and also about the importance of repetition of the goals and purpose of the acquisition to keep everyone on the same page.

During this period, the joint HR function of Pillsbury and General Mills met weekly to guide the planning process leading into Day 1. Though cultural differences were uncovered, for the most part, the two companies were quite similar both in regards to their business models and their customer-centered approach. HR people took part in both formal training and one on one coaching to ensure that they were sensitive to the cultural differences of the companies, that they were respectful of both sides, and that they were focused on retention of employees, especially the 400 value creators identified as critical to the success of the new company. During this time, HR focused on building relationships between teams and departments across company lines and getting people excited about their futures at the new General Mills.

Day 1

Within a week of Day 1, the day the merger was finalized, ceremonies were held, executives met with their new leadership teams, and announcements were made as to the overall structure and staffing of the new company. Within the first few weeks of "newco," most employees were informed as to what team they would be on, who their boss would be, and how their unit would run. For anyone who was not chosen to be part of the ongoing team, there were placement services, and leaders were coached to treat every employee with respect and support. Leaders were also coached how to conduct business those first days and weeks.

Structure and Staffing

The bulk of businesses and processes were merged during the first three months. All the planning and relationship building during the protracted government review period was leveraged well at the time. HR and leadership saw to the implementation of the new organizational structure. Challenges during this time included staffing the new structure with existing talent from both organizations, supporting employees in the transition to new jobs, retaining critical value-added employees, assisting displaced employees, and consolidating human resource management policies and programs. Of course, translating plans to practice required great leadership and interpersonal skills. Leaders were coached throughout this process on the importance of frequent communication to individuals and teams, continued relationship building and collaborative problem solving.

The Performance Management Process (PMP)

Numerous policies and practices needed to be established or revised in the new company. It was quickly decided by the HR leadership team to not overwhelm the organization with a plethora of these changes, but to focus on the most important ones in sequence. The performance management system was a logical place to start. It allowed managers and employees to focus on translating the business needs and objectives of the new organization into clear criteria for individual on-the-job performance, appraise actual performance relative to expectations, and link performance results to salary and incentive rewards. Of course, this focus is the heart of coaching between managers and employees.

The PMP was seen as an effective mechanism to support the achievement of the company's business goals in several ways:

- Synchronize individual efforts with business needs
- Energize people to perform their best
- Help create a performance culture where employees are rewarded for achieving results while developing their skills and capabilities and growing in their capacity to provide value for the business

PMP Design. The PMP was to be a simple, focused, positive process built upon the following principles:

- Individual objectives should be aligned with company and business unit objectives.
- Individuals' performance expectations increase every year along with business demands.
- Performance feedback is a continuous process (not just an annual event).
- The performance appraisal encompasses both *what* is accomplished and *how* the results are achieved.
- An individual's performance during the past year affects that person's base and incentive compensation.
- Employees and their managers are both accountable for the Performance Management Process.

Before the acquisition, General Mills and Pillsbury had different performance management systems, and our intention was to select the best elements from each system that would support the objectives of the integration. But this intention was also tempered by other realities. Managers and employees alike were already being asked to absorb significant changes. We also had a very limited time to design and implement the new system in the midst of other pressing priorities of the integration. Thus we adopted a very pragmatic approach: Keep it simple, focus on the most critical needs, preserve what is familiar—if it will work—to avoid unnecessary confusion, and save the bells and whistles for later. To further assure that a pragmatic design would emerge, the human resources function partnered with line managers, who would ultimately implement and maintain the process with their employees.

The second element of the PMP framework, the Individual Development Plan, would be implemented later in the transition. Since so many employees were dealing with a new job, new coworkers, a new supervisor, and new systems, it was critical that supervisors and employees have the discussions about job expectations and how to get work done as soon as humanly possible. The transition period was the most vulnerable in terms of the proverbial performance dip. If we did not act immediately to get individual efforts synchronized, we might not develop the organizational acceleration needed to recoup the expected post-closing performance slippage and to convert the new opportunities and capabilities into performance that exceeded pre-acquisition levels. Because it could quickly focus people on those activities necessary to drive the business forward, the PMP was the ideal process, with its direct link to compensation, for addressing the second level of employee needs, *can I win at this new job?*

PMP Launch. The PMP was launched in January 2002 with several tools and processes, a launch "model" that would prove useful for later transition initiatives as well:

Line briefings were held to introduce the PMP and the benefits it would have for all participants and the new company as whole. Earlier communications with employees had already positioned the PMP as one of the key initiatives for the transition.

HR managers were trained in the PMP first; they in turn led the training for all participants, beginning at the top of the organization and then cascading down to lower levels, with managers coleading the sessions.

Instructions, guidelines, tips, forms, and supporting materials were provided to managers and employees in a printed workbook and on the company intranet.

The briefings, training, and materials all reinforced the messages of the acquisition and the role that the PMP was to play in creating the kind of organization the new company needed.

Under the shortened initial PMP cycle, managers and employees met to discuss performance objectives and behavioral expectations during January and February 2002. Managers were encouraged to provide ongoing performance feedback over the next several months. Formal performance appraisals were then conducted during May and June 2002, and the performance ratings were a key factor in determining merit increases and annual incentive awards in July 2002.

It was our intention to implement the PMP within the international units as well, nearly all of which had been acquired with Pillsbury and were mostly staffed with local nationals. However, the objective of "one company, one culture" had to accommodate very real differences between countries in customs, statutory requirements, social and business culture, etc. Where requested by the local units, corporate provided translations of the PMP materials, but the international units were accorded the latitude to adapt the PMP to meet their local requirements and needs.

By the summer of 2002, we had closed the books on fiscal year 2002 and the first seven months of the transition. On the operational side, plant consolidations were well underway, the headquarters facility expansion was proceeding swiftly, and the integration of key business systems and processes were completed or on target. Organizationally, the key functions had been consolidated—sales, marketing, headquarters supply chain management, client invoicing, support services, etc.—and the U.S. workforce was on a single payroll, compensation structure, and benefits package. We had completed the first cycle of PMP, albeit abbreviated, and performance ratings had been used to award merit increases and annual incentives for 2002 performance. By quickly addressing the first two levels of the employee needs hierarchy, we had avoided any significant voluntary turnover, and in fact, overall organizational turnover was running below the 2001 levels of either heritage company. We were extremely satisfied with the progress of the integration process, having met or exceeded most of the objectives we had set out for the first seven months after the closing.

Business results were slower to appear, however, top management was convinced that the organization was well positioned to deliver strong performance in fiscal year 2003. The most disruptive part of the transition was over, key organizational and cultural building blocks had been set in place, and the organization was beginning to function smoothly.

Individual Development Plan (IDP)

The IDP process was designed to be fully integrated into the PMP cycle, but rather than implementing it as part of the initial PMP rollout, we delayed it until early in fiscal year 2003, the second cycle of PMP. We positioned it to create additional retention power as employees gained a concrete vision of how they could achieve their professional goals and aspirations within the new company. This delay also made it possible to introduce the new/modified processes at a pace the organization could more easily accommodate, allowing managers and employees to focus in 2002 on the objective-setting and performance appraisal elements in the first PMP cycle. It gave us more time to train the workforce in the principles and techniques of IDP and have them put what they learned into practice after they already had one cycle of the PMP under their belts. Finally, it allows us to reinforce positive coaching practices with managers.

IDP Design. Prior to the acquisition, each company had a process that planned for employee professional growth and career development. At Pillsbury, this discussion had taken place as part of the annual performance appraisal session, and the development plan was embedded in the appraisal form. At General Mills, the performance appraisal and development discussions were conducted in separate meetings, with separate forms. Because the transition strategy emphasized professional growth and advancement as levers for building employee commitment to the new company, the design team believed it necessary to integrate the development planning process into the overall PMP cycle but to give it a high profile and keep it separate from the performance appraisal meeting. The appraisal meeting is very evaluative in tone, with clear financial implications for salary and incentive payout, and while it surfaces topics relevant to professional growth, the pressure and “noise” of this meeting can be too distracting for a quality, two-way conversation about career to occur. A meeting devoted exclusively to the development plan would better assure that it received the time and thoughtful effort required to do it well.

Prior to the acquisition, General Mills had made some refinements to its own development planning process for employees; as a result, the modified process had been working effectively and had features that would serve the postacquisition organization well. Thus, it became the model for the new IDP.

One principal that pervades the new IDP process is that of employee ownership. The employee is expected to proactively direct his/her professional growth to achieve his/her aspirations by taking the following steps:

- Review the most recent performance appraisal and any other performance feedback from others.
- Review performance objectives for the coming year and competencies for the job.

- Draft the Development Plan.
- Schedule the IDP meeting with the manager.
- Set the agenda and conduct the IDP meeting with the manager.
- Revise the Development Plan as necessary to reflect the IDP discussion, schedule the agreed-upon action steps, and execute the actions with the appropriate assistance from the manager.

The manager is jointly accountable for the outcomes of the IDP by providing the employee with input, feedback, and suggestions during the IDP meeting and placing the employee's needs and desires in the context of the business's needs and objectives so that development plans are realistic, achievable, and in the best interests of both the individual and the company. The manager is also accountable for facilitating the developmental steps and opportunities identified in the plan, particularly those related to roles, assignments, mentoring relationships, and other steps that might entail additional resources or commitments from the company.

To have the IDP process deliver as much value as possible and yet be simple and straightforward, the design team built the IDP form and meeting around five?? areas of employee concern:

- *Professional Goals and Motivations*—What will energize me to grow professionally? What/where do I desire to do/go with my professional life?
- *Talents and Strengths*—What are my abilities/competencies? Where can I bring them to bear on this year's objectives? Are there any that are underutilized and could be better applied?
- *Development Opportunities*—Where do I need to improve to achieve this year's objectives? What will I need to develop in order to be successful in the future?
- *IDP Objectives*—What one strength will I leverage and what one to two development needs will I address this year?
- *Action Steps*—What action steps will I take to achieve these IDP objectives?
-

The new IDP handbook walks the employee through these four areas and provides guidelines and tips on how to prepare for the session. It also contains specific examples of developmental action steps in three categories—on-the-job assignments, relationships (with bosses, peers, and mentors), and formal learning (courses or self-study)—and guidance on what types of developmental needs these steps may be most suited to address. Likewise, managers are given information about how to fulfill their role in the process and how best to support the employee. Both parties are asked to consider the overall process and the four topics from two perspectives: (1) what is required to improve current performance and (2) what will prepare the employee to achieve her/his career aspirations. Both parties are also encouraged to consider actions that not only interest the employee but also deliver the greatest value to the company, as these actions are likely to have the highest probability of success for all.

IDP Launch. Beginning in June 2002, we launched the IDP process using training and communications strategies and a set of tools similar to those that had made the PMP launch successful. IDP discussions between employees and managers began in August 2002. For this first annual cycle, with its objective to create for the employee a vision of a future with the company, employees were told to place the heaviest emphasis on articulating and documenting their professional goals and aspirations:

- What means most to me in my work and life?
- If I see myself changing roles in the future, what would that role look like?
- What competencies was General Mills likely to need most?
- How could my aspirations/goals be best used to deliver results for the company?
-

Intertwining the employee's aspirations with the company's direction and future needs reinforces identification with the new company and creates a deeper personal investment in its longer-term viability and success. Future cycles of the IDP would address more fully the strengths, development opportunities, objectives, and actions necessary to flesh out the IDP and build on the solid groundwork laid in the early cycles of the PMP and IDP. This first year emphasis positioned the managers as career coaches – a critical role at this stage of the new organization.

At the launch, we announced that we would be adding specific questions about the IDP process to the Climate Survey to be conducted in the autumn of 2002 and that the results would be analyzed for each organizational unit. Not only would this help us assess the effectiveness of the IDP launch and first-cycle meetings—and identify areas where follow-up efforts, reinforcement, or change might be needed—but it would also give managers the extra incentives of top-level scrutiny and comparison with peers to assure that the rollout was thorough and effective in their own part of the organization.

Climate Tracking

We selected employee perceptions as the key set of metrics for evaluating the impact of the integration initiatives and progress towards the broader objectives of the transition. The all-employee General Mills Climate Survey, typically conducted every two years, would continue to be used as the major employee feedback vehicle to assess:

- Perceptions about the new company, its systems and processes, its culture and work environment, and the employees' level of commitment
- How perceptions had changed from prior General Mills surveys
- How responses compared with norms for other companies
- Perceptions about specific integration efforts to assess their effectiveness and help identify the need for any additional targeted actions
- How well managers are coaching employees in performance and career development areas.

In alternate years or at critical junctures during the transition, the company would conduct "pulse" surveys with a sample of employees, which would entail about a dozen questions tailored to specific transition issues and initiatives. The results would enable the transition team to assess the progress of specific initiatives and actions, pinpoint any problem areas, and fine-tune its efforts in the next stage of the transition.

In addition, the team planned to track other relevant organizational metrics—e.g., overall turnover and retention of critical value-added employees. The ultimate measure of the success of the integration would be the business performance of the new company.

The 2002 Climate Survey results indicated to us that the integration had produced a new organization that matched or outpaced the pre-acquisition General Mills on several important dimensions.

The Lessons Learned and the Challenges Ahead

Looking back over the first two years of the acquisition, we see things we've done well and a few that we would have done differently, given the clarity of hindsight. The integration strategy was for the most part sound, having addressed many areas that were key to building the kind of organization the new company needed. We leveraged coaching as a primary leadership practice at the critical steps of the organization integration. We achieved most of the integration milestones, and the company has realized the cost synergies and productivity gains envisioned in the acquisition. The perceptions of the workforce indicate a culture, a performance orientation, and a level of commitment in line with our objectives for the new organization. Most importantly, this has all manifested in strong business performance in fiscal year 2003 that is expected to continue.

The work of the transition has not stopped. There remain many opportunities to leverage the gains made in the first two years of the integration. One major area of effort is to realize the ultimate goal of *a fully committed workforce*. Although nearly two thirds of the employees (63 percent) indicated in the 2002 Climate Survey that they were highly committed to the company, 11 percent were uncommitted and another 26 percent were undecided. We have recast the survey results to better understand the differences in perceptions between the highly committed employees and the remaining third of the workforce. One early finding is that 65 percent of the variance in perceptions between the two groups lies in three areas: leadership, development, and empowerment. With this deeper understanding of what drives high levels of commitment, we are structuring future initiatives and taking targeted actions to develop higher commitment levels among more employees.

We continue to use coaching to reinforce the Performance Management Process and the Individual Development Plan process. For example, successive cycles of the IDP will place greater emphasis on identifying strengths, development needs, and action steps in order to bring the individual development plans to fruition. In response to formal and informal feedback from managers and employees, we continue to add tools and enhancements to make the new processes even more effective.

A major new initiative that we are currently launching is a leadership development program for all executives and managers, beginning at the top of the organization. The program will reinforce the role of leaders in creating and sustaining the desired culture and performance orientation. We are employing the same communication and launch strategies, tools, and measurement devices that have served the earlier integration initiatives so well.

The experience of the past two years at General Mills has proven to us that leveraging the coaching role in human resources systems can be key drivers of success in the integration of a merger or large acquisition. These are powerful tools for addressing critical employee concerns, creating a cohesive culture, and developing employee commitment—all necessary conditions for imparting momentum and direction to an organization undergoing significant disruption and for building a solid foundation for sustained superior performance.