

Acquiring success

How can you ensure that your business performance benefits through merger and acquisition? Sanjaya Sharma, head of one of the Tata Group of companies, shares his secrets for success with **Bob Little**



Sanjaya Sharma (left), the chief executive officer (CEO) of Tata Interactive Systems (TIS) (www.tatainteractive.com), has been credited with being the man responsible for creating e-learning in India. Some 17 years ago he identified the opportunity to amalgamate education with information technology.

The result was TIS – and it has grown to be a global leader in e-learning. It is a part of the \$22bn Tata Group. Truly international, TIS has a presence across the US, Canada, UK, Australia, New Zealand, the Middle East, Japan, India, and mainland Europe. Indeed, no other e-learning producers has a presence in as many worldwide markets.

TIS offers corporations, universities, schools, publishers, and government institutions a diversified and innovative bouquet of learning and training solutions including Simulation-based Learning Objects (SimBLs™), Story-based Learning Objects (StoBLs™), courseware and curriculum design, special needs education, assessments, electronic performance support systems (EPSS) and mobile learning, along with other corporate training and consultancy services. Its multi-

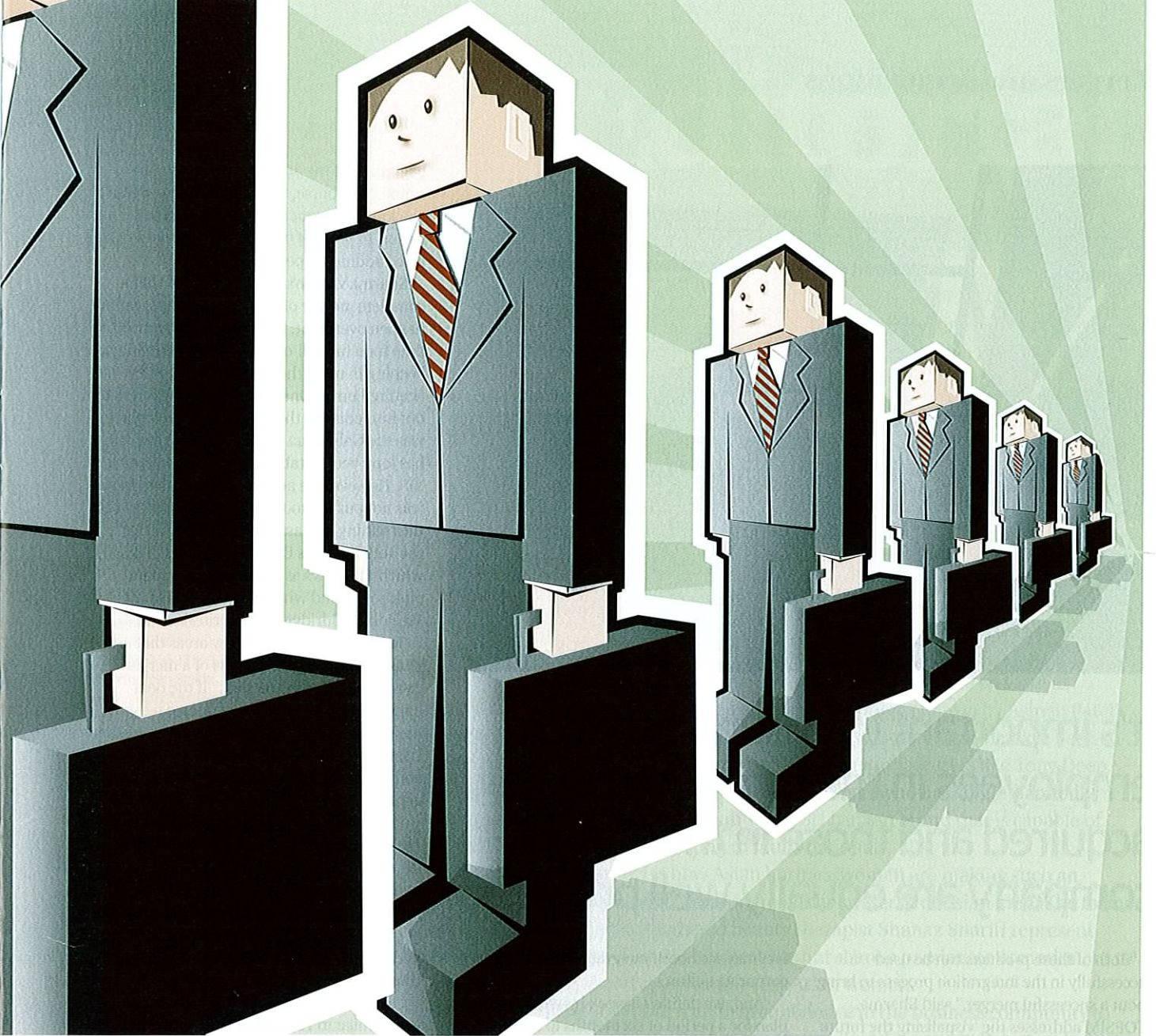
disciplinary expertise and 17 years' experience across domains helps its sizeable numbers of staff – based in Mumbai and Kolkata in India as well as around the world – to design e-learning programmes that are unique to clients' requirements and specifically crafted to boost knowledge retention and application.

Apart from holding ISO 9001 certification, TIS is the only e-learning organisation in the world to be assessed at Level 5 in both the SEI-CMM and P-CMM frameworks. TIS's quest for excellence is reflected in numerous prestigious industry awards, including a Silver Brandon Hall Excellence in Learning Award 2005 and 2004, APEX Award of Excellence in 2005 and 2006, BETT Awards in 2004 and 2006, and two Business World–NID Design Excellence awards.

No stranger to growing a business – including growth by acquisition and merger – Sharma spoke at the second Annual Mergers & Acquisitions Forum, held in Dubai in the United Arab Emirates late last year. In his speech, he outlined an integration solution that enables companies to maximise value from an acquired or merged business.

The prestigious forum, attended by many of the Middle East's most influential chief





executive officers, managing directors, vice presidents and directors, attracted delegates from the most advanced investment companies and other key enterprises across the major industries in the Middle East.

According to Mohamed Alwi, the event's organiser: "The Forum highlighted the strategies for operating effectively within a restricted, regulated framework. Importantly, the Forum addressed issues relating to overcoming potential obstacles and challenges for the effective integration of businesses."

In his keynote address, Sharma revealed that, in the first six months of 2006, there were more than 15,000 mergers recorded – ten per cent more than the previous year – and the value of these mergers was \$367.8bn. However, he added, analysts have revealed that 60 per cent of acquisitions fail to deliver returns exceeding the cost of capital; 70 per cent of mergers fail to achieve their anticipated value, and only 17 per cent of these deals provided substantial returns to shareholders.

"The reasons for this include lack of a clear strategy; misunderstanding the nature of the assets; inability to maximise potential

synergies, and mismanaging organisational and human issues," said Sharma, whose recipe for merger and acquisition success is 'integration', involving 'visualising the future enterprise' and 'preparing the workforce for the future'.

In January 2006, TIS acquired two companies -Tertia Edusoft AG in Switzerland and Tertia Edusoft GmbH in Germany - from the Tertia Group, a leading provider of human resources management solutions in Germany.

With these acquisitions came the ability to produce enterprise-wide management simulations through Tertia's proprietary product line, TOPSIM, the leading simulation product in Germany. Manoj Kutty, TIS's president, simulations, commented: "TOPSIM is a leading management simulation game that was developed over 25 years ago and is now used by over 100 companies and 400 universities worldwide. TOPSIM simulations offer the participant an in-depth understanding of functional skills – covering general management, strategic management, change management, project management, supply chain management, sales management, finance for non-finance,

managing mergers and acquisitions – along with managing the business operations within an industry such as banking, insurance, retail, and pharmaceuticals. At present, there are over 15 generic TOPSIMs which can be delivered 'as-is' or adapted to a specific organisation's needs."

TOPSIM complements TIS's proprietary model for building simulations: Simulation-based Learning Objects (SimBLs™). SimBLs™, developed in partnership with and used by the University of Phoenix in Arizona, are compact, web-enabled applications that provide an immersive and focused learning experience, related to particular concepts.

Alan Samuel, head of TIS in the UK, commented: "SimBLs™ have been used effectively at several leading universities including the University of Phoenix, DeVry University and the University of Michigan as well as major companies including UPS. SimBLs™ are available off-the-shelf as licenses to universities, companies and public sector organisations. There are over 160 separate SimBLs and, so far, we have sold more than 25,000 SimBLs™ licenses to companies and universities around the world." >



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"Both of these products can be used successfully in the integration process to bring about a successful merger," said Sharma. "TOPSIM addresses the 'visualising the future enterprise' issue, while SimBLs™, along with other products like Story-based Learning Objects (StoBLs™), help to prepare the workforce for the future."

In Sharma's view, mergers and acquisitions across international borders pose some serious challenges for the firms – and people – involved. He explained: "The integration of cultures, systems and product lines must be achieved in such a way that the value proposition to the client is enhanced, not confused. A simple example of cultural hurdles is the problem of different languages. Luckily for me, our colleagues in Germany and Switzerland are all fluent in English!"

In order to ensure the successful integration of employees and cultures within the newly enlarged TIS empire, with the acquisition of its German and Swiss assets, Sharma and his team invested significantly in 'face-to-face time' at multiple locations.

Sharma commented: "Initially, I visited Switzerland and Germany every two or three months and invited our new colleagues to India as well as inviting them to join sales and customer meetings around the world. In addition, I also deputed two very senior managers from TIS to act as co-ordinators to

facilitate a smooth integration of the different corporate cultures.

"And, we defined a week-by-week activity plan for a period of six months to make sure that the integration was progressing smoothly," he added.

"It's important to ensure that the employees in the companies being acquired and those in the 'parent' company are equally well prepared for the changes that will, inevitably, occur when the deal is done and the different corporate cultures begin to merge," Sharma explained. "In our case, I visited both Germany and Switzerland before the deal and spoke not just to the owners and senior managers of the two companies but to all employees at length. We also insisted that the key senior managers visited us in Mumbai, before any deal was struck. The idea was that both parties should clearly see a strategic advantage from coming together.

"I also took the teams through the review process that TIS follows - even before we did the deal. We shared the templates of our Business Review, Operations Review, HR Review and Design Review.

"The long-term synergies that we expected from the acquisition were quantified and the equity valuation of the senior managers was linked to a three-year performance horizon.

"We shared our detailed integration strategy with all employees at the very

beginning of the acquisition process," he stated. "Of course, the fact that there weren't any job redundancies makes everything easier! In point of fact we actually hired two or three additional people locally."

Sharma was anxious to point out that a complete merger of corporate cultures cannot happen overnight. His team at TIS allowed time for a full roll-out of some HR initiatives, keeping in mind the overhead of time for the acquired units. One initiative that was rolled out immediately the acquisitions took place was the GallupQ12 survey – a survey which has long been established and used within TIS. However, he added, one initiative that was not pushed too hard in the first year was the training and assessor qualification for the Tata Business Excellence Model (TBEM), which TIS views as its core management philosophy and which corresponds to the Malcolm Baldrige Award criteria.

Turning to identify the key areas that are vital for ensuring the success of a merger or acquisition, Sharma said: "If the deal happens for clearly visible strategic reasons, then integration is key to success. Integration is facilitated by having an integration plan and direct transparent talk about goals and expectations.

"Investments in terms of support activities are also important. One area of concern can be the unification of somewhat different product lines - which also means differing value propositions and target clients. The entire way of selling and presenting can be different but, in the end – and sooner rather than later - the client needs to see a clean, unified approach.

"In TIS's case, while the acquired companies were similar to TIS in their business approach and product offerings, we had to think through the considerable differences between us," he revealed. "The Swiss company was focused on product sales while TIS focused on the customised design and development of e-learning materials. Synergies were being achieved by extending the customised e-learning design option to Switzerland and Germany, using our capability in India but providing German-language local client support. The German TOPSIM product is a brilliant but quite different simulations approach from the TIS-developed SimBLs approach.

"We have now outlined the different value propositions represented by these two approaches and rarely are both mentioned in the same client meeting. The key has been to simplify and clarify the differences and train the sales teams to restrain their urge to talk about everything!"

In terms of the key learning points from TIS's acquisition exercise, Sharma said that: "Above all, we've learnt that acquisitions are more than just about growth in size. They bring new perspectives and learning, and can sharpen your strategic approach and focus. Also, we've learnt that listening and integration are key to achieving the right results." ●