



Over the last several years, we have seen numerous mergers of hotel organizations in what was widely touted as a period of significant consolidation in the US hotel industry. Driven by inexpensive acquisition capital—frequently the result of the frothy pricing of hotel stocks on Wall Street—the “urge to merge” was close to a fever pitch in late 1997 and early 1998. Since then, Wall Street has adjusted its view of the hotel sector and our industry’s leaders have ever since focused on

years, there are a number of lessons that we might take note of. And to simplify the message, the issues are summarized in the listing that follows—a road map of sorts for ensuring you can beat the odds on post merger integration success.

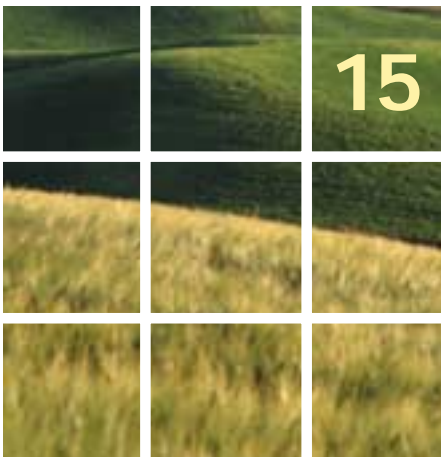
Strategies for Merger Success

Pre Merger

- Drive the merger using a well-articulated overall strategy;

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Post Merger Integration



getting their enterprises to produce the results their shareholders have come to expect. This year—1999—the run-up to the new Millennium, will in all likelihood become known as the year when the M&A deal makers finally deferred to their hotel operating brethren to “get it together” and figure out ways of putting the requisite results on the table or in the beds as it were. And probably none to soon.

Big companies have become bigger—but have they become better? A question of some relevance to the various stakeholders with an interest in what happens at some of our leading companies. Post merger integration is one area of particular importance in ensuring that the synergies promised by the deal makers are in fact delivered after the closing. There is some evidence however to suggest that the benefits of merging companies can be quite elusive. One recent study of post-merger results suggested in fact that approximately one half of merged entities under-performed their industry rivals following the merger.

After having witnessed a flurry of mergers in the hotel industry in recent

- Choose a partner that fits well rather than one that happens to be available;
- Choose a partner that is similar to you;
- Choose a partner of a different size—same size mergers can lead to leadership conflict;
- Complete marketing due diligence to discover the opportunities and threats;
- Prioritize key merger initiatives;

Post Merger

- Provide visible leadership from top management;
- Ensure that the transition follows a structured and phased approach;
- Ensure that goals are clearly defined and progress is tracked;
- Manage change from the outset;
- Use best practices to drive the creation of the new organization and its business processes;
- Use cross-functional teams organized to drive the merger;
- Ensure that communication is well planned and coordinated;
- Recognize that a merger is fraught with risk—avoid taking too much for granted;



- Focus on adding value to the enterprise while avoiding those actions that can destroy it;
- Avoid the compromises that result from playing to politics;
- Concentrate on key employee retention—some folks may not have the same roles as before but their value should be recognized and their egos nurtured;
- Identify the leadership who will make the merger work—it's a very tough process and not always suitable for managers who have proven to be best at organic growth;
- Don't leave culture clashes left unchecked - culture can be pervasive and the differences in two merged companies can undermine the best laid plans for collaboration;
- The “cultural migration” to the desired organizational behavior is best achieved by visible example along with continuous reinforcement;
- IT systems are frequently incompatible—it's best to come to grips with this reality sooner rather than later;
- Recognize the importance of the company's intangible assets—its customers and its own people. Mergers offer great opportunity for competitors to raid for the company for its best people and customers;
- Focus on the 80/20 rule and avoid the minutiae—over-analyzing to make things perfect is generally ineffective and the delays it causes allows resistance to change to build up and undermine the plans when they eventually are implemented;
- And finally, don't miss the revenue enhancement opportunities through cross-selling and the development of new products and services for the expanded customer base;

For those already in post-merger mode, it will be too late to deal with the pre-merger issues outlined above. They can be noted for next time. But for the here and now, there are clearly a number of post-merger challenges that require a great deal of attention. And for those operators who take the time to deal with

them proactively, they will probably be able to mitigate whatever mistakes may have been made in the pre-merger deal-making phase. They might then be able to move on to ensure that their new and improved company succeeds in beating the challenging odds on post-merger integration success.



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