MERGERS AND ACQUISITIONS

7 Steps to Realign Your Travel Program

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Introduction

The only certainty in today's climate, whether we are talking business, politics or indeed the climate, is uncertainty. And yet, while it is generally understood that a stable environment propels mergers and acquisitions (M&A), a close examination of recent trends and data suggests that deals are stronger than ever. Last year, 2016, more than 17,000 deals were made around the world worth approximately $3.2 trillion (Mergermarket 2016 Global M&A Report). According to a recent study published by KPMG, 2017 is expected to see even more acquisitions, with three quarters of those surveyed in 2016 planning on completing multiple deals by the end of this year.

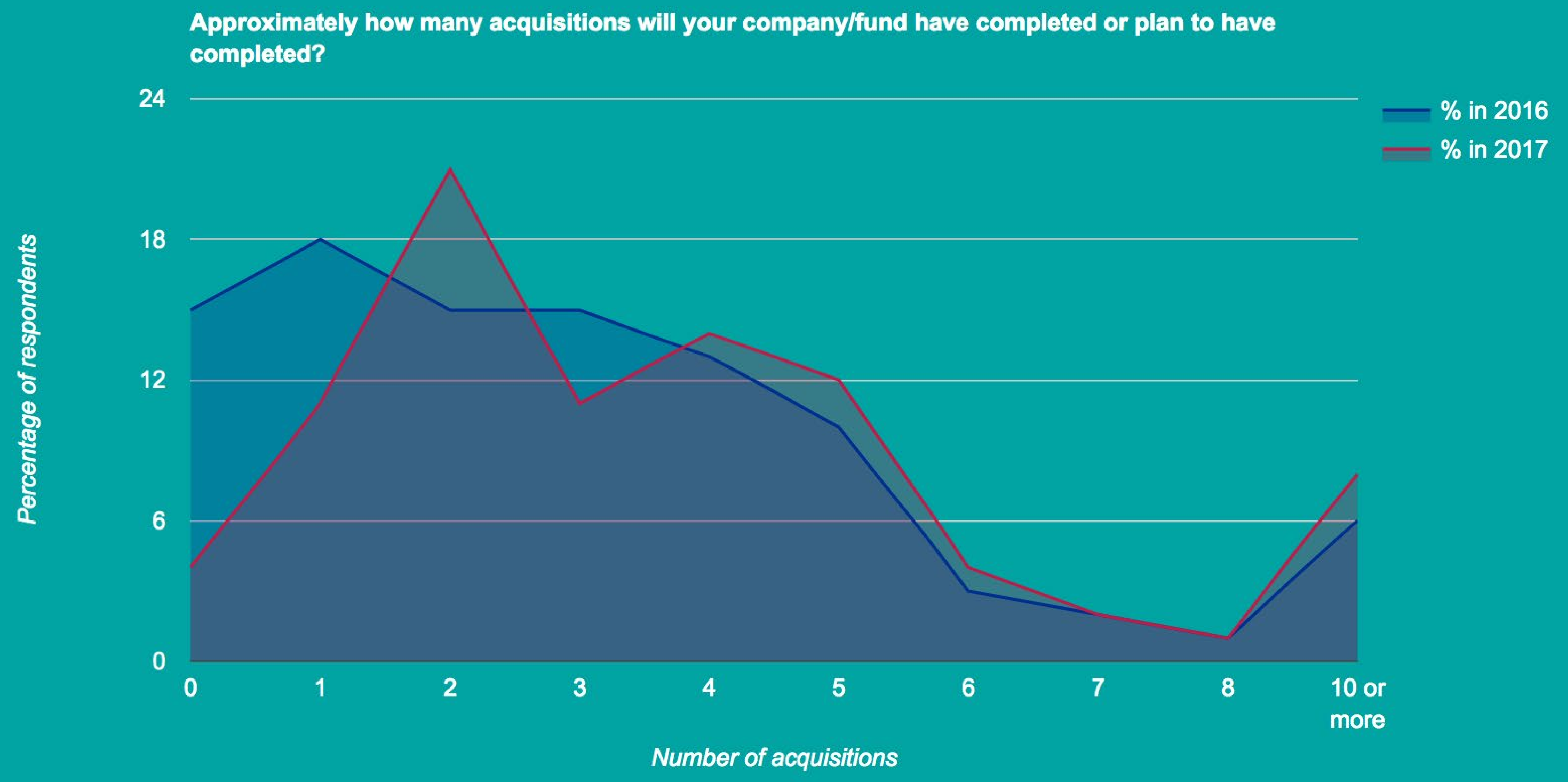
M&A activity in Europe, the Middle East and Africa hit an 11-year high this year, with a total of $90.8 billion dollars recorded during January alone (Thomson Reuters). Meanwhile, with the U.S. market still a favored destination, chief executives around the world are rising to the challenge brought upon them by limited organic growth options; encouraging M&As that will help their businesses boost profits, cut costs, and even enter new markets when appropriate.

While it is not surprising that the technology industry is the most active transactor of M&A deals, it is prudent that all companies within all industries prepare themselves for change. One department that needs particular focus? Travel. Let this whitepaper assist you in the merging of different travel policies, cultures, and needs. These 7 steps won't just help realign your goals, they will set you up for a stronger travel program all together.

2016 was an active year for M&A; deal activity is expected to remain healthy in 2017

83% of those surveyed completed at least one acquisition in **2016**, and 65% completed multiple acquisitions.

84% expect to initiate a deal in **2017**, and almost 75% of those surveyed plan on doing multiple deals.



(GRAPH Source: KPMG M&A Pulse)

1. Take a step back.

It can be easy to charge right in and start making changes from the get-go. This is a mistake. Travel managers often do not take the time to review their existing program. What better time to do it than during a merger or after an acquisition? Look at this as an opportunity to review, scrutinize and dissect not only your current travel program but the various policies and practices of the acquired company.

Which of the programs is more efficient? Who better encourages online adoption? What costs can be cut and where should money be spent? Who can attest to stronger traveler satisfaction? Why?

Everyone loves a clean slate, even when that clean slate threatens to get filthy from potential pitfalls and complications. Take a step back, a big breath and remember: Whether you are a TMC, a member of the procurement team, or simply an employee hoping to prove your value to executive management, the work you put in now will be worth it.

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2. Compare two travel policies

When faced with two different travel policies the most important first step is to identify each program's strongest and weakest points. If you do not already have a travel management company (TMC) consider engaging one in order to take an objective look at both company's plans. (More on the benefits of a TMC below.)

The challenge is to merge the most attractive elements of two programs while also identifying areas of improvement in order to create a best in class travel policy for the company post merger. In formulating the new and improved travel policy communicate headline changes to those travelers in the company that drive 80% of the whole company's travel spend. Any and all questions they may have should be put into an FAQ document and distributed to appropriate parties.

Of course, there may be less a merging of different policies and more a dropping of one policy in favor of another. This is what Danielle Salyers, Manager of the Enterprise Optimization team at KAR Auction Services, Inc. does.

"(We) onboard all new acquisitions to (our) existing T&E policy. We do not entertain the other organization's policy at all as we are the second largest in our industry. Most of our acquisitions are smaller...they wouldn't have access to the same scope of services and benefits that we do."

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3. Be careful merging different travel cultures

It is important to pay close attention not only to the various differences and similarities in policies when combining two programs into one, but also appreciate the intricacies of different company cultures. The integration of two smaller companies with a similar approach to business travel may not be challenge. However, in a situation where a larger business has acquired a smaller rival, the differences in mindset and approach can be enormous. Tread carefully. Indeed, forcing the acquired company to adopt and adhere to the rules and regulations of the acquirer, particularly if done in haste, can throw a wrench in an already potentially volatile situation.

While Danielle Salyers acknowledges that you cannot please everybody, she does recommend communicating the positives that a new program can bring about to employees.

"Identify ways you can reward your travelers... like letting them keep their loyalty points from the travel providers for personal use. There's no expense to your company for this and it "buys" you a bit of traveler satisfaction."

Ensuring the two company cultures can merge successfully is crucial for morale amongst all employees, whether they are frequent travelers or not. Should you be looking at a potential culture clash there are practical and effective tools one can adopt to facilitate cultural integration. According to Dale Stafford, partner in Bain's Global Healthcare and Global Mergers & Acquisitions practices and Laura Miles, partner in Bain's global M&A practice, the first step you must make is to set an agenda.

A company's culture is all the shared values, beliefs and behaviors that determine how people do things in an organization. Three key elements in combination define the culture:

1. The behavioral norms exhibited by everyone from senior leaders to frontline employees
2. The critical capabilities and decisions about where and how to compete, as defined by the company's strategy
3. The operating model of the company—the structure, accountabilities, governance mechanisms and ways of working that make up the blueprint for how work gets done

"To integrate two cultures, savvy acquirers first define the cultural objective in broad terms," explain Stafford and Miller (2013, Bain Brief: Integrating Cultures After A Merger). While this is invariably a job for the chief executive, getting buy-in from all employees from the top down is important, even front-desk staff who will be on the frontline when it comes to maintaining and sustaining a developed culture-change plan.

Next, it's important to diagnose the differences that truly matter between both cultures. While comparing two different policies (as mentioned in Step 2) is one thing, pinpointing the significant differences between the acquirer's culture and that of the acquiree can be more difficult. Diagnostics is recommended to help not only identify and quantify the differences among people, regions, units and functions, it can also assist you in determining which gaps need to be closed.

Management interviews aimed at revealing differing styles and priorities, employee surveys asking about accepted behaviors, process flow maps indicating how work is done, and accountability mapping identifying who is responsible for each facet of key decision making are all different tools a company going through an M&A can adopt.

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4. Engage your TMC as a great resource for transitioning your travel program

As mentioned above in Step 2, a TMC can offer an objective glance at two different policies. However, in an M&A situation between two larger or mid-sized companies, you may now be in a position with two TMCs (one belonging to the acquirer, one part of the acquiree's team.) It is now necessary to compare them both and ask the following questions:

Who will give you more support during this uneasy transition period? Who leads a stronger implementation team? Have either TMC successfully transitioned the travel programs of clients during an acquisition before? Who is the most experienced?

In many cases, the acquired company with an incumbent TMC will be on a contract. Consider extending the TMC contract on a rolling basis until the contract of the acquirer is up. You can then run an RFP for the combined business.

As Adrienne Collins, the Event Coordinator at PROS, a software and data management revenue company that acquired two companies in the span of 12 months in 2013 (raising headcount from approximately 300 to over 850), says, "it is so important to ask questions and be involved."

PROS, a startup that now has companies in both the U.S. and Europe, always had a very laid back culture. So laid back, in fact, that employees felt comfortable booking their own travel. Since acquiring a TMC, despite a greater number of employees, the transition from a laid back start-up to a fast-growing, international company has been smoother. Better still? Travel costs have plummeted some 20%.

For Sheryl Eberhardt, the Director of Travel and Event Systems at Premier Healthcare Solutions, Inc., a TMC made all the difference when it came to ensuring a smooth transition.

"Some of the acquisitions had never booked travel on their own or used an online booking tool," explains Eberhardt. "We have had to have extra training for them, giving tips on how to book online and what to look for. Matt (the account manager at Egencia) was willing to help and has assisted (us) when a few of the new employees did something wrong."

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5. Try to adapt to different travel patterns

For many travel managers, acquiring a company can also mean acquiring different travel patterns. Should you now find yourself in a position, like Adrienne Collins above, where your company has expanded post M&A and travel needs have grown, it is necessary now to put all your ducks in a row and prepare yourself to negotiate better rates with your preferred venues and airlines. In certain situations, should your team, budget, and capacity for travel have grown dramatically, you may well be able to negotiate very attractive corporate rates with preferred vendors and suppliers.

However, your travel patterns may now be so different that it means you have to scale down. Mark Hughes, Travel/Corporate Card Administrator for PW Power Systems went from being a part of a large, multinational organization with hundreds of thousands of employees to a spin off entity that went out on its own with some 400 employees. Their travel spend took a huge hit: From hundreds of millions of dollars to a fraction at just 1.2 million per year.

“When you’re dealing with a spend where it’s lucky if you even get a corporate agreement, you have to get creative on where and how you spend your travel dollars,” explains Mark.

Creative, how? Well, teleconferencing might make sense now instead of frequent trips. Or, perhaps your road warriors could cluster their travel, with longer stays in one location and the setting up of a corporate apartment instead of flying back and forth.

What Mark emphasizes is the necessity to prioritize what is important; for example, do hotels or airlines take priority? Ask yourself where you can latch onto previously negotiated rate agreements. You may be starting fresh with air, accommodation and car partners. While they may not be able to give you hard dollar savings they may have small business programs on offer...think outside the box on what sort of perks you could request.

“If you lose budget and resources, see yourself as an entrepreneur and be resourceful to get things done.”

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6. Appeal to your senior management for support

As with all major integration projects, merging two travel programs into one is going to need senior management support, especially if the two travel policies are widely different. Try to gain support and help from the CEO or CFO in the communication process but appreciate that they will have their own integration issues to consider.

Nicole Hackett, GLP is Director of Travel Services at Graham Holdings (formerly The Washington Post Company.) With a corporate traveler headcount of 22,000, a travel spend of 63 million, and nine different affiliates, Nicole acknowledges that she had her work cut out when it came to formulating a new travel policy post divesture. To ensure success of their new program, Hackett created a toolkit specific to the various subsets travel. At a high level, a tool kit should touch upon each and every possible feature of a travel program: policies and processes, tools used, vendors contracted, etc.

Most importantly, as recommended by Nicole Hackett, being part of the process early in the M&A is vital. Specific advice for a travel manager? Get to know your acquisition team. If you have a relationship with them you are going to bring more value to future deals and to your own team. Know that you are an expert in the commodity that you are managing: travel.

"Stakeholders who have not managed travel before don't know what they don't know. Explain your value."

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7. Communicating changes: Always remember your travelers

It is essential to keep the lines of communication open when your company is going through a complex organizational change. Effective communication can help your employees let go of the past and embrace the new way forward, which in turn will allow the whole company to realize the value of the deal much sooner. Getting this step right will also help mitigate other M&A risks such as diminished employee satisfaction, loss of key talent, a lack of confidence in senior leadership and an overall increased resistance to change.

"Communication is key," emphasizes Nicole Hackett. "Make yourself available. As soon as you find out that you have an acquisition put together a communication campaign. I'm a big fan of infographics. It's an educational process. You are starting the process all over again, depending on the background of the company you are acquiring."

In detailing her best practices initiative following her company's M&A, Nicole believes meeting in person with travel stakeholders is very important. She recommends hosting "travel talks" that are essentially an open house that all are invited to. A ten minute presentation is the perfect amount of time to detail key changes and be sure people have the time and patience to show up and ask questions.

Indeed, listening to travelers from both sides during these focus groups means that everyone feels heard and new policies and processes can be established more smoothly.

At the end of the day it's important to acknowledge that M&A efforts of the past have suffered from a lack of attention to the people side of the deal. From senior management down to your everyday road warriors, it is vital that everyone feels like they have a voice. How an organization helps their employees deal with change - specifically the change in business travel patterns and culture - will directly drive business outcomes. Investing now the time, resources and energy in making this transition as smooth as possible will not only win over all your travelers (new and old) but will inspire greater productivity, thus ensuring a direct impact on the bottom line.

As Danielle Salyers reiterates, "knowledge is power. We wanted our employees to understand all changes so that they were positioned to be good financial stewards of the company's money as well."

Need more assistance? Lean on your travel company! As leaders in business travel and management, Egencia understand the pressures travel managers are under. We are here, every step of the way.

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About Egencia

Launched in 2002 as Expedia Corporate Travel, Egencia has become the fourth largest travel management company in the world as a result of its commitment to delivering a higher standard of corporate travel service and innovative technology. Egencia's success is directly attributed to their customers' ability to move their businesses ahead, through their valued relationships with Egencia and more importantly, its people. Lead by an experienced, forward-thinking management team, Egencia has continued to expand its offering of intuitive online tools and comprehensive agency services while maintaining its reputation for superior customer service. With global operations already spanning 39 countries worldwide, Egencia is ready to meet your company's travel needs anywhere and at any time, with the consistent level of superior service your employees deserve. For more information, please visit **egencia.com** or follow us on Twitter @Egencia.

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