A CLOSER LOOK

BNP PARIBAS FORTIS, BRUSSELS, BELGIUM

Photo by Miguel Gonzalez

One bank learns that an aggressive approach to post-merger integration projects can be worth the risks.

Antonio Nieto-Rodriguez, program manager of strategic projects at BNP Paribas Fortis, had a front-row seat to one of the biggest bank merger deals gone wrong. In the process, he picked up some tips on the best ways to merge two wildly different project management approaches. He also learned that nice guys finish last when it comes time to combine project portfolios.

"Despite my strong belief of getting the best of both worlds, I realized that if you want a merger to succeed, make it happen quickly, impose your culture and don't allow too much discussion," says Mr. Nieto-Rodriguez, who also teaches project management and strategy execution at the Solvay Brussels School of Economics and Management, Brussels, Belgium. "People won't be happy in the short term, especially the ones being taken over, but if you can get the job done, you can rebuild your culture over the long term."

He didn't always have such a take-no-prisoners philosophy.

A FUNNY THING HAPPENED ON THE WAY TO THE MERGER

Working for what was then Fortis, Mr. Nieto-Rodriguez was part of the team behind the 2007 takeover of Dutch financial giant ABN Amro.

At the time, he says he believed the best approach was to evaluate what each player brought to the table and to make choices based on extensive communication and brainstorming amongst employees. Team leaders and executive management could then select the top technologies from each company and wind up with a best-of-breed blend.

The plan called for a consortium of global financial institutions—including the Royal Bank of Scotland, Fortis, and the Spanish Banco...
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Santander—to jointly bid on ABN Amro, then divest the company’s assets.

“Most mergers are decided primarily for financial objectives—there are revenue synergies and cost reductions,” he explains. “It’s a very concrete way to show analysts and stakeholders that this is a good decision.”

And in the case of this takeover, that was the case—at least on paper.

“Strategically it was a great decision for Fortis,” Mr. Nieto-Rodriguez says. ABN Amro had a global presence but wasn’t doing very well, while Fortis was a strong Belgian bank looking to expand.

Culturally, though, the merger was a disaster. “To begin, we had Belgian, Spanish and Scottish banks talking over a Dutch bank,” he notes. “That’s a lot of cultures to bring together, and we were all really different.

More importantly, the consortium did not operate well as a team. Each bank remained focused on its own interests instead of the broader interests of the group, which created a lot of conflicts,” he says.

The integration plan was also scheduled to take three to four years—a long time for so many people.

Part of the high-level team conducting due diligence for the Fortis side, Mr. Nieto-Rodriguez spent nine months evaluating every system and project that would be impacted by the merger. He created a portfolio of 1,000 projects grouped into 130 different programs that needed to be accomplished.

“IT was a huge undertaking, and there were at least 6,000 people involved,” he says.

One-third of the projects were IT-related, and for each one, the Fortis team evaluated which bank brought the best system or technology to the table. They analyzed several selection criteria, including functionality, cost and the ability to maintain the system in the future.

“We made our decisions based on the facts, without involving emotions,” he says. It seemed like the fair and right way to approach the merger, but the process backfired. Fortis’ willingness to compromise and its desire to include ABN Amro in decision-making led to conflicts, delays and unnecessary obstacles. On top of that, a lack of strong leadership presence in the Netherlands by the Fortis executive team made it difficult to push projects through.

ABN Amro, which had a strong organizational culture, used the leadership void to impede the takeover, according to Mr. Nieto-Rodriguez.

“They took advantage of the confusion by pursuing the actions we tried to take on projects.”

As with most mergers, the biggest set of projects involved mapping and integrating IT systems. ABN Amro had a mature IT infrastructure, and because its team refused to share critical information, it took thousands of hours to complete the simplest projects, such as creating links between enterprise resource planning systems, he says. “It was a frustrating experience.”

The lack of cooperation was compounded by the years-long integration plan. “The longer you want to complete a merger, the more conflicts will come up,” Mr. Nieto-Rodriguez says. “And while IT conflicts can be solved, human conflicts are tougher to tackle. You can’t throw money or resources at human conflicts to make them go away. When people get frustrated, projects fall behind.”

Ultimately, the problems and delays, exacerbated by the credit crisis, depleted Fortis’ capital. The merger failed. ABN Amro was turned over to the Dutch government, and Fortis went bankrupt.

BENEVOLENT DICTATORSHIP

The Belgian government bailed out Fortis, and after many discussions at the national level, sold it to the French bank BNP Paribas last year.

“It was very difficult mentally to go from a leadership position in a company acquiring one of the most prestigious banks in the world to failing and being taken over,” Mr. Nieto-Rodriguez admits.

In retrospect, though, he learned many tough but valuable lessons about what went wrong with the previous merger. “We could have succeeded if we had taken a different approach,” he says.

A friendly merger is noble in principle, but it’s also the most difficult to accomplish, he says. “If we had imposed our culture on them, it would have been more successful.”

He fully admits that’s not a popular plan of attack—but it works, as evidenced by the business takeovers.

BNP incorporated the Fortis team into its organizational structure and put its own people in key roles. Although the two banks have had to adjust their strategies relating to reporting and governance, the two methodologies diverged from a communications standpoint.

“At Fortis there would have been a lot more discussion, employee involvement and brainstorming,” Mr. Nieto-Rodriguez says. “But at BNP it’s a top-down approach that is more focused on speed and results.”

Most of the IT post-merger integration projects involved simply phasing out the Fortis systems over a set period of time and moving client accounts and data onto the BNP systems.

“From a results standpoint, it was much easier and more efficient,” he says. Rather than spending months evaluating the IT systems and agreeing on a combination of technologies and tools, BNP eliminated almost all of the Fortis infrastructure.

The massive undertaking was completed in less than 18 months.

Such an aggressive approach to mergers involves risk management, though. Senior executives must take efforts to mitigate the possibility of destroying the benefits of the acquired culture and the goodwill of employees.

But when speed is critical, it may be the only option, Mr. Nieto-Rodriguez says.

“There are no discussions. There are only orders to follow. It’s not motivating to the Fortis team and everyone’s a bit angry, but it’s efficient.”

That efficiency enabled BNP to achieve its merger goal, and now it can focus on rebuilding what morale might have been sacrificed.

The bank has already made some concessions to appease its Belgian employees, customers and government. Few people lost their jobs as a result of the merger, and BNP opened four global competence centers in Brussels to show that the bank wants to create a stronger presence on the national and global level.

“For customers and employees who feared that Fortis would become little more than a subsidiary of BNP, the center can make things happy,” Mr. Nieto-Rodriguez says.

And for the moment at least, Fortis will keep its name—it’s now referred to as BNP Paribas Fortis. With the merger integration complete, Mr. Nieto-Rodriguez has transitioned into his new role.

“These kinds of situations are difficult to go through, but there is a change-management process,” he says. “First there is denial, then asking, Why us, after all we’ve accomplished? But eventually you digest what’s happened.” —Sarah Pistor Gale