

Optimum Talent/Gallagher Merger

An analysis of change management

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# Introduction

This report will explore the recent merger of two large organizations: Optimum Talent, a leading talent management and HR consulting firm in Canada, and Gallagher Benefit Services (Canada) Inc. Both have different yet complementary product/service lines, and the purpose of this report is to outline the changes that the new entity is currently going through. Both successes and challenges with the change process will be identified with reference to the John P. Kotter Eight-Stage Process for Change and Dr. William Bridges’ three phases of transition. The team has researched what has been done to-date and has made recommendations on how the company could have done things differently as well as address the challenges the organization is currently facing during this merger.

# Background

## Who is Optimum Talent?

Optimum Talent was the largest privately-owned talent management services company in Canada. It focused on three main lines of business - professional/ executive search; leadership, assessment, and development/succession planning/coaching; and, career transition/outplacement services. The organization had successfully grown over the years through acquisition, and had a solid reputation from coast to coast. When Gallagher Benefit Services (Canada) Inc. (Gallagher) approached them with an offer to purchase the company, the partners at Optimum Talent considered it, along with a couple of offers from other organizations. In 2019, the COVID pandemic hit and, like so many other companies, it greatly impacted business for Optimum Talent, thus increasing the urgency to sell. Gallagher successfully purchased all of the Optimum Talent partners’ shares of the business in November, 2020, thereby acquiring the company.

## Who is Gallagher?

Arthur J. Gallagher founded Gallagher in Chicago in 1927 and “has grown to be one of the leading insurance brokerage, risk management, and HR & benefits consulting companies in the world.” (<https://www.ajg.com/why-join-gallagher/>). It has seen significant growth internationally, mostly through acquisition of smaller insurance companies. When Gallagher purchased Optimum Talent in 2020, this was their first foray into acquiring a talent management services (HR consulting) firm. As per our interview with Angelique Meyer with Gallagher, many large insurance firms have been trending to purchase HR consulting firms so that they can more holistically service their clients. Optimum Talent was very attractive to them as the organization had a strong reputation nationally in Canada, and would strengthen Gallagher’s foothold in the country. The culture also seemed to align with that of Gallagher’s so they went forward with this acquisition, one of the largest in the company’s history.

# Change Process

The change process started as soon as the company’s acquisition by Gallagher was confirmed. Although the services delivered have not changed (they’ve expanded!) for the business, the decision-making process and structure had big impacts. It took a year for the Optimum Talent brand to be fully integrated to Gallagher as Optimum Talent had an office in Montreal and it took some time for the new material to be translated into French. Not everyone from Optimum Talent chose to stay, stating that they “didn’t want to work for an insurance company”. There was a lot of confusion at this stage, one that Dr. William Bridges notes as the “Ending, Losing, and Letting Go” stage. It is imperative at this first stage of transition that “you need to help people to deal with their losses” (Bridges, pg. 4). Gallagher communicated through frequent All-Canada calls and onboarding webinars. Storytelling played a big role in creating the urgency of change, which made it interesting and understandable. For this, Gallagher leveraged a 93 page brand document which included thorough details about the brand and how it is proudly one of the most ethical companies.

Those who have stayed seem committed to seeing where things will go. Melanie Jeanotte, Gallagher’s CEO for Canada had put together a guiding coalition in the executive team, including senior executives that have taken on new roles to spearhead the change. In John Kotter’s Eight-Stage Process for Change, he states that the guiding coalition should consist of “Position Power, Expertise, Credibility, and Leadership” (Kotter, Leading Change, pg. 59). The team members encompass all four aspects. However, it has been challenging for them to learn each other’s business so quickly. That said, they have made it clear that they are there to address everyone’s concerns, coordinate, and communicate the change effectively through the creation of a space to talk about concerns, discussion of ideas and open conversation about their feelings regarding the change. Asking questions were encouraged to resolve the matters aptly. Moreover, vision of job security and growth was illustrated, which motivated people to believe in the successful future of this change. Employees were made familiar with the upcoming opportunities with the merger and its positive role in accomplishment of objectives.

According to Bridges, although Optimum Talent is now fully integrated with Gallagher in brand, many people are still in the “Neutral Zone”. There is still a lot of “gray area” with many people and frustration with the new ways of doing things. As Bridge states, this is “when the critical psychological realignments and repatternings take place”. (Bridges. pg. 5). It will take some time for people to move to the New Beginning and fully embrace “The Gallagher Way” (see **Appendix E**).

## Successes

This merge has created a lot more opportunities for both companies. With more opportunities come increased potential for success. For example, expanding the service offering allows them to take on more clients, and especially helps increase revenue for the business. Gallagher will be exposed to a wider audience as a result of business development. Increasing the company's client base will enable Gallagher to convert more leads to sales. This change also allows Gallagher to stay competitive in the industry. If you can not stay competitive it creates a huge risk for a company. While the world is changing, especially in the workspace due to COVID-19, one has to learn to adapt to keep up with the consumers' needs.

While Gallagher continues to rebrand, be exposed to a wider audience, and stay competitive in the industry, they are simply creating “short term wins” as mentioned in the Kotter’s 8-Step Change Model. This also plays a huge role in the company's successes because “it boosts confidence, and they help to establish authority within your new team.” (the Mind Tools Content Team By the Mind Tools Content Team & Team)

New opportunities for this business relate to the stage “new beginnings” in the Bridges transition model. Having to fully reset and rebrand, Gallagher is now open to new revenue streams, ready to take on bigger and more clients, and especially allows them to expand the service offering. I see this as a new beginning for Gallagher.

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## **Challenges**

Given the changes that have happened, there are some challenges that the merger has created for the company. Overall, it has created a disruption in the workplace as the employees need to get used to different organizations' processes and systems. The merger has immersed the company into a different market for Optimum Talent. There are strong competitors in the benefits and insurance space, ones that Optimum Talent hasn’t had to deal with.

Due to the company being bought out by such a large insurance corporation, there are many new people to run decisions by. The merger has also made it more challenging to make decisions independently, as those at the former Optimum Talent now need to get permission for decisions from those three positions above. Some at Gallagher take weeks to respond, making consistent communication difficult. Given the longer time it takes to make decisions amongst the team; it has created more challenges, especially when aiming to get things done promptly.

The company has undergone a lot of IT changes in the workplace as well, since each organization works from their own database, which at this time are not compatible. This led to individuals from both companies unintentionally contacting each other’s clients, causing confusion and embarrassment to the account managers.

Dealing with the drastic amount of change in addition to the pressures resulting from COVID-19 has made workers feel burned out and experience many different emotions.

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# Recommendations

#  When the merger was announced, there was some information on how things were going to roll out with the changes, but there were also many gray areas. There were unforeseeable delays, particularly with IT, and quite a number of key people left the organization. Even now, many people are being left in the dark as to what is going on. As per Kotter’s Eight-Stage Process, it appears the organization has completed the first two steps, and as far as developing a vision, it is all in place, with being a team that now embraces The Gallagher Way. However, there is no strategy in place to discuss how Optimum Talent, a different company with different service lines, translates into this new business. Focus needs to occur with both Step 3 - Developing a Vision & Strategy, and Step 4 - Communicating the Change Vision. We would recommend discussing what’s happened thus far and what next steps are and when so that people understand the roles they play in this new entity.

1. Another recommendation for the company that would be of benefit is from step 5 of Kotter’s model, which is removing any barriers such as the inefficient processes that the company has. For example, the company could work on the barriers that affect the inconsistent communication amongst the workplace. Once these barriers have been overcome, then the efficient in company can be positively impacted.

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# Conclusion

Although the merger did not impact the services delivered by the business, yet it triggered major changes in the organization. The decision-making process and structure were the most impacted areas which embarked on new opportunities as well as challenges for the business. Sparkling starts with the storytelling followed by an excellent executive team that addresses every concern, helped to get the majority on board. Exposure to the large client base presented by this merger opened the door to progress in revenue and competitive advantage as well as career growth opportunities for employees. It was also accompanied by a challenge of a different market that optimum talent had no experience of. The decision making became more time consuming and complex, leading many people to give up on the change. Majority continued and progressed toward the right direction.

Furthermore, as many people are still in the gray zone and change has not fully happened. A strategy is required to integrate the model of two organizations and find ways to make it simpler. Executives need to define a clear communication structure for the flow of information rapidly and identify means to prompt decision making.

# References

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# Appendix A: Interview Questions

1. Tell me a bit about the company?
2. How is Optimum Talent different from Gallagher?
3. How has the merger impacted the current business ?
4. When did this change start? How was it triggered?
5. What is your role in the company? What is your role in executing this change?
6. How did you make the change urgent? What raised the urgency level, so people were not complacent?
7. What challenges have you faced with these changes?
8. What have you implemented to overcome these challenges?

Appendix B: Contact Information

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Appendix E: The Gallagher Way