

## Post merger integration measurement

### Background

With roughly 120,000 employees worldwide, Northrop Grumman is a \$25 billion dollar global defense powerhouse. Well established on Fortunes lists including (Fortune 500, #260 Global 500, and Americas and World's Most Admired Companies), Northrop Grumman operates in seven business sectors: Electronic Systems, Newport News, Ship Systems, Information Technology, Integrated Systems, Mission Systems and Space Technology. Between 1994 and 1999, Northrop Grumman acquired 10 organizations and saw its revenue nearly double to \$9 billion. Between 2000 and 2003, another 10 organizations were acquired, the organization became far more diversified, and revenue nearly tripled to \$26 billion in 2003. This case study focuses on Northrop Grumman's \$1 billion, 5,700 employee Information Technology sector.

### Corporate strategy

The strategy of Northrop Grumman over the past decade has been to acquire to survive or be acquired. With 20 acquisitions between 1993 and 2003, Northrop Grumman's goals are to:

- Be the most trusted provider of systems and technologies that ensure the security and freedom of our nation and its allies
- Drive revenue, profit, and customer satisfaction
- Become more diversified
- Integrate merged entities to ensure sustainable growth
- Conduct business with integrity and live company values
- Deliver superior program performance
- Foster an internal environment of innovation, collaboration, and trust



### HR strategy

HR looked at the strategy of the overall organization and came up with a strategy and goals of its own.

- Drive revenue, profit, and customer satisfaction
- Enhance employee morale and maximize employee retention
- Ensure operational effectiveness through employee training and proactive employee communication
- Drive change using CFO language and analysis via benchmarks



Metrics were invaluable given the complexity involved with integrating acquisitions and the tendency for employees to cling to the past. Objective data was required to determine performance gaps, necessary changes, and a desired direction.

To help measure the effectiveness of their HR group vis a vis their corporate strategy, Northrop Grumman utilized Saratoga's Workforce Diagnostic System surveys. According to Jeff Brody, Executive Director of Human Resources for Northrop Grumman's Information Technology sector, "With Saratoga, we could point to something objective and quantitative with market credibility and say to our organization, this is where we need to be."

## HR action

To help speed assimilation and improve the marriage of the new companies, HR partnered with each of the business units to identify successes and opportunities for improvement through a series of townhall meetings. Employees from the acquired entities expressed what they wanted and needed from Northrop Grumman. After these meetings, HR took action on what they learned and conducted follow up meetings to share results. For example, recruiting teams were assigned to internal customer sets and monthly status data were generated to demonstrate progress against metrics. Moreover, monthly "grass roots" newsletters were established to better serve the information needs of the various groups within Northrop Grumman.

At any point in time, HR could assess the success of its efforts by evaluating the combined results against Saratoga benchmarks. For example, HR identified that its cycle time for hiring was greater than industry comparisons. Cycle time was reduced by measuring progress each month against a core set of metrics aimed at improving staffing efficiency and effectiveness. The number of interviews to number of offers extended was analyzed to better understand

the number of candidates needed to generate an offer. Additionally, Offer-Acceptance Rate was examined to review the competitiveness of offers. Finally, Northrop Grumman's Information Technology used Saratoga metrics to improve retention techniques resulting in reduced expenses.

## Using Saratoga metrics

To measure the impact of their HR actions, Northrop Grumman utilized a number of Saratoga's metrics including Time To Fill, Management Ratio, Employee Cost Factor, Voluntary and Involuntary Separation Rates, Benefit Factor, and Revenue and Income Factors.

## Results

Northrop Grumman's Information Technology sector saw its revenue per employee increase 5.2% between 2001 and 2002, reduced its hiring cycle time from 60 days to 40 days and consolidated its Health and Welfare plans and saved \$75 million.

Each of these results is assisting Northrop Grumman achieve its corporate and HR goals. According to Jeff Brody, Executive Director of Human Resources Northrop Grumman's Information Technology sector, "We really value and use data to understand the evolving needs and changing direction of our workforce."

To learn more about Saratoga, please visit our website: [www.pwc.com/saratoga](http://www.pwc.com/saratoga) or call us at 866 727-2864.