

## MANAGING MERGERS AND ACQUISITIONS

Although the pace of merger and acquisition (M&A) activity increased in 2005, studies show that about 30 percent of them fail within three years and many never fulfil their goals. Many companies have found this process more disruptive and destructive than they imagined. Why? Part of the reason is that the change process was not managed wisely and organisation culture differences and people issues were largely ignored. Because of their unique competencies, HRD professionals need to be actively involved in such efforts. This article offers advice for managing the people and culture issues that dominate organisation change.

### Building Compatible Organisational Cultures

Integrating the best aspects of combined organisations is likely to yield greater employee satisfaction and higher retention of key personnel—and improved performance. **Cultural integration needs to be part of the due diligence checklist, not an afterthought that is addressed only after the change occurs.** The culture consists of the values, attitudes, management style, criteria for success, and traditional ways of behaving, such as communicating and rewarding, which can exert a powerful influence on management and employees.

It is widely recognised that all change is stressful -- even desired change. As a consequence, there is always some loss and the need to readjust to the new. People therefore tend to resist it -- especially imposed change -- and that makes management's task more difficult. Since many senior leaders are not comfortable discussing organisational culture and change issues, the HR professional must push for examinations to determine how compatible the cultures of the merging organisations would be. Retreats can help to provide the venue for these explorations. Also, both companies/organisations should appoint a task force that includes representatives from HR to review transition issues and opportunities, compatibility of operating styles, policies, values and culture. The HR manager should be especially sensitive for rites, rituals and symbols that each culture considers important. Even seemingly small issues, such as dress code, can become barriers when overlooked or ignored.

It is useful to undertake a SWOT analysis prior to and after the official changes take place. It helps examine the strengths, opportunities, weaknesses and threats that the merging organisations face and then determine where major gaps exist, the reason for the gaps and what can be done to bridge them. While this is a time consuming process, it is also essential to the success of the M&A. When conducting this exercise, all major stakeholders (stockholders, customers and employees) should be considered.

One important step is to enlist the advice and support of the "village elders." In every department there are usually two leaders -- the designated supervisor (formal leader) and the respected "old timer" who serves as the informal leader with considerable influence to shape whether a plan succeeds or fails.

### Working with the Top Management

The HR manager should help top management clearly identify the vision, mission, values and culture that the organisation wants to perpetuate going forward. Doing so is critical for organisational success and customer and employee relations. Although challenging to do, the HR manager should get the CEOs of the merging organisations together to define their collective view on the future culture and collective expectations. The HR manager should also aid these two leaders to understand how critical it is to the success of the M&A that employees have a consistent picture of the "new" workplace.

The HR manager should advise the CEO to hold a planning retreat with senior management in order to become better acquainted and to learn how they can collectively function. This will make possible the creation of a multi-faceted plan to get where they want to be. It might also be advisable to have a consultant to help plan and conduct this session.

"Best practice" research shows that leading companies recognise that retaining key leadership personnel from all organisations involved in the M&A is highly correlated to the perceived success of the integration process. However, M&As often result in redundant positions and different skill set needs. If necessary, the HR manager should help re-recruit managers and employees in conjunction with an organisational assessment. If managers know

as soon as possible who will be leading the organisation in the future and which leadership style will survive, the task becomes a little easier. But, it is also important that the former leaders/managers show support for the decisions. The organisation could also offer change management education and tools to all leaders and their team members.

**Good Communication is Essential to Successful Change.** Once a consensus is reached on the vision, mission and values of the newly combined organisation, a strategic and tactical plan can be created. The success of the re-organisation rests on the ability of the organisation's leaders to effectively communicate the new plan. Employees should know why the changes are necessary and, as much as possible, what the future will be like, and what likely changes will occur and what is unknown.

In communications with employees, the HR manager should caution the senior team about making commitments they cannot keep—for example, that nothing will change. Honesty and straightforwardness will go a long way to ensuring that everyone stays focused on accomplishing business goals with a minimum of turnover and the resulting loss of productivity. A statement that might be useful to make is: *“There will be some changes, but at this point, we are not sure how many. We will keep you fully informed of any changes that will impact you as soon as we know about them.”*

**Try to Eliminate Surprises.** This reduces the stress of uncertainty and gives people a chance to adjust. A detailed communication plan should be developed for 12-18 months. The HR manager may want to organise a series of all-staff meetings to answer questions and concerns about the merger, as well as offer other avenues to address employees' operating issues. A schedule of updates to employees, through a variety of communication avenues, should be planned, along with a target date for the transition period, including any organisational changes to be completed. Far too often key decisions regarding the merger are dragged out, destroying employee morale in the process.

If specific changes are to be made, inform employees. For instance, if work stations are to be rearranged, post a diagram as early as possible. If new equipment is to be introduced, bring it into the work area and allow employees to get acquainted while it's "off line." In addition, managers should sit down with individual employees who will be affected to brief them on the details of the change pertaining to them personally, to clarify new expectations, and to invite feedback. This is also a time to allow an increase in grumbling and other negative feelings without becoming defensive. Management can decide when that has become counter-productive.

Regular meetings should be held to assess progress against metrics established in all key areas. When these processes are missing, a culture clash is all but inevitable. While the damage done may not be completely reversible, it can be alleviated through immediate visible action.

**Involve Employees.** As much as possible, allow employees to participate in decisions that affect their work. People will more readily support decisions they helped make or which took their concerns seriously. Employees should be given an opportunity to voice their opinions, whether through a survey or some other method of collecting suggestions. The results may be surprising. For example, the expectation might be that everyone would opt for the casual environment, the outcome may be the opposite: many employees believe that their professionalism is enhanced by the way they dress and that scheduled coffee breaks are a distraction to getting their work done.

Make some changes tentative so that they can be altered or dropped in the future. In that context they become less threatening and give employees a greater sense of control. A feeling of control is one key factor in reducing job stress and also promotes acceptance of the new.

**Reward Participants.** Rewarding success is a key motivator. Reward people who make significant contributions during a transition. Management should frequently acknowledge its appreciation for the extra effort everyone makes to adjust to change. A pat on the back and a "thanks" cost nothing, but can pay great dividends in morale. Top management should be more visible and involved with employees. Find occasions to celebrate milestones in the transition process. Further, if post M&A restructuring is required, best-in-class organizations downsize expeditiously and in parallel revise incentive and reward programs to motivate existing employees.

**In summary, HR can add value.** And who better to guide the change than HR? Employees tend to be very understanding if they understand the reasons for decisions, are given a chance to express their views, and if the expectations of management are clearly defined. Gaining commitment from those leaders who will stay after the

M&A is critical, as they are often the organisation's voice to employees during times of transition and are essential to creating engaged, informed and effective followers.

*This article was based on findings of the Society for Human Resource Management ([www.shrm.org](http://www.shrm.org)) and LLC's Best Practices Studies ([www3.best-in-class.com](http://www3.best-in-class.com)).*