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Mergers & Acquisitions Test Human Sensitivities

“Executives should spend more time on managing people and making people decisions than anything else. No decisions are so long lasting in their consequences or so difficult to unmake.”

— Peter Drucker

Mergers and acquisitions (M&As) are being announced at a pace never before seen in business history. From the U.S. to Europe, from automotive to chemicals, from high-tech to biotech, from banks to building materials, merger mania appears unrelenting. In Europe alone, there were a staggering 9,786 deals last year worth a total of \$859 billion. The dollar volume of European M&As during January '99 was nearly triple that of January '98.

Whatever the purpose of a merger or acquisition, management must maintain its focus on both customers and employees throughout the transition. For customers, initial concerns are more likely about continued supply and quality than what new products or services may be offered. Internally, the focus is on changing roles. Power struggles may erupt over which functions or jobs can be eliminated, or how tasks, territories and distribution networks should be consolidated.

Every management team focuses on these issues. But too often, options are not adequately communicated before decisions are made. According to a survey of executives at 1,000 of the largest U.S. firms, inadequate communication wastes 14 percent of every work week. That miscommunication can only worsen in emotional times of change.

Naturally, there is a strong desire to work out all the kinks before a roll out. Yet focusing on people means listening to their concerns and responding as best as possible, often with incomplete information. After initial financial disclosure, the conventional wisdom is to say less rather than more. But why squander the opportunity? It is far better to articulate to employees — and the world — what is

sleeker and sexier about the organization, and to serve the news while it's hot.

When one newly formed division shied away from a formal press conference, we recommended informal media briefings as a way to open a dialogue. We worked to spell out the synergies, to define the challenges and to explain the ways the organization was preparing to meet them. We certainly didn't have all the answers. But management was able to explain how the division's strength in R&D dovetailed with an industry that was outsourcing more development work. And because that message was inspired by the needs of the marketplace, it hit a resonant chord.

“The Way We Do Things”

From a communications perspective, what goes on inside a company during a merger is at least as important as what goes on outside, and is certainly more complex. While it is one thing to



proclaim a new distribution network to customers, it is quite another to change structure and invite some people to leave. When two identities merge,

it strikes at the very heart of an organization's culture. Culture is "the way we do things," the amalgam of people, policies and procedures that hold an organization together. It affects employees, as well as customers and investors. A new corporate culture isn't an automatic byproduct of a merger. The management team must create it – taking the best of both organizations and shaping something better.

The proper care and nurturing of culture is usually the domain of both human relations and communications. Their shared role, particularly when two global companies merge, is often to set an egalitarian tone in which the two groups must share in building a future together. The parties must learn to play off one another's strengths and thrive together in a changing marketplace.

Foresight concerning cultural issues can go a long way toward smoothing the transition. While a certain amount of conflict is healthy, too often we see wrangling between groups that can prolong or forestall the process. A prime example is the clash of management styles and cultures that reportedly scuttled the deal between Monsanto and American Home Products last year.

Let Compassion be the Guide


In any melding organization, people's feelings must be addressed. Emotions don't fit neatly on any balance sheet, but they are real and can certainly impact the bottom line. Those among the acquired might naturally feel as if they are about to be devoured. While we would not recommend over-promising, a realistic approach should offer more than a glimmer of hope. Talented players should sense a bright future. Without some signals from management, they may well jump ship. Uncertainty can be

reduced through ongoing communications — in print, on-line, on video and in person.

How an organization deals with those who are losing jobs becomes part of the culture and impacts those who remain. Compassion should be the guide. If significant layoffs are planned, that should not come as a surprise. The shock can leave survivors feeling more than a bit anxious and guilty. Without some information, people will tend to imagine the worst. Left unchecked, rumors can be a debilitating force at a time when no further distractions are needed. Honesty always earns respect from employees even when the news is bad.

By focusing on people and the bigger picture, management can convey a positive vision that inspires confidence in the marketplace and motivates the workforce. The global market realities – both the challenges and the opportunities – must be clearly understood and communicated. Management can smooth the transition for everyone involved when it explains the changes that are occurring through every stage of the process. While management can set a destination, no one can foresee all the challenges ahead. Mid-course corrections are to be expected, welcomed — and communicated.

The internal and external environments are, of course, intertwined. One company that acquired more than a dozen others over a period of years offers a case in point. The culture evolved into one with great autonomy and entrepreneurial spirit. A flat, decentralized structure was not trouble-free but did offer several benefits. First, if a customer was experiencing a problem, fewer organizational layers put them closer to top management. Second, managers understood that more was ex-

pected of them, and that they also had the *authority* to make most decisions on their own. The "can-do" culture propagated to all levels of the organization. Ultimately, it translated into greater responsiveness — and a greater sensitivity to customer needs — that differentiated the company from the competition. 

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