Merger & Acquisition Integration

THE MECHANICS AND THE JOURNEY

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A client leadership team recently asked for our help in working through a business acquisition. As we pondered the subject, it became clear that, at a high level, merger integration has at least two dimensions: the *mechanics* of planning and executing business integration and the *journey* that organizational members take as those details are settled and changes are implemented. The two are related but very different aspects of such an important venture.

INTEGRATION MECHANICS

This subject has received very good treatment in business publications and includes important areas of focus such as planning, communication, staffing, and execution.

PLANNING

The collected wisdom about integration planning is that failure to plan is planning to fail. Various experts recommend that the organization lay out both a clear, understandable vision for the merger, as well as a detailed plan to make it happen. Some authors suggest that a 100-day plan is an important starting point to both set a direction and to communicate it to everyone involved. The act of planning also assures that leaders have adequately thought through the essential details to make their vision a reality.

Of course, even the best laid schemes will still involve some surprises along the way. The limited and low-profile due diligence process inevitably passes by some corners of a business because only a select few people are involved under the shroud of confidentiality. The result is that some parts of the enterprise, whether healthy or troubled, will be missed. Just like remodeling a house, it's critical to allow for unexpected contingencies when staffing and budgeting for an integration project.

SUMMARY

Merger integration is far different from what the idea suggests on paper. It entails both a set of mechanics and a psychological journey of discovery, turmoil and ultimately meaning making.

The most successful mergers take account of both dimensions and devote the right resources to build a plan and work through all its dimensions, however difficult and demanding.

COMMUNICATION

Once the vision is in focus and even while plans are crystallizing, it's essential to keep all stakeholders informed. Stockholders, employees and customers all need to understand the reasons for taking this step and how it will benefit them. Leadership should provide opportunities to delve into their individual reactions, ideas and fears. Each stakeholder will have their own interests and goals. Old familiar jobs, relationships and ways of doing business may change, or go away entirely. Many people will want the chance to explore the looming new future and what it means for them.

Formal leadership meetings and communications aren't always enough in these situations. Instead, individual stakeholder conversations, group dialogue sessions and other vehicles will keep the communication lines open and operating in both directions. An organization's opinion leaders, the people whom others look up to, should be well-informed and invested in the merger's success. They can help communicate the plan and the reality.

Rumors will fly. People will have unique hopes, fears and questions. They may be desperate for information about the future. They are likely to seize each bit of information, whether solid or flimsy, and try to make sense of it. Smart leaders will recognize that this will happen naturally and do what they can to address speculation and stories with the facts, or their best understanding of the situation.

STAFFING & THE TALENT PICTURE

Staffing an integration project often comes into the spotlight, too and line managers play an important role in leading and steering the process. The best candidates are forward-thinking people who are open to change. They will grab hold of the opportunity and will be able to navigate through the turbulence of uncertainty and change with fewer reservations or fears. A large-scale integration may require dedicated, full-time staffing to deal with the myriad details of blending two organizations and their portfolios, even if just partially. Juggling a "day job" and merger duties could bury the most capable employee.

A related human resources issue is the employee talent picture. Even before a deal is signed, having a clear understanding of the organization's key players and talent bench is a must. That "talent due diligence" will make it easier to think about how to fill any new roles, appoint integration leaders and also to test talented people's capabilities and developmental headroom.

As part of this talent picture, leaders should have a retention plan for their key people. Headhunters often surface once the news of a change, and possible turmoil, hits the streets. Protecting those assets is a high priority. It's also true that at least some employees will struggle with their individual fears. Will they have a job afterwards? Will it be meaningful and rewarding? Who will the boss be? Is it someone who draws people, or repels them? Those issues need full attention and a game plan to address them.

FORWARD MOMENTUM

A final mechanics issue worth pondering is integration momentum. Many sources advise that moving quickly is central to minimizing the uncertainty, suspense and productivity losses that accompany a merger. Leaders who set definite goals and timelines can keep everyone moving forward. They also can recognize and reward employees who fully jump into the effort and set an example for the rest. Those steps will send powerful signals to all parts of the workforce.

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INTEGRATION JOURNEY

The second dimension of merger integration is an intensely human one. The leadership team went through its own emotional journey during the ups and downs of initial courtship, due diligence and deal-making. Now their employees will have to make a similar psychological transition. And they will start it with less information and often a lower sense of security and certainty.

A helpful model divides any major change initiative into three phases. First, there is an ending. At least some part of the former situation will go away, whether stakeholders loved it or hated it. Second, during the integration period, people will live in a work world where the old roles and rules may no longer apply. They will struggle to make sense of the changes and what they mean personally. Finally, everyone will take part in a new beginning. The organization may retain its name, but at least some parts of its business, and its workings, will be different. In all, employees and customers will need time to let go, reflect and ponder, and grab unto the new organization and how it operates.

Weathering the integration process does not happen overnight. People may intellectually grasp the reasons for the merger but behind that, they will need to come to personal and emotional grips with how it affects them. Understanding the vision in the abstract is entirely different than living with its reality.

"First, there is an ending. Second…the integration period. Finally… a new beginning."

PHASE ONE: AN ENDING

We recommend that leadership allow time to mark the end of an era. Just as we mark the passage of someone's life, major organization changes often require a comparable period of grace. This change has its own meaning for most. People will need time to discover what that meaning was, as well as to find their way through that ending to a new beginning. Along the way, they probably will experience large emotional peaks and valleys, irrational thinking, and possibly act unconsciously on old habits. It will take time and attention to help them understand the changes in their work lives.

Mind you, we don't recommend holding a wake. We do feel it's important to mark the passing of history and the significance of the business up to that point. Some cultures hold a celebration once someone dies - they ask for memories, testimonials and other forms of remembering and reflection about the person's place in their lives. The same is true for organizations. They absorb a tremendous amount of employees' time and energy. The sudden absence of familiar ways and surroundings or a dramatic change in someone's job and work community takes time to absorb. We recommend that leaders remember and mark the passage.

PHASE TWO: A TRANSITION

The middle transition zone has its own challenges. While the former business is now behind, the exact form and nature of its future hasn't arrived yet. Nor is it quite clear how a given person fits in. People will need time to ponder, and even struggle, with how the merger will change their working lives. That may mean giving up treasured titles, duties or coworkers. Knowledge, skills and status built up over years may suddenly amount to little. It may entail having to learn and master new customers, processes or products and services. All of those changes have a clear psychological price in anxiety. They involve ruminating, exploration, struggling to perform, possibly failure, and pushing the mental reset button, often more than once.

Experienced transition consultants suggest that this struggle in the ambiguous zone is normal, and healthy. Leaders should expect it, and allow for people to flounder, at least to some degree, as they try to get a psychological fix on the future. Making time for individual venting, dialogue and even debate is helpful, as well as encouraging questions and ideas. The ultimate outcome will be that the employee has a clearer sense of their place in the new enterprise.

PHASE THREE: A NEW BEGINNING

Finally, there will be a new beginning. Employees, and leaders, too, will mentally and emotionally arrive at their new organizational lives, but at different speeds. Some will embrace their roles quickly. Others will need time to watch and learn before they fully take hold. A few will wish it all go away. Leaders need to expect this range of readiness. They must be willing to help people come along at an individual pace in their understanding and commitment.

Ultimately, of course, every employee needs to be onboard for the new enterprise to succeed. That means that the time to “sign up” isn’t open-ended. Leaders need to be vigilant for anyone who can’t quite grab hold of the new organization and role, given reasonable time and space. Those persons need to be offered other options, or urged to find opportunities elsewhere. People have different tolerances for change and ambiguity, but must ultimately embrace the new organization and their roles.

OTHER CONSIDERATIONS

There will likely be several other psychological dynamics in play during a typical M&A. First of all, there is almost never a true merger of equals. Instead, one organization always has the upper hand, and employees discover it quickly. They mentally divide themselves into “winners and losers,” and must deal with real and perceived consequences of falling into one camp. Top leadership needs the utmost sensitivity to the reactions of each party, and must be available to help their people through the transition. They must be ready for disbelief, confusion, anger, resentment and even more.

Secondly, few people will view all human resources decisions as fair or good for the business. They will see the departure of talent, some promotion or placement choices that appear wrong or problematic, and, in general, could feel that the situation was thrust on them without any say in it. They may feel powerless and at the mercy of a fickle leadership team. Employees will need a forum to adequately voice and discuss their feelings and concerns rather than having them ignored or minimized.

Last, upset and anxious employees will pick apart any communication. In particular, they may run down positively spun public statements about the purpose or outcomes of a merger because their experiences might be very different. Even more, they will try to read between the lines of internal announcements to try to identify the hidden story, and what it says about their individual futures. Vague statements often will create ample room for people to insert their own horror stories, or worst case scenarios.

All in all, the human side of integration will place a massive burden on leadership. The leaders must struggle with their own angst about passage through these changes while remaining alert for employees’ questions, concerns and even animosities. The ability to shoulder both sets of feelings effectively will be paramount. So will having effective sounding boards for their own benefit and periodic opportunities for time and distance away and stress relief.

To talk more about this article, or about how Vantage might help your organization through a period of change, please contact us.

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FURTHER READING

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