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Mergers and Acquisitions

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Abstract: Mergers and acquisitions are areas that may provide a bevy of opportunities for the human resource development practitioner. Prior to any discussion regarding these seemingly elusive constructs, one must examine them from several perspectives. Some organizational leaders may view a specific endeavor as a merger; others may view the same endeavor as an acquisition, which is largely dependent upon some specific particulars associated with the business.

I.CREATING NEW SYNERGIES

Mergers and Acquisitions (M&As) are an alluring way for companies to cut costs and achieve synergistic financial gains in a growing global market. While profits are the measure of success in M&As, the driving force behind the success or failure rests on the human resources of the companies. The recent reports suggest that 50 to 80% of mergers fail because of an inability to integrate people into a cohesive new entity. It is well-recognized that merging organizations' cultural integration is one of the most crucial and arduous tasks in a merger. When the collective identity of the organization is challenged, the post-merger trauma can be significant to employees and managers. As a result, the organization suffers from employees with poor morale, lack of trust, decreased commitment and attitudinal problems.

This article presents guidelines to assist organizations in managing the crucial process of merging organizational cultures. In review of successful M&As, a common characteristic is a proactive approach for creating a new culture that is salient to the people from both organizations. This is accomplished by recognizing the role of both the leader and the employees in the merger process, acknowledging the differences in organizational cultures and using this knowledge to integrate cultural meaning at various levels within the new organization and using every day events to influence change. The role of the leader is significant in creating a synergy between cultures such that employees at every level are excited about the possibilities that lie ahead.

II.PREPARING FOR THE CHANGE

Successful mergers require a leader who unequivocally understands arid utilizes the cultural differences in every aspect of the merger process. Before moving forward, it is vital to have employee buy-in. This is accomplished in several ways. One way is for leaders to make an effort to understand the histories and distinctiveness of the groups of employees involved at both organizations. For example, managers may want to arrange meetings between employees at each organization before the merger event. During these meetings, it is important to share common ideas, beliefs, values and the mission of the organization. Finding common values creates unity.

Even in devising cultural unity, it is efficacious to allow the inevitable cultural variations to emerge and then draw on these different perspectives and ways of doing things to develop new cultural meanings. This can be accomplished by providing opportunities for conflict between organizational groups by allowing dissent on tasks and issues, with the goal of coming to a consensus about the best approach. This is a powerful tool in creating unity out of multiplicity. Cultural variation can be effectively united when the differences are brought together under the overarching theme of shared values. An upfront approach on differences will lessen the events of head-butting and turfism after the merger.

By arranging meetings and sharing ideas, employees see a momentum for change. As this momentum builds, identification of change leaders at various levels is imperative. These may be managers or key employees who can motivate others with a sense of excitement about the merger event. These key people must keep pointing the others to the shared value of the new organization.

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Employees often interpret symbolic and concrete messages, whether real or imagined, about the merger event. In other words, employees have a tendency to place meaning about the rate of progression in the merger on things they see or hear. An employee may interpret a lack of discussion about the merger or delays in the merger date as a set back or that problems exist and the result is doubts, insecurities, and fears. To this end, pre-merger meetings build the infrastructure for the integration process.

III.PSYCHO-SOCIAL SUPPORT AND RENEWAL

Intense emotionality is going to be present in a consolidation process. Post-merger reality can be described as tense, uncomfortable, frustrating, and anger-provoking. In good scenarios, networks between coworkers informally develop for support. However, the best arrangement includes a formal plan of managers and peers who are available to objectively listen to concerns and provide empathy to employees who need to vent emotional reactions. Integration can be facilitated by a resource of individuals who provide safety to express the losses experienced during consolidations, and reinforce the positives. Anger and fear must be channeled into generating new ideas that will enhance the advancement of the organizational goals and values. Without a leader, who can recognize and understand this dimension of the merger, emotional outburst and resistance are unavoidable.

These change leaders within departments and teams are instrumental in challenging employees to use their emotions to make the new work environment better for themselves, their co-workers, and their customers. The change leader can be identified by his trustworthiness and elevation as role model by the other employees. Thus, role modeling is an important aspect of the change process.

Certain aspects of role modeling are particularly crucial to the post-merger integration endeavor. This would include modeling the values necessary, the intended goal of the consolidation and true timelines are critical to the success of any M&A. Thus, the top leader serves as a role model to all the managers and employees who will act as change leaders throughout the organization. The point is to have avenues for creative, open, frequent and one-on-one communication about the upcoming changes.

IV.TRUTHFUL EXPECTATIONS

Clearly articulating the value in the change, with the emphasis on the aspect of it being a shared value verses a corporate ideology, will

of the organization, emphasizing success, and demonstrating a willingness to embrace upcoming change. Role modeling can aid employee buy-in by helping employees see how the changes from the integration will create a successful service and result in a better way to attain the organizational goals. Ultimately, commitment comes through employees identifying with the shared goals of the new company. As the employee identifies himself with the new company's overarching goals, the mission becomes self-defining and integrated into one's own belief system.

The top leader is the ultimate role model of the integration process. Clear messages from the top about why the merger is reduce resistance. Employees need to know how the change will be of benefit not only to the organization, but also themselves. For example, if combining research and development efforts and reducing production costs results in providing a better product to help save people lives, the leader must encourage employees that they are a part of this important life-saving work. In other words, leaders must communicate in a way that illustrates how the integrating companies have one shared value and that by working together a better culture can be created that will benefit not only the employee and organization, but ultimately the customer.

Employees will struggle with issues such as new norms and the way the 'others' have done things. Both sides of the consolidation process require background information about differences in organizational culture in order to prepare themselves for what to expect. Moreover, the goal is to present realistic expectations about the challenges as well as the opportunities.

Providing realistic expectations, paired with consistent messages about the probability of success, is the most effective way to galvanize employee commitment to meet the integration challenges. On the other hand, expressing high

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expectations can lead to employee skepticism, resentment and lowered morale when employee perceptions don't match the actual experience. It is very important to be upfront that the merger process will take a lot of work and energy, potentially causing moments of stress and conformity for the sake of the mission, but in the end, it will lead to a better work environment and accomplishing the greater goal.

V.POWERFUL EVERYDAY SYMBOLS

In 1985, Edgar Schein proposed that one reason cultural incompatibilities occur during M&As is that the culture of the organization is so pervasive that it is difficult to identify its components. Everyday activities within the organization contain symbolic manifestations of the collective values and beliefs of the culture. To this end, leaders' reactions, statements, and even previously unremarkable activities may now be interpreted as more significant to employees during the M&A process. Employees become very sensitive about how leaders act and what this reveals about is the

leaders' true beliefs. For example, a time of status quo can be misinterpreted as the leader's lack of commitment to the organizational values. Thus, employees make inferences about the management's 'true' values and beliefs based on symbolic representations.

Therefore, it is important for formal and informal leaders to be aware that communication occurs directly and indirectly through actions and even lack of action. Conversely, leaders at all levels can support cultural integration

to be proactive in integrating these two different organizational cultures into one new culture. This occurs at every level within the organization and through every day events. Moreover, leaders should define and communicate the cultural aspects of the merger as vigilantly as the financial and strategic objectives underlying the merger. New synergies are created by building rapport between employees at each site before the merger process begins. It is essential to provide support for employee symbolically through everyday behaviors. Leaders can use mundane events to positively influence integration by carefully monitoring seemingly insignificant details such as order of memos, where meetings are held, and even the words used when referring to various teams within the organization. Little things matter to people. These minor details can have a major influence on the success of the integration process.

Time has revealed that the gravest danger posed to mergers is culture clash. To create new synergies, leaders and managers need to conceptualize the process as organic. The merger begins the moment the announcement is made that the deal has been signed. Therefore, leadership must be posed emotional reactions to change and use this emotion to drive motivation for a better and greater endeavor. To this end, the employee is critical to setting the standards, being the role models for effective change. Leadership can create the approach that what each company can do together neither company alone could do apart. This kind of encouragement is contagious, as managers and employees model this attitude, a new synergy and culture is born. The merger is successful when the two companies become one.

VI.MERGERS AND ACQUISITIONS OPERATIONALLY DEFINED

M & As have been discussed thus far from an extremely pragmatic perspective—these constructs are essentially elusive but they appear to be easily defined. Some areas of concern for the leaders of any organization (whether going through a merger or acquisition or not) are related to the people who comprise the organization. In essence, when one speaks about mergers and acquisitions one must consider the people who comprise the organization from the outset. It may appear to be elementary that any organization is comprised of people but it must be reiterated during a highly volatile environment such as a merger or acquisition. It is the people who are the citizens of the organizations who have cognized goals and aspirations that are both personal and professional—these goals and aspirations must be addressed in a safe and harmonious environment prior to the merger or acquisition as well as during the process. If one considers the people of an Organization prior to the merger or acquisition; the endeavor may result in a positive venture for all concerned.

One aspect of any merger or acquisition that may often be downplayed or overlooked is the conveyance of information prior to the endeavor itself. If the anticipated merger or acquisition is envisioned to go smoothly; valid and reliable information must be abundantly conveyed throughout the organization (s). By this it is suggested that the people of

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the organizations must be provided with an abundance of valid and reliable information regarding the M &A from the outset. It is also suggested that human resource practitioners may begin some very crucial dialog sessions with the citizens of the organizations in an effort to learn their thoughts, fears, and reservations related to the M&A. Informal conversations throughout an organization can have a devastation affect upon organizational morale if rumors and innuendos abound—this type of scenario may certainly enhance the merger and acquisition for all concerned.

In essence, it is suggested that the citizens of any organization should be considered as collaborators during the planning and implementation of any merger or acquisition. If the merger or acquisition is operationally defined from the outset, the citizens of any organization may be enlisted in a smooth and successful endeavor that will ultimately benefit all people of the organization.

An Example of an Operational Definition

A superb example of operationally defining a merger and acquisition follows with a brief story of Bentley Real Estate and their merger with Broad Concepts Realty (not the real names of the organizations—these names are fictitious). The two real estate corporations were positioned in a heavily concentrated area of million dollar ocean front housing. Bentley Real Estate was a small and profitable organization that consisted of about 12 highly successful and influential real estate brokers—Bentley had been in business for about six years. Broad Concepts Realty was a large and very successful organization that had been in the area for over 50-years. Some of the areas most respected brokers and agents worked for Broad Concepts. The big difference between the two organizations was that Bentley was new; and most of their brokers were young and aggressive—they were not afraid to sell a house or list one for sale even if there was an underlying, unwritten rule that the house was in the territory that had been monopolized by Broad Concepts Realty for years. In essence, Bentley did not adhere to the unwritten rules the other organization had implied throughout the years.

Bentley Real Estate began to enjoy an extremely successful seventh year in business—the new organization was on the edge of becoming the most successful company in the area. Broad Concepts needed to regain its hold upon the area so they began to solicit the brokers who worked for Bentley; a few brokers left due to some very sweet monetary offers from Broad Concepts but most of the brokers remained loyal to Bentley. After a few months, the owners of both the companies had a meeting at a local country club to discuss their implied territories and practices. The owner of Broad Concepts gained a great deal of respect for the owner of Bentley; and he believed the company was not to be dismissed regarding future business. In essence, the owner of Broad Concepts viewed Bentley as a viable threat.

After several additional meetings and rounds of golf, the owner of Broad Concepts offered to purchase Bentley Real Estate—the conversation ensued after several months and the decision to merge companies was the result. The inherent problem with this scenario began when the people of both organizations were informed about the merger. The brokers and sales people of the larger organization (Broad Concepts) viewed the endeavor as an acquisition instead of a merger—the grapevine was ripe with comments regarding the implications associated with the acquisition for the employees of the smaller organization. Bentley Real Estate employees viewed the endeavor as a merger and appeared to look forward to the future enterprise.

Before the merger was actually finalized, the employees of the larger company continued to talk among themselves (and with the brokers of Bentley Real Estate) about the real implications of the endeavor. They stated that it was actually to be an acquisition and not a merger; they also stated that many of the employees would eventually lose their jobs with the larger organization. The owner of Broad Concepts elected to postpone having a meeting with the employees until after the merger had been finalized—the owner of Bentley Real Estate chose to include the employees prior to the endeavor and during the finalization of the merger. The employees of the smaller organization continued to work in a worry-free and safe environment due to the abundance of information they received throughout the merger. The employees of the larger organization began to panic about the merger (which they called an acquisition) and the rumors of potential job losses and pay cuts did abound throughout the organization. This escalated until many of the brokers and other

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employees began to leave the organization in an effort to save themselves from the pay cuts and other potential hazards associated with the acquisition. In essence, the lack of information provided by the organizational leaders gave rise to a panic situation. With many of the seasoned brokers and other employees no longer employed with Broad Concepts, the owners of Bentley Real Estate elected not to go through with the merger as planned; it simply was not a good move any longer to consider a merger.

VII.CONCLUSION

The preceding example of Bentley Real Estate and Broad Concepts Realty may offer illustration of the profound implications associated with dialog within an organization. The people who comprise any organization may fall prey to rumors and innuendos if the organizational leaders do not provide an abundance of valid and reliable information for these people. It is paramount for the people of any organization to be included during the entire process of a merger or acquisition. It is also a paramount consideration for an organization to operationally define the merger or acquisition as the endeavor progresses— perspective is a paramount consideration.

M & As are constructs that may have unlimited potential for all of the citizens of an organization if the information is provided in a valid and reliable manner. It is imperative for the members of any organization to trust the organizational leaders during this type of endeavor—dialog is a powerful tool in building trust at all levels of an organization.

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