Ready, Set, Merge!

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Conventional wisdom holds that merger integration should be conducted slowly and carefully. Without question, great care must be taken to combine and harmonize two entities. A detailed plan is essential. But new evidence suggests that rather than easing into the integration process, the time frame must be compressed.

The first 100 days after the deal is announced can determine whether or not you achieve the desired results of the merger. It can make the difference between the very success or failure of the enterprise.

Corporate mergers and acquisitions are a business reality and represent a viable method of enhancing competitiveness. Merging can result in an instant increase in market share. It can make an organization more efficient, enhance product quality and maximize profitability.

Unfortunately, the benefits sought by management often fail to materialize. According to *The Journal of Business Strategy*, one-third to one-half of all completed mergers fail to meet expectations. If the deal looks good enough on paper, why doesn't it translate into reality? The answer can be found in the handling of post-merger integration.

Redefining the Organization

Every company develops its own approach to doing business. From hiring practices to product development and marketing methods, an organization operates by unique procedures developed over time that are well understood by its people. Incremental changes are easily absorbed into the organization. These day-to-day practices do not vary widely and take place within predictable parameters.

A merger represents a magnitude of change that challenges an organization's resilience. It requires great attention. For the acquiring organization to proceed naively in a business-as-usual mode ignores the adjustment, accommodation and flexibility required. Simply doing what was done in the past with greater intensity stresses the resources of the organization and can put the company at risk. It fails to capitalize on the potential that the addition offers.

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A more dynamic and effective approach is when both organizations recognize the merger as an opportunity to redefine themselves. Forging a new, more powerful organization is the means to aggressively capture a greater competitive advantage, the most frequent objective of a merger.

The Best of Both Worlds

Companies become acquisition targets because they have reached a level of success that makes their products, processes, technologies or markets desirable. However, the development of those desirable qualities didn't just happen. The people of the organization were directly or indirectly responsible. No one knows the details of making the company successful better than those who have had a role in that success. Unfortunately, these people frequently become acquisition casualties, causing years of experience, expertise and dedication to be lost.

Typically in mergers, people are discussed unidimensionally and dichotomously—that is, who will stay and who will get severance packages. Little thought is given to the combination of talent that exists in both companies and the opportunity to develop a superior organization by blending that talent. Too many acquisitions are treated as simple asset additions with little or no consideration for the value of retaining the personnel of the acquired company.

Usually, the acquiring company assumes that its management style, practices and people will drive the new, larger company. Token consideration is given to the wishes, insight and non-technical expertise within the acquired company. Casualties are viewed as an unfortunate but necessary cost of the acquisition. It's no wonder that resistance and failure of people to culturally integrate is so often the result. It's not unusual years after a merger that a we/they division remains. The toll of a bungled acquisition shows up in lost time, momentum and profits.

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This approach requires commitment and maturity on the part of the merging organizations. It suggests that for the most effective company to be created, it takes more than just what the acquirer brings. Putting organizational effectiveness above personal, political and territorial concerns is essential to developing a world-class organization. Collaboration, not power, is the means. Impact, not size, is the end.

Put Away the Calendar, Pick up the Stopwatch

At first, a gradual blending of organizations seems logical and appropriate. After all, people naturally resist change and it can take them a while to come around. But experience tells us the longer it takes, the more problems occur. The judgment and decisiveness of management will be questioned.

The first 100 days after a deal is inked sets the tone for the relationship between the merged entities. Having a concrete plan to create a more potent force by using what is best from both companies allows you to inform people of the expectations up front. Communication should be open and honest. This gives people a more realistic understanding of what is going to take place in the merger, allowing them to make informed decisions about their future prospects. Openness helps prevent the defection of talented people and, in that way, facilitates the merger's success.

Establishing a Template

A small group of senior managers representing the two organizations should be brought together as an integration team. They need to work quickly and intently to develop a new organizational template. This template is composed of the numerous characteristics that identify and define the desired new culture. The team revisits the rationale for the acquisition and looks ahead to the business objectives this union hopes to achieve.

Whether the goal is to increase market share, become more competitive, develop new technologies or become more efficient, a set of organizational characteristics emerges. These characteristics specify the necessary qualities required for all talent to succeed in the new culture. Each organizational function may have slight variations of emphasis.

The integration team establishes a small, but critical, group of criteria that constitutes a "match" or "fit" with the individual qualities required to meet the more aggressive organizational objectives. This is a far cry from the simplistic, asset-based merger. This method is designed to develop a potent organization with top-flight talent.

Develop a Detailed Road Map

A road map for integration helps systematize the process of upgrading the company while allowing flexibility to attend to hidden issues. This road map should provide guidance on the effectiveness of executives and managers, the performance of work units and processes, and the management of organizational change.

Information is needed to help quickly focus on:

- understanding the issues and challenges of the particular merger,
- determining the readiness for change,
- identifying needs, and
- anticipating hidden problems.

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The information comes from establishing profiles of key executives and their teams through in-depth assessment of individual styles, strengths and motivations. These profiles are important elements of the integration plan, especially valuable for anticipating problem areas.

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An overall assessment of organizational culture is necessary. You must uncover employee perceptions and determine leverage points and areas of resistance. Only then can you start implementing changes and begin active integration.

The new vision is shaped and communicated. Communications programs that support the new vision are planned, initiated and sustained. Those whose behavior exemplifies the new vision are publicly acknowledged.

Executives and work units are redeployed where they will have the greatest impact and efficiency. Based on the data gathered in the assessments, individuals are reassigned to positions that capitalize on their strengths.

Departments are restructured and processes redesigned to align with the new template. A system is put in place for development of team effectiveness so that teams are cohesive. Because, inevitably, there will be problems, conflict resolution methods must be developed to ensure quick and effective solutions. Simultaneously, work force standards are sharpened and common business practices established. Adjustments are made to the culture, as necessary.

The Road to High Ground is Rocky, but the View is Grand

Looking at things with a fresh perspective is healthy for the organization. Deploying talent based on ability, systems based on merit, and procedures based on need is an obvious concept; so, why is it rare?

Upgrading the new organization can be accomplished by looking broadly and deeply at the entire work force and the systems and procedures that encompass it. Not only will the viability of the company be enhanced, when handled properly, there is potential to actually integrate faster.

This process significantly reduces decisions based on politics rather than impact. It gives the new, merged entity a greater chance to succeed by putting the most talented employees in the key decision-making and management roles.

Everyone *expects* a merger to realize the highest and best outcome. If it is worth the time, resources and effort to acquire another company, it is surely worth the extra step to determine how you can maximize the value of the deal. Why accept a lesser outcome when prudence and planning can help the company become a bigger force in the marketplace!

RHR International Company, a consulting firm specializing in corporate psychology, is based in Wood Dale, IL, and has offices throughout the U.S., and in Canada, Belgium, England, Germany, and Russia. For more information call (708) 766-7007.

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