Life Following a Merger or Acquisition

Implementing a Cultural Shift

By Shu Yeung

Mergers and company acquisitions are again becoming a familiar occurrence. As companies work to stay competitive in this global landscape, they are finding ways to cut costs, stay efficient and remain productive. Some companies may be expanding into certain markets or product lines and other companies may simply be eliminating the competition.

After the due diligence is complete and the decision to acquire a company, integrate two divisions or merge companies is made, the next stage is to implement the new strategy and ensure changes are internalized. In this new setting, it is not uncommon for employees to become anxious and uncertain of their future. Will any product lines be eliminated? Which processes, behaviors or standards of performance will become the norm? How will resources be allocated? How similar/different are the two cultures? Will one dominate the other? Will there be layoffs?

It is during this stage that the underlying reasons for a merger or acquisition must be closely aligned with its implementation. HR professionals can help lead and navigate managers and employees through this change initiative. They can provide significant impact on the success of the change effort and help keep the focus and purpose on track. The work involves ensuring that all aspects of implementation are consistent with the original purpose of the merger or acquisition, and listening intently to the pulse of the organization. Otherwise, change efforts can backfire and create an us-versus-them mentality that can last for years after the merger or integration.

Kotter's seminal research in 1996 showed that only 30 percent of change programs succeed. More recent studies reveal similar results, including a 2008 McKinsey survey of over 3,000 executives around the world. In addition, thousands of pieces of work have provided suggestions on how to create successful change efforts.

This article attempts to provide some best-practice examples where HR professionals can influence the success of the implementation.

BEST PRACTICE 1: COMMUNICATE—BE CONSISTENT AND CREDIBLE

It is critical that any communication be deliberate, transparent and aligned with the overarching strategy. We know from experience that in the absence of any communication, employees will become unsettled and fill the void with rumors, which can be far from the truth. Therefore, provide information such as frequent updates to all employees. These updates can come in several forms: email communication, fact sheets, letters sent to employees' homes, all employee meetings, Q&A sessions or department meetings. The more methods of communication you employ, the more opportunities employees will have to understand the reasons for the changes.

In addition, provide realistic expectations and be honest regarding progress. In the absence of honest communication from leaders, employees will lose trust and begin to disengage from or become impartial to the change initiative.

Each message should weave into a larger story: subsequent messages should be consistent with previous messages, building on the story. No one can argue with a message that seems logical. For example, at a biotech company that was recently acquired by a foreign pharmaceutical organization, the senior leadership teams from both organizations made it clear in all their internal and external communication that the reason for the takeover was to expand into the U.S. market. Management emphasized to employees that the fit made strategic sense and was complementary. In addition, they reassured employees that there would be no layoffs and that the research center would remain intact. These messages made sense to the employees and allayed their worst fears of possible layoffs.

BEST PRACTICE 2: FOCUS, FOCUS, FOCUS

Hand in hand with communication comes a focus around the change efforts. Senior management should provide a vision around the new strategy and business model. In this vision, they should define clear goals and path forward, and/or highlight synergies between the two affected departments or companies. In doing so, leadership from senior management presents itself and sets the tone for the organization and the change efforts.

In an example of an integration of two divisions with complementary services, employees were apparently confused about how to work with each other. They had not received any direction from senior management. Therefore, as individuals, they started to test out where synergies lay and where their roles and responsibilities overlapped with

the other division. Upon review of the process a few months into the integration, they expressed the benefit of having clear direction from senior management.

According to a McKinsey study conducted in 2006, successful change efforts integrate goals into key processes such as performance management and budgeting. Goals and vision can be clarified by having a short term and long term plan that incorporates the strategy, programs, resource needs and processes which are to be affected. These short and long term plans can be a basis for communication and means for keeping progress on track.

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BEST PRACTICE 3: STAY VISIBLE THROUGHOUT

Having HR and senior leadership accessible and visible to employees can positively influence the change efforts. Examples can be formal all employee meetings, informal department meetings, social gatherings, lunch with management, walk thru the office, accessibility by phone, emails and "office hours." These can provide an opportunity for employees to ask questions, share thoughts and provide feedback. It's okay not to have any immediate answers to the questions posed.

For example, the new head of a department that was consolidating the group from different business units made himself visible from the moment his leadership was announced. He organized work groups to implement change and was heavily involved in the group call meetings. He provided regular guidance and vision and made decisions on the spot. This gave the team assurance that it was on the right track. Most importantly, the new manager was genuinely engaged in progress and not just managing from afar.

Finally, **do not underestimate the use of informal networks to influence change efforts across levels.** In a survey conducted earlier this year by NEHRA (Townsend and Yeung, 2009), the use of formal networks (leaders and managers formally involved in the change efforts) was very important to the success of change efforts. The use of several and different methods in leveraging the informal networks in the organization was another success factor. This included mapping out how information flows in an organization, identifying connectors (people through whom a significant amount of information or activity flows), creating networks to support the initiative and mapping relationships.

BEST PRACTICE 4: ENCOURAGE LEADERSHIP AT ALL LEVELS

Leadership can be found not just at the management level but at all levels of the company. In fact, HR professionals should encourage leadership at all levels. As HR professionals work with senior management in shaping the new goals/vision and work on implementation, brainstorm on ideas on how to engage managers below the executive team.

Once individuals understand the vision and why certain decisions are made, they can interpret and communicate in their own words. Middle managers who are encouraged to shape the implementation and involved in the decisions will feel a sense of ownership to ensure that the change efforts run smoothly. They will represent the company and its changes in their own style. They will also provide leadership during change implementation rather than leaving the responsibility to upper management.

According to Peter Cheese from Accenture's Human Performance service line, "Leaders at all levels must be willing and able to articulate the new strategy... This kind of leadership is something that is done *with* people, not *to* people, and it can be developed... Learning to listen for wisdom throughout the entire organization—and then actually using it—is harder than it sounds" (*Outlook* 2004, no. 2).

Although specific messages such as the vision should continue to be communicated by the executive team, HR professionals along with senior management can provide guidance around messaging for middle managers. Imagine the impact of having support for the change efforts throughout the organization rather than from just senior management.

Integration issues can persist even years after an acquisition. In the example of a small entrepreneurial company that was taken over by a larger publicly traded company, there was a disconnect between the executive team and employees. Although the executive team of the acquired company was onboard with the new strategy, this sentiment was not effectively cascaded downwards or shared within their departments. Therefore, it was a challenge to implement many of the publicly traded company's processes, procedures and programs.

In fact, employees created not only resistance but also derailed the progress that had been made. Several years after the acquisition, some employees from the acquired company still continue to enforce old programs and identify themselves separately from the parent company. The company would have benefited by involving some of the influential individuals or groups from the smaller company in the process. Informal conduits of information could have been used to positively influence the change efforts.

In recent interviews I conducted on the merger of two pharmaceutical companies, the initial research shows that the merger created a common identity under a new organization. Overall, the general sentiment regarding the merger was that it was successful. The two companies had very different cultures: one was process oriented and hierarchical and the other had a more "free-flowing" and "questioning" type of culture. At the onset of the merger announcement, integration teams were created that involved members from both companies.

Integration teams had equal participation from the predecessor companies and were made up of management, department heads and subject matter experts. It was typical to have the department heads from both companies on the same team. The teams met regularly, designed how the new organization would look like (not how to integrate one company into the other), and reported on progress. In the first year, employees identified with their previous company but with the heavy involvement of the integration teams, the employees started to identify themselves as members of the new organization. ■

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