When your company is acquired: the human aspect

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Mergers, acquisitions and alliances are occurring at a feverish pace in Silicon Valley. But despite their popularity, three of every four combinations fail to achieve their desired financial and strategic objectives.

The "merger syndrome" is a primary cause of the disappointing outcomes of seemingly otherwise well-conceived mergers and acquisitions. The syndrome encompasses executives' stressful reactions and the development of a "crisis management" atmosphere.

What creates the merger syndrome? For employees of the acquired or merging company, a fusion of uncertainty and the likelihood of change produces stress. This ultimately affects perceptions and judgments, interpersonal relationships, and the dynamics of the combination itself

In organizations, the syndrome manifests as increased centralization and poor communication, leaving employees in the dark about the combination and fueling rumors and insecurities. This often distracts employees from their duties and causes them to become obsessed with the potential impact of the combination.

Of course, the merger syndrome is more intense in the acquired organization than in the lead firm. In some cases, executives of the acquired company go into a form of shock. They have difficulty coming to terms with the sale of their company or the disruption to their careers. Leaders instinctively cling more tightly to their views and communicate fear to their employees, who are seeking cues about their own future.

Most of the time, however, acquired executives simply feel out of control. They assume the lead company has a plan, and they do not want to "rock the boat" during the honeymoon period after the deal is announced. Meanwhile, their employees become anxious and insecure, cultures clash, and the marriage that looks great on paper turns sour in implementation.

The merger syndrome arises even when the partners have taken some care to devise a thoughtful integration to minimize upheaval and provide due consideration for its effects on the people involved.

The successful combinations are led by executives who acknowledge how difficult these events are to manage and take the initiative to manage the cultural issues:

Focus on the human element Acquired companies may offer "merger sensitization seminars" to prepare their people for the demands of a merger. and provide training to help middle managers communicate with increased sensitivity and frequency to maintain productivity during this time of intense turmoil.

Innovative methods can be developed to keep people informed about and involved in the combination process. Beyond this. reminding people of the potential benefits of change will offset their apprehension.

Show people where they have some control. Acquired employees incorrectly assume the only way they can have control in a merger is to jump ship. To retain good talent in a tight labor market and to minimize employee distraction from performance, some acquired organizations offer workshops and personal coaching to determine other ways in which employees have control. These include getting involved in transition planning teams, preparing "contingency plans" in the event a good job in the lead company is not forthcoming, and using the transition as an opportunity for individuals to learn about how they perform in a stressful situation.

Keep people focused on what matters *now.* Broad missives stating that it's "business as usual" should be avoided. Still, managers should ensure their employees know what work needs to be done in the short term: which projects should be continued and which should be put on hold.

Recognize that being acquired implies culture change. Leaders of successful combinations embrace cultural dynamics between firms. They recognize cultural differences and expect a clash of cultures.

One Silicon Valley firm, for example, initiated a "culture clarification" activity in which the combining management groups shared perceptions of their own and their partner's cultures. The session brought the stereotypes and language being used behind closed doors out into the open and spawned dialog on cultural similarities and differences. (It is often useful to have an outside consultant facilitating this process.)

Bottom line: If you're doing a deal, do it right. Be thoughtful in planning the combination, be ready for the multitude of integration problems that inevitably arise, be prepared for the drain on resources and distractions from

performance, and be sensitive to the breadth and depth of human emotions and culture clashes that will be triggered as previously separate organizations come together.

On the upside, use the combination to build a new and better organization. Synergies are elusive in combinations, but one plus one can equal three when corporate leaders focus on sending the right messages and doing the right things—and when all employees understand how they can contribute to the merger's success.

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