

M&A Courses - What's Missing

by Robert Whipple: MBA, CPLP

Many educational institutions run courses on Mergers and Acquisitions. Typically these training events run several days and cost thousands of dollars to attend. I was looking at a catalog of courses by one prestigious training group today and read about a course offering. It was striking how all the technical and financial details of the process were dealt with in the course, but the people side of the equation was essentially ignored, at least in the description of the program.

Let's take a look at the items listed in the catalog for this course on Mergers and Acquisitions:

Benefits of the course

1. Learn how to evaluate prospects
2. Find out what the other company is worth
3. Set the starting offer for the negotiation
4. Learn the legal, tax, and accounting implications of a merger
5. Find out how to structure the deal and negotiate to the best advantage

Items you will learn

1. How to conduct due diligence
2. Anti-trust, legal, and accounting conventions
3. Why select a diversification strategy in the first place
4. Understanding the contracting process
5. How to negotiate
6. Screening candidate organizations for acquisition
7. Financial evaluation

On paper, this sounds like a good course, but wait a minute. Where is the culture mentioned? Where are the PEOPLE? Getting disparate organizational cultures to work well together is the single biggest hurdle in any M&A situation. This is not a "soft" topic. Lost productivity during a M&A process can, and often does, cripple the merged entity.

There have been numerous studies on the failure rates of mergers. For example a 2005 study by Caxton Growth Partners came up with a range of 50% to 80% failures. Most historical studies peg the failure rate in excess of 50%. The common reason given for failure is the inability of the two cultures to form a seamless entity, thereby undermining the viability of the merged unit. Yet in this expensive multi-day course by a highly respected training organization, the issue of culture does not even make it onto the agenda. It baffles me.

The disconnect between what is needed for successful M&A efforts versus what organizations focus their time and energy on is the reason for the low success rate. How about revising the course line up to read something like this?

1. Legal, analytical, and financial elements of M&As
2. Valuation and due diligence processes
3. The negotiation process and confidentiality issues
4. Identifying cultural differences and creating strategies to unify the groups
5. Dealing with the human trauma of M&As so that the best people do not walk
6. Having a realistic integration plan that takes human acceptance into account
7. Evaluating the progress of cultural integration
8. Leadership issues in managing a joined entity

A course like that would be getting at the true success factors for a merger or acquisition. I suppose there are some courses that do have a balanced view, but I think the omissions in this one high-profile course are indicative of a blind spot some respected training organizations have on the nature of merged groups.



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