



Murders and Apparitions

by Bob Whipple, MBA, CPLP

Most business people call them Mergers and Acquisitions (M&As), but my wife calls them Murders and Apparitions. M&As are supposed to make things better, but far too often they create ghosts that spirit away trust or lead to outright "companycide."

For those who have not studied the subject, the failure rate of M&As typically runs between 50% and 80%. Don't believe me? Look it up! Of course that statistic depends on how you define failure. A "failure" does not always mean the merger needs to be broken up or the acquisition resold. Generally, people refer to an M&A failure when organizations have preconceived expectations from a merger or acquisition that are not realized within 2-3 years after the event.

M&A failures are common, but it is not because the lawyers, accountants, and managers of the entities do a poor job with the mechanical parts of the action. The negotiations, due diligence, formal papers, tax considerations, asset valuation, and other tangible things are taught in the business schools and are normally pretty well done. What invariably destroys an M&A is a failure to merge the cultures of the two entities into a reasonable blended culture.

Murders

Many things get killed off in a typical merger or acquisition. First, the culture of both groups is lost. What emerges often is unsatisfactory to both groups of people. It is amazing to interview people in the throes of an M&A, because often people in both groups believe they got the shaft and the other group received the lion's share of benefits. Motivation is squandered when a culture is murdered. People are lost, walking around like zombies, not knowing if they even have a job, let alone exactly what that job might be.

Another fatality is customer service. While most people in both groups are in disarray, and this can take years to fix, the customer assumes second place. Survival for each individual becomes paramount. The customers do not care at all about the merger or its

success; the customers just want high quality products on time and at the expected price. They expect rapid and friendly service if something goes wrong, but they find it hard to even contact people, let alone get swift answers to technical problems.

Death also comes swiftly to teamwork. In most situations there will be future job cuts. This realization pits people against each other. One can observe all kinds of backstabbing activities or even outright sabotage. Sometimes cliques will emerge where groups are openly combative in the mad scramble for ultimate survival.

Apparitions

There are numerous factors that, while not deathlike, will seem to be ghostly or somehow haunted. A good example is the development of people. Prior to the merger or acquisition, both entities have concrete development plans for most employees. During the transition, these plans are usually put on hold because nobody knows who the survivors are going to be. It takes a long time after the full integration happens to get back to a documented and well-understood plan for developing people.

Another apparition is communications. It turns out that during normal times, poor communication is the number one or number two complaint for most employees. Imagine how communication suffers when managers are totally preoccupied with putting out fires and there are no real answers to logical questions. The lack of solid information generally tends to add both time and cost to the process, which lowers the chances of success.

A third apparition is the spirit of the employees. Since the ultimate blended culture is going to be somewhat different than either of the two initial cultures, people quickly become discouraged. Therefore, during an extended period, there really is no definable culture for the organization. This exacerbates the problems.

A final example of an apparition is the role of HR. The HR departments of both the pre-merged entities were functioning as highly taxed groups struggling to keep up. In the merged configuration, HR is burdened with about three times the load of critical work at a time when many of the HR staff do not know if their own jobs are secure. The service level of HR appears ghostly to most employees because HR is in no condition to provide basic service, let alone meet the significantly enhanced challenges.

During a time of trying to integrate two entities into one, there are a multitude of problems and issues. A large percentage of these issues were not anticipated by the well-intended managers who dreamed up the wonderful new configuration. With all the problems outlined above, it is no wonder people are extremely wary of mergers and acquisitions. It takes exceptional leadership to prevent chaos and loss of market share when organizations go through these major upheavals. The fact that some M&As do

succeed is a testament to the skill and fortitude of the people involved in the successful ventures.

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