Merger Downsizing
Robert T. Whipple, MBA CPLP

The following example shows how downsizing after a merger can become a huge morale problem for the surviving organization as well as the organization being taken over. Most mergers are done to improve economies of scale and reduce costs by combining similar functions in the two previously independent organizations. This is a tempting ploy when looking at how an organization can survive the increasingly competitive world market. Beware!

Studies have shown that the majority of mergers have significantly more problems than envisioned by the brilliant thinkers who decided this would be a good move. The blending of two unique cultures into a smooth functioning unit generally takes at twice as long and is at least twice as disruptive as most people estimate at the outset. This is because a culture has deep roots and people find comfort in their habitual environment.

Just the announcement of a merger can send people scurrying to their offices to begin piling up sandbags of defense against the flood of change. Many mergers are handled with all the sensitivity of a Gestapo raid. Here is a scenario that is unfortunately quite common.

People in Company B, the company taken over, do not see the merger coming. First, it is typical for there to be a Pac-man kind of feeling where one entity is gobbled up by the surviving entity. Even if the merger is billed as a joining of equals, there is always a feeling of one unit taking over the other. Depending on which side of the game you are on, you can rather enjoy digesting the carrion of the vanquished or feel incredibly threatened and paranoid.

The surviving organization wants to inherit a healthy running activity, so they project no major changes for a time of integration. Once the merger is approved, Company A executives meet to figure out how to break the news to Company B incumbents.

One fine morning at Company B headquarters, Officials from Company A, plus senior people from the parent organization, arrive on the scene. They call a hasty press conference in which they disclose

that the merger has been approved and the "integration" process is starting that day. They stress the need for cooperation and trust while the merger is consummated. During the question and answer period, there are numerous questions about details of how the merger will impact people. The typical answer to these questions is, "we have not figured out those details yet, but we will send out a press release as soon as we have something concrete to say."

After the meeting, they repair to an office and call in the chief officer of the unit. They inform him that with the merger there is no need for duplicate CEOs, so they will be pleased to support the incumbent CEO in his job search. They usually have a sweetener of six or seven figures to help tide over the "old" CEO. Sometimes this has been pre-wired into the golden parachute contract. At any rate, the existing CEO is gone in a heartbeat, so everything he stood for and all the loyalties among employees are moot.

The new regime, now calls in several key players from the vanquished team one by one to share the gory news and offer great praise and enthusiasm for their lives in a different organization. At the end of the day, about 40% of the top executives are out the door, and employees can be found prying the executive's nameplates off the office door as souvenirs. During the following days and months, there is a sense of living in a bombed-out building. Normal life support is missing, so people begin to spend their energy on the most constructive thing they can do: look for a suitable job elsewhere. None of the planned improvement programs are supported, so there is no forward thrust, and customer service becomes a joke because there seems to be little future in this organization. The pain in the merged organization is unbearable, but it is nothing like the pain that is heading toward the victor group. The vanquished group only has to find alternative employment or keep their mouths shut and bear with the new regime. The victors actually have to make a hopeless situation work.

All of a sudden, they become like the dog that chases cars. Once the dog has the rear bumper firmly in his teeth and the car takes off, the game takes on a different perspective. What to do now? The leaders are on the hook for exceptional and seamless performance, but the trust in both halves of the organization is hard to find. Everyone is preoccupied with self-preservation. Meanwhile, the customers who were promised even better customer service in the merged entity are wondering who turned out the lights. You have an organization in free fall. Most employees, even the ones in the victor camp, wish they could go back to the days before the merger when work was focused and life was simpler.

Is there an antidote to this malaise? I think so. What if the promise of no significant changes for at least six months was actually kept? This action would be following one of the Table Stakes in the Trust Model – Honor Commitments. The immediate payoff of lower headcount would be delayed, but that expense would be miniscule compared to the nuclear devastation of the preceding case. During the six-month moratorium on changes, some of the leaders from Group B could join Group A and vice versa. After a short time, it would be hard to tell who is on which side. That is progress toward there not being any side except excellent customer service at a low cost. Moving leaders around in a time of turmoil is disruptive and hard on the morale, but it is far better than the guillotine approach. Working together, the leaders of both organizations (now switched) can begin to craft a logical integration. With the help of everyone else in the combined group, a future plan has some hope of succeeding. Tapping into everyone's ideas will engage people in creatively solving the organization's problems rather than hiding under their desks afraid of the axe.

Going through draconian actions is a necessary evil for any organization. If the principles of the Leadergrow Trust Model are consistently applied, even in the worst of situations, organizations can get through the discontinuities without sinking. If the principles are ignored, and leaders go back to the old command and control mentality in a crisis, they will lose all the progress they have gained in years of trying to establish the right kind of culture.

The preceding information was adapted from the book Leading with Trust is like Sailing Downwind, by Robert Whipple. It is available on www.leadergrow.com.

Robert Whipple is also the author of The TRUST Factor: Advanced Leadership for Professionals and, Understanding E-Body Language: Building Trust Online. Bob consults and speaks on these and other leadership topics. He is CEO of Leadergrow Inc. a company dedicated to growing leaders. Contact Bob at bwhipple@leadergrow.com or 585-392-7763.

The TRUST Ambassador