Merger Miseries Seven - What a Rip Off

by Robert Whipple: MBA, CPLP

This is the seventh in a series of articles on the trials and tribulations of mergers and acquisitions. This episode concerns the speed of the integration process. A typical merger or substantial organizational change normally takes the better part of a year from inception to complete integration. Many examples take much longer than that. For example, many of the large bank mergers over the past decade have taken 2-3 years to complete. During the transition time, few people in either organization are happy.

For the management, the financial staff, the rank and file employees, and even customers and suppliers, the transition period can be excruciatingly painful. People realize that there are going to be hassles and lost opportunities while the organization is distracted with the details of the consolidation. They also realize there are likely to be layoffs to reduce duplicate staff.

Waiting for the transition to be over is like taking a bandage off a scabbed-over scraped knee. You can do it slow and painful or you can rip it off and deal with the same pain more quickly. Given those two choices, most people choose to rip off the darned bandage and get it over with. Others will peel the adhesive as slowly as possible thinking it is less painful in total, but is it really?

Typically, management votes to drag out the process so individuals in the organization can "get used to" the change. They put out half-baked plans and temporary structures in an attempt to keep people from panicking while the details of the merger are being worked out. This is like a Chinese Water Torture to the people in the organization who are looking for crisp decisions and clarity of direction. Instead, they receive vague intent and lots of sideline cheering about what a wonderful job they are doing. This is total BS, and people resent it.

The other danger is that during the consolidation process, nervous employees tend to start looking around for more stable employment. Logic tells us that the most employable people (the ones with the most talent) are going to find alternate employment easier than the dregs of the organization. So, a protracted period of integration can result in the best people leaving while the slackers or poor performers end up staying. Some companies anticipate this problem and offer some kind of incentives for the best people to stay. Stock options are the usual mechanism to retain the better workers because they only have value when the organization has success down the road. The whole exodus can be mitigated if the integration is crisp and well planned in the first place.

I am not advocating making hasty and dangerous decisions in order to just get it done. Rather, I am proposing that there be intensive planning about all aspects of the consolidation before the starting gun goes off. I am proposing that the people involved in the consequences be allowed to participate in this planning process so they have an opportunity to contribute rather than sit at their desks and shake with fear. The more specific and concrete the plans are for integration the better. Then, once the consolidation is formally announced, the time to return to a fully functioning organization is much shorter. Yes, it will be painful, but the upfront work makes that pain more manageable. The planning process is rather like Novocain at the dentist. Yes there is some pain involved, but it is far more tolerable than going without it and just grinding away.

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