Merger Miseries Two

by Robert Whipple: MBA, CPLP

This is a second episode in a series on Merger Miseries. It has to do with the state of limbo that occurs immediately after top management announces the merger. The action is a huge change in how the business will be conducted, and it will impact everyone. The new order will have fewer people, and the work will be more complex. The problem is, until things stabilize, nobody really knows how to proceed. Old relationships, both internal and external, are no longer the same, so everyone acts like zombies in a fog of not knowing what to do.

Top managers sequester themselves trying to figure out who will stay and who will go. There is less guidance from the top at the very instant when the entire workforce is in dire need of direction. It would be akin to having a major disaster, like a flood or an earthquake, and having all of the public safety officials go on vacation. Not too smart!

Customers who are in need of products or services are not inclined to take 6 months off while the organization sorts itself out. They become highly vocal and critical of the confusion. If they can easily shift to a different supplier, that is often the tragic remedy, but if the incubation time for accrediting a new supplier is very long, that may not be an option. Enraged customers leave all kinds of hate voice messages for the top officers. The senior leaders are in no position to answer these calls for help because they are up to their ears trying to figure out the new order. They might do their personnel selection process during the daylight hours, and field customer complaints later at night while popping antacid pills and wondering why they attempted such an abrupt announcement of the merger.

The entire supply chain is compromised because production planning is in transition. Raw material suppliers and delivery groups are getting wrong or mixed signals. In a merger, the production operation is expected to be less volatile than staff areas because the demand for product or service is stable, but with the supply chain weakened or broken, production groups have shortages or floods of materials to deal with, and idle time on the production line goes up dramatically.

When quality issues arise on the production line, the quality staff is not as supportive as in the past because the group is in strategy meetings trying to figure out how to justify the combined staffs from the previous two entities. Since the quality processes of each entity are different, the methods of reacting when a problem arises are unclear. People on the production line do the best they can to patch together policies from studying both of the old systems and then get yelled at if they miss something.

These are just a few examples where people are confused, scared, angry, and overwhelmed when a merger is thrust upon them from above without the proper planning in advance. Every area of the organization has these kinds of problems, so the operation is basically in "free fall" until stability returns. Normally that takes weeks at best and years at worst. Customer service goes down, and costs skyrocket out of control. The combination of lower revenue from fleeing customers and higher operating costs make the profit picture a disaster, and top management holds the bag.

I hope you are getting the idea that merging two organizations without the proper precursors makes about as much sense as putting your hand on a red hot stove burner. Amazingly, poorly planned mergers occur every day. Top managers believe it is possible to execute a merger and then figure out how to accomplish the people side of it. Dumb, dumb, dumb!

In future episodes, I will outline several antidotes to this disastrous but typical scenario.

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