Who is on the bus after a merger?

by Robert Whipple: MBA, CPLP

Whenever two groups merge, there is a change in personnel and positions. Typically, there are fewer slots after a merger, so some staff are let go. Often, this winnowing process goes all the way to the top of the organization. A huge conundrum for the health of the business is how to keep the right people on the bus and get the wrong people off the bus.

During the assimilation process after the merger is announced, there is normally an evaluation period where top brass figure out how many positions there are going to be and then seek to fill those slots with the best qualified individuals from the talent pool of the combined groups. After the selection process, the remaining people will receive some painful but expected news.

This process is what appears to be the ballgame with personnel after a merger. Actually, I believe the real ballgame happens long before the official selection process, and top management had better do the right things then or some of the most talented individuals will not be in the crowd when the selection process begins. Long before the announcement of a merger is made, people in both camps are at least vaguely aware that something is afoot. In most situations, the rumor that there is going to be some kind of a major discontinuity has been circulating for months.

People in both organizations are justifiably nervous when facing some unknown hazard that is bound to create casualties. In my own experience, I have noticed that even the highest performing individuals are unnerved enough to start questioning their longevity, at least to themselves. The very best and most marketable individuals have a good chance to land comparable or superior positions in other, more stable, organizations. So, the most valuable people start looking for alternatives long before any forced ranking of staff members takes place.

On the flip side, the least talented people or the ones who are lazy or have interpersonal issues recognize that they are vulnerable. They also realize they are not going to find many opportunities on the outside, so they hunker down and prepare to defend themselves through legitimate or fraudulent tactics. Their objective is to stay in the game if at all possible, and they will do whatever is necessary to ensure that when the music stops they are near an empty chair. This may involve some unfair pushing and shoving.

One of the very first actions top management should take is to identify the critical few people they need to be around for the afterlife in the merged configuration. These people need to be informed that their place in the new order is assured, and it will mean a better existence for them. Of course, that is a tall order because the truth is that there are far too many unknowns in the months running up to a merger to legitimately assure anyone of anything.

In this situation, some kind of contingent bonus may be helpful. Stock options are often used as a tool here because payment can be substantial, but it only occurs when the organization itself thrives. People will think twice about leaving a $100K job to go to a new organization if they can see a potential $1M payout in stock options if the merger is a success.

The downside of any bonus incentive is that of fairness. Basically, top management is singling out a few of the best people (in their opinion) to incent to stay. That will unnerve the mass of people in the middle who believe they are contributing just as much to the prior organization as the fair-haired individuals, but are not receiving an incentive to stay. That sends a chilling signal that impacts motivation and productivity for the majority of people at the very time when the due diligence process is examining the numbers for valuation purposes. This problem can be mitigated if the performance evaluation system in place is sensitive enough to already single out the top 5% of individuals, so any retention incentive can be thought of as an adjunct to the normal performance management process.

Monetary incentives are not the only tool managers can use to allow key individuals to know they are valued during a merger. Simply having a candid discussion about the situation with individuals can go a long way toward having them want to stay on the team. Of course, it is always a good strategy to let the best people know they are valued, but the benefit of doing it is amplified significantly during the months running up to a merger announcement.

Another idea is to have people serve on planning groups that are charged with assembling data for the due diligence process or in developing the communication roll out. When individuals are included in active work to accomplish the merger, they instinctively know there will be a place for them once the dust settles.

Having the right people on the bus following a merger is the most critical consideration governing the success of the effort. I believe it is essential for top management to take steps to ensure the best people stay. These actions need to be accomplished during the conceptual phase of a merger and not while the formal integration process is unfolding.

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