

Reducing Conflict 34 Murders and Apparitions

by Bob Whipple, MBA, CPTD



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."

I got so interested in the topic that I wrote a whole book on the topic entitled, [*Trust in Transition: Navigating Organizational Change*](#) and wrote a [series of blog posts on M&A](#).

Astonishing Failure Rate

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 dissolving the merger or selling the acquisition.

Generally, people refer to an M&A failure when organizations have preconceived expectations from a merger or acquisition that fail to occur 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 done pretty well. 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 are murdered in a typical merger or acquisition. First, the prior culture of both groups disappears. 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. When a culture is murdered, motivation usually disappears. People appear 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, the customer assumes second place. This problem can take years to sort out;

meanwhile, customers are less loyal. Survival for each employee 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 even to 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. All of these symptoms leave the merged unit less competitive.

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.

Many merged organizations put development programs on hold because nobody knows who the survivors are going to be. It takes a long time after the full integration 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 become preoccupied with putting out fires and there are no real answers to logical questions. The lack of solid information generally adds 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 condition 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 has 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 services, let alone meet the significantly enhanced challenges.

How to Do Better

During a time of trying to integrate two entities into one culture, there are a multitude of problems and issues. The managers who dreamed up the merger did not anticipate a

large percentage of these issues. During the negotiation, leaders were fixated on the mechanical aspects of the deal. Defining and planning an integrated culture was an afterthought.

Once the M&A became public knowledge, then senior leaders went to work figuring out the culture of the combined unit. If leaders would give equal billing to the culture work upfront before announcing the deal, then most of the issues could be resolved soon after day one.

Conclusion

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 secret sauce is to anticipate the organizational and people issues ahead of time and take corrective actions shortly after making the announcement. 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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