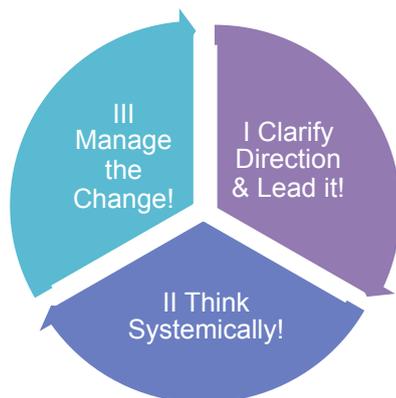


Mergers and Acquisitions – 12 Key Questions for Leaders

Introduction

Below we offer 12 provocative questions, intended to stimulate and support leaders as they consider how best to lead and manage a merger or acquisition. These questions, and the accompanying insights, are derived from our own work with leaders in a range of private sector companies from early discussion and due diligence through to post-acquisition integration and beyond.



The potential of many mergers and acquisitions - in terms of growth, synergies and savings – often seems clear enough, and yet becomes frustratingly elusive for many to realise. Our work in this area is motivated by a deep concern that surges in merger and acquisition activity over the next few years in particular sectors will leave a legacy of disappointing returns, simmering organizational tensions - preventing

improved performance into the future - and countless working lives disrupted and possibly downgraded... We have identified three 'headline' areas for attention, and offer questions under each heading.

I Clarify Direction & Lead it!



Q1: Has sufficient work been done to clarify and communicate the strategic aims of the merger or acquisition – ensuring that all messages remain consistent?

One Chief Executive spoke to us of his pre-merger interactions with staff as “communicating until I was blue in the face” - while having to stick to a very disciplined ‘line’ for the sake of multiple stakeholder interests. The more that people hear clear, simple

and well thought-through messages about the aims of a merger or acquisition and its larger context - in a way that leaves them feeling respected - the more it’s possible for them to place themselves in service of the new organization that will eventually emerge.

Q2: Is there clarity regarding where particular attention needs to be applied – and by whom - to ensure key shifts that will enable vital synergies are achieved? And is there equal clarity regarding what’s not changing – or the ‘islands of stability’ – and how to support these?

Too often, the original rationale for a merger or acquisition fails to be realized. This tends to be because the leaders who are expected to ‘make it happen’ in key areas have not been involved in the sense-making work that has gone on behind the scenes,

neither are they sufficiently engaged in plans going forward and/or supported to focus on the key things that are likely to make all the difference. This leaves those leaders to make their own decisions about what to attend to, which adds to the sense of fragmentation and disruption, rather than alleviating it...

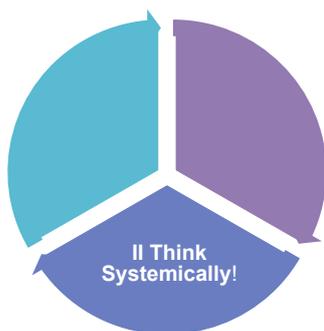
Q3: Are the Board and/or Executive Team sufficiently facing into their differences of viewpoint and have they clarified and committed to a common plan?

It is impossible to overestimate the negative and unsettling impact of a Board or Executive Team that is not 'joined-up' in its approach, especially where a 'one company' ethos is being advocated. Usually, any fault-lines further down an organization are a reflection of hidden tensions at the top. In the case of M&As, it is particularly important that any leftover tensions from the deal - whether these are personal or structural - are resolved quickly via skillful facilitation at the appropriate level. In our experience, such tensions can often be glossed over - due either to a lack of awareness, or courage - and this can then affect the 'new' organization for years to come.

Q4: Are roles in the newly structured organization clear, distinct and integrated – rather than duplicated or fudged?

Indistinct, or 'fudged', roles in the new organization - such as dual heads of a merged department, or roles that keep out-of-date ideas alive - are often created to 'keep people happy' or maintain particular loyalties, but rarely work out well. Those working in these roles often become stressed and unproductive - or destructive - as they try to find their right place. Those working alongside them also end up feeling unsettled and torn. Relief comes from leadership being ruthless about creating structures and roles that serve the purpose of the future organization only - not that of particular individuals, no matter how loyal, valuable etc. they have been in the past.

II Think Systemically!



Q5: Are the difficult issues such as staff reductions or closures being honestly faced, and is sufficient respect and gratitude being communicated by senior leaders to those who are leaving or standing down from key positions?

Experience shows that organizational systems are acutely sensitive to the level of respect shown to those who have contributed to their success over time. Leaders who fail to acknowledge the contribution of those who are going - or staying - unwittingly create problems of resentment and feelings of 'being owed' within the staff. This is often an unseen effect that is deeply felt, and subtly corrosive. Careful management of redundancies and closures will therefore pay huge dividends in the future...

Q6: Is there 'fairness' regarding rewards?

It is clear to us that organizations perform best when responsibility and risk-taking on behalf of the whole is rewarded - and that the distribution of rewards across the organization is seen to be fair.

For instance, when one organization acquires another, terms and conditions for similar roles need to be aligned.

Q7: Are there clear ‘endings’ for those whose jobs will change, or whose identity will need to shift to embrace new allegiances?

Endings that allow people to honour the past release much energy for the new, ‘combined’ future. One company we worked with had an enormous ‘wake’ at which many grumblings were aired and laid to rest. Another company gathered all its old memorabilia - mugs and hats and pens etc - and in a small ceremony invited staff to take one thing each.

Many Chief Executives and Boards tend to discount just how beneficial the effects of such events can be, perhaps fearing them instead - either as an indulgent waste of time, or as potentially destructive to morale.

Q8: Are culture differences being properly respected, with new ways of working together being carefully nurtured, and potential flash-points anticipated?

Synergies underpinning the potential success of a merger or acquisition usually depend on people from different organizational - and possibly national - cultures being able to work together.

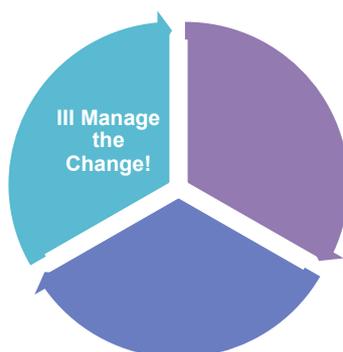
Scientific approaches to understanding cultural difference through questionnaires, leading to ‘hard data’ and ‘definitions’ of a new culture, tend to be interesting exercises, but often fail to make much real impact on the ground.

The key lies in providing symbolic ways for each component culture to see itself represented in, and contributing to, the new organization’s culture. This needs to be done in a way that is proportional to the terms of the deal and relative contributions to the ongoing business, and enables mutual respect between the constituent cultures and histories to grow. This requires particular skill – and can occur in many different ways...

Ultimately, a new culture is created and expressed moment-by-moment through the actions and words of individuals - which means that nurturing a new, combined culture takes continual, personal effort from leaders.

It is often helpful if work done on potential flash-points - where, for example teams with very different skills and experiences have to learn how to work well together quickly - can be shared or reproduced quickly elsewhere, as this sends powerful messages, and accelerates the wider process of cultural integration.

III Manage the Change!



Q9: Has the Board or Executive Team sufficiently defined who is responsible for integration work, and have those people enough formal power to make this happen?

Sometimes, the Board and Executive Team are so exhausted by the process of sealing the deal that they fail to provide the focused support required to properly operationalise

the result. For example, the tricky process of integrating and settling teams and clarifying roles is often left to HR, or to the next tier of leaders, who lack the positional authority to drive the key shifts that will make all the difference between success and failure. It is vital that the HR Director (often) is especially supported at the following Executive Team and Board discussions, such that s/he and key line-managers are sufficiently *authorized* to proceed as required.

Q10: Is there enough pace to the integration plan, such that a 'waiting room' mentality is avoided?

The anticipation and run-up to a merger or acquisition - often lengthy and tortuous in its twists and turns - builds an enormous sense of expectation in staff. It is important to leverage this once the deal is done, rather than allow the pace to slow and energies to dissipate.

Quick, clean post-merger/-acquisition restructures are most successful - requiring incisive and assertive leadership - as this enables people to settle and re-orientate quickly, minimizing dips in performance.

Q11: Are leaders leading?

For many leaders caught in the middle of a merger or acquisition, there is a temptation to 'stick to the knitting' and carry on as normal, despite the changes around them. They may have seen several such activities in their working lives and become immune to their effects and cynical about 'synergy'. Or, they are fearful of exposure and prefer to hide behind a busy agenda.

Others maintain more independence of mind and make it their business to find out who their new colleagues are, and what opportunities there are for productive collaborations.

Most organizations need to encourage the latter, and give tough feedback when they encounter the former. Some will need 'just-in-time', bespoke forms of leadership development to clarify the behaviours required by the new organization in service of the new culture and to build capability where required.

Q12: Are the stages of personal transition (shock, despair, letting go etc) properly understood, such that leaders can lead their staff through the merger or acquisition process in a sufficiently supportive, yet tough way?

The quicker leaders can help their teams to work through the process of ending, and then beginning, the more productive they will be. Experienced change managers recognize the emotional journeys that people go through during such organizational upheavals, and know how to catalyse movement when people get stuck. The inexperienced will need some help in navigating this, especially where there is much to let go of, and a need for the new future to be embraced as quickly as possible.