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Merging Expectations while Acquiring New Skills: The Employee Experience during a Merger

Whenever the news of a merger is announced, shareholders and onlookers alike are occupied with the financial prospects and fiscal outcomes. But while the beans are being counted, who is attending to the employees who are impacted by the ownership change? In this era when employee issues account for close to 50% of all failed mergers, why is the balance sheet more important than the organization chart?

All too frequently during a merger, the focus is on the business combination rather than the human combination. A myopic focus on the immediate financial aspects of a deal can displace consideration of the impact on employees – and ironically, the future of the new company. Since the failure rate of attempted mergers is upwards of 80% of all attempted mergers (a statistic provided by Robert Holthausen, a professor of M&A strategy at the Wharton School), advance planning in the people side of the business is paramount for the new firm's success.

Once a merger is announced, a myriad of employee reactions ensue. Employees have many questions and fears that must be addressed. Issues run the gamut from the most basic questions like, "where will my office be?" to the subtle, such as "what happens to my stock options?". The last thing employees are thinking about is the strategic posture of the merger. Instead, they are thinking of themselves. For management to resolve employee fears, meaningful communication must occur throughout the entire transition. Resistance to the new organization may be due to fear of job loss, dissatisfaction with a potential new culture, or just opposition to any change in the status quo. A better understanding of the change process, and an understanding of the potential losses or wins that each employee may experience, can help companies manage the transition efficiently, empathetically, and effectively.

After months of covert meetings, it's time to announce the impending business marriage. It's also time to stop keeping the future of the company a secret. All communication going forward should be coherent, reliable, and honest. The virtues of the merged business must be clearly articulated in simple terms that every employee can understand. Waiting until you have "all" of the information sets up a failed communication plan. Not only does this delay the transition, but rumors replace reliable facts. The most effective mergers are led by leaders who provide information when decisions are made, and who aren't afraid to say "I don't know."

Appointing a joint transition team for employee communication related to the merger is important. The transition team should have authority to provide a continuous stream of facts about the new organization. Such transparency builds trust, and moves the company ahead toward the new shared mission.

The Communication Protocol

During a merger, the communication plan is as important as the financial plan. A communication protocol should be developed and strictly adhered to, with Human Resources leaders from both firms involved and engaged. This protocol will define who should communicate to employees, when to communicate and how to communicate. The protocol should include transition milestones, including dates and expected tactics of action.

Each respective firm's current leadership retains the most credibility during the transition process, and should therefore be responsible for communicating with its staff. The normal communications channels used by each firm, such as a Monday morning staff meeting, should be continued, since consistency breeds comfort. In addition, the same information should be disseminated to everyone at the same time, as inconsistencies will breed distrust.

And don't forget the customer in this communication protocol. Customers are watching the process as it unfolds. They will speak with your employees, who will be able to reassure them and provide answers if

you have clearly communicated the change. Customers dislike uncertainty as much as employees do, and many will go to a competing firm if they believe their current and expected level of service is in jeopardy. If the virtues of the merged business are not obvious or are worrisome to employees and customers, why are you merging?

Once the merger has been finalized, expect the chips to fall. And a well planned and executed communications plan will help you control how the chips fall. Throughout the process, management must be visible and available to employees. This will reinforce the company's vision for the future, keep employees engaged, and aid in retention of talented staff. In times of transition, fear of the unknown is prevalent. Clear communication from the organization's leadership will soothe that fear and allow employees to look forward to what's to come, rather than grieve the loss of what's in the past.

Developing a Well Integrated Communications Protocol

When creating your communications protocol, identify the following:

- What is your vision of the new company?
- What is the business case for the transaction?
- What makes your current firm unique?
- What could be lost by this combination?
- What is being gained?
- How are your cultures alike? How are your cultures different?
- Vernacular, job titles, dress code, etc.
- What will you call your employees/team members/co-workers?
- What will you call your customers/clients/users?
- What is the benefit to employees?
- What is the benefit to customers?
- Will there be restructuring? Job loss/hiring/shuffling?

McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. MKS&H's organizational consulting division, Tandem Partners, specializes in people strategies that drive business results. For more information on this article or MKS&H, please contact Margaret Wilson at 410-296-6200 or via email: margaret@mksh.com.

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