

Leadership Behaviors on Both Sides of an Acquisition That Impact Integration Success

By Donald E. Robinson

Too often even the most strategic, well-structured transactions that are appropriately valued get into trouble soon after the deal is signed. Integration grinds to a halt, frustrations rise and tempers flare. In our experience, realizing progress and results during a merger or acquisition is largely driven by the combined firm's ability to make decisions and to remove uncertainty and ambiguity quickly. However, a fair amount of the probability for deal success also hinges on people's behaviors. Here are a few suggestions based on our experience with over 70 deals and thousands of executives on the kinds of behaviors – both from the acquirer and the acquiree - that can help preserve value of the organizations before close and up the odds for long term success.

How to be a good acquirer

Be upfront. Time and again, we've heard one characteristic of acquirers that helps drive progress and keep people focused: *candor*. Being honest, forthright and upfront with people about what is known, is being considered, or unknown. For many executives, erring on the side of transparency feels a little counterintuitive especially when it comes to sharing bad news such as a plant closing, relocation of a headquarters, or job reductions. In practice though, uncertainty is actually a bigger distraction for people than the bad news itself. To keep things on track, work toward letting people know answers when you know answers and establishing an atmosphere of respect for people's ability to deal with difficult information. This includes a willingness to report "I don't know" when questions arise that have not yet been fully addressed.

Manage expectations. Executives in an acquiring firm have a unique tendency to want to sugar coat the situation with platitudes about how great things will be after the deal is done. Sometimes, they themselves even believe a pot of gold lies at the end of the transaction rainbow. The sugar coating and promises of nirvana start early in the deal process and can continue into integration. The downside is that people get their hopes up that things will be rosy once the transaction is consummated or integration is finished, only to have their expectations shattered by acquisition reality. The truth is that integrating two companies is complex and a ton of work. Mistakes are made. Communications get tangled. New situations arise that have never been dealt with before. There are more questions than answers. If management has painted a different picture, when the predictable complications associated with a merger begin to unfold the credibility of management goes down the tubes. Further, people equate the bumps in the road with evidence that things are not going well. This sentiment quickly makes its way through the organization like a cancer, eventually manifesting itself in declining customer satisfaction, drops in revenue, and increased turnover.

Overcommunicate. One thing is certain: managers and employees going through a deal thirst for information. This is especially true for those on the acquired side of the transaction. There is almost never enough info about what is changing and when, not to mention answers to the ubiquitous "Me" questions like "will I have a job?" or "what will happen to my commission plan?" or "will my benefits change?" In lieu of real information, people will draw their own conclusions or, at the very least, spend inordinate amounts of time speculating about what will happen and when. Executives in the acquiring organization can't do enough to arm the leaders at the target company with information. Constantly and in as many different ways as possible, send out information about what is known and not known (see

the coaching point ‘be upfront’ above) always drawing on common core message document to ensure the messages are consistent.

Be humble. Completing a major deal can be a boost for executive ego. In an acquisition with a clear acquirer (I’ll leave a discussion of the dynamics associated with a ‘merger of equals’ for another time), the management of the acquiring firm can see the deal as a victory and the target firm as the losing team. But a little humility can go a long way toward preserving the value of what has been purchased. I’m not talking about the kind of humility that shows up as a couple of half-hearted comments during initial talks after an agreement is signed. I am talking about a deep-rooted and genuine appreciation from management of the acquiring firm that the acquired company has real value embedded in its customer relationships, talent, processes, ways of doing things and systems (if not, why are you buying it?). Even though the integration strategy may require that many of these processes and systems are phased out, honoring the past through a true appreciation for what the other company has built can clear the path for objective decisions on how to integrate. This approach can also help win over those who are deeply invested in the way things are currently done in the acquired firm.

How to be a good acquiree

Stay objective. It is an emotional proposition to have your company sold to another. With all the emotions that typically surround a deal, it is often difficult for the employees of an acquired firm to stay objective. Cynicism can creep into everyday interactions with the new owner. Geographic distance compounds the problems as employees who are disconnected from the new “headquarters” can misinterpret emails and other attempts at communication that originate miles away. As a rule, leaders in an acquired firm should assume best intentions with each and every interaction. With this as a starting point, objectivity is more easily within reach.

Practice proactive listening. Within any company, people grow accustomed to working with each other over time. As they do, they find language short cuts that make communication easier and more efficient. Some of this shows up in the form of acronyms (as in, “I think the LRE must be off for the BSA unit – Q3 showed a decline in RTA results and wouldn’t justify a P16 increase like they are showing”). Other times it is more subtle and is found in the way the culture of an organization has ascribed certain meanings to common words. Time and again, communication tangles can be traced to firms who have grown up with differing definitions of words like “forecast” or “income” or “sales pipeline.” The answer lies in proactive listening – restating what you think you are hearing and asking probing questions about the meaning of statements. This is especially true on the part of the acquired firm. For an acquired firm “getting integrated” is largely dependent on the leaders’ ability to understand the new language and shift historical definitions to fit with those in the new combined company.

Separate “different” from “right” or “wrong.” It is human nature to want to compare ourselves to others. We take the comparative thinking stance with our neighbors, with other communities, with other countries, and even other religions. It’s no surprise that two companies in the midst of an acquisition begin their comparisons early in the process. Comparative thinking can be healthy in that it gives us a point of reference and perspective. But the danger comes when comparing processes, technology, and structures between two companies degrades into judgments about which way is right and which is wrong. Objectively assessing what is different and which way is best for the combined firm is a valuable exercise. Using judgmental statements to make a case for one approach or another can damage cooperation and prevent progress. As an acquired firm, when you catch yourself thinking “the way they do this is just plain wrong,” it’s time to step back and reevaluate the situation from a more objective viewpoint.

Focus the business on the critical few. As an acquired firm, the best and most reliable way to facilitate integration comes down to one item – business results. The success or failure of a deal and the subsequent integration will always be colored by things like the ease of policy and back office integration. But after the dust has settled, the only real measure of success is performance with customers and the resulting revenue and profit of the business. To get the best bang for the buck when integration planning and uncertainty has a grip on the workforce, the most experienced leaders take a look at their initiative list and trim their strategic priorities to the most impactful 3 to 5 items. Laser-like focus is beneficial for companies at any stage. However, when a major integration effort is on the horizon, removing unnecessary noise from the environment goes a long way to protecting productivity and value.

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