

M&A Success in 5 Steps

By Joyce Bosc



For an M&A deal to work, special attention must be paid to communication strategies

There is almost nothing more difficult than guiding employees through change—especially after something as significant as a merger or acquisition. In fact, how leadership handles the transition can make or break a deal.

M&A announcements can sometimes catch employees by surprise. In the aftermath of the news, they will experience a gamut of emotions, many of them negative. This is when employees will opt to leave—and the best people, who have the most options, will be the ones you'll lose, leaving the new, combined organization with something less than what the transaction intended to gain.

For government contractors, this is a particular risk; employees with highly sought skills, security clearances and extensive government contacts are always being courted by other firms, and turbulence in the work environment can make a new job seem the better alternative.

The change in corporate culture also creates risk with government clients. When employees are going through their negative phases, there's an impact on productivity, output and client services—and I think that impact is often underestimated when planning for an M&A.

Even a modest internal communications program can increase employee retention rates and improve morale while changes are made—and that can translate into less distraction and better attention to customers (who themselves may be wondering about the effects of the M&A).

I have found that an adaptation of Elizabeth Kubler-Ross' "Five Stages of Grief" provides a useful framework for leaders to understand

their employees' reactions and design measures to address their concerns.

Stage 1: Shock

Unsurprisingly; when employees hear the news, they will be stunned. At this point, managers should listen to their employees—in fact, listening is the single most important skill managers can have throughout the entire process. As they listen, they offer employees empathy and reassurance—"Yes, this is a surprise, but we'll get through it"—and demonstrate they are sharing in the experience.

Stage 2: Denial/fear

"This isn't happening," is what some people may think, or, "this will fall through." Again, lending a sympathetic ear to employees and reassuring them that they will come through all right is essential. But this also is when managers can begin to provide information about how the process will work, giving employees facts to displace their internal denials.

Stage 3: Resistance

This a risky time for employees and managers alike, when problems—real and imagined—can raise obstacles to integrating the new combined organization. This is when listening can reveal the true roots of the problems, and managers can work to find win-win solutions. (Which, incidentally, offers tangible proof of the reassurance employees have sought.) And this is when trust can be built between leadership and employee. Traditionally, the CEO or president will first share the news during a special All Hands meeting—and sometimes that's the end of communication. If leadership continues communications at a more personal level, however—such as holding several smaller, more intimate meetings between employees and their direct supervisors in the days following the All Hands meeting—people often feel more comfortable sharing their questions and concerns and experience less resistance.

In other cases, I have seen corporate clients create a joint transition board, including employee representatives, to work out solutions. I've even seen some CEOs go the extra 10 miles, such as one who personally intervened with his human resources department to get new health insurance cards issued quickly for employees to whom that was a top concern. Not surprisingly, these leaders kept the cream of the crop among their employees.

Stage 4: Acceptance

This can be grudging or enthusiastic or anywhere in between. This is where the investment in listening and reassurance can pay off. Managers can solidify employees' acceptance of the new status quo by using their input to plan and build new teams that address the needs of the new organization while reflecting employees' needs and concerns.

Stage 5: Advocacy

Employees who had fought change now embrace it, and leaders have now laid the groundwork for new leaders to emerge. Here it is important to have those opportunities in place, whether it's a chance to lead new teams or take on new assignments.

This road map is not all-inclusive. Every individual will move through stages at his or her own pace. Nor is it linear—a person who seemed to accept what is happening may relapse back toward resistance when an obstacle appears. It will take anywhere from six months to a year for all employees to work their way to a shared sense of community again. But thinking about these stages, and laying the groundwork for dealing with them, will help ensure the transaction is a long-term success. ■

Joyce Bosc, president and CEO of Boscobel Marketing Communications, has helped many companies navigate a variety of growth challenges. For more information, visit www.boscobel.com, and read the white paper, "Stakeholder Communication in Merger & Acquisition Environments."