

THE PEOPLE SIDE OF MERGERS AND ACQUISITIONS

“When assessing the potential of a company, you can get a firm grasp on bottom-line issues, such as profitability, share of market, competitive concerns and upside potential. But the intangible ingredient is always the talent—particularly at the top,” according to Jack Nash, the former Chairman of Odyssey Partners, a private, limited partnership, which buys and manages many prominent companies.

He emphasizes, “The success of any new venture depends upon executives who bring the right mix of talents, who are adept at changing, and who are genuinely excited by the opportunity to create a new organization. That is why we thoroughly assess the potential of each of our executives. From the start, we need to know if they are where they should be. Are there any reasons for concern? Are they going to be able to embrace the company’s new vision? To bring out the best in others? And, if changes need to be made, who should be brought in? These are just some of the imponderables which ultimately make a venture succeed.”

In the planning stages of a merger or acquisition, finances are analyzed, competitive issues studied, goals established, efficiencies projected and opportunities appraised.

“Yet, thousands of mergers and acquisitions take place without full consideration of the most critical aspect of any new venture: the people who will be leading and contributing to the new organization’s ultimate success,” says Patrick Sweeney, Executive Vice President of Caliper.

“Without a comprehensive understanding of the people side of the equation, an acquisition or merger has little chance of succeeding,” he adds.

Sweeney shares a few of the questions that need to be considered as a starting point:

- *What is the talent level of the staff of each company—from top to bottom?*
- *What is the chemistry between managers and subordinates?*
- *How well does the management team work together?*
- *Who is clearly in the wrong job? Are there jobs they could fill more effectively?*
- *Who are the most talented individuals?*
- *Who can be looked to for rapid career advancement?*
- *Are there major talent gaps that need to be filled to make the merger work?*
- *Is the top management talented enough to move the new entity toward its new goals?*
- *Are the two corporate cultures compatible?*

The answers to these questions will start to give a clear signal as to whether the merger or acquisition will take off or crash land. The simple truth is that we have seen more new organizations come to a grinding halt because of a lack of understanding of the strengths and limitations of the people involved than because of any overriding market difficulties.

The New Management Team

Not surprisingly, one study found that more than half of the top managers of acquired companies leave shortly after the acquisition. The challenge is to create an environment where people want to compete for a role, without making promises or causing defections.

In some cases, the management team of the acquired firm is the single most valuable resource to be gained. Therefore, it is important to take aggressive steps to ensure that key people are not discouraged by the acquisition.

Ideally, as the transition begins, the two cultures should combine to create a unique culture. As one of our clients said, “It is a brief, rare opportunity to rearrange the chairs while everyone is up on their feet.”

Sweeney adds, “One of the key issues in any merger relates to what roles are to be played in the newly-merged organization by members of the two management teams. Similarly, the acquiring firm needs to know not simply what each member is doing, but how well suited they are to their current jobs.”

During this brief transition time, everyone involved must learn an entirely new way of relating. One corporate culture, for example, might be extremely bureaucratic, with an intricate network of rules and procedures and a relatively slow decision-making process. The other might be participatory and entrepreneurial. Ideally, a hybrid culture will emerge, stronger than either of the parent cultures.

Who Will Lead and Who Will Leave?

One of the most complex situations, Sweeney cautions, is how the two former CEOs might most effectively work together. Typically, a decision is made early on regard-

ing who will be at the helm of the merged organization. But what is more important is that both individuals know the strengths and weaknesses of each other so that an appropriate division of responsibilities can be drawn.

For example, one might have the dynamics of an outstanding sales and marketing manager, while the other possesses the qualities of a top administrator. This makes a clean division of responsibilities very apparent and very comfortable for both parties. However, in most cases, the lines are not so clearly drawn. When there are overlapping talents, how do you divide the responsibilities of the two key players without inviting a civil war?

This should be a time of redefining the organization as well as reassessing the key players in the organization. So, perhaps one of them will see the new situation as an opportunity to try an untapped ability, to spread wings and try working in an area that needs attention in the new organization.

“To successfully make the transition takes a combination of the right abilities, aptitude and attitude,” explains Colin Wilson, President, Americas, of NACCO Materials Handling Group, an international designer and manufacturer of lift trucks.

“Each executive needs to play to his or her inherent strengths in order to tap their true potential,” says Sweeney.

That is why it is vital to thoroughly assess and understand the inherent skills, abilities, competencies, talents, strengths, limitations and motivations of the key players in an emerging company. Changes will definitely have to be made. Change will be frightening to some, an opportunity to others. From management’s point of view, it is the time to say, “Never mind what they happen to have been doing, let’s look at what they can do best for the new entity.”

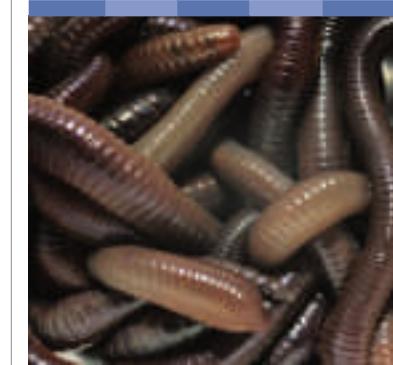
Michael Jones, President of ProFinance Associates, Inc., a leader in consolidation within the

alarm industry, discovered that people issues are the most difficult and important aspect of any successful acquisition. “If I don’t know the inherent strengths, limitations and motivations of each of the key managers, the deal will go sideways.” He seeks “people who are global in their thinking, able to see opportunities where others just see problems, able to analyze situations clearly and succinctly, and, when it makes sense, able to take risks.”

The bottom line is that when a merger or acquisition is being considered, it isn’t simply the books or the markets that are being acquired. Essentially, what is being acquired are the strengths, talents and poten-

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tial of the people. If the proper time and attention is taken to understand: the two corporate cultures; the strengths and weaknesses of the management team and how they might best come together; and the qualities, motivations, abilities and personality attributes of both staffs—then the right people can be placed in the right jobs. This will mean that teams can be put together that will work effectively, and the merged company can get off to the kind of “jump start” that everyone involved desires. ■



Employees Quit to Start Worm Farms

In a recent Caliper survey, we discovered that only 26 percent of the people quitting their jobs said they were leaving for an opportunity that provided more money. Most people said they were resigning because the job just wasn’t right for them anymore. Among those reasons included: the job not being challenging, slim potential for advancement, insufficient recognition, too much stress, lack of decision-making ability, and a conflict with their manager.

Among the STRANGEST reasons employees gave for leaving were:

- The building temperature is much too cold.
- I had a vision and was told to resign.
- There was a demon residing in our computer network.
- To start a worm farm.
- My pet bird is ill and I have to take care of him.
- Said he was going to the restroom and just never returned.
- Had to go to jail.
- Just felt like the thing to do.