

Helping Your Employees Through an Acquisition or Merger

By Dan Stockdale



Corporate giants and smaller companies merge every day, and the teams doing the mergers and acquisitions tend to think in terms of “Big Picture.” They wonder such things as: “What’s going on with the deal?” “What’s happening with financing?” “Are there legal hurdles to jump?”

Rarely do those driving the process stop to think about the individuals within the company who make it run. Even when human resources departments are involved with the deal, they usually cease to think of the employees as individuals and look instead at the budget they’ve been given and think of people as numbers they

have to place within the parameters of that budget: “We are going to have 25 people in marketing and 50 in accounting. Who will it be? Or who won’t it be?”

If your company is in the middle of a merger or acquisition deal, even though things might be going smoothly as far as you are concerned—the deal is being negotiated favorably and things are happening as you want them to—potentially dangerous things could be happening that you’re unaware of, not anticipating, or even ignoring on the employee level.

Often, when executives think the merger is going fine, the employees have an entirely different take on the situation. Employees who are aware a deal is taking place are naturally concerned about themselves and their futures when a merger or acquisition transpires. At this point, they have three primary questions: “Will I have a job?” “How much will I be paid?” “What benefits will I have?”

How executives on both the buyer’s and seller’s side choose to deal with employees can have a drastically negative or generally positive effect on employee productivity, morale, customer relationships, and ultimately the company’s bottom line. To ensure that your merger or acquisition goes smoothly for everyone in the organization, consider these tips.

1. Choose the right transition team.

The transition team that reports to you needs to be made up of people who have the right temperament and personality to handle a transition. They need excellent people skills and the ability to “finesse” any situation to the benefit of the company. Make sure the transition team is appropriate for the area or department they talk to and can easily relate to people in various employee groups. For example, you probably wouldn’t want a team of “suits” to talk to a group of housekeepers and maintenance people in a hospitality merger. Choose a trusted employee from among their ranks and you’re far more likely to see good communication as a result.

2. Be in constant, honest communication with employees.

All employees want accurate information from management, and they want to know the truth, even if it's difficult. No matter what the news is, good or bad, your employees want to hear it, so always be totally open and honest about what is to come. If your employees feel out of the loop, they'll assume the worst, and you can expect a negative effect on productivity. Both merging entities, the purchaser and the seller, need to both consistently communicate with employees and ensure that whatever they're communicating is 100% accurate.

For example, during a recent acquisition, the president of an acquiring company met with all of the employees about two months before the final deal was complete. The group was very well-paid and had a very high level of benefits. The acquiring organization would not provide that same level of benefits, he told the employees, but the loss would be made up in their salaries. At the end of the deal, they brought everybody in at the lower benefit level and at the same level of pay they had previously received. Now the president and his management team are starting off with low credibility because of his false attempt to reassure the employees.

To help ensure buy-in, schedule regular employee meetings or send out regular updates via e-mail or a weekly newsletter. You need to be upfront about everything that is happening from the beginning so you don't lose credibility with your employees and, in turn, your customer base, who are in close, constant contact with your front line employees. If you don't treat employees well in the course of a merger or acquisition, six to twelve months down the road, you may find erosion of your customer base. The cost in revenue loss of losing a key player with a great deal of customer contact can be huge. It is not uncommon for revenue loss to reach a million dollars a year in a mid-sized organization. This, of course, would have a huge negative effect on any company and its ability to stay profitable.

3. Provide resources for those who will be displaced.

Allow those employees who won't be retained to exit gracefully. Offer career counseling, resume services, contacts with outplacement firms, or anything else you can provide to meet individual needs.

Of course, the most important resource you can provide is a severance package of some sort. For lower level employees, two to four weeks pay may be sufficient; for middle and senior management, six to twelve months pay may be appropriate to help them make the career transition. The severance package should carry the employee the approximate amount of time you would anticipate it will take him or her to find a new position. Many times those coordinating a merger or acquisition wrongly assume that unemployment benefits will carry the departing employee through their transition; however, rarely are those benefits enough to sustain people at their current financial level. By taking these extra steps, your departing employees are less likely to talk negatively about the company to others, and the people who are remaining on staff will feel that the company truly cares about all employees—even those leaving.

4. Give assurance about change.

Once the deal is done, retained employees will still experience some fallout, and morale and productivity can take months or even years to return to pre-deal levels, especially if a residual lack of trust remains after a badly handled merger or acquisition. If there's been perceived untruthfulness, management then has to establish a long history of standing by what they say they're going to do. Even if you have a smooth acquisition, you'll have to pay particular attention to assuring employees since change always brings apprehension.

Help your remaining employees to deal with change, even if that change seems minor to you. Maybe all that changes is who they report to, or the company president's name, but people fear change. Executives need to do everything they can to help minimize the anxiety that people naturally have.

Help Your Employees Love Your New, Better Company

When you follow these four tips, the benefits to both your employees and your company will be tremendous. Everything about the deal will go more smoothly from the employee's point of view, and therefore you'll have greater productivity, higher employee morale, and better relationships between employees and customers. As a result, company profits will hopefully soar, before, during, and after the deal!

About the Author: Dan Stockdale is a speaker, author, consultant, and exotic animal trainer. He is President of Adventures In Leadership, Inc., an educational firm that specializes in applying the principles of positive reinforcement to organizational issues and sales performance. His principles allow clients to achieve exceptional results while maintaining a positive, energetic environment. Dan also accepts 20-25 keynotes per year where he demonstrates his philosophy of management using live animals. You can find out more about Dan Stockdale at <http://www.AdventuresInLeadership.com> or by calling 877.3.JUNGLE.

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