

Creating compatible dreams

If you want to make a merger work, abandon any managerial preconceptions about the new company culture. The staff will have different ideas, says Dr Leandro Herrero

For many managers in today's business environment the concept of time is tripartite: pre-merger, mid-merger and post-merger. If they are in the post-merger phase, they will soon switch back into pre-merger mode. I was in a meeting with clients recently where top managers were stating their 'merger index'. Only a small proportion of them had been involved in the first pre-merger.

Much has been written about the wisdom of mergers, their reasons – both declared and undeclared – and what happens afterwards. There is good historical data to suggest that the claimed synergies are not always obtained, that short-term cost savings are often realised at the expense of long-term success, and that the combined market share of the new company is almost never bigger than the sum of the two merged firms' shares. But mergers are here to stay. Whether companies regard mergers as growth mechanisms, strategic

concepts, opportunistic marriages, shareholder value exercises or anything else, they will continue to undertake them, particularly in fragmented industries such as pharma. I am not here to challenge the wisdom of boards, nor the invisible hand of the market. I accept the reality of the 'in-mergers-

we-trust' environment but want to suggest that people obtain some special glasses with which to observe what really happens during a merger.

Two aspects of a merger that are largely ignored hold the clues for its success or failure. Both contain the same ingredients: ignorance of its psychological and psychosocial implications and the mechanisms that operate at the level of the individual. In the best case, it may not be ignorance, but an inability or lack of skills to deal with these issues. In the worst, it is ignorance by design.

In any merger there are two parallel processes. One is creative and leads to a new company, new teams, new organisational structure, new leadership groups, new job titles, new portfolio, new markets, new brands, new logo, new image. Something new has been, or is being, created. Leaving aside hostile takeovers, this process is usually positive, possibly exciting, definitely forward-looking and certainly highly publicised. It gets most of the attention, both internally and

externally. The other parallel process, however, is destructive. Teams disappear, management groups cease to exist, structures are gone, old titles, perhaps old systems and processes, die. Logos and names vanish, identities crumble. Sometimes it feels as if an entire collective memory has just evaporated leaving people wondering if the past was just a strange dream or a reality that never happened. Destruction comes from the Latin *de struere*, a reversal of 'building' or 'piling up'. Attention, energy, air time, external visibility, conversations, publicity and life itself is often completely taken over by the creative process. After all, the machinery of the merger is oiled with the best PR, possibly a good advertising agency, most likely these days a so-called brand and corporate identity consulting firm. It's all new and shiny. A new logo emerges and then, new letterheads, new signposts, new name badges and new colours. The new name, if there is one, often comes with a price-tag equivalent to the cost of an entirely new team of managers, with the difference that managers have predictable Christian names and the new company name is surreal not just expensive.

Little attention is paid to the destructive process because the creative one has full control of the stage. However, our brains and minds have attachments that no 'integration consultant' should ignore, despite the fact that most do. The merger often involves trying to rid us of any sense of belonging to past structures, ideas or ideals, while attempting to install by default an alternative sense of belonging to the new entity. Most of the time, it does this unconsciously (forgive the liberty of attributing humanity to a process). But it does so firmly. In many cases people have virtually no time to grieve. And we need to. Attachments, emotions, memories and a sense of belonging do not disappear with the same speed as the old logo. People need space and time to celebrate the past, or get angry with it, either because it was pathetic or just because it existed. Anger is a common phase of bereavement when the surviving half of a couple, for example, is angry with the one who has gone, precisely because he or she has gone. There is a parallel with organisations. People must be allowed to go through the emotions. While this doesn't need to be a long process, it has to take place. Process-driven and system-driven mergers are often in the hands of consultants, who are totally ignorant of this loss aspect. Psychologically unskilled to deal with these mechanisms, their only option is either to pretend they do not exist or ignore them as superficial, worthless elements of the integration programme.

My experience in these situations is that things go much better when 'holding spaces' are

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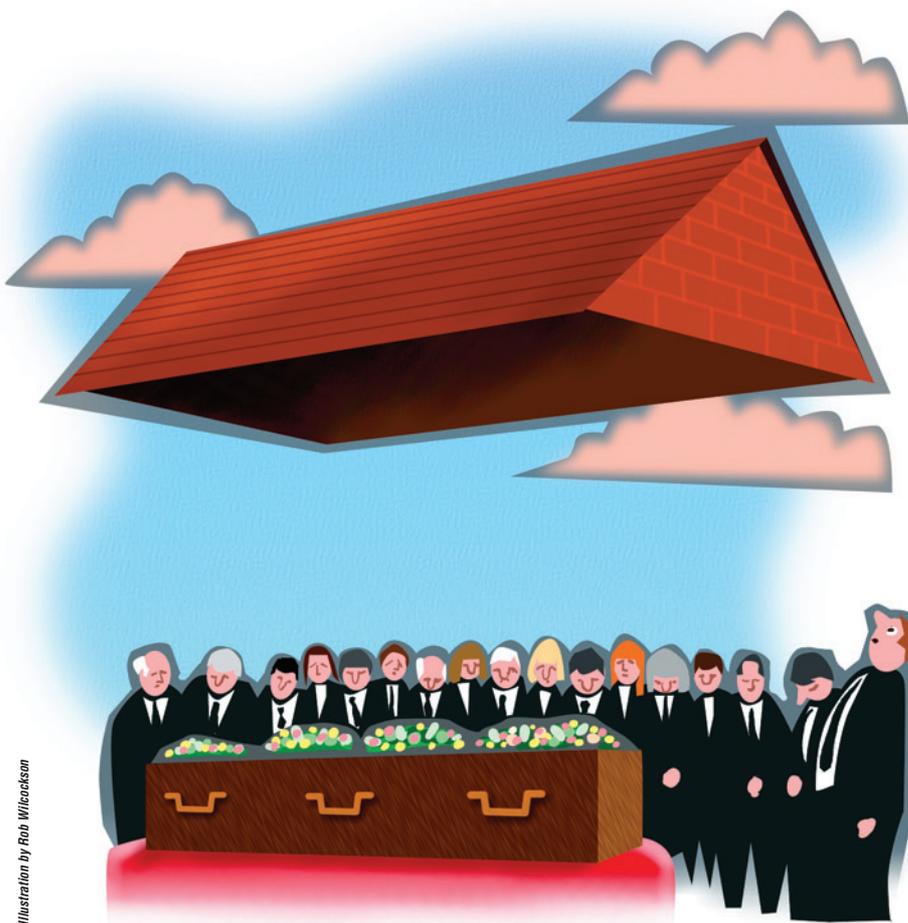


Illustration by Rob Wilcockson

People need to grieve for the loss of an old structure before building anew.

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provided. These are opportunities (both in space and time) for people to vent their emotions in groups, deal with and qualify the past, express what they are proud of and what they are happy to lose and, if necessary, shout their unhappiness with what is happening to the world. Bereavement is universal and blind to the merits of the new situation. In other words, whether you are in love with the new company or not, you still must grieve the loss of your previous attachment. If the new situation is also painful, the lack of bereavement and the new pain are added burdens. And this is not a good recipe for new commitment and loyalties.

The second area where merger integration can be flawed is the 'new culture'. Again, in some cases, there is no question about the new culture. But there can be a genuine, otherwise naïve, attempt to create a new culture or integrate cultures, which is equivalent to building a house by starting with the roof. Many 'merger experts', whether internal or external, will spend a considerable amount of time (and a few forests' worth of PowerPoint documents) convincing people that the new culture should make the most of the combined companies' strengths and dispense with their weaknesses. Fine. One culture brings the entrepreneurial spirit and the other the more mature structure of processes and systems. Fine. The new entity is a hybrid, with the best of both worlds and none of the worst. This is also fine. Managers nod, leaders nod, meetings take place, PowerPoint presentations flood in and everybody is happy. In the car park after the meeting people wonder what it was all about and, by the time they reach home, 99% of the PowerPoint concepts have melted into thin air. New cultures, new hybrids, new commonalities mean very little to

ordinary managers and workers. These things are the roof of the new house. But where are the bricks, doors and windows?

My experience points to a different direction. I have labelled this unconventional approach 'Forget the culture, you and I are going to work together on May 25, Microsoft Outlook says so'. It has a long title, but this bottom-up strategy is grounded on the psychological principles of what individuals care about. The explicit agreement, 'forget the culture', is extremely effective when people are trying to work with new team members and create practical frameworks to get things done. They understand that some sort of culture will emerge in the end. But their primary motivation is usually personal survival in the new entity and acquiring the navigation tools for the journey. Having an umbrella culture is only of concern to the corporate identity consultants and perhaps the new CEO and management team. There is nothing wrong with creating a philosophical framework for a new company, but this is hardly a way to seduce the minds and hearts of managers and workers who are worried about more mundane things. To ignore the very personal level, the practicalities of how John can work with Peter to ensure continuity of the project, is suicidal. It leads to high-tech roofs for houses founded on clay.

Both the merger dimensions I have discussed – dealing with the destructive elements and also the practical individual working styles (differences as well as similarities) – are critical to success. The social sciences have more to say about mergers and acquisitions than all the management theories about systems and process integration or the communication campaigns led by the corporate identity programme. Incidentally, for many people, the latter is a grandiose term for new logo. And these people usually have little time for such a superficial jamboree.

There is no perfect merger, but ignorance of the psychological and psychosocial components of the process is a recipe for failure. We all have a past, a sense of belonging, expectations and needs. We all have dreams. No two minds are equal. No two dreams are equal. Mergers should be about creating compatible dreams. Focusing first on what Jane, Peter or Mary need to be able to work together, and worrying about the new culture later is the right order. Cultures emerge, they can't be imposed. Defining the new culture as, say, entrepreneurial, solidarity, team-driven or innovative, is a bit of a waste of time. Defining what behaviours are 'non-negotiable' is the best the service leaders of new merged entities can provide. But that is a topic for another day. SM

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