



## **Change Management, Employee Communication Drive M&A Success**

As long as businesses have competed against each other, they have also joined forces in an effort to get bigger and stronger. Mergers and acquisitions continue to reshape today's hyper-competitive marketplace – in 2018, there were more than 7,700 M&A deals in the U.S. alone, totaling \$1.74 trillion in value.<sup>1</sup> Unfortunately, the majority of these unions are likely to fail. In fact, one comprehensive study found that a staggering 83 percent of M&A transactions were unsuccessful in producing any business benefit in regards to shareholder value.<sup>2</sup>

Why such long odds? Poor change management is often to blame. Because, while mergers and acquisitions can make perfect sense on paper, in practice companies inevitably encounter a host of daunting challenges that, if not handled with care and precision, can sap business performance and drive away prized employees.

To join the exclusive list of M&A success stories, companies must be able to manage change effectively, with the employee experience at the heart of the effort. Whether it's planning the technical and operational aspects of the merger, overcoming fear and uncertainty, or fostering a healthy company culture, engaging people in the process is the key to making it work.

### **PLAN STRATEGICALLY FROM THE START**

When two large organizations come together, the to-do list goes far beyond one of them changing the name on the building. There are systems to integrate, business processes to reconfigure, and an array of other complex projects required to make the merging companies act as one. Any significant missteps can wreak havoc within the organization, frustrating employees and customers.

While these activities may be technical in nature, they have an undeniable human impact. Companies need to think carefully, pre-merger, about which work streams will change, how employees will be affected, and how business disruptions can be minimized. Allowing key stakeholders to play a direct role in project management can aid in a smoother transition.

### **COMMUNICATE, COMMUNICATE, COMMUNICATE**

In its [2019 Global Talent Trends](#) study, Mercer found that job security is among the top three reasons why employees join a company and why they stay. Understandably, M&A activities lead employees to question their job security. People are concerned about how their responsibilities or benefits might change, or whether their role might be eliminated altogether. With thousands of employees in a state of anxiety – or outright panic – over their career prospects, productivity can suffer and key employees may leave the company proactively. The solution to this problem – and the cornerstone of effective change management – is communication.

By communicating early and often, with clear and consistent messaging about the merger, management can help to quell the rumor mill and keep people motivated to focus on the work at hand. People need to know what will change and how they might be affected, both in the short-term and farther down the road. Beyond the scope of their own positions, employees also need to understand the rationale for the merger, how it will benefit the company as a whole, and what new opportunities it may present. At the same time, it's essential to be forthcoming and transparent about potentially negative side-effects, such as possible job cuts, as glossing over the truth can quickly undermine leadership's credibility. Ideally, good communications will leave the majority of employees with calmer nerves, a clear sense of direction, and a positive outlook on the future of the company.

## **BUILD A UNIFIED CULTURE**

Communication is critical in the days and weeks surrounding an M&A announcement, but it's just as essential over the months or years it takes to complete the integration. "Culture clash" is a legitimate threat to the success of the union, as two sets of employees suddenly forced to work together don't always see eye to eye. They may harbor feelings of resentment for being "bought out," frustrated by new ways of working, unhappy with a new reporting structure, or generally at odds with the other company's values and work environment.

The change management, HR and communications teams play important roles in guiding the combined organization through these relationship challenges. From the beginning, leaders should engage employees in an ongoing dialogue, using surveys and interviews to solicit employee input and identify where cultures align or diverge. Longer-term, new programs and policies can be adopted that take the best from both worlds, showing all employees that their opinions are heard and their contributions are valued. At the local level, managers should be encouraged to host team-building activities, such as off-site events or volunteer efforts that create personal connections and camaraderie.

Mergers and acquisitions may be conceived of financial statements, market analysis or technical capabilities, but they ultimately depend on people. Effective change management can lead employees in both organizations to embrace and celebrate new opportunities. As this mindset takes hold, it will drive business results and cement the long-term success of the merger.

Sources:

1. Dealogic. US M&A Activity 2018. <https://www.dealogic.com/insight/ma-highlights-full-year-2018/>
2. KPMG. Unlocking Shareholder Value. Mergers & Acquisitions – a Global Research Report. <http://people.stern.nyu.edu/adamodar/pdfiles/eqnotes/KPMGM&A.pdf>