HOW TO SURVIVE BEING ACQUIRED.

Don’t Succumb to the “Rebecca Myth.”

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Individuals have life cycles. Products have life cycles. Do corporate mergers & acquisitions have life cycles?

Understanding M&A management from a life cycle perspective can better help you predict "what happens next" amidst the chaos of the present.

And that ability to predict may help you survive/thrive in the aftermath of an M&A event.

We are going to address three key issues today:

1. What do we know about M&A management?

2. What is the M&A Life cycle?

3. What are specific behavioral suggestions to help those who feel powerless in the middle of events they cannot control.

What Do We Know About M&As?

The Institute for Mergers, Acquisitions, and Alliances (2019) collects statistics on M&As.

Since 2000, there have been more than 790,000 transactions with a total known value of $US 57 Trillion.

Several years ago, acquirers seemed to be lacking sophistication in doing M&A deals. Most of the value went to the firm being acquired rather than the firms doing the acquiring. That is starting to change as acquiring firms gain more M&A experience. McKinsey reports that most of the value is going to the firms doing the acquiring. (Dobbs, et al, 2006). Acquiring firms are doing a better job at negotiating deals and M&A integration.

The M&A Life Cycle:

We have worked with leaders on both sides of the M&A equation and find three predictable stages:

Ambiguity:

Despite our giving it this name, “Ambiguity” is the clearest phase of all.

It begins at the first rumor of a M&A activity; it ends when the acquiring company makes its first clear policy move to demonstrate that it will never be a “merger of equals.” One side has won, and one side has lost.

During this phase, rumors abound, and institutional paranoia is the norm.

In a paranoid state, there is a tendency to overinterpret motives by the other side. At the same time, there is an underappreciation that management can make decisions based on poor judgement or lack of information.

Part of the reason for this misinterpretation is that M&As often begin with a well-intentioned lie:

This is a “merger of equals” that will produce a “new” company that takes in the “best” characteristics of all partners.

A variation of “merger of equals” is the company announces it is acquiring a company and plans for it to continue operating as an “independent” division.

Nobody believes the lie, but it is told anyway.

The General Manager of an Acquired Division met the acquiring company president at a company social gathering. The General Manager's question to the CEO was, "When do you plan to take over our operations?" Fumbling with his drink, the CEO mumbled, "Not anytime soon."

A week later, the acquiring company made its first move to dismantle financial operations at the Division and to move it to corporate headquarters. For the General Manager, this sign was proof positive that the President was deceitful.

As far as the President was concerned, this event was supposed to be social. The General Manager had put him on the spot, and he was unwilling to go into a detailed business conversation at a social gathering.

Another example:

When an acquiring bank negotiated for the purchase a competitor, it publicly went on record to state that there were no intentions of replacing the senior management. And that is exactly what it did within four weeks!

Between these two extremes lies the more common day-to-day operational fumbling and learning-from-mistakes that routinely poison the atmosphere:

The Director of HR of an acquired company visited the Vice President of Administration of the acquiring company. After assuring her that her operations would not be impacted by the merger, he politely vetoed her choice of a compensation consulting firm on the grounds that headquarters always used another firm.

Suggestions for Survival When in a State of Ambiguity:

1. Push for leadership to be clear about severance and stay bonus issues as soon as possible so that you and your colleagues can make rational “stay vs. leave” decisions. Taking the attitude of

"I'll deal with it when I am told" is not in your best interests. The economy may be favorable for you to do a job search next month. Can you be certain it will be favorable for you in six months?

2. Ask the company to designate a "Rumor Control Officer" who can confirm or squash rumors with authority. This is not a good time to expect the normal chain of command structure to work effectively: there are too many rumors and too many people up the chain who also have no idea what is going on. Top management also needs a Rumor Control Officer to understand what the rumors/concerns are.

Consolidation

With the acquiring company's first policy moves, its intentions now become clear. An "us" versus "them" mentality becomes common.

During this phase, employees in the acquired company become increasingly resentful over the request for more and more information. They perceive it drags them away from more productive work and the information may be used against them. At the same time, officials in the acquired company are likely to perceive employees in the acquired company as not forthcoming with information. Perhaps they are trying to "hide" something?

Ambiguity has now given way to mistrust and anger.

The Rebecca Myth

In 1938, British author Daphne du Maurier published a gothic novel called REBECCA. It is a story set in a mansion located on the cliffs overlooking the sea. A man brings his second wife to his home. The servants keep comparing the new wife to the dead first wife--"Rebecca Wouldn't Have Done It This Way."

The second wife is convinced that the servants hate her and that she can never compare with the often-mentioned Rebecca.

The end of the story has a twist: Rebecca was a hateful woman!

The Rebecca Myth refers to expressions of loss over a loss that really wasn't as wonderful at the time as it is now portrayed.

Employees of the acquired company are advised to using the following phrases with caution:

Why fix it if it isn't broken?

But that's the way we have always done it.

Is this going to improve operations or simply make it more complex?

You want to show that you are not tied to the past and are ready to embrace the future. Of course this is easy to say but hard to do: at some point in our lives we realize that unlearning old habits of success is far more difficult than learning new habits.

Old Alliances Will Shatter.

Perhaps you have been fortunate in having a highly placed mentor who supports your career. Perhaps you and your boss have a long and trusting relationship.

All these positive relationships are not likely to be tested during the period of Consolidation. When everybody knows that decisions are being made about who goes and who stays, people tend to get self-protective.

During this phase, expect bosses to claim more personal credit for success than they may really deserve.

Naïve employees will take it personally. They should understand that this is a normal part of the Consolidation Phase.

Suggestions for Dealing with the State of Consolidation

1. Provide management at the acquiring firm with more information than they may be seeking. This action positions you as having a reputation of being cooperative and a player on the "new team."

2. Make every effort you can to establish good personal relations with the new power sources even if it means alienating your current boss or mentor.

3. Be wary of your boss. You may now be a potential adversary.

4. Request that the acquiring company provide an impartial "second opinion" prior to deciding about your suitability for promotion or new jobs. Many companies now routinely provide such assessments as part of the screening process of senior level people who are being recruited externally.

5. Organize mourning rituals for dead products, services, or organizations. Such rituals can be as simple as a toast with wine to an actual memorial service. Like funerals, such mourning rituals help acknowledge communal loss while starting the healing process. For example, Bank America acquired Sterling Bank of Waltham. Sterling Bank organized a New Orleans style funeral celebration for the bank on its last day of independence. Customers, employees, and retired employees attended. The next day the bank opened doors as Bank of America.

Spearheading such mourning rituals shows you are ready to “unlearn” the past and embrace the future.

6. Despite your misgivings, vocally support new initiatives or new procedures. Avoid being perceived as a carrier of the Rebecca Myth.

Post Consolidation:

It is said that in the aftermath of a nuclear war, the survivors will envy the dead. In a similar way, in the aftermath of a consolidation, remaining employees have been known to state that they envy those employees who were able to obtain early retirement or obtain new jobs with other companies.

It may take up to 18 months of no new policies or disruptions to finally convince employees that the period of post consolidation is at hand.

During the Post Consolidation period the drama stabilizes, and people get adjusted to their new situations inside or outside the company. It is finally over….

…..until the company announces its next "Merger of Equals."

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Maryanne Peabody and Larry Stybel are co-founders of Stybel Peabody Associates, Inc. Its mission is "Leadership and Career Success for Valued Employees" through retained search, leadership coaching, and executive outplacement.

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