

Successful mergers avoid clash of cultures

Communication key in integrating staffs

By Diane E. Lewis, Globe Staff, 4/4/04

Corporate marriages invariably give rise to one question: How to unite two different cultures without sabotaging the merger?

For a large number of local workers, it's an issue of particular relevance. Last week, Bank of America Corp. officially acquired FleetBoston Financial Corp. In February, shareholders of John Hancock Financial Services Inc. overwhelmingly approved the adoption of the company's merger with Manulife Financial Corp.

Specialists say employers are more likely to have problems with the human aspect of a merger than with integrating two companies' technological, marketing, and financial systems. Failure to communicate how the newly merged firm plans to unite staffs and processes can create a rift in the best-planned corporate marriage.

Take the highly celebrated union of AOL and Time Warner. The \$109 billion deal went into effect in 2000, making the combined company one of the largest in the industry. But the two companies had vastly different cultures. AOL was a young Internet upstart; Time Warner, a venerable media giant. Today, each is reeling from fallout related to their poorly planned merger.

What went wrong? AOL failed to include

Time Warner's senior executives when planning the transition, according to specialists, resulting in resentment and confusion.

"AOL's acquisition of Time Warner ... was a complete bomb," said Aaron Fausz, a change-management consultant at Kronos, a Chelmsford consulting company that makes labor management analysis software. "It did not take into account the different cultures and systems and it was a clash from day one."

Allan Steinmetz, founder and chief executive of Inward Strategic Consulting, a Newton company that helps companies manage change, said megamergers are usually done for strategic purposes, not for the benefit of employees.

Still, he said, when done well a merged company can cut costs and efficiencies to create "a new culture from the ashes."

Steinmetz said Bank of America's 1998 acquisition of NationsBank is an example of the successful integration of two firms.

"When Bank of America acquired NationsBank, it very methodically and thoughtfully offered clear communications to employees," he said. "It also announced its expectations of what would happen at

the merged company, and when things would happen. And it celebrated the departures of those who had made contributions over the years."

Steinmetz said many companies make the mistake of shoving workers out the door, not realizing that the failure to acknowledge worker's contributions leaves a bad impression with those who remain, undercutting morale. After the NationsBank acquisition, Bank of America managers and coworkers made a point of preparing workers being laid off and acknowledging their contributions.

Bank of America said this week that it could not release information on its current integration plans for FleetBoston Financial. A Manulife spokesperson said that company was awaiting a final decision from regulators on its merger with Hancock and could not comment on its plans.

Specialists said employers who fail to communicate their merger plans or any other workplace change to employees can experience a backlash. Workers are weary of the wave of corporate mergers, downsizings, and re-engineering that has occurred over the past several years and many are exhibiting "change fatigue," which can sour morale and lower productivity.

Employees suffering from change fatigue tend to be distrustful or cynical and less likely to embrace management's proposals, even when the new policies might be beneficial, said specialists.

"They don't want to change anymore," said Steinmetz. "Whether it's downsizing or upsizing or the CEO's new speech, they're

tired. They've had enough."

For employers, such poor morale can cause productivity to plummet, sales and customer service to decline, and absenteeism to rise, resulting in lower profits, said Illinois-based CCH Inc., a human resources firm.

What can employers do to shore up morale, reduce fatigue from change, and instill confidence in workers at merging companies?

Jennifer Harnden, management psychologist for RHR International Co. in Boston, said that no matter what the change, companies must communicate their intentions honestly, meet regularly with workers, and spell out whether employees' roles will change and say when that change will occur.

"The more employees feel that they have some sense of mastery over their role, the more likely they will remain engaged," Harnden said. "When an organization is leading a change initiative, it must attend to the heads, the hearts, and hands of its workers. At the head level, that means conveying what the vision is and what it will look like. They must also paint a picture of the future and what will be gained by the change."

In the past, companies sometimes struggled themselves with how to meld staffs and strategies internally. Today, they hire integration specialists or change-management consultants to help them communicate with employees and ease the transition.

For example, when Compaq Computer, the Texas maker of personal computers, and

Digital Equipment, in Maynard, entered into a \$9 billion merger in the late 1990s, Digital contacted a specialist named Nancy Yahanda of Yahanda Inc. in Boston. She helped the company select the executives who would remain at the newly merged Compaq. Yahanda showed senior executives how they should inform line managers and frontline staff of the various changes.

Compaq hired integration specialists, including Price Pritchett, founder of Pritchett & Associates in Dallas. He assisted the firm's managers and executives abroad and its workers in the United States with making the transition.

Steinmetz, who has helped companies market sales campaigns, rebrand products, and integrate processes following a merger, said the most successful merged companies adhere to a time-tested strategy.

He said that when two companies merge, their employees usually fall into three categories: those who support the merger or acquisition, those who are neutral, and those who will try to sabotage or kill the deal.

Employers should empower the first group so that it will spread the word and build support among coworkers. The company should also try to convince the second group that the change will be good. Steinmetz maintains that to achieve those goals, the company must keep workers informed by meeting with staff regularly and making sure senior leaders are visible throughout the transition.

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