



ECLC Executive Brief

Leading a Merger, Acquisition or Divestiture

The Executive Council for Leading Change (ECLC) assembled a roundtable of seasoned executives to dig into the topic of **Leading a Merger, Acquisition or Divestiture.**

Navigating mergers, acquisitions, and divestitures requires a nuanced approach that balances financial goals with the complex dynamics of organizational culture and employee sentiment. This executive brief outlines strategic insights and best practices for managing these significant corporate changes effectively, ensuring both cultural integration and operational efficiency.

Date of Roundtable **May 23rd, 2024**

Roundtable Participants

Led by **Nellie Wartoft**
CEO of Tigerhall & Chair of ECLC



Traci Spero

Chief Human Resources Officer & Strategic Communications

Haven Tech



Subba Marellapudi

SVP, Head of Applications

PerkinElmer



Julie Ingram

Director of Technology

McDermott International Inc.



Larisa Sheckler

COO/Head of Global Operations

Whisk (Samsung owned)

Key Questions Answered

- ? It's a well known statistic that over 70% of M&As fail due to unsuccessful culture integrations. What are the **top areas** that need to be considered, to address this issue proactively?
- ? Another common headache is matching job architecture and organization design practices of the merged entities. What are some **best practices** in this area from your experience?
- ? Whether it's a newly combined entity or a newly spun off entity, a new identity, culture and unified vision has to be built intentionally. How can change leaders **best collaborate with other stakeholders** across the business to set and drive this across the newly formed organization?

4 Key Strategies for Leading a Merger, Acquisition or Divestiture

→ **Clear Communication of Vision and Values From Top Leadership**

Highlighting and adopting the strengths of the culture of the acquired company into the larger company's culture can lead to increased flexibility and resilience in the face of market changes. For instance, adopting **asynchronous and remote-first work models** can enhance international talent acquisition and retention, maintain productivity during disruptions such as pandemics as well as providing a competitive edge.

→ **Top-Down Leadership and Communication**

Leaders must recognize that mergers, acquisitions, and divestitures have profound emotional impacts on employees, potentially triggering fears of job loss, confusion, and uncertainty. Proactively **addressing these concerns can prevent attrition and maintain morale**, thereby safeguarding overall financial performance (which often motivates these kinds of large-scale changes in the first place). Effective change management strategies should include clear communication and emotional outlets for employees and this, before, after, and during a merger, acquisition, or divestiture.

→ **Early Identification and Management of Potential Resistors**

Before a merger or acquisition, it becomes critically important to assess compensation, titles, and responsibilities thoroughly between the two entities, to avoid operational inefficiencies and friction. **Standardizing hierarchies and aligning compensation structures** across entities encourages smoother integration processes and optimal workplace performance.

→ **Employee-Driven Change Initiatives**

A careful evaluation of the combined technology stack is essential for a successful merger or acquisition. Identifying **key personnel familiar with critical technologies and exploring ways of building new skill sets** across departments helps to streamline operations and avoid redundancies.

5 Successful Approaches and Tactics for Leading a Merger, Acquisition or Divestiture

Regular Town Halls

Regular town halls provide operational transparency and keep employees informed on organizational changes. These meetings should focus on **concrete information, including some financial details, to foster feelings of trust and engagement**. Interactive elements, such as polls, lengthen attention spans while also enabling change leaders to track the evolution of workplace sentiment over time.

Regular Office Visits

Personal visits by top leadership to various offices help build bridges between merged entities and create a sense of unity. Highlighting these visits and featuring different staff members in communications like newsletters can **make employees feel valued, seen, and heard amid their changed organization**.

Feedback Channels

Establishing channels for employee feedback allows change leaders to address real issues as they emerge and create a more inclusive work environment. This openness to employee concerns is vital for **maintaining morale and engagement during important, large-scale transitions**.

Centralized Messaging

A consistent, centralized communication strategy, often led by the CEO, ensures that important messages are conveyed accurately and sincerely across the organization. **This prevents misinformation and maintains a unified narrative during periods of change**. From SVPs to managers, this message can be brought into their own words to their teams but having a central through line message that everyone can refer back to is critical for overall alignment and transparency purposes.

Communicating Value

Clearly articulating the benefits of mergers, acquisitions, or divestitures helps employees understand the strategic reasons behind these decisions. Emphasizing **new opportunities, business offerings, and growing client needs** can frame the change positively and align employee efforts with organizational goals.

5 Common Challenges Faced

ECLC members were asked to identify the biggest obstacles they typically face during a cultural transformation. These were the most popular answers:

Employee Attrition

Cultural differences and the uncertainty caused by large-scale changes can lead to increased employee attrition if not managed properly. **Addressing these concerns and fostering a unified culture is crucial** to retaining internal knowledge and expertise, which are essential for achieving the acquisition, merger, or divestiture's goals.

Superficial Cultural Integration

Superficial cultural integration and alignment can mask underlying workplace issues. It is essential to delve deeper into employee experiences to ensure that they are genuinely engaged and productive amidst a merger, acquisition, or divestiture. Things might look good on the surface (i.e. employee attrition is low or participation in workplace events is high) but it's important to **create cultures that motivate and inspire workers to do their best work**.

Overlooking Empathy

Empathy is often undervalued in leadership. Recognizing and addressing employees' emotional responses to change can significantly reduce attrition and negative sentiment throughout the workforce. **Empathetic leadership and taking the time to address employee concerns is vital for navigating organizational transitions successfully** and truly deriving its financial benefits.

Merging or Acquiring Overly Similar Companies

When mergers or acquisitions occur between different types of companies (i.e. a healthcare products company and a healthcare technologies company), there is less of an overlap between employees' responsibilities. There is then a higher likelihood of keeping all involved personnel, redistributing responsibilities equitably while looking at new opportunities to expand operational capacity. However, when overly similar companies come together (i.e. two healthcare products companies), there are more overlapping roles and a higher risk of corporate restructuring. **Effective retraining and skill set development then become essential to avoid restructuring** which has an undeniably important, negative impact on workplace sentiment.

Information Dissemination

Managing information dissemination in large organizations is complex. Keeping track of who was informed of a change and what messaging was used becomes rapidly critical. By utilizing knowledge infrastructure tools (like Tigerhall), change leaders can **ensure accurate and consistent communication throughout different departments** while tracking important metrics like workplace sentiment and change adoption rates.

4 Notable Quotes from the Roundtable

“

After a merger or acquisition, it's important to have town halls that explain what we will build together: **how we're going to optimize our product lines and how we will offer more to our end clients together.**



Subba Marellapudi
SVP, Head of Applications

“

After an acquisition or merger, it's important to look at overlaps in skills and responsibilities, then look at how you can train people so that they have the new skills that are needed within the organization. Look at **building more operational capacity across entities**, by considering new needed skill sets, roles, and responsibilities.



Julie Ingram
Director of Technology

“

Town halls are key to navigating large-scale, corporate changes. To be effective, they need to discuss our **long-term, corporate strategy and also address key areas of concern** that are brought up by employees.



Traci Spero
Chief Human Resources Officer
& Strategic Communications

“

It's important to **keep communicating what is gained** from a merger or acquisition and how it will help both entities grow in their capacity to fulfill their clients' evolving needs.



Larisa Sheckler
COO/Head of Global Operations

Conclusion

Successful management of mergers, acquisitions, and divestitures hinges on strategic planning, empathetic leadership, and effective communication. By addressing cultural integration, employee sentiment, and operational alignment proactively, organizations can navigate these transitions more smoothly, maximizing value creation and maintaining a competitive advantage within their industry.



The Executive Council for Leading Change

The Executive Council for Leading Change (ECLC) is a global organization that brings executives together to redefine the landscape of organizational change and transformation. Our council's aim is to advance strategic leadership expertise in the realm of corporate change by connecting visionary leaders. It's a place where leaders responsible for significant change initiatives can collaborate, plan, and create practical solutions for intricate challenges in leading major shifts in large organizations.

In a world where change is constant, we recognize its crucial role in driving business success.

ECLC's mission is to create a community where leaders can excel in guiding their organizations through these dynamic times.

Interested in joining ECLC?

Learn the membership criteria and sign-up here



Drive Change from Within

www.tigerhall.com

Learn how Tigerhall offers the knowledge infrastructure necessary for organizations to effectively drive internal change at both speed and scale

5 Successful Approaches and Tactics for Leading Sustainable Change Around Cultural Transformation

Change leaders were asked what approaches they used to ensure the long-term success and integration of new cultural elements. Here are the most popular responses and insights from the discussion:

Reinforcement Through Leadership Behaviors and Role Modeling

Senior leadership's commitment to embodying cultural values **reinforces organizational identity and sustains change momentum over time**. This commitment serves as a beacon guiding employees through the evolving cultural landscape, inspiring confidence and trust in the journey.

Development of a Culture Champion Network Across the Organization

Nurturing a network of change champions into action-oriented groups fosters collective accountability and actionable feedback, driving sustained cultural change. By empowering these champions, organizations cultivate a grassroots movement that permeates every level of the organization, amplifying the impact of **cultural initiatives and ensuring alignment with overarching goals**.

Ongoing Culture Audits and Alignment Checks

Regular audits enable organizations to assess cultural alignment and adapt strategies accordingly, ensuring continued relevance and resonance. By **asking the same questions over time**, change leaders can compare and contrast results between audits, to measure how the culture of their organization is evolving over time.

ECLC members also pointed out other approaches that have served them well, by highlighting the use of success stories and maintaining internal knowledge bases:

Promoting Success Stories

By selecting certain change advocates within the organization, change leaders can create success story narratives around these advocates and create poster children of change. This creates a **safe, relatable narrative around a change initiative**.

Maintaining Internal Knowledge Bases

Establishing and **frequently updating knowledge repositories** streamlines new employee onboarding and reinforces overall cultural integration efforts, from their first day on the job.