Key to SUCCESS in Mergers & Acquisitions

Communication may help employees to form realistic expectations of what is happening in the different stages of mergers and acquisitions.

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Mergers and acquisitions (M&As) are increasingly used as a strategic means for companies to gain a competitive advantage. In fact, the use of M&As to achieve advantages such as knowledge capital, international market penetration, and economic synergies are considered inevitable in today's global business environment.

However, M&As are one of the most extreme forms of organizational change and approximately half of M&As fail to achieve their anticipated outcomes. The dysfunctional impact of a failure is not only evident in organizational outcomes such as reduced productivity and market reputation but also in the reduced well-being of organizational members. This is reflected in increased job insecurity and stress.

WHY DO SOME M&AS SUCCEED, AND SOME DON'T?

The success and failure of M&As depend crucially on the integration process. A systematic review of existing empirical studies on the management role in facilitating the M&A process stresses the importance of organization sense-making and expectation management during such process.

Expectations are a key element in what influences employees' response to changes. The perception of how M&A integration occurs is thought to trigger a comparison of perceived experiences as "better than" or "worse than" expected. When experiences fall short of expectations (negative disconfirmation), this fosters disappointment and reduces satisfaction.

THREE KEY ISSUES:

1. Communicate what could be expected throughout the process

Through communication, organizations can convey the merger or acquisition's strategic direction to employees and correct any misconceptions and expectations underway, making communication important for M&A success.

In particular, communication on the evolving stages and changes associated with M&As not only provides employees with assurance and an ability to make informed choices, but it also helps employees to form expectations of what is happening in the different stages of M&As.

For example, prior to a merger or acquisition firms can communicate to their employees about the practical plan of the strategy, future direction, and potential cultural changes associated with the new (combined) entity. Once the merger or acquisition is accomplished, firms can also involve their employees and inform them about the integration progress and strategic direction.

2. Enable not only top-down, but also bottom-up communication via various media

Various media can be used to share up-to-date information about what is happening with the M&A, including face-to-face communication, company newsletters, video displays, and various social media.

Studies confirm that firms that provided a realistic merger review program by which employees were informed using different means of communication experienced greater employee job satisfaction and organizational commitment and reduced job uncertainty. Beside a top-down approach, other evidence shows that communication processes that enable employees to raise their concerns regarding the M&A contribute significantly to successful integration.

In addition, communication can minimize potential misconceptions by spelling out what the human resource practices mean for them during a merger or acquisition. For instance, if organizations can get employees to see how the intended HR objectives/practices address their concerns, it is more likely that employees will respond positively toward the M&A.

3. Talk about "why"

The perception of meaningfulness to their own situation is important for individuals to function and in the context of profound organizational transformation such as M&As, providing a meaningful rationale and acknowledging conflicting feelings foster employee acceptance of organizational change.

Underestimating the potential effect of communication for social integration may jeopardize the intended outcomes of the M&A. In this integration process, management should provide strategic guidance to line managers on how they should communicate the meaning of the M&A and desired post-M&A organizational culture and identity. It is easier said than done, communication during M&As is complex and contingent upon the situations. Nevertheless, research seems to agree that communication during the M&A process, including pre-, during, and post-integration has a great impact on M&A success.

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