Post-Merger Madness
Consulting in Post-Merger Situations

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ABSTRACT
This article aims to give insights in the role consultants play in Post-Merger situation. Communication, Leadership, Corporate Culture and Stress are the most important universal factors which should be managed after a merger. Consultant can assist from a coaching role or from an expert role. The areas the attempt to improve or manage are Communication, Leadership and Corporate Culture. For a consultant assisting in a Post-Merger situation, it is important to keep their own identity.

Keywords: Post-Merger Integration (PMI), Management Consulting, Leadership, Communication, Corporate Culture, Stress.

INTRODUCTION
There are many different roles a consultant can take within an organization. The literature is full of list of these diverse roles, with among others the continuum of Kubr (2002): from reflector to advocate. The assumption is that on a continuum from process to expert the role a consultant adopts is an indicator as to how he or she approaches the assignment. A consultant using an expert role will tell the client exactly what to do and how to do it, while a process role is more supporting the manager leading the process. In this article the role and topics for consultants in post-merger situations will be discussed. Which themes are important after the merger is conducted and for which issues are consultants asked to intervene? What to do when the two combined companies clash? When the blood groups are not as similar as it seemed or if these differences were overlooked?

Because, like Jemison and Sitkin (1986) have noted, there is often consistent pressure on management during the negotiation phase to consummate the deal quickly, thus resulting in significantly less attention being paid to post merger integration (PMI) issues. The fundamental problem rising: partners in the deal do not have clear expectations about their roles...
and responsibilities in the new firm. Another often reoccurring issue is that far too many organizations continue to treat a merger process as an engineering exercise, as a series of rational decisions rather than a far more chaotic set of events that readily affect people’s lives and future prospects (Ashkenas and Francis, 2000). Usually, when employees hear an announcement of a merger, they think “downsizing” because of the history of mergers (Marks, 1997) thus how can management communicate such an announcement without the negative sound that it is associated with.

It seems that a consultant can have a very important role in the PMI process, to assist management/organizations in solving these (and other) problems. In this article this role of consultants will be explored, for what kind of topics are consultants asked to intervene to facilitate integration between merger parties? And what are, according to consultants, critical factors in this process and how do they handle these factors?

The post merger phase is formulated differently in diverse literature, in this article the post merger phase is the phase starting from the minute the merger deal is sealed. In many articles mergers and acquisitions are named in one breath. However, as Epstein (2004) argues, between mergers, acquisitions and even conglomerates should be made a clear distinction. Whereas in a merger two entities of relatively equal stature come together and take the best of each company to form a completely new organization, in an acquisition, on the other hand, it involves the much simpler process of fitting one smaller company into the existing structure of a larger organization.

The article will be structured as follows; first the theory on consultations in mergers will be explicated. Next the methodology is set out. Third the results of the interviews will be given and the article will end with the conclusions and a discussion of the findings.

THEORY
The opportunity for mergers to fail is greatest during the PMI process (Simpson, 2000). Following from the literature there are several critical factors during this process. In this section the importance of these factors will be explicated and the way a consultant should handle these factors.

Managing Communication
The research literature implies that the communication variable is (one of) the most important factor(s) throughout the entire M&A process (Appelbaum et al. 2000a; Balmer and Dinnie, 1999; Epstein, 2004; Nguyen and Kleiner, 2003). Vecchio and Appelbaum (1995 cited Appelbaum et al. 2000a, p.649) state that communication involves “the use of verbal and nonverbal signs and symbols to create understanding”. The communication this article focuses on, is the communication from management to the employees.

Epstein (2004) states that communication from senior management must be significant, constant and consistent, and that over-communication is one of the common elements of success in PMI. Appelbaum et al. (2000a) argue almost the same: that there is no such thing as information overload throughout a merger process. During PMI, employees have a lot of questions, but often management does not have enough or adequate answers in these situations. Richardson and Denton (1996) present the best strategy: to reveal all what is known in order to minimize the rumor mill. Rumors should be avoided, as they might create great dissent among the employees. A rumor mill can sabotage an otherwise effective corporate communication program (Marks, 1999).

Poor communication can confuse employees and customers, scare investors,
and undermine processes (Epstein, 2004, p.178). Communication also influences the adoption of a new culture, the change process itself, and the level of stress employees can experience (Appelbaum et al. 2000a).

On the topic of communication, a consultant can help the management in several ways. Interventions to coach executives and managers on their communication skills, provide feedback on their communication styles and develop content to be communicated are among the consultations that enhance merger related communications (Marks, 1997, p.274). In addition, a consultant can help management choosing the right form to communicate their message, as Richardson and Denton (1996) suggest that management does not understand the relationship between communication and media effectiveness.

To conclude, a consultant may be very useful to help management developing an effective corporate communication program.

Corporate Culture: Blending Blood Groups

When organizations merge, they do not only merge their buildings, plants and equipment. They also merge their individual structures, people, policies and cultures. Organizational culture refers to the deep structure of the organization, which is rooted in the values, beliefs and assumptions held by organizational members (Denison, 1996). As culture is deeply rooted, it is very hard to change.

Consultants can have an important role in helping the merging organizations dealing with problems relating to their different cultures. Two of the common issues consultants can help with are the cultural clash and the acculturation process.

By their very nature, mergers produce a “we versus they” relationship, and there is a natural tendency for people to exaggerate the differences as opposed to the similarities between the two companies (Marks, 1997 p.269). This is known as a culture clash. This culture clash may, in fact, be the most dangerous factor when two companies decide to combine (Bijlsma-Frankema, 2001). As a factor, this can be counterproductive because there is a risk of loss of cooperation and initiative among the employees of the new business combination (Appelbaum et al. 2000a).

One way to deal with acculturation is by “horse trading”; your side gets human resources, so we get our information systems (Marks, 1997). This form of acculturation is called separation in the model of Berry (1983). Berry’s model identifies four modes of acculturation, the form of acculturation depends on the type, size and cultural characteristics of both merging parties: Integration, Assimilation, Separation and Deculturation. While there is often little attention to the acculturation, it is important that both merger partners agree on the acculturation mode.

A consultant must press for a true regard for the importance of the culture permeating the entire merger process (Marks, 1997). The advantage an external consultant has over the regular management is his objectivity and lack of emotional commitment, as culture is deeply rooted in the organization and its management.

Leadership: Vision Creation and Installation

Mergers come with a large degree of uncertainty. After the deal has been sealed, most employees do not have a clear picture of what the new organization will look like, and what their place in that organization will be. The lack of post-merger vision is due to a lack of leadership (Appelbaum et al. 2000b). This lack of leadership is twofold.

Firstly, there is no clear image of what the new situation should look like. Senior management often gives little thought to the post-merger process.
(Epstein, 2004). Therefore a large degree of the post-merger situation is unknown or unclear. Who and what is left of the old organization? Who will be responsible for what? What are the new goals? What is the new financial situation (Appelbaum et al. 2000b; Epstein, 2004; Marks and Mirvis, 1992)?

Secondly, this clear picture needs to be presented to the employees. This requires strong leaders. Rafferty and Simons (2006) state that trust in senior management is one of the most important success factors during corporate transformations. This trust can be assured by transformational leaders, these leaders are able to mobilize people with their vision and communication (Pawar and Eastman, 1997). Thus, leadership plays an important role during the post-merger process.

According to Buono (2005), a consultant needs to assist in these matters. The consultant cannot show leadership himself. However, he can assist a great deal in the creation of a vision of the new, post-merger, organization. The consultant’s expertise should be employed to assure the quality of the vision. Concluding, the consultant should coach the management (team) on how to employ the right leadership style.

*Reducing Stress*

Mergers are intrinsically stressful (Appelbaum et al. 2000b). Merger stress is a 100 on a 100 point scale (Siehl et al. 1990). Researchers Marks and Mirvis (1992) have studied 50 organizational post-merger integration processes over the past fifteen years and found that the pervasiveness and depth of human issues triggered in mergers are underestimated most of the time. For consultants this “human” aspect is thus very important in order to bring the integration of the merger to a success.

It is not the merger itself that makes employees anxious but issues like the perceived decline in the organization, the lack of finding other jobs or details which do not allow employees to leave the organization, that create stress (Appelbaum et al. 2000b). Control and trust are important issues as well. When companies merge, employees feel like they lose control and trust over important aspects in their lives. In order to regain the personal control again, employees automatically withdraw. Distrust is an immediate consequence as well. This is an important issue for consultants because stress leads eventually to lower productivity and a reduced job satisfaction (Davy et al. 1989). Marks (1997) stated that during the entire merger process it is very important to communicate frequent and honest, even negative news. This helps to minimize the stress and anxiety felt by employees.

The primary cause of failure of otherwise healthy and beneficial mergers is the so-called merger syndrome, as stated in the article of Appelbaum et al. 2000b. The syndrome explains the stressful reactions and crisis management from top management in the post-merger phase. As stated earlier, employees are confronted with many fears, the most obvious one is losing one’s job but also losing co-workers, moving to another place, getting a complete new function, not receiving the proper recognition and no prospect of moving up in the organization. However in the post-merger stage employees are not longer concerned with the above stated fears, but they become more concerned with their place in the new system and hierarchy (Mark & Mirvis, 1992 in Appelbaum et al. 2000b).

An important role for consultants in this stage is to support and develop management leadership skills in order to help employees coping with the so-called survivor’s syndrome (Davy et al. 1989). This syndrome explains the unfamiliar job and new activities that employees have to cope with in a merger. An important aspect of the syndrome is in which way organizations
treat their (terminated) employees. If the so-called company survivors realize that the organization cares and tries to look after the employees, survivor syndrome stress will be reduced to a minimum (Appelbaum et al. 2000b). This aspect is important for managers because investing in systematic post-merger teambuilding will help to keep employees within the organization instead of losing talent. Specialized post-merger consultants need to motivate and coach the managers in order to stimulate a positive group feeling.

Post-merger consultants cannot take away the causes of stress. The merger situation remains the same, but a consultant can help the organization’s management learn to cope with stress and provide managers with skills in order to reduce stress. By supporting management in its communication and the leadership style, stress can be managed. The most important lesson to be learned regarding stress, is that it should be acknowledged by as well consultants as managers in order to deal with it in a proper way during the post-merger integration (Appelbaum et al. 2000b).

To make sure that managing the PMI process runs smoothly, it is important to direct the issues above (managing communication, corporate culture, leadership and reducing stress) as early as possible in the merger process (De Noble et al. 1988). However, a consultant can hardly influence the time of entry in a merger, as the organization decides at what time they bring in the consultant.

METHODOLOGY
The goal of the article is to research the practical relevance of the factors found in the literature. This will be done by interviewing five consultants in the field of PMI consulting.

The interviews are semi-structured and qualitative. Consultants from four different companies are chosen for their expertise in PMI consulting. Different companies increase the reliability of the results of the article because of the variety in experience and industries. The companies are Dominica Diensten (C. Bitter and S. van Liempt), Zhimble (P. van der Griendt), Mercer (H. van den Heuvel) and Keijser Interim Solutions (R. Keijser).

The questions asked in the interviews were largely based on the literature findings, to test the practicality of the factors. In order to explore if there were any additional factors (next to managing communication, corporate culture, leadership and reducing stress) the interviews were started with open questions like; “which factors do you find important in a PMI process?” Bias was tried to be minimized by starting with these questions.

Each interview was tape recorded with the respondent’s consent, and than written down and reviewed. A qualitative analysis was performed on each interview transcript.

RESULTS
In this section the results of the interviews are revealed. First the five consultants are shortly described, second the four constructs that followed from the literature review will be set out, and third the additional insights that were gained from the interviews are described.

P. van der Griendt is mainly active in the industrial branch. R. Keijser is self-employed and works in the banking industry. H. van den Heuvel is a consultant in the financial branch, mostly working on topics that are related to pension funds. S. van Liempt and C. Bitter are active in the telecom branch. During the interviews it appeared that Van den Heuvel, Van Liempt and Bitter use more of an expert role in
consulting while Van der Griendt and Keijsers have a process approach. These roles influence the way they consult on the relevant topics.

Managing Communication
All the consultants acknowledge the importance of communication. It differs between consultants in which way they consult the client or communication. Van der Griendt stated that he acts as a prompter for the client, he helps and coaches, states what should be said and how, but eventually the client communicates. Although Keijsers was not a communication consultant himself, he also stated that communication consultant could be about both content and form. Van den Heuvel is often hired by a work council. The advice he gives on communication is mostly about the content, he writes the advice for the work council.

However, Bitter and Van Liempt have a whole different approach when it comes to consulting communication. As they adopt an export role, they determine what is going to be done and how this is going to be done.

The interviewees were confronted with the statement of Appelbaum et al. (2000a), “there is no such thing as an information overload”. All the consultants firmly rejected this statement. They said that communication should be clear and consistent, but certainly not everything should be shared with everybody. Two quotes of the consultants underpin this statement: Keijsers “when you communicate everything to everyone you can be sure the next day it is newspapers” and Van der Griendt “a long story goes out to the employees, all they remember from this story is that somewhere, one sentence stated that 70 jobs will be lost”.

Furthermore on the topic of communication, the consultants agreed with each other that the goal and the target group should be kept in mind. As Van Liempt states; communication should be KISS -keep it simple and stupid-, not all employees went to University (Keijsers).

Corporate Culture: Blending Blood Groups
All five consultants agreed on the fact that culture is an important, yet difficult issue to handle in a merger process. Van Liempt and Bitter state that it depends on the merger strategy, what is the aim of the merger and what does that mean for the two cultures? It is not always necessary to integrate the two blood groups. “We force management to look at their culture and ask themselves, what kind of culture do we want?”

Another important issue that is not reviewed in the literature is that it is not only about inter-organizational cultural differences, but in an organization there already might be intra-organizational cultural differences. Keijsers: “the corporate banking department from ABN and Fortis are more alike than the corporate banking and private banking department within ABN”. Within ABN Amro, Keijsers knew far in advance that the company will have to integrate with Fortis in the future. To ensure a smoother transition they already started monitoring culture at both companies.

Four interviewees notice that even ten to twenty years after a merger, you can still clearly notice which background employees have.

Reducing Stress
One of the most important aspects, according to the literature (Appelbaum et al. 2000a, Appelbaum et al. 2000b, Marks and Mirvis, 1992, Davy et al. 1989) of a post merger integration process is the term “stress”. According to Keijsers, stress is not to be taken lightly while managing a post-merger situation. However, the interviewees all state that stress is not one of the most important issues in a post-merger integration. As Bitter states: "I
would not pick stress as a separate factor, if you handle the merger situation well, stress can be reduced to a minimum”. At least stress is not as important as mentioned in the literature. This article focuses on four factors knowing; leadership, communication, culture and stress. According to all five interviewees merger stress is the result of bad leadership, bad communication and a negative corporate culture.

Keijser states that it is easier for consultants to cope with merger stress than the organizations’ management because there is a certain distance and neutrality. Most of the times consultants work as coaches to learn the management leadership- and communicative skills in order to reduce stress and stimulate the teambuilding aspect.

Leadership: Vision Creation and Installation

Leadership is universally seen as one of the most important aspects for a successful post-merger process by our interviewees. Both Keijser and Van der Griendt rank leadership as the most important aspect during a merger. A sense of direction is very important to mobilize people, and reduce the level of uncertainty. As Keijser says “Someone has to say: We’re going left!”. During the highly uncertain situation of a post-merger, people will eagerly follow a leader who gives direction. Next to reducing stress, by reducing uncertainty, leadership is important to set a new direction. People are unsure what to do because they have no image of the emerged situation, or the desired situation. This will result in inertia.

Leadership is something the consultant can influence by coaching. Asking open questions, getting people to think about their place in the organization or a desired direction. Van der Griendt attempts to create a sense of direction by asking open questions. An independent viewpoint is useful when helping to create a vision. A consultant will then function as a sounding board. Another way a consultant can contribute to leadership is by playing the expert role. Bitter takes a different approach to consulting in poster merger situations. He and his team will provide leadership themselves, rather than help the management with providing it. Bitter and his team will decide on a strategy themselves, thus providing a sense of direction.

Additional Findings

During the interviews, some other striking findings came up. Keijser mentioned the importance of the consultant’s identity in the PMI process, this was confirmed by the other interviewees. The consultant needs to establish good relationships with persons through the entire organization, from the secretary to the CEO. To achieve this, the consultant acts like a chameleon; this means that the consultant can adapt himself to different situations, and adapts to all echelons of an organization. On the other hand, the consultant needs to keep a certain amount of distance, to assure his objectivity. Therefore the consultant’s identity is very important.

All the interviewees mentioned the importance of the social skills of the consultant in a PMI process. Like stated above, it is important to establish good relationships throughout the entire organization. Social skills are therefore of enormous importance.

Furthermore, the consultants emphasized that situational factors are important and that the PMI process is contingent. Which factors are important in a PMI process is very case dependent.

Bitter and Van Liempt worked with a model that consisted of three factors: strategy, structure and culture. They used these factors in the PMI process to structure their approach. According to them,
the four factors from our literature review are covered by this model.

Finally, the timing of the entry of the consultant was deemed an influential factor in the PMI process. Bitter and Van Liempt argued that most of the times they are involved too late, when the organization already is in trouble. Keijser pointed out the benefits of being aware of the upcoming integration between ABN AMRO and Fortis 1,5 year beforehand. This enabled him to prepare the integration in an early stage which will hopefully smoothen the integration process.

**CONCLUSION/DISCUSSION**

In this article, the role of the consultants in PMI processes is explored. Factors that are important in the PMI process were investigated and the way consultants cope with these factors.

In literature four main factors were indicated: Communication, Culture, Stress and Leadership. The interviewees recognized the importance of communication, culture and leadership but they stated that stress is not a separate main factor. By focusing on the other three factors, consultants can help management to cope with stress and reduce it to a minimum. Regarding communication, a consultant can help with both content and form of the communication inside the organization. In addition, a consultant can help the management to develop their communication skills.

On the topic of culture, the consultant can help with the process of cultural change. The consultants help by asking questions and making the management aware of their current culture and ask what their desired culture should look like.

The consultant’s role (process or expert) is decisive in the way they handle the leadership factor. Process oriented consultants adapt the coaching style, while expert consultants take over the leadership in the organization.

Additional to the factors found in the literature, the interviews showed that the consultant’s identity is another important factor in PMI processes. Next to that, there are a lot of contingent factors in PMI processes: first there is the role the consultant adapts (expert versus process). Second, each case has its own situational factors which influence the consultants role.

Our research contributes to the current limited literature on consulting in PMI processes, by pointing out important factors in PMI processes and especially focusing on the role of consultants in these factors. There are several limitations to this research: first the generalizability is low due to the fact that only five consultants have been interviewed. Second, all the consultants are Dutch and only one of them was female.

Future research should focus more on the role of consultants in PMI processes, because until this article, the literature mostly neglected this topic. The focus was on important PMI factors and not the role the consultant should adopt.
REFERENCES


