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How to Safeguard an Acquisition or Merger

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The first time a firm asked us to announce an acquisition, I was summoned to a meeting at the buyer's office and wordlessly ushered into their conference room *[look left, then right, did she come alone?]*, where a half-dozen people had assembled. Someone handed me a confidentiality statement to sign. All before anyone spoke to me.

The response to my first question—"Why did you buy this company?"—was also ominous. The sole proprietor of the design consultancy had bought his largest competitor. That could be an interesting story, I thought.

"And why have you done this?" I persisted. He spat out his response: "Because I can't stand [him], and I can't stand having [them] breathing down my neck. So now it's over." Good luck to them all.

Most people have better reasons for merging with or acquiring other firms. B.J. Novitski nailed the list in *Architectural Record* in October 2007: growth, broader geographic reach, greater talent pool, shared prestige, and ability to realize built-up equity, among other advantages.

But disadvantages and also fear enter into the picture. For one thing, after the attorneys, accountants, bankers, public relations people, and, not to forget, some of the newly-rewarded owners have cleared out, who will make all these good things happen? Answer: The people within the new entity—assuming that they can, since some are concerned, others are apprehensive, and many are downright demoralized.

M&A transactions everywhere may be about opportunity for financial gain, but in the professional services arena, they above all entail people, their vision, and the results of their specialized work. Everything is about talent, training, creativity, experience, and the ability to provide a customized solution to every situation—and not to forget each person's reputation, stature, relevance in the community, and legacy.

How does this anxiety play out? Here's a recent tale: A really nice partner from the buyer firm, tasked with assessing the talent pool they had acquired, sat down with a key employee from the firm that had been bought. Before he could start, he heard: "I don't like you guys; no way are we going to get along."

Acquisitions are more an arranged marriage than a love match. Having a new set-up is a major disruption, whether you're a partner, a non-owner who has served either company for many years, or a young professional who just recently joined. (By the way, keep an eye on generational differences as well.)

Niccolo Machiavelli wrote in *The Prince:* "There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things."

What Is The Worst Thing That Can Happen?

Here, Niccolo, is a technique to keep on track to success.

First, ask yourself unpleasant questions about the downside. (This works for almost any venture, not just an acquisition/merger.) For instance:

- What's been keeping you up at night? *Having the venture fall apart?*
- What are you afraid of? *Losing staff? Good will? Money? Reputation?*
- What is the worst thing that can happen? *That your oldest client will hate the new people? Or your lead designer will split?*
- What does this pain—or its flip side, inaction—cost you? John F. Kennedy told us, "There are risks and costs to a program of action, but they are far less than the long-range risks and costs of comfortable inaction."

Tough to consider? Of course. This change will tumble relationships with clients. Prospects will question whether the transition will destabilize their firm. Some staff will be turned off, as Novitski notes in her *Record* article, quoting one consultant that, "Managers will be doing well to have retained 80% of the employees they want to keep."

The second part of this technique is to examine how each person, individually, might respond. Make your drill very specific: *What will Bob think? How will Susan react?* Aware of the downside and clear on whom you need to reach, start to work through your various scenarios:

- **What do your people want to know?** Answer: Anything they ask, including the sticky question about whether some people will be asked to leave.
- **What do clients need to know?** Some may not care. Others will surprise you by being interested in your success. Most probably will be pleased at the attention, calmed, and concerned only about how their project delivery might need to adjust.
- **What do prospective and future clients want to know?** Probably whether the redefined firm fits their own needs better, and how soon you will achieve equilibrium.
- **What do consultants and community and association leaders need to know?** Certainly, enough to stop the rumors from flying. They might even report what outsiders are saying about the deal and the new entity.
- **What do the media need to know?** Why you did this and its impact. More to the point: If they don't get the story from you, they can certainly get it from your competitors.
- **What do your families and friends expect?** Are they hearing anything positive from you, or mainly angst or frustration?

In sum: What are your messages to each of these constituencies? How will you deliver them? Who will be the messenger in each case?

Plus, what results do you anticipate? It might help to set success metrics for this high level of communication: for instance, percentage retention of internal and external relationships, new business opportunities, and reliable and positive coverage in local and trade publications.

Since I started with a disastrous acquisition, let me end with an example of a superb communications strategy. We once advised a foreign construction company about to buy an American firm. We worked through dozens of scenarios with them. They asked for text in American English. What was the right tone? Would the message work for each segment of the company they acquired? What should be said to their counterparts at *every level,* to reassure them at the start of the amalgamation process?

For months, we prepared materials, mission statements, and remarks targeted to upper management, rank and file, and outsiders alike. They understood that, by listening to their American colleagues, then acting on what they heard, they could allay many concerns. The transition took time, and the coming-together part is different but ongoing.

But people are resilient, so long as they believe they've been heard and feel connected. Failure would have been so easy to achieve, but here, the result has been a classic case study in success.

About the Author

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