

Managing Morale In A Merger

When new management enters a company with its eyes focused on revenues, new concepts, and operational synergies, it often neglects the most important element of a merger—the adjustment the employees must make to the new organization.

How will the employees respond to their new circumstances? To take for granted that the people will perform just as they did before the merger may, ironically, guarantee that they won't.

EMPLOYEE ATTITUDES. As soon as employees know a merger or acquisition is going to take place they wonder how it will affect them. But they cannot get the answers that will ease their anxieties.

New management doesn't yet know what organizational and personnel changes might be made. Consequently, new owners tend to be ambiguous when responding to questions by employees about their future. This can only heighten the anxiety because employees begin to wonder whether management knows something it is not telling them. Or doesn't want to tell them.

In order to defend their positions, employees behave in various ways. Some become more competitive and aggressive. Some play it safe, trying not to make waves. The result is invariably poor teamwork and low productivity. No matter how hard one tries, this attitude usually gets conveyed to the customer.

Even without uncertainty, change is stressful. Employees resist change because they don't know whether they can perform under new methods; whether they will gain the approval of their new boss; whether they will be accepted by their new peers. They cling to the old ways of doing things, at least emotionally, and are uncommitted to the new ways.

Consequently, they don't try to make those new ways work. Again, this leads to lower productivity and an unhappy work force.

DOS AND DON'TS. New management must understand that they represent the cause of the potential problem. With this in mind, a framework can be developed to ease tensions and improve attitudes.

- Don't deny that change is coming. Although new management sincerely believes that it will not make changes, that rarely happens. Employees intuitively know that changes are going to be made. To deny it causes mistrust.

When changes are ultimately made, in contradiction to management's announced intentions, mistrust is compounded.

- If you don't know what changes will be made, tell that to your employees. A straightforward honest approach is always best.
- Don't move too slowly. If changes are going to be made, it is best to get on with them. Prolonging the period of adjustment increases anxiety and stress.
- Don't make changes that don't need to be made. If it's not broken, don't fix it!

If any unnecessary changes in the operation are made, employees will not only offer more resistance, but will be more skeptical about needed changes and less likely to accept them.

- Invite employees to participate in the process of making changes. Ask their advice about what is good and what should be changed. Get their response to changes you would like to make before you make them. If employees participate in the changes, they will be better able to cope with them and more committed to carrying them out.
- Once you ask for employees' advice, don't ignore it. Be big enough to try their suggestions when they make sense. If you do reject their suggestions, explain why.
- Encourage free and open venting of employees' emotional reactions to the new organization. There should be periodic one-on-one meetings between bosses and employees. These meetings will encourage the expression of ideas about what is good and bad with the changes that have been made or are being contemplated.

It will also reassure employees that they are an important part of your future plans.

- Listen. There is a tendency for management to hear what it wants to hear, to confirm its preconceptions about the operations of the company, and be reassured that things are working well.

Management should look for evidence to the contrary. If you find something wrong you can take action to correct it. If you don't listen, you won't have the opportunity to make corrections.

- Make sure that employees are informed by frequent and honest communications. Don't allow the grapevine to control the dissemination of information.
- New management must be open with its people. Let them see your personal side. They can identify with people more easily than with officials.

Former owners who continue to be active in the new organization pose a different type of problem. Since the former owner represented the final authority on all decisions that were made before the acquisition, he and the employees have difficulty ending that relationship the day after the sale is completed. The new owner must recognize the fact that the employees remain emotionally tied to the former owner despite the fact that the decision process has changed.

The seller can assist or hinder the new organization. Generally, the seller receives no benefit, psychologically, emotionally, or financially, from the new organization failing. Employees closely watch the seller's attitudes toward the new management. A lack of total commitment is easy to spot and will signal permission for other employees to resist change.

The seller must accept that the buyer has not only purchased the business but also the right to make all the decisions facing the company. The buyer needs to recognize that a great resource remains on staff.

Open criticism of past management's practices, actions, or lack of actions also can be unproductive for the new organization. The buyer needs to understand that good ideas that have not been tested may be a result of constraints on time, capital, talent, or the former owner's appetite for risk. Normally, it is not because of an unwillingness to succeed.

The buyer and seller—new management and old—must have mutual commitment and respect even though the job title and the responsibility level have changed. In the final analysis, the painstaking process of building morale in a merger is vital to the continued success of the company.

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