

Merging or Acquiring? Time to Get Your Ducks in a Row.

If ever there is a time to have your ducks in a row, it's when you are planning an acquisition or a merger in which your company will be the dominant entity. But too often, management is focused on the money and the "play", and doesn't spend enough time preparing for how the new company will operate. As a result, post-merger integrations are typically painful. Chaos and reduced productivity erode the enthusiasm and momentum that were built during the planning stages and, despite everyone's best efforts, this is all visible to customers who experience a dip in company performance – just as you were planning to impress them with great new things.

Fine tune your operation *before* an acquisition, not *after*.

Don't wait until the merger or acquisition is upon you, or worse, until it is complete, to address operational issues that will impact the post-merger environment. Use the upcoming deal as a reason to do some of the operational refining you have been meaning to get around to. Haven't been able to find the time? Imagine how much less time you will have after the merger.

An influx of new employees is a challenge even for companies with clear internal processes, defined operating procedures and established employee policies and benefits. How would you rate your organization in these areas? The incoming group will likely be skeptical and have mixed emotions about the merger. They will be judging you not just by what you do, but *how* you do it, and they will expect your operation to be at least as well run as their original company. Anything less will feel like a step back. You can either make a good first impression, or take months to win back their confidence.

The latitude inherent in unclear policies and procedures permits interpretation. This can be particularly problematic with new employees who will naturally be exploring the boundaries. Everyone wants to minimize change, and incoming personnel will be inclined to keep doing things they way they used to. Clear procedures provide a road map. A few specifics:

- ◆ Define your primary processes. What are the steps in delivering your product or service? What is the sequence for moving a project through your company, for settling disputes with clients, or for tracking changes? Your current team may be getting these jobs done with a marginal level of documentation, but don't underestimate how much of their ability to do so is because they are seasoned in your operation and able to fill in the missing pieces. Inconsistencies in your processes will likely emerge when they attempt to convey them to the incoming group.
- ◆ Make sure your existing employees are clear on the mission, vision, and brand message of your company. If these things are well instilled into your culture and your current group feels a sense of ownership for them, they will be better front-line ambassadors for the incoming people.
- ◆ Have clearly and consistently written job descriptions for every position in the organization. As with many aspects of operations, you may have fared just fine without them up to this point. But now with a newly merged organization, employees from both companies will be curious and anxious about the specifics of their roles.

- ◆ Develop an employee manual. Despite what many owners of small and medium size companies believe, employees really do want solid clarification regarding policies and benefits. And the truth is, if you don't have it written down and well documented, you probably haven't really worked it all out – even if you think you have. An employee manual is an ideal way to put your best foot forward to incoming people – especially if they didn't have one in their original company. Additionally, employees will be involved in refining many aspects of company operations during the early stages of integration, and having an employee manual establishes that certain policies such as work hours, holidays, vacations, expenses, and insurance benefits have been worked out and are not up for discussion during this initial period.

Your new size may mean new requirements

It's not just about defining your existing processes. As companies grow, aspects of business operations that previously flew beneath their radar become essential. Things such as issues of legal compliance, benefits, more sophisticated employee retention strategies, human resource staffing, etc. all become relevant at different points in a company's growth. Will your larger, post-merger company vault you into a category in which you have a new set of considerations?

Make sure you're legally buttoned up

Mergers and acquisitions often involve layoffs, and employees who find themselves without a job may lash out. Avoid being lulled into thinking that the family environment you once enjoyed will necessarily continue in the combined company. Growth, change, and the perception that the merger was about owners and managers doing what was profitable for them may make employees look out for themselves with surprising fervor – particularly in this economy. Be sure you are in legal compliance and have properly documented such things as payment for overtime, criteria for salary exempt status, employee files, and pay scale parity.

Leave room for new thinking

This big push to be well organized prior to a merger or acquisition notwithstanding, remain open to input from the new company. In some cases, companies are acquired in part for their operational capabilities, but even if that's not a standout asset of the business you are acquiring, surely they have developed some good ideas that can add value to the new combined entity. Plan an operational review to identify best practices from both companies. Overlooking the potential contribution from the company you are acquiring is a waste of important resources and the surest way to alienate the incoming people.

If these steps all sound a bit painful in their own right, they can be. That's why so many companies put them off for years. But the payback will be significant – whatever effort you invest in putting your ducks in a row in advance of a merger or acquisition will ultimately take less time and energy than it would take to dig out from the inevitable post-merger chaos that will ensue without this planning.

Ross Mitchel is President of Implementations, Inc., a consulting practice that helps businesses improve their performance and profitability. Contact Ross at 401.632.4048 or ross@implementationsinc.com.