**Symptoms of Impending Disaster: Signs of the Need to Restart**
**The Merger/Acquisition Integration Process**

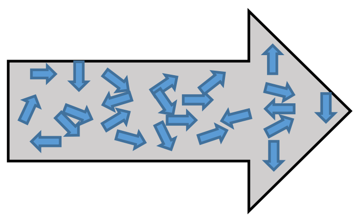
By Alan Cay Culler

70% of mergers fail to create new value, value that is greater than the sum of the parts.

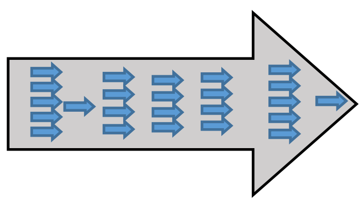
So how do you find out if your merger is failing while there is still time to do something about it?

Watch for these signs:

**The Goat Rodeo:**
**A Lack of Executive Alignment**



Instead of



- Months after the close the executive team is still arguing about whether the merger or acquisition is a good idea.
- People keep saying “Tell me again, what was the purpose of the merger?”
- Everybody has a different thought about:
    - What pieces of the business to rationalize
    - What the market focus should be?
    - What the product categories of the future are?
    - How to go to market?
- Executive staff meetings take ***forever***!

**Navel Gazing Overdose**

Internal Focus - a lack of attention to customers and suppliers

- Nobody has been to see a customer in months
- Key suppliers, the ones you thought were your "partners," are missing deliveries or slipping in quality or complaining about being "squeezed dry by the accountants."

**Arterial Bleeding: A Talent Exodus**

Turnover is always an important measure that things are awry. Look deeper. Are you:

- Losing key executives or managers. (You know the ones on the "must keep" lists.)
- Losing R&D scientists or technicians.
- Losing long term manufacturing process knowledge? (Old Jo from Quality Testing who knows the releasers at your biggest customers.)
- Losing information systems people?

**"Fiddle te de I'll think about that tomorrow"**

Rosy view accounting or forecasting

- Lack of any cash management focus.
  - Failure to meet cost savings deadlines
  - Failure to actually get people off payroll
- Falling sales, which will "turnaround next quarter."
  (Note: Someone will no doubt say, "Sales always go down the first year of a merger. "But then remember, most mergers fail, don't they?")

**Goliath coming over the hill: A change in the competitive landscape**

- Mergers are an aggressive competitive act. Competitors will respond. Mergers beget other mergers, joint ventures, and alliances. Horizontal integration begets competitive vertical integration and vice versa. Competitors respond by cutting prices, locking up supplies, flooding distribution with product, or some way nobody has even thought of yet.
- Competitors are suddenly attacking in your traditional strongholds and gaining ground.

Competitive response raises the bar for the merger or acquisition. What started out as adding a product or increasing capacity takes on characteristics of a life or death struggle. If nothing else, it speeds up the optimum integration timeframe.

What could comfortably be done over eighteen months now has 9 months before the board starts discussing divestitures.

**Spaghetti Code and GIGO: Information systems technology breakdown**
IT and the degree the two companies' systems are combined are critical success factors. Information systems touch every aspect of the business. During mergers, people make changes without considering the system's implications. Programmers make integration expedient choices without considering the business needs of users. Symptoms include:

- Can't get data - at all - on time - the way you need it - the way you used to get it - and "nothing can be done about it."
- The system "crashes" again.
- "The only person who knows how that code was written left last month."
- The IT people ask for overtime, and you give it to them before you realize that you have literally doubled your IT salary costs.

**Best Practice Armageddon**
The cultural warfare about whose way of doing things is better. Some of this will go on no matter what you do. Some people will fight on for years. But if most of your organization is paralyzed, if most people are focused on the past and focused internally (as opposed to externally on the future), then there is a crisis. Symptoms include:

- A lack of experimentation
- A lack of innovation
- A plethora of war stories and anecdotes about the "reason we do it this way."
- "Stonewalling" implementation of decisions you thought were made months ago.
- Lots of we/they, us/them, and "you don't understand."
- More discussion about "whose fault it is" than there is about how to solve the problem.

**Low Grade Fever and General Malaise**
People just "worn out" with the stress of integration. Change is tough. Change in a merger is tougher. Sometimes it gets so bad that everything grinds to a halt. Most people aren't having fun anymore. Symptoms include:

- Declining organization climate survey scores.
- "We're moving too quickly!"
- "We're not moving quickly enough!"
- Absenteeism and tardiness increases.
- Vacations taken at critical delivery times.
- Lack of attendance at company social events.
- A greater than usual percentage of people swearing uncontrollably.

If your merger or acquisition is experiencing one or more of these symptoms, it may be time for a restart. If it is experiencing three or more, it is time for a turnaround.

**Key steps of a restart:**

1. Align executives first.
   - Agree on vision, strategy.
   - Agree on the values of the new organization

2. Plan a new integration that
   - Utilizes a joint team (from both firms) participating approach and
   - Creates a cadre of change agents from both companies

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3. Make IT a critical path stream.

4. Mobilize the entire organization to make the change, impassioned by a new sense of urgency.