Mergers

Eight out of ten mergers end in failure. And that's even a bit optimistic; it might be more. The fact is that a merger designed to yield added value is very hard to manage. That mergers fail is well known in all industries, and the geomatics industry will prove no exception. The article "Look Beyond The Deal to Avoid a Failed Merger" that appeared inMWorld, the American Management Association magazine, in spring 2004 describes merger teams showing shades of focus that can make the difference. Teams with a "deal mentality", those keen to down a few glasses of champagne at the signing of the deal and then take off, are not the ones that make a successful merger. Teams who at signing are already assessing the long-term are more likely to succeed in their merger attempts. The author distinguishes "deal mentality" from "integration mentality".

Managers in teams with a deal mentality think the deal is done when the ink dries on it; they are focused on past results and closing the deal. For these teams there is no focal point of retaining talent in the aftermath of the merger; and a third distinction is their fixation on numbers, not culture. Teams with a deal mentality underestimate the impact of corporate culture on both parts of the integrated company.

Teams with an integration mentality, on the other hand, see past the short-term focus, perceiving mergers as long-term projects. These teams include a hr-manager and, most importantly, they plan the cultural getting-together.

It goes without saying that all mergers need to be prepared by teams with an integration mentality; the alternative is an even higher failure rate. It also goes without saying that the current percentage clearly shows the vast majority is not so prepared. I dare even suggest, and the "integration mentality theory" in part supports this, that a focus on culture deserves priority attention in the merger process. An autonomously (counter)acting "culture" makes it probable that even a very well-prepared merger, initiated and led by managers with a highly developed integration mentality, can go wrong. The minute an old culture establishes its authority over a new and acclaimed one, a thing that can happen after a few years or even the course of a month, an apparently successful merger will flounder.

Managers have to be thoroughly trained to effect change in the new company. Because getting people to work together, creating business synergy, bringing in new deals, increasing profit, gaining market share - all those reasons why company executives want mergers or acquire other companies - all are easily brought to their knees after the deal is sealed by the very impalpable notion of culture.

It is a good idea for managers to be aware that culture is not created on the drawing board or in the executive boardroom, but cultivated in the canteen and corridors. To make a merger effective, put in place understanding managers. Just that.