

Mergers and Acquisitions with the Speed of Trust™



“Culture eats strategy for breakfast.”

Peter Drucker

The first casualty of war is truth. The first casualty of a merger is **Trust**.

According to a study by KPMG, 83 percent of all mergers and acquisitions fail. Why? *“Because of the people and cultural differences.”* The ability to systematically integrate different cultures is the key. Frequently, the deal itself makes great sense. However, organizations stumble because of people and cultural differences. The Board Room knows this, but many leaders don’t know how to do anything about it. We do. Stephen M.R. Covey says, “While high trust cannot necessarily save a bad strategy, low trust will almost always derail an otherwise good strategy.” There is plenty of research about the failure path for mergers and acquisitions. The missing piece is the integration of a trust methodology. How do you deliver on an effective and efficient change effort without trust? And at what **cost**?

Leaders can’t just talk about it. They must have a simple, scalable pattern and methodology that deliberately creates trust throughout an enterprise – It must be seen as an **INTEGRATED, STRATEGIC COMPONENT** of the Merger and Acquisition Process. That’s what we do. Without this, we can easily predict soaring, unintended costs and the work itself slowing to a crawl.

In addition to working with organizations on the front end of a merger or acquisition, we frequently work with many organizations that merged several years ago, but are still struggling with a dysfunctional, low trust culture or an 'US vs. THEM' mentality.

Ultimately, the desired outcome of a merger or acquisition is to achieve expected financial results, like increased growth, profitability, greater market share, just to name a few. Everyone understands the driver of these results are: a customer focused, highly engaged workforce, efficient execution of the right priorities, strong leadership, a culture of accountability for results, collaboration, not just cooperation; cultural unity; high commitment among key players and a group of committed people willing to give discretionary effort.

We are sure about this fact, and most would agree: **creating the right deal on paper is not enough.**

With such good intentions, the real question is why the failure rate of mergers and acquisitions is so high? *What is the common bottleneck?*

The **predictable death** of a merger or acquisition boils down to **speed** and **cost**. Where there is *tension*, *resistance*, or *outright conflict* between teams, departments, or any other key stakeholder group, the speed at which the work gets done gets bogged down, and it's always at a high cost. We call this a trust tax – a tangible cost to the organization.

Here is where change activities are met with resistance and where the bottleneck begins: People react by behaving in ways that will undermine the new change – and we call these Counterfeit Behaviors, the very thing that decreases **speed** and increases **costs!**

Examples of counterfeit behaviors include:

- Suspicion of leader's motives
- Manipulation of information
- Focus on activities, not results
- Disguise or hide information
- Low accountability
- Blind loyalty
- Not listening to those closest to the work
- "Undiscussables" increase
- Double-talk
- Narrow decision making

As Peter Drucker so succinctly points out: *"Culture eats strategy for breakfast."*

How do you deliver on an effective and efficient merger or acquisition in this context, and without trust? Bottom line is, you can't.

Consider some of the costs:

- Delay in achieving expected financial results
- Loosing your best people
- Fear about keeping jobs
- Large percentages of people “quit” but “stay”
- Politicizing the process of change
- Turf wars
- Employee disengagement
- Dividing into separate camps
- Withholding commitment
- Lethargic and bogged down execution
- People no longer focusing on real work and the customer, but rather, focusing internally on how this change is impacting me.



There is a powerful economic case for trust with mergers and acquisitions!