



Good management makes good mergers

Corporate Curmudgeon DALE DAUTEN Syndicated Columnist

"Marriage is really tough because you have to deal with feelings ... and lawyers." — Richard Pryor

"We're being acquired." Did ever a corporate employee say that little sentence with a light heart? I suppose it happens, especially if the company had been failing, but more often, the employees are left to absorb the acquisition news feeling like the girl in a period drama being told about an arranged marriage: "Good news, dear. You're getting married."

"Married? To whom?"

And the answer is never that the bridegroom is the dreamy romantic who's been sneaking up the balcony; no, it's the dull but wealthy guy who doesn't notice sunsets or is allergic to kittens. On the other hand, if you're like most parents, you secretly believe that you could make a better match than your children would on their own. Which takes us back to the arranged marriages of businesses — all those mergers and acquisitions.

First, it's interesting to note that the word "merger" comes from the Latin *mergere*, which means "to dip or plunge." Ironical that dipping or plunging seems to be what happens to the stock price. One famous study from the late '90s concluded that a merger increased shareholder value in only 17 percent of cases.

But there are companies that defy the odds, that have figured out how to make acquisitions work. One of those is Avnet, the Fortune 500 computer-services company. It certainly has plenty of experience: It's acquired more than 50 companies since 1991, and after each one it does a "knowledge capture," with the goal of answering the question, "What did we learn?" And, as Steve Church of Avnet told me, they've learned enough that five out of six are successful, with four of the five "very successful." What does Avnet know that others don't?

First, when I asked Avnet's COO, Rick Hamada, who to talk to about acquisitions, he sent me to Steve Church, who is Avnet's chief HR officer. Why HR? Because a critical component in the company's acquisition strategy is cultural. Church says: "Avnet is a services company in a services industry. So we're really acquiring employees. If they don't feel right, they leave, and we made a bad deal for our shareholders." Yes, they're actually worrying about employees' feelings. And that takes us back to where we began: What are the employees of an acquired company likely to be feeling? Church has a ready answer: "They think: 'We got bought. We're going to get screwed.'"

It's amazing how much executives can accomplish when they put aside the execu-happy-talk and speak the unvarnished truth. Employees know which executives can handle the truth and which can't, and when employees feel free to speak, they're free to make a difference.

When it comes to Avnet's acquisitions, the executives know that employees are worried and watching, plotting their own moves. So the first thing Avnet does is move quickly. Church says: "I have people from other companies tell me about acquisition problems, and I ask, 'When did you do the deal?' and they say, 'A year ago.' My thought is: 'A year ago? A year! That's a year with employees thinking about the acquisition and not about their jobs.' We get our integration done in 10 to 12 weeks, including IT." (Well, my turn to exclaim: Ten weeks? Ten weeks! Here where I

work, at Mundane Industries, we can't smoothly merge in a new copier in 10 weeks.)

One of the first things Avnet does is give important jobs to people in the acquired company, again thinking of the mind-set of the new employees. As Church put it, "They think, 'OK, if they found a job for him, then there's a chance for me.'" So it opens employees' minds, raises their hopes. And Avnet is also having executives come in for "town hall meetings," and it set up a hot line to answer questions via phone or e-mail, publishing the general questions for everyone in the company.

Said another way, most of the employees stay because they soon figure out the truth — that someone knows how they're feeling, and cares, and is willing to do something about it. That's not a bad definition of good management. And if the old management is willing to sell out — think about that term, "sell out" — it may well be that what they're getting is not just good, but better management.



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