

Market place changes are occurring at an increasingly rapid rate causing companies' to become more efficient and, many times, to merge with other companies to create a stronger business model. Companies that are brought together to create one organization have the goal to be larger, more profitable and productive and have the strength to be a more successful competitor in today's aggressive marketplace. To build a successful "merged" company, several challenges must be addressed.

A primary challenge of any merger or acquisition is bringing together two (or more) separate corporate cultures. Different business processes, objectives, independent information technology systems and unique employee relations programs also must be collapsed into one business model. Resolving this issue requires strategic direction and oversight from senior management to ensure that, while the new business model is being developed, communicated and operated, employees have a clear understanding of their roles and the importance of individual contributions to the success of the larger entity.

Research by the Human Resources departments of several Fortune 500 companies generated these findings:<sup>1</sup>

- 60-80% of all mergers are financial failures when measured by ability to outperform the stock market or deliver profit increases
- Over the past 35 years stocks of acquiring firms in mergers fell 4%
- Companies typically experience a 50% drop off in productivity in the first 6-8 months of integration
- Mergers are controlled by investment bankers, lawyers, and accountants but **cultural differences have the greatest impact on outcome**
- **Managing culture mergers showed revenue increases of 682% vs. 166%, stock price increase of 901% vs. 74%, net income increases of 756% vs. 1%**

The best tool to support merging cultures and individual contribution is an enterprise wide non-cash Recognition System. A well-built Recognition System will help communicate and install appropriate behaviors within the merged organization. A Recognition System is made up of three formalized programs:

1. Recognition of Tenure – It is important this program communicate *contributions made over time*, not simply time spent at the company. The best programs are symbolic in nature and support the company's Internal Brand.
2. Peer-to-Peer Recognition – This program functions within all job descriptions and reporting structures in the organization. The program exists to provide a vehicle to recognize the day-to-day behaviors that lead to individual as well as corporate success.
3. Performance Recognition – These programs recognize exceptional achievement. They commonly relate to sales, cost reduction, safety, or project operation.

The existence, operation and appropriate application of these programs will support the communication and installation of right behaviors at any large-scale organization.

Once a company's Recognition System is in place, it must be implemented correctly. To do so, two actions must occur:

- The first is strong leadership from senior management to communicate the importance of the behaviors being recognized.
- The second is strong leadership from line management to ensure the installation and reinforcement of those behaviors in all areas of the company.

Companies that are successful in building and installing these systems will accomplish the following:

- Higher employee productivity
- Increased retention of mid to high performers
- Quicker identification of low performers
- Increased customer loyalty and retention

Mergers are times not only of significant change for organizations and their employees, but also of opportunity. Employees who know they are contributing to the larger organization tend to be more satisfied and after all, satisfied employees lead to satisfied customers. No matter the size of your business or the reason for your merger, this alone makes it imperative to continuously manage and nurture the Recognition System you have implemented.

<sup>1</sup> January 16, 2003 "Mergers and Acquisitions" by The Ohio State University