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Mergers: What Ethical Leaders Can Do To Help Ensure Success

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Introduction:

As a leader in the midst of a merger and with no prior experience in mergers, I find myself asking the question, what can I do to help ensure its success? The company I work for is a privately owned, small organization. The two founders established the company eighteen years ago in the basement of one of their homes. Today, the company is now a forty million dollar business. Ten years into the business the owners decided to purchase a second company four miles away. Though they were both owned by the same individuals, the decision was made to keep them as two separate companies, but both are staffed by the same office team. As years passed the product lines began to move from one business to the other, and the interactions between the two companies increased. This resulted is duplicated transactions and multiple touches on the same processes, which ultimately caused inefficiency, more costly transactions, and employee frustrations. Because of that, it was decided to merge the two businesses. We are now in the midst of this organizational change, and I am hoping it will be a successful one. So, what can I and the other leaders in our organization do to ensure a successful transition? Before answering that question, I need to understand what leads to a successful merger. Historically, what have other companies done that allowed them to be successful? What factors affect an organization's ability to merge in a way that does not negatively impact it; type of industry, size of the organization, purpose of the merger, employee demographics, reasons for merging, technology, culture, types of leadership? Once I have a better understanding, I can then know how to lead effectively in a merging environment.

There is a huge array of research that has been done regarding mergers and acquisitions success or failure and how leadership can impact it. The phenomenon of mergers, transactions in which business organizations are combined, began in the U.S. in the late 19th century. In 2015, a new record was set for mergers as the number of mergers continued to increase. Despite the fact that 70% to 90% of these mergers and acquisitions result in failure, companies continue to look for opportunities to merge. Because of the high failure rate, mergers and acquisitions have often been referred to as extremely expensive mistakes. It was originally believed that the main reason for these failures was due to poor strategic fit (Stahl, 2004). Research has proven that mergers and acquisitions have failed due to the following reasons: companies focusing on what value they can get rather than what they can give to the acquired company (Martin, 2016), poor execution leading to insensitive management, lack of trust and building communication, slow execution, difficulty in managing them, leadership vacuum (Stahl, 2004), and cultural differences such as company identity issues, communication difficulties, human resource issues, ego clashes, and inter-group conflicts. All of these issues can add substantial cost to the integration process and hinder the integration (Bligh, 2006). In addition, mergers and acquisitions have been found to have negative effects on employees such as increased stress, anxiety, turnover, and layoffs (Buiter, 2013). With such a high failure rate and so much at stake, one would ask why companies choose to merge. One research study reports that companies merge to possibly exploit synergies enhancing the performance of the merged companies. Other reasons for merging are additional ways to cut costs and improve efficiency (Bligh, 2006), providing a quicker and easier way to achieve growth (Datta, 1991), and improving strategic position and performance (Buiter, 2013). Often times, when mergers and acquisitions are successful, the CEO will receive a larger compensation package since the company is larger, and if they fail, the CEO is given a severance. Even failed acquisitions can be profitable for individuals such as the CEOs, making the merger seem like a win, win (Martin, 2016). Interestingly enough, no incentives are offered to make mergers work. So, what can a company do to overcome failure? It turns out that leadership does have a significant impact on the success or failure of mergers. Leadership can play a significant role in the preparation and integration of mergers and acquisitions by helping organizational members achieve common goals and minimizing the negative effects associated with culture, the size of the organization, diversity, conflict, change, role modeling, team building, communication, planning and preparation, corporate reputation, and demographics.

Culture:

Leadership has an important influence on merging cultures, creating and sustaining them. Effective leadership can improve cultural aspects of a merger by helping employees work toward a common organizational culture which in turn can mitigate negative reactions, support cultural integration, create a shared identity, and improve performance. Culture plays a significant role in mergers and acquisitions, even being identified as the largest component to success. Studies show that merger failures have been found to be caused by companies neglecting to take into consideration existing cultures and the difficulty changing them. In one survey, a large number of major U.S. organizations cited integrating corporate cultures as a top challenge (Bligh, 2006). Another study reported that people and cultural differences have been found to be the overwhelming cause for failure in mergers and acquisitions (Gill, 2012).

Culture is the pattern of shared beliefs and values that give members of an institution meaning and provide them with the rules for behavior in their organization. Also, culture is a powerful determinant of both individual and group behavior, and infuses nearly every aspect of the organization (Brodbeck, 2012). A cultural framework provides guidelines for the way individuals within the group should interpret organization events, interact with other members of the group, and perform work-related tasks (Bligh, 2006). Organizational culture has been found to be important due to the fact that it can reduce costs by coordinating employee efforts and helps with organization change by minimizing change resistance (Gill, 2012).

Blending cultures is the most daunting objective in any merger (Brodbeck, 2012). When integrating cultures, collisions can cause a ripple throughout the organization, disrupting the workforce. Once a culture is established, it is very hard to change it. When blending people of two different cultures, they will question which identity or culture of the two organizations will dominate. For example, as my organization is merging, employees are asking questions like: will we be considered as the lesser of the two and will we have to change the way we have done things to be more like the other company? There is an overall concern that they will lose their identity to the other company. Also, employees can interpret culture in different ways. One way leaders can help alleviate some of the concerns regarding this is to embrace and respect the differences between the companies while capitalizing on the cultural differences and minimizing psychological distances between them. In addition, this will help to grow trust between the companies and reduce conflict that may arise. However, when companies merge, it is very likely that changes will have to be made to some aspect of one or both of the organizations. Safeguarding the identity or culture while making those changes is essentially a balancing act. One thing that leaders should not do is unilaterally impose a desired culture on their organization. Instead, leaders must recognize, understand, and utilize cultural differences in order to get employee buy in. It helps to remember the uniqueness of the groups and keep that in mind when thinking of new initiatives. Leaders who recognized existing cultural variation are more easily able to draw on shared cultural values in the midst of cultural change (Bligh, 2006). In my personal experience, I am seeing that these practices work very well. Some leaders make changes without considering both companies, and the result is employees who are hesitant and closed minded. I, on the other hand, have been taking a best practices approach looking at what is done at both sites, asking for the opinion of employees at both sites, and being considerate of both organizations, and taking the time to listen. I am finding that everyone is very willing to work with me, and they trust me. Because of this, other leaders are coming to me and asking how I am getting people from both sites to work with me so easily. Effective cultural leaders may more effectively recognize and understand the inevitability of cultural variation, drawing on different perspectives and ways of doing things in order to come up with new cultural meanings that provide adequate room for variation in their interpretation.

The differences in the cultures should be communicated prior to the integration. When doing so, leaders need to give clear, realistic expectations even when discussing the difficulties and prepare employees for the upcoming changes. It would also be beneficial when communicating cultural changes to help employees see how the change will benefit both the organization and the employees. As cultural changes take place, leaders should take into account the followers' sensitivity to cultural changes. Leaders should be aware of intense emotions of the consolidation experience and be ready to address those uncomfortable moments (Bligh, 2006). They should challenge employees to utilize anger and fear constructively. It is important to listen to the employees in an objective way to concerns, let them vent their emotions regarding feelings and frustrations and even allow them to cry. Leaders should be caring and show empathy. If these things are not done, employees may lash out with emotional outbursts and resistance negatively impacting the merger process. Prior to the merger I am now a part of, there was not any communication or what I am calling prepping the companies. As a result, just like research has revealed, emotions are running high. One gentleman walked out because he was so angry. Though it is slightly better at the moment, there have been several times when it was pretty heated among employees.

One way to help employees to be more open, secure, and positive about the cultural changes is to include employees by involving them in the planning and discussions and showing them what value it can bring to them. One thing that leadership could do is to form new values by collecting input from departments at both organizations and distribute them to all employees. Also, leaders can use a teaching process to encourage employees to try particular methods which can later become embedded into the organization as part of its culture. Leaders can do this by attracting followers and uniting them, weakening or replacing old cultural elements, keeping the existing culture vital, and reconciling the diverse interests of subcultures. It requires a careful balance when helping followers to negotiate, modify, and manage similarities and differences. In addition, leaders from each site could get together to help each other to compare how things are run at each site (Bligh, 2006). Leaders can motivate employees with a sense of renewal. Showing the employees how their work situation could become better for themselves and their coworkers is one way to introduce personal value. At my organization, for example, I went to my new employees and asked them if there was something they wanted to change to improve their daily tasks. The only changes made in the beginning were those that would benefit them. They were so delighted that I cared enough to do something that would help them that the word change was no longer seen in a negative way. Research shows that employees are likely to be more committed and display extra-role behavior when they feel that they will benefit from implemented practices and when the employee's perception of HR practices positively influenced their perception (Buiter, 2013). Leaders should have a positive attitude and should minimize rumors and uncertainty. "A clean cut is a lot easier to heel than one that is jagged and left to fest" (Bligh, 2006, p. 408). Also, leaders should keep the best interest of the employees in mind (Bligh, 2006). It is beneficial to pursue synergies by activities such as exchanging research and technological innovations. A way to do this may be done by using cross-company teams and functional teams (Stahl, 2004).

The biggest impact when creating and maintaining culture to be made by leadership is the behavior of the chief executive officer. He or she has the ability to shape the beliefs, motives, commitments, and predispositions of the subordinates simply by modeling the way. He or she can influence cultural ideologies and expressive behaviors (Bligh, 2006). By using transparency and being consistent in his or her actions between words and deeds, followers will perceive the leader to be authentic generating trust. This also helps followers to identify with the leader and to develop positive effects such as optimism, hope, self-efficacy, and resilience. Having the employees trust in not only the CEO, but also other leaders, helps the employees to identify with the new cultural values and behaviors (Gill, 2012). Another way the CEO and other leaders can reinforce culture, values, beliefs, and practices in the organization is by using a reward and evaluation system (Datta, 1991). In the management of organizational culture, leaders should practice role modeling and the implementation of human resource management practices, which are the levers by which culture is changed to embed and maintain culture. The CEO should not rely on practices that worked in the past reverting back to how things used to be (Brodbeck, 2012). In other words, he or she should avoid behaving in ways that reinforce old cultural values (Gill, 2012). I have seen how detrimental it can be if the CEO does revert back. My CEO feels that we can keep operating in the way we did years ago even after experiencing significant growth and after merging. Customers are used to going directly to the CEO for their needs. We have worked very hard to get them to go through proper channels so that things get documented accurately and so that the correct information is communicated to the right people in the organization. Just about the time we get customers and employees on board, the CEO talks with the customer and tells them the wrong way to do things. This leads to mass confusion and frustrated employees.

Organizational Size:

The size of the companies merging should be taken into consideration when acquiring or merging organizations. Small companies differ from larger companies having simpler structures, and many times as in the case of the company I work for, the operational manager is the owner. Research suggests that smaller companies have fewer coordination problems making it easier to manage the merger process. On the flipside, small companies are not as open to other business cultures as owner-led, small companies. Agency problems are less likely to occur in small companies due to the closeness of the management team. Also, small companies likely lack relevant merger experience (Arvanitis & Stucki, 2015). In a study discussing leadership in different sized churches, it suggests that it would be very challenging for a leader to be effective going from one size organization to another due to the flexibility, structure, and style shifts required (Oswald, 2016). This challenge could also affect a leader of one organization that is merging with another company becoming a much larger organization. A leader working for a very flexible company would likely struggle going to a very rigid structure where planning and making decisions is a much more involved and lengthy process. The study goes on to discuss four basic organizational sizes each requiring a specific leader behavior. One example given showed that when the size did not match the leader's behavior, it resulted in failure. Another point made was that sometimes a leader will feel ineffective if the organization experiences too much growth. We have a few leaders who are unhappy with the increase in responsibility as a result of the merger. They have said to me that they no longer feel they are contributing as they were before making them seem insecure. To avoid these organizational size issues, here are things that leaders should consider prior to merging: Does the organization have the right leaders for the job when the companies become larger as a result of the merger? The article also touches on the organization's transition from one size to another. Sometimes growth sounds really good overall and seems to be wanted, but often times there are unintended changes and hidden resistance that come along with the growth transition. Once those are revealed, not only employees but also leaders may discover the size transition is unwanted or too costly. Leaders need to be aware of the cost of growth resulting from the merger before the merger takes place (Oswald, 2016).

Diversity:

Knowing the diversity between the two merging companies such as cultural preferences, work styles, employment choice, life preferences, personal attitudes, ethnicity, etc. can help leaders to better interact with the employees. Also, mergers can be used to strategically leverage these differences and people's differences to achieve competitive advantage and better business results. To learn what diversities exist leaders should determine where and when the majority of people work, the people's expectations, and the peoples' flexible workdays. All of this would be important when determining work goals, content, and methodologies. Employees may want to express their individualism and flexibility to Human Resources. Today, employees expect greater mobility within and across organizations and are willing to broaden their range of employment by making request transfers to a different area. This could work to the leader's advantage during a merger (Shermon, 2014). Also, working to the organization's advantage is when the two merging companies are less diverse having several similarities. For example, it was discovered that the existence of technological overlaps has a positive and significant effect on merger formation. In addition, companies with prior technological linkages produce higher innovation after the output after the merger leading to success (Arvanitis & Stucki, 2015). I believe having technological similarities has helped our merger process. The sharing of information between the groups of chemists has led to several breakthroughs in developing new products. As a result, the comradery has helped employees to become more familiar with each other and has helped each other to feel more appreciative, increasing respect among them.

Conflict:

Conflict frequently arises during mergers and acquisitions, and how leaders deal with conflict impacts the success of the merger. Conflict often leads to trauma which negatively impacts mergers. "Mergers can be a significant source of trauma for both employees and manager and often result in lowered trust, commitment, satisfaction, and productivity, and increased absenteeism, turnover and attitude problem" (Bligh, 2006, p. 396). Leader's should handle conflict up front by minimizing conditions that encourage it such as periods of rapidly expanding achievement, ambiguity about relative power, undesirable comparison, status inconsistency, weakening normative consensus, zero-sum thinking, communication among group members, and availability of leadership (Rubin, 1994). There are a number of ways to discourage conflict such as consensus about norms, lack of information about other's attainments, physical and psychological segregation, existence of a strict status system, social mobility, physical and social barriers to communication, removal of actual or potential leadership, and blocking outside support (Rubin, 1994). Recognizing and anticipating conflict can be overcome by appealing to a shared overarching value (Bligh, 2006). Leaders and employees should be an integral part of the solution to conflict (Scanlan, 2005). In the beginning of the merger, I told my group to bring a solution any time they were going to bring up conflict. This has been very effective so far. Research shows that differences in leadership styles at the two sites can lead to an increase in the potential and number of conflicts and a lack of cooperation (Datta, 1991). In addition, differences in leadership or management styles can create conflict that is more difficult to be resolved. Conflict reduces the probability that the employee groups will work together effectively while achieving the goals. To help with this, leaders can create an atmosphere of open communications and mutual respect among management groups allowing each to understand the others' perspective (Datta, 1991).

Change Management:

Change or change management has been identified as one of the key phases of mergers, and it is an area where leaders can get it wrong if they are not careful. Maximizing human capital is critical to the success of a merger. To do this effectively, change needs to be managed in a consistent, structured manner. When not done correctly, it impairs the organization's ability to achieve merger goals such as expected synergies, efficiencies, and growth. There are several things that leaders can do to help ensure changes are managed effectively such as identifying strengths and weaknesses in order to leverage strengths and overcome weaknesses removing barriers to change, securing commitment through a shared and inclusive vision, developing change plans, and managing employee issues. First, leaders need to understand their impact on change and performance (Gill, 2012). It is common for leaders to fail to recognize the complexities involved with changes brought on by mergers and the importance of their role. For example, high quality leader-member relations can help minimize the resistance to change (Stahl, 2004). If the leader does not ensure strong relations, they will be less likely to accept new values, processes, culture, and etc. Leaders must respect dignity of the people in time of changes that may affect long practiced traditions (Stahl, 2004). Also, leaders should create a drive or momentum that continues to grow for change. This can be done by motivating employees with excitement and positivity helping employees to see the potential in activities associated with the merger. A sense of urgency for change should be established while creating an environment that maintains the security of the strengths identified. Small changes that have a high chance for success should be introduced in order to keep employees engaged sustaining and motivating people to achieve the long haul (Brodbeck, 2012). Leaders should not allow changes to drag out, but rather they should be made quickly. If they do, momentum dwindles, and morale will take a toll for the worst. This happens because employees become insecure, start doubting the integration effort, grow with fear, and continue to cling to their existing values and beliefs. In addition, leaders should help employees see the need for change and to understand their value and impact by using a clear vision and communication so they will be more likely to accept it. The idea should be shared that “change is the most positive thing that secures their job.” To create employee value, the leader can allow all of the team to provide input when making changes and when resolving issues (Bligh, 2006). Finally, leaders should be aware of how well employees are adapting to the change. More times than not change brings uncertainty and insecurity, and oftentimes stress (Scanlan, 2005). Also, speculations on changes to a system can cause anxieties and conflicts (Datta, 1991). To address these emotions, leaders should be sensitive to how change is introduced (Gill, 2012) and to the issues that arise due to change (Kamrad-Marrone, Stabile, & Smeltzer, 1999). Ideally, leaders need to create a sense that there is calm among the chaos of change. Another way to look at it is to think of it as ‘stretching the rubber band as far as possible without snapping it’ (Brodbeck, 2012). In my personal experience, the key to successful change, not only during a merger but in all situations, is the way in which change is introduced. I put much thought into how the change should be introduced using many of the ideas listed above like change being a positive thing. To this day, I rarely have someone come to me with complaints regarding the changes that are being made.

Role Modeling:

A merger's success depends on employee buy-in since they are the ones who will achieve the change necessary, and buy-in can ultimately be achieved by role modeling. In order to ensure employee buy-in, leaders must first gain the trust of the employees. A sure way to build trust is through a leader role modeling clear, ethical, and moral behavior (Gill, 2012). Sincere integration, employment security, caring practices, and open and honest communication all shown through role modeling have a positive impact on employee reactions, increased commitment, and supported collaboration. A leader's actions will reveal their true beliefs and ideologies, and employees are very sensitive to that. Leaders need to set the tone of the environment, ensuring that distractions created by the merger are minimized and do not affect the quality and quantity of daily work (Kamrad-Marrone et al., 1999). Also, leaders' behaviors should support the new cultural framework by acting in ways that support it, not undermine it. There are some very simple things which are a part of the everyday details that matter to all employees that a leader can do such as doing the work rather than just giving orders, emphasizing success, being willing to embracing change in order to support the new cultural framework and to gain trust and employee buy-in (Bligh, 2006). Driving change can also be achieved through role modeling. To drive change, leaders, including the CEO, must reinforce the values by living and acting according to the values, empowering the people to achieve the vision, and using expressive forms of communication. They must walk the talk, backing up their words with action (Stahl, 2004). Leaders should hold others accountable, but at the same time be a role model for accountability by meeting deadlines and being committed to getting tasks completed. From my experience so far, I agree that role modeling does impact mergers. One particular leader made some negative comments regarding the merger to his/her employees. Before you knew it, the negativity was spreading like wildfire. One employee even mentioned leaving the organization. Luckily, the manager realized how detrimental that one negative comment was and quickly started damage control. As leaders, we must be especially considerate of what we say and do during this critical time to ensure the merger's success.

Team Building:

As part of the merger process, some leaders will be charged with combining groups into self-directed work teams. The success of the merging companies is dependent on the mutual success of the teams within the organization. The leader will begin by creating a plan describing how the team will be developed. Often times, when teams combine, confrontations will arise. Leaders will need to build relationships across sites to create an integrated team and reconcile differences between the old and the new. Positive working relationships are essential for the formation of a healthy working environment. Engagement can create positive work environments generating stamina to endure the stresses associated with change. To help teams feel engaged, leaders can include teams in decision making to improve quality, staff retention, and job satisfaction (Brodbeck, 2012). One author states that the only way to combine two distinct teams is to understand the makeup of the team and the hierarchy of each organization (Siegel, 2011). Team-building activities can be used to bring the team closer helping them to feel more comfortable with one another, and those team-building activities should be monitored to ensure they do not have an adverse effect resulting in stereotyping or sabotage (Bligh, 2006). Leaders need to realize that some employees will refuse to be a part of the team which may result in them leaving the company or lose their jobs. Leaders must also realize they need to continuously evolve, adapt, and work towards best practices by learning from each other to keep employees engaged and to improve performance (Stahl, 2004). Although I have not experienced any issues during the merger regarding the lack or ineffectiveness of team during the merger, I have seen where putting an emphasize on equal treatment of new departments or teams has been beneficial in minimizing employees from one organization feeling less than employees at the other organization.

Communication:

Communication is another critical aspect of mergers and acquisitions where leaders can make or break the deal. Communication is key to improving the organization's ability to achieve its targeted goals. One study states that "The successful facilitation of the merger process is directly related to effective communication and leadership skills" (Kamrad-Marrone et al., 1999, p. 48). Communication impacts the employees' level of understanding and their desire to opt in or opt out of accepting the new policies and procedures. The following are several ways that leaders can effectively communicate during a merger; developing a formal communication plan, determining a plan to clearly articulate the new vision, benefits, and goals of the new organization (Brodbeck, 2012), establishing metrics for communication feedback, and more specifically sharing the details with employees in order to get buy-in quicker, avoiding the assumption that employees know what is going on, creating time to talk with every employee one-on-one always communicating the truth using timelines that you plan to stick to, sharing cultural differences ahead of time in order to prepare employees, and creating realistic expectations for challenges and opportunities (Bligh, 2006). All of these practices create openness and employee interaction involvement reducing uncertainty which may lead to favorable perceptions of the merger (Buiter, 2013). Leaders also need to tackle employee issues addressing rumors immediately by clarifying the truth and communicating that truth to everyone. Furthermore, communication should be a two way street. Leaders need to be available to those who want to voice concerns and feelings by increasing the amount of support provided (Kamrad-Marrone et al., 1999). Leaders should encourage openness providing them with an opportunity to be forthcoming with ideas, challenges, and opinions, soliciting opinions and viewpoints prior to making important decisions (Gill, 2012). This helps to foster workforce engagement and the adoption of new processes and policies. In addition, leaders need to consider different communication strategies needed during a merger, given various situations such as how long they have worked with the organization, if they work on site or off site, how closely they are involved, and how much they are affected by the changes. For example, research shows that "Employees working in the head office of a merged company (insiders) will have more positive attitudes toward the merged company and higher perceived job security than those working remotely (outsiders)" (Chun & Davies, 2010, p. 722). This is due to communication and the idea that insiders likely receive more communication resulting in a positive attitude while those outside receive less communication resulting in the tendency to believe rumors (Chun & Davies, 2010). The leader's communication strategy regarding what and how things are communicated will ultimately ensure or fail to obtain employee support which is needed for merger success. When it comes to communication during a merger, there is no such thing as over-communicating (Kamrad-Marrone et al., 1999). I have always been told by one of my mentors who has been in the chemical industry for forty years that in the absence of communication, people will fill in the gaps by making up what they believe might be going on. This is exactly what is happening right now. Unfortunately, communication from upper management, other than "Hey we are going to merge the two companies," is not happening. As a result, just as research shows, rumors are surfacing and negativity and uncertainty are building. I have even heard comments like 'I guess we will have to start doing everything like the other organization does things, are they going to treat us like the red headed step child, and I hope they do not plan to change people's jobs around.' None of these things were discussed with either of the organizations in advance, and as a result thoughts began to run rampant.

Planning and Preparation:

Research shows that only a few companies reach their targeted growth and value when merging, and the culprit for falling short is not a lack of fit, but instead lack of planning and preparation. For that reason, effective preparation and planning and leader involvement is essential. Leaders must first understand the importance of building a business by doing their homework on the front end before the deal gets done. In doing so they need to know for example how the transaction will be run, how to invest in communication strategies required to achieve internal and external buy-in, and how to tackle tough issues head-on. Then, it is important to know what value will be created by merging. Some of the steps for determining value identified by one researcher are assessment of efficiencies, feasibility studies, interviewing employees to identify issues and opportunities, assessing operations to provide factual criteria to support decision making, assessing facilities. All of these are necessary to understand the fit and the value targets which are needed in preparation of developing a plan (Kamrad-Marrone et al., 1999). Also important to preparation and planning is being aware of the quality performance of each organization, developing a risk/benefit analysis, and executing proactive strategies to mitigate post-merger problems (Brodbeck, 2012). When planning a strategy, a leader of the dominant company must keep in mind that both companies have something to bring to the table.

Arrogance and a belief that its own style and practices are superior may result in a high turnover rate affecting performance. One should remember that both companies should learn from each other sharing best practices in order to maximize the potential (Stahl, 2004). Realize that mergers are very time intensive (Scanlan, 2005). For this reason, responsive leadership techniques are necessary (Brodbeck, 2012). Leaders must prepare themselves to be actively involved in the planning and integration while at the same time maintaining business momentum and integration speed making sure not to negatively impact day-to-day operations. Leaders should recognize their leadership style and understand how that may need to change (Gill, 2012). He or she should be adaptive when undergoing major transitions. In order to be adaptive one must understand their skill set and how it differs with others. Also, leaders need to embrace ambiguity (Brodbeck, 2012). It is important to know how others see them and understand how their actions impact others (Gill, 2012). Not only is it necessary for the leader to be prepared, but also employees need to be prepared. As stated in research, uncertainty is minimized by ensuring employees are prepared to function effectively in the new environment (Buiter, 2013). The way in which the leader prepares or manages employees can have a negative or positive impact on the integration. The approach affects their attitude toward risk, the decision making process, and communication. The degree of flexibility can make a difference, and differences or inconsistencies in how all of these are approached can lead to cultural ambiguity or uncertainties concerning whose style will dominate resulting in increased anxiety, distrust, conflict, declining productivity and poor performance (Datta, 1991). For the merger happening right now, upper management did some preparation, mostly on the legal side of things and weighing out financial pros and cons for the two businesses. However, the managers/leaders, all whom have never had any experience in mergers, were not given any chance to prepare themselves or their employees.

Thankfully, we have a good group of managers most of whom are self-driven. So, prior to the merger, they did form a committee to plan for all the changes that would need to take place such as combining software systems, updating the quality management system, notifying customers, etc. Other things related to employees such as how time off will be handled for both sites were never addressed and are beginning to cause confusion as employees begin to work at both sites. Though we seem to be making significant progress overall, I feel the transition would have been much smoother with fewer bumps along the way if some training was provided to leaders on mergers.

Reputation:

Research shows that corporate reputation is important. Firms with relatively good reputations are better able to sustain superior profit over time. Also, a firm's reputation may affect a company's decision to merge with them. Corporate reputation can be assessed using corporate character which is defined as the collective qualities expressed in terms of human characteristics that distinguish an organization. It is important for a firm to integrate successfully in order to maintain a reputation of high quality for both companies merging (Costa & Vasconcelosz, 2011). Leaders can help in creating a positive corporate reputation by positively impacting the corporate culture. Relevant for a positive climate in a post-merger situation are the following aspects of corporate culture. The first is integrity (or trust) meaning do employees believe they are being told the truth. Maintaining integrity reduces uncertainty. The second relevant factor is empathy, meaning, do the employees believe the organization is seeing things through their eyes. Sustaining empathy emphasizes mutual feelings and relationships coming from interactions with other people. These strong bonds created will help them to move beyond rational predictions and take a leap of faith. Competence is another relevant factor that considers if employees believe the organization is capable of delivering on its promises. Competence has been found to increase an organization's chances of survival. The last feature relevant to corporate culture which again impacts corporate reputation is warmth. Warmth considers if employees believe the organization is caring and supportive in times of great turmoil. Positive feelings toward the organization can results in lower turnover, high satisfactions, and emotional attachment during an acquisition (Chun & Davies, 2010).

Demographics:

Although I was not able to find research supporting the idea that demographics should be considered when planning for mergers and acquisitions, there are several studies that discuss the increasing demographic challenges, specifically generational differences, for businesses. Any time there are business challenges, those should be taken into consideration when merging. As such, the demographics are likely to have an impact on the outcome of merger activities. There is a 'great generational shift' underway in our workforce today. With it comes, to not only a change in demographics, but also a change in what is considered the norm, in values, and in employer-employee relationships. The new generation, generation y (born early 1980's to 2000) also known as millennials, currently makes up 28% of the workforce and brings with it many differences compared to generation x (born 1965 – 1977). The disruption created by generation y due to the differences in beliefs and values can add to the challenges when merging two companies. If one company is composed primarily of generation x while one company is composed mostly of generation y, leadership would need to clearly understand the differences between the two as part of the planning process for the merger. Generation y is much different than generation x in that they are very self-confident, empowered, and optimistic to undertake major personal projects. They were trained to participate in groups and teams, and are therefore very much team oriented. Also, they grew up immersed in technology without authority figures controlling their access to information. Building a career is not as important to them. "They want flexible jobs, work-life balance, and to spend time developing close personal relationships. They expect free-flowing and bidirectional communications at all levels regardless of their position, showing that they are not intimidated by seniority, age, or status, and, in fact, are either unwilling to follow, or unconcerned with, corporate policies in particular with regard to information technology. They are suspicious of organizational structures, and are motivated by freedom in the workplace to maximize their effort and may be more loyal" (Balda & Mora, 2011, p. 15). They are impatient and expect to advance quickly and are committed to team and community. They work hard, but life outside of work is very important to them. They don't expect to stay in any position long term, they will wait for jobs that are consistent with their values, and they are willing to change employers frequently if their needs aren't met (Carlsen, 2011). Millennials have a lack of concentration, lack of engagement, and lack of socialization (Karakas, 2015). They also believe they can work anytime, anyplace, and think they should be evaluated on work product, not how, when, or where they got it done. They prefer to be rewarded more frequently (once per month) and not just through compensation (Shermon, 2014). They are not afraid to fail and focused on driving change. They demand to know the organization's purpose and are prepared to leave if it does not align with their own values (Carlsen, 2011). Some of these differences can be seen as a positive for companies in a position to merge. Because millennials tend to easily adapt to using different learning approaches, it would work to the benefit of an organization if they needed to move them to an environment new to them. Also, the fact that they utilize communication technologies effectively for interaction with others would allow them to easily adapt to working at the two facilities (Karakas, 2015).

Despite whether the differences are viewed as positive or negative, these differences can lead to organizational tensions especially when interacting with others having a different worldview. Leaders can respond to this with less hierarchical structure putting an emphasis on the employees, relationships, communication, innovation, and creativity. Placing them in with a classical team model or top-down management hierarchies will likely fail. In addition, leaders should include both generational types when creating teams to ensure diversification which should keep both generations from feeling left out or discounted. Within my organization, we do have a handful of millennials, and only a handful is needed to stir things up causing leaders to start asking themselves what to do with them. They want to know when they are advancing and what the plans are. The biggest challenge for leaders seems to be a sense of entitlement. Some leaders have been at the organization for ten years before advancing. After two years, these millennials are wanting to advance. Although these are issues that add to the complexity, the millennials' desire to advance has not impacted the merger in a negative way. For the merger, the millennials have actually made a positive impact. They are very open to new ideas and concepts, where those of generation x seem to be much more close minded. Also, their excitement about moving back and forth between sites has been very beneficial.

Being cognizant of and minimizing organizational tensions is not the only things that leaders need to focus on when it comes to generational demographics when merging. Leaders need to align their behaviors with the changing structure and work processes necessary for millennials. A leader who is from generation x will need to learn how to adapt to get the most from a millennial. Because millennials value meaningful relationships with peers and supervisors, leaders should use open communication as a means of promoting job stability (Balda & Mora, 2011). To keep millennials engaged, leaders will need to provide more structure, creative ways to deal with their lower tolerance for boredom, and the means to fulfill their expectation of personal interest from their employers. Other ways leaders could help millennials, would be to emphasize the company's commitment to customers, employees, and society, talking about them in a way that helps them feel they will be a big part of the team contributing their opinions, and providing a humane, enjoyable work environment. Also, leaders should provide frequent feedback by daily or weekly meetings using two-way communication, structure by assigning goals with deadlines, and mentoring by offering guidance from executives (Carlsen, 2011). The workforce generations previous to and during the transition time of merging needs to be understood so that leaders can be prepared and appropriately understand how to approach the given situation.

When considering demographics, there are a number of other factors that may impact mergers such as length of employment, work background, and employee knowledge. How long an employee is in a particular company may affect their attitude toward a merger. Those with long work experience with a company that is merging is likely to feel more attached, are more committed to established policies and procedures, resist strategic change, and are less capable of adapting to uncertainty resulting in the feeling of great loss when the company merges because of their long time contributions to the company. "The longer the employee has served either merging company the less positively they will perceive the merged organization and the lower their emotional attachment will be." "Employees from different backgrounds prior to the merger (acquired, acquiring, and new joiners) will have differing attitudes towards the merged companies" (Chun & Davies, 2010, p. 722). This idea suggests that employees from the firm or site viewed as being inferior feel like losers due to the loss of autonomy and status (Chun & Davies, 2010). In addition, if the companies merging were once competitors, the employees may experience inter-organizational competition, ego problems, and low morale (Bligh, 2006). The background knowledge of mergers for the employees at each site is also significant. If employees have never been a part of a merger, the unknown may make them uneasy and skeptical. Again, knowing this information will help leaders to ensure a successful preparation and transition when merging. The biggest component affecting the organization considering these aspects of demographics that I have observed is employees never being a part of a merger and not knowing what to expect. Fortunately, because the two companies were not previously competitors and because the two were interacting prior to the merger, many of these things such as employees with long term experience have not seemed to of had any impact at all.

Conclusion:

From this research, I am concluding that leaders should be engaged in the merger process from the start. They need to know and understand what to expect is crucial when planning strategies, providing support to employees, and dealing with personal concerns in the preparation and transition of a merger (Kamrad-Marrone et al., 1999). If leaders are prepared and understand the impacting factors such as culture, the size of the organization, diversity, conflict, change, role modeling, team building, communication, demographics, and corporate reputation, the merger is much more likely to be successful. The question I am left with is this. There is an enormous amount of research that shows why mergers and acquisitions success is not a lack of fit or due to financials but instead a result of lack of planning. So, why do companies continue to put so much emphasis on the financial aspects often times discrediting the importance of planning?

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