Charging Back Up the Hill

Workplace Recovery After Mergers, Acquisitions, and Downsizings

Mitchell Lee Marks
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Preface

Practically every workplace and every employee has gone through a merger, acquisition, or downsizing. On the bright side, mergers and acquisitions are dynamic events that can help an organization achieve its strategic intent much more rapidly than internal growth. Downsizings have the potential to eliminate unnecessary work and refocus organizational resources to respond to economic, technological, and consumer changes. Yet in many organizations today, the old adage that “the only constant is change” rings exhaustingly true as employees are confronted by multiple waves of acquisitions, downsizings, restructurings, and other major transitions. On the dark side, it is during economic downturns that downsizings increase as executives try to show the investment community they are being proactive and taking decisive action to shore up losses. Mergers and acquisition activity revs up also, as firms with little in the way of strategic synergies or cultural fit come together in last-ditch efforts to sidestep bankruptcy.

With all of these changes, good management is the key—and given that we have been living with change in business now for some time you would think we would have solved this one. But we have not. The fact is that the vast majority of mergers, acquisitions, and downsizings are still mismanaged. Studies repeatedly show that 75 percent of mergers and acquisitions fail to achieve their intended financial and strategic objectives. Reports of downsizings rarely
describe productive, regenerating, or even rebalancing results; instead, they depict reductions in force as painful, wrenching, and bloody. Although executives may have heralded the transition as the big move that will turn around the organization’s fortunes, employees survey the results and find very few tangible enhancements for their workplace or themselves.

These mismanaged transitions have negative—not merely neutral—effects on workplaces and the employees who remain after the dust has settled. Senior executives lurch into a crisis mode and miss the opportunity to use the transition to build a better organization by making the cultural and human changes that could help it achieve its financial and strategic objectives. Middle managers are truly that—caught in the middle between executives who plan major transitions and subordinates who bombard them with endless questions for which there are no immediate answers. And rank-and-file employees reel at the prospect of mergers, acquisitions, and downsizings—rather than see them as opportunities to propel their workplaces toward financial and strategic goals, employees are threatened by the perceived impact of transitions on their job security and career advancement.

This is not to suggest that executives are malicious or incompetent in leading employees through transition. In my consulting I see the residual impact of mismanaged transitions everywhere—and let’s face it, these are very difficult events to manage. Combining two previously independent organizations—each with its own cultures, personalities, products, and services—is no easy task. As a result, a combination that on paper looks like a marriage made in heaven turns into a living hell. Similarly, downsizings have gotten to the point where leaders are carving muscle as well as fat—one of the most difficult tasks any manager faces today is telling a decent performer that his or her services no longer are needed. So a downsizing that is supposed to breathe new life into a moribund workforce instead creates “layoff survivor sickness” as remaining employees mourn the loss of former colleagues and, of course, worry about the next swoop of the layoff ax.
The good news is that people and organizations are resilient. Over time, they will recover from the negative unintended consequences of mismanaged transitions. The bad news is that most senior executives will be too impatient to let this natural resiliency take its course. After a downturn, as the economy strengthens and executives grow increasingly optimistic about the prospects for their businesses, they will urge their employees to make a run at new opportunities. But employees will not heed the call to action. While executives are eagerly looking ahead, employees are still looking back—mourning the loss of laid-off coworkers, fretting about roadblocks to their own career expectations, dealing with having to get more work done with fewer resources, and being angry at having been kept in the dark in the past and cynical that anything will change for the better in the future.

That is where this book comes in. In it I accept—rather than deny or ignore—the reality that, one way or another, most corporate mergers, acquisitions, and downsizings have been mismanaged and that the unintended impact of these mismanaged events have to be dealt with before an organization and its workforce can move forward to capture new business opportunities. Even if an organization’s leadership truly envisions great new opportunities, its workforce must work through the pain of the past before they can contribute to the fortunes of the future. In even the best-planned and most carefully managed transitions, employees need time to understand the new opportunities and how employees can play a role in achieving them. Even then, employees need more time and support to let go of attitudes and behaviors that were appropriate in the pretransition organization so they can adopt new ones more appropriate to the desired posttransition organization.

The contents of this book are based on my experience in working in more than seventy-five mergers, acquisitions, downsizings, and other major organizational transitions. They have come in all shapes and sizes—voluntary reductions in force, involuntary layoffs, friendly combinations, hostile takeovers, and even the very rare true mergers of equals. I have advised executives in organizations ranging from small high-tech start-ups to massive global conglomerates on how to
plan, implement, and recover from transitions. I am fortunate to have worked in just about every industry sector—high-tech, low-tech, financial services, telecom, energy, consumer products, industrial products, professional services, health care, government, entertainment, and education.

Despite the diversity of these settings, one scenario crops up regularly: senior executives underestimate the resources required to manage and recover from transition. You see, effective transition management is not rocket science. The tools for managing mergers, acquisitions, and downsizings are the same ones that consultants and scholars have been touting for years: vision, diagnosis, transition structure, involvement, communication, and feedback. A clear vision is needed to align organizational resources, coordinate decision making, and inspire employees to move away from their comfort zone and make the risky yet potentially rewarding journey to the desired new state. An accurate diagnosis is needed to identify the gaps between the current state and the desired vision. A transition structure—a temporary but formal assignment of resources—is necessary to ensure that the transition is smartly planned and carefully managed. Involvement is needed to help people feel like architects of change rather than victims of change. Communication is needed to make certain that all involved are coordinated and knowledgeable regarding what is going on within and around their work situations. This communication is two-way, providing feedback on how well the transition is being managed, whether people understand its purpose and process, what intentional and inadvertent roadblocks stand in the way, and what essential midcourse corrections are essential for ensuring that the journey from current state to vision is successfully chartered.

Yet most organizational transitions suffer from a lack of clear vision, the denial or ignorance of current organizational dynamics, dysfunctional transition structures, minimal opportunities for involvement, poor communication, and insufficient feedback. This book takes these circumstances as the starting point for efforts to rebuild after a merger, acquisition, or downsizing and capitalize on
strengthening economic conditions—people have to recover from the unintended consequences of mismanaged transitions before they can look ahead and capture new business opportunities. It describes how to apply the relatively simple tools of organizational change management in a context that is anything but simple: a workforce characterized by the anger, cynicism, fear, hurt, and demotivation that linger well after senior executives claim that the merger, acquisition, or downsizing is “over.”

**Purpose of This Book**

This book began as a revision of my 1994 volume *From Turmoil to Triumph: New Life After Mergers, Acquisitions, and Downsizings*. That book was written in response to the merger mania that began in the 1980s, the wave of downsizings that followed the economic recession into the early 1990s, and the ensuing economic recovery. The premise of this book remains the same as *From Turmoil to Triumph*: senior executives will see new business opportunities emerging as the economy recovers, but employees will not be emotionally or practically prepared to grab the opportunity at hand. Thus the need for a workforce to recover from the unintended consequences of mismanaged transitions before charging ahead.

While the premise of this book remains the same as *From Turmoil to Triumph*, its context and content have changed. In addition to going through mergers, acquisitions, and downsizings, employees have been exposed to a rapid succession of demotivating news and destabilizing events in the first few years of the twenty-first century. These include the bursting of the technology bubble, a major economic recession, and widespread reports of corporate scandals, executive fraud, and accounting abuses. Employees see themselves as bearing the brunt of executive excess and corporate greed, in ways ranging from lessened job security to reduced retirement savings.

Over the next several months and years, some corporate leaders will genuinely anticipate new and greater business opportunities and see a true potential for rewards for themselves, their organizations,
and their workforces. They will be energized and urge their troops to charge up the hill to capture the prize. Yet the troops will be neither ready nor willing to charge up the hill. Rather than look ahead at the opportunity, they will be unable or unwilling to let go of the pain behind them.

Unlike *From Turmoil to Triumph*, this book reflects the more prominent role of the information technology sector in organizational life today, compared to a decade ago. And it considers the changing demographic realities of the workplace and the workforce—ranging from aging baby boomers who have come to terms with a new psychological work contract and recognize that “womb to tomb” employment has gone the way of the electric typewriter to Generation Xers who know more about the get-rich-quick dreams of chasing stock options than the loyalty and commitment to building organizational capacity for the long haul.

Most important, this book presents a newly formulated process of workplace recovery. The process is very much steeped in my first-hand experience as a researcher and consultant in the area of organizational transition. But like my practice, the process described here is greatly influenced by two of the simplest yet most powerful models guiding organizational change and development: Kurt Lewin’s “unfreezing-changing-refreezing” model of organizational transition and William Bridges’s “ending the old–neutral zone–beginning the new” model of individual transition. In a sense, this book describes why and how I have integrated these two models into a new model describing the process of workplace recovery and how every leader and manager can benefit from it.

**Content of This Book**

The book is organized in four parts. Part One reviews the impact of mismanaged transitions on organizations and the people who work in them. Chapter One describes why mergers, acquisitions, and downsizings are such difficult events to manage, and Chapter Two
lists the many psychological, behavioral, and business consequences of mismanaged transitions. Part Two presents the conceptual and practical underpinnings of the process of workplace recovery. Chapter Three presents Lewin’s model of organizational transition and explains how, if properly managed, transitions can be used as “unfreezing events” in the first step of achieving leadership’s desires for the posttransition organization. Chapter Four uses Bridges’s model to describe the very normal and natural process of individual adaptation to transition—people have to let go of the old before they accept the new. Chapter Five then summarizes the process of workplace recovery that helps people end their attachments to the old (pretransition) organizational order so they can more readily accept the realities of the new (posttransition) organizational order at both the emotional and the practical business level. Chapter Five also provides the “realities” of workplace recovery that guide the design of activities to help people let go of the old and accept the new, as well as principles derived from lessons learned in designing approaches to workplace recovery.

Each of the chapters in Part Three describes how to put the four elements of workplace recovery into practice. These four elements are derived from the product of the two requirements of workplace recovery (ending the old and embracing the new) and the two levels of workplace recovery (emotional realities and business imperatives). Chapter Six addresses letting go of the emotional baggage of mismanaged transitions through the element of empathy—letting people know their leadership acknowledges that things have been and will continue to be difficult during and after transition. Chapter Seven moves the letting-go process to the level of business imperatives via the element of engagement—creating understanding and support for the need to end the old organizational order. With people’s grips on the old loosened, Chapter Eight shows how to accelerate acceptance of the desired posttransition organization on an emotional level by generating the element of energy—getting people excited about the new organizational order and supporting them
in realizing it. And Chapter Nine brings acceptance of the new to the level of the business imperatives of the desired posttransition organization through the element of enforcement—solidifying employee mental models that are congruent with the new organizational order.

The book concludes with a single chapter in Part Four on solidifying the context for workplace recovery. Chapter Ten highlights the ways in which senior executives lead the recovery process and middle managers contribute to its success.

**Intended Audience for This Book**

This book is written primarily for leaders of organizations and work teams who have gone through transitions, as well as their successors who inherit organizations that are reeling from the aftereffects of mismanaged transitions. I intend a broad definition of the term leader to include not just senior executives like CEOs, business unit presidents, and function heads but also managers through the ranks who lead departments or work teams. Although workplace recovery always benefits from the understanding and support of the most senior executives, I have seen it occur as a result of the commitment and hard work of middle managers who recognize they have a job to do in helping their team members let go of the effects of transitions before moving ahead to accept new workplace challenges and opportunities.

The book is also intended for the professionals who assist executives and managers in changing workplaces. This includes human resources and communications specialists, internal and external consultants, and strategic planners and other staff specialists who see the impact of mismanaged transitions and recognize that there is a job to do in ending the old before people can consider moving forward. And the book is helpful to individual employees who have lived through a merger, acquisition, or downsizing and can benefit from knowing that their reactions of anger, insecurity, and uncer-
tainty are perfectly normal. But even though the old organizational order may feel comfortable to them, they have to recognize that their workplace has changed and they must inevitably change with it. Finally, I hope the book is of value to students and professors who study organizational life, as it documents a link between theory and practice in the fields of organizational psychology, organizational behavior, and organizational change and development.

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Mitchell Lee Marks heads JoiningForces.org in San Francisco and San Diego. His areas of expertise include corporate culture, team building, organizational effectiveness, management development, executive coaching, senior team development, human resource management, and the strategic planning and implementation of organizational change. He works extensively with firms planning and implementing mergers, restructurings, downsizings, and other transitions. He is recognized internationally for developing innovative approaches to achieving desired business results during and after transition.

Marks is a consultant to a broad range of organizations, from small start-ups to large multinational firms. Current or past clients include Pfizer, America Online, Intel, Motorola, AT&T, Lockheed Martin, Unisys, Hewlett-Packard, Lucent Technologies, Abbott Laboratories, KPMG Peat Marwick, Imperial Oil of Canada, BP Amoco, Phillips Petroleum, Molson Breweries, SBC, Bank of America, Citibank, American Airlines, Delta Airlines, Seagram, Kaiser Permanente Medical Care Program, Blue Shield of California, Los Angeles County, the March of Dimes, and others in the financial, manufacturing, health care, entertainment, high-technology, professional services, government, publishing, consumer products, and communications industries.
Marks earned his bachelor’s degree in psychology and communication from the University of California at Santa Cruz and his master’s and doctoral degrees in organizational psychology from the University of Michigan. Prior to establishing his own firm, he was national practice group leader in human resource management for William M. Mercer, Inc., and senior director at the Delta Consulting Group. He was founding director of the doctoral program in organizational psychology at the California School of Professional Psychology and served on the faculties of the University of California, Irvine, and California State University. He has lectured at Harvard Business School and the Smithsonian Institution and regularly presents to business, academic, and professional and business groups.

Marks is the author of four books in addition to this one—Joining Forces: Making One Plus One Equal Three in Mergers, Acquisitions, and Alliances (with Philip H. Mirvis); Resizing the Organization: Managing Layoffs, Divestitures, and Closings—Maximizing Gain While Minimizing Pain (with Kenneth P. De Meuse); From Turmoil to Triumph: New Life After Mergers, Acquisitions, and Downsizing; and Managing the Merger—along with numerous articles in management and scholarly journals. His work has been reported frequently in the Wall Street Journal, Fortune, The Economist, U.S. News and World Report, Business Week, the New York Times, the Washington Post, and Sports Illustrated, as well as on the PBS News Hour, NBC Nightly News, CNBC, and other television programs.
PART ONE

The Costly Impact of Transitions on Organizations and Their People
When Dan left his job as a reporter on a daily newspaper to become a technical writer at a dot-com start-up in October 1999, he was energized by his prospects: he loved technology and looked forward to working in that fast-growing business sector; daily newspapers, he predicted, would soon be replaced by people getting their morning news on the Internet. His new employer had a laid-back culture of sandals, Friday beer busts, and pets welcome in the office; suits and ties were required in the stodgy world of journalism. And no small matter, the dot-com offered a slew of stock options to sway him to jump ship; rumors regularly circulated around the newsroom that headquarters back east was about to make some cuts in the bloated staff.

Dan figured his timing couldn’t have been better. For a while, he was right. The dot-com’s reputation, stock price, and staffing grew rapidly throughout 2000 and into 2001. Dan felt comfortable, even as scores of other dot-coms were letting people go or shutting down completely. But by the summer of 2001, it seemed that almost every day Dan ran into someone from another firm who was either laying people off or being laid off themselves. Then the bottom fell out from under Dan and his employer. Anticipated revenues never materialized, the company’s stock price fell from 80 to under a dollar, and the venture capitalists who bred life into Dan’s firm were no
longer willing to pay for financial life support. They sold a majority interest of the company to a European media conglomerate.

At first, the new owners made no major changes. Rather than interpret this as a positive sign, employees grew anxious. Seeing what was happening elsewhere in Silicon Valley, they wondered what was going on in their organization. The lack of action was almost unbearable. When they asked questions of their leaders, the response was always “It’s business as usual—just do your job.” Executive visibility and communication seemed to be much less than when Dan first joined the firm. Filling this information void, rumors of mass layoffs ran through the organization. Then, on the day before Thanksgiving 2001, the European owners made the announcement: fully 25 percent of the workforce was going to be laid off through an involuntary reduction in force. Employees became paralyzed, and work stopped as people waited to see what would transpire. Then, as Dan recalled, the cuts came:

Around three or four o’clock every day, someone from HR would come up and talk to the department manager, and then the manager would walk up to that day’s victim and hand the person an envelope. In front of everybody, the manager told the person that he or she had half an hour to clear out. A security guard was posted nearby, in case anyone stayed more than thirty minutes.

Each day, right around three in the afternoon, the tension of people waiting for the HR person to come up and deliver the envelope was so thick you could cut it with a knife. Then we got a clue about how to know what your fate would be that day. Targeted people’s personal computers would be shut down at 2:00 P.M. They got a message that the system was down or that log-in access was denied. The company did not want these people on the computer.

The worst of it was a couple of times when the company turned off the wrong machines—people who were supposed to be staying assumed they were being booted out. Then
there was the day that the entire system went down by accident. . . .

Dan was spared from the Thanksgiving Day massacre, as surviving employees dubbed it. But rumors began to circulate in early 2002 of an impending restructuring, perhaps the merger of the dot-com with another division of the European owner. Well into 2002, Dan still did not feel comfortable about his position:

The company has told us nothing. People are learning what they know from industry magazines. Everyone is paralyzed again. And there is tremendous anger at the Europeans and at our local leadership.

There is no loyalty here; no one is going to go the extra mile after this. Two years ago, we worked sixty-five-hour weeks. People were willing to do it, because this was a great place to work and we were doing something that mattered. Personally, I am devastated. From here on in, it’s just a job for me. I’ll put in my forty hours and that’s it. People talk about leaving the company, but no one is hiring.

What really concerns me is I have to do this for thirty more years—put myself at the mercy of a corporation. I don’t think I can do this.

**Mismanaged Transitions**

Many organizations, as they respond to bad economic news, fall into a classic pattern of mistakes. As profits erode and they lose market share, employers frequently worry first about the investment community and focus their communication efforts externally rather than internally. Likewise, when executives search for creative solutions to company business problems, they too often decline to discuss options with workers or offer any kind of outlook for the future. Instead, company leaders lower their profile with their own employees as they grope for the right strategy or combination of actions.
The result is nervous employees who believe that management is either insensitive to their plight or fresh out of ideas. When company leaders are finally ready to talk about recovery and revitalization, their past behavior has earned them an insecure workforce more inclined to lick the wounds of the past than to move forward to capture emerging business opportunities.

Senior executives regularly make missteps when managing events like mergers, acquisitions, and downsizings. Even when relatively well planned and carefully implemented, mergers, acquisitions, and downsizings produce unintended negative consequences. These transitions have negative—not merely neutral—effects on the people, work groups, and functions that survive. That is the starting point for this book. It describes how forward-looking leaders who see economic recovery as an opportunity to build a better-performing organization must accept and acknowledge that employees are still looking behind or, at best, are still dazed from the stress, uncertainty, and chaos of living through a transition. This book shows how to apply the relatively simple tools of organizational change management in a context that is far from simple: a workforce characterized by the anger, cynicism, fear, hurt, and demotivation that linger long after senior executives claim that the merger, acquisition, or downsizing is “over.” It does this by addressing transition at both the individual and organizational levels: acknowledging the very natural and normal pattern of human adaptation to transition and using the unsettledness of the posttransition organization as an opportunity to articulate and realize desired organizational change.

Leaders who have mismanaged transitions—or their successors who inherit organizations that are reeling from the aftereffects of mismanaged transitions—have a job to do in reenergizing their people and revitalizing their organizations. If they do not realize this, these executives are in for a big surprise. CEOs, business unit heads, and team leaders may be personally energized by the opportunities that lay ahead. This makes very good sense, because they are at the helm and in control of their organizations, they determine the strategies, and they allocate the resources. Leaders may be motivated by the poten-
tial of financial growth, organizational success, and personal reward. Their spirits are buoyed by new business opportunities—perhaps the adoption of a new strategy, the introduction of a new technology or product or service, the strengthening of the economy, or even the elimination of a competitor. They anticipate that after a long and difficult struggle, victory in a decisive battle is just at the top of the next hill. They see the goal and will confidently rally their troops around the mission at hand. Then the cry will come for the troops to charge up the hill and take the prize.

Unfortunately, the troops will be neither ready nor willing to charge up the hill. Rather than focus on the opportunity ahead of them, they will be unable to let go of the pain behind them. Their vision will be obscured by the emotional residue of anger, distrust, and depression built up over years of false promises and unmet expectations. Nor will the troops have the confidence that they can take the hill—their self-esteem will be battered, their faith in their organization broken. Most significant of all, the troops will not see how any personal gain will result from taking the hill. Instead, they will fixate on memories of their fallen comrades: the casualties of layoffs and downsizings and the “walking wounded” whose careers were sidetracked by mergers and acquisitions.

**Employee Worries**

Fear of job loss following a merger or an acquisition was the number one worry among senior executives in the thousand largest U.S. companies in the 1990s. The timing of the survey—after merger and acquisition activity had significantly waned due to recession, the tightening of capital by major financial institutions, and a generally greater sensibility in guiding corporate combinations—makes the results all the more dramatic. Executives and other employees retain vivid memories of the trauma experienced when firms are merged or acquired, cultures clash, and coworkers who seem like decent contributors are let go merely because their positions have become redundant. Even in organizations that have not merged or
been acquired, employees have learned (from firsthand experience in past jobs or vicariously from their neighbors, friends, or relatives) about the stress and anxiety associated with organizational transition.

The number two fear reported by the surveyed executives was burnout. Burnout entered the popular vocabulary in the 1970s after studies of mental health and other social service professionals documented that large workloads and minimal resources contributed to a sense of hopelessness in aiding clients. The “system” was not working, and these professionals grew physically tired and psychologically alienated. They expressed anger and doubt about the worth of what they were doing along with an overall lack of job interest.

Today, burnout signifies feelings of physical and emotional exhaustion, alienation from others, and reduced personal accomplishment. It is equally likely to occur in big corporations, small businesses, government offices, or not-for-profit agencies. In organizations that downsize through layoffs or hiring freezes, surviving employees have to work harder to cover the tasks of others. Fewer support staff or other resources are available to help get the job done. The new workplace offers scant advancement opportunities as management levels are eliminated and career paths are obscured. The recession that began this century has limited pay increases and bonus pools, and the deflated stock market has sunk stock options. All of this prompts people to ask what the payoff is for working so hard. One middle manager from a high-technology firm that went through a merger and two subsequent waves of downsizing within a four-year period put it this way: “I get to work early, stay late, come home, throw some food down my throat, put the kids to bed, do some more work, fall asleep, and get up and do it all over again. What kind of life is this? Yeah, I’ve kept my job while many people I know have lost theirs. But how could things be any worse if I lost it?”

Fears of job loss and feelings of burnout extend well beyond the executive suite. In the past decade, professional, managerial, and other white-collar employees joined blue-collar employees (the tar-