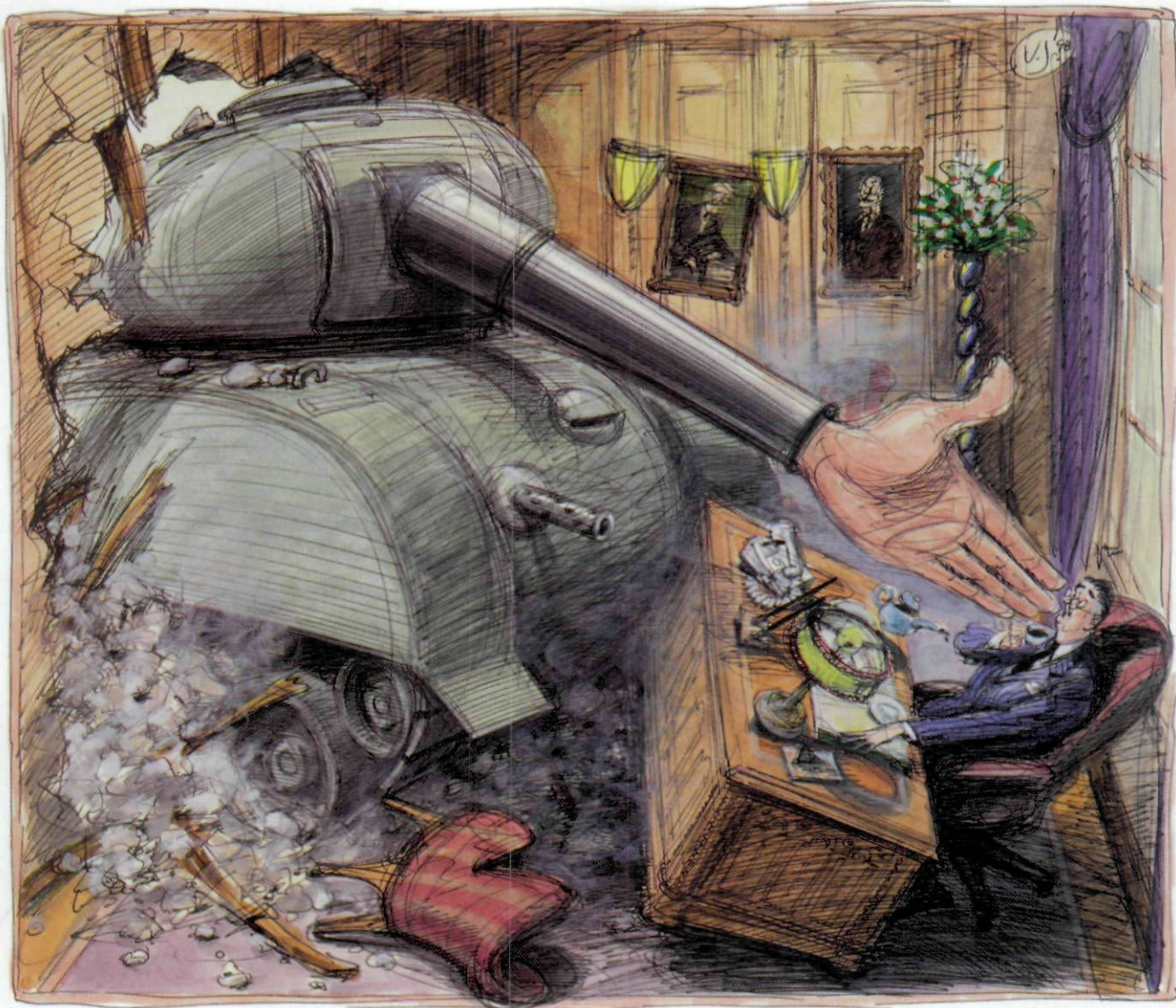




NICK CUNNINGHAM HAD BEEN against the Beauchamp acquisition from the beginning. Nick's company, Synergon Capital, was a U.S. financial-services behemoth, constantly on the lookout for acquisitions. Typically it acquired turnaround candidates—small companies with established market positions and poor management. But Beauchamp, Becker & Company—a British financial-services company with a great history, strong profits, and an extraordinarily loyal client base of wealthy individuals—didn't fit that description at all.

Nick told his boss, J.J. d'Amato, exactly what he thought. "We'll

have to pay too much," he said. "And our cultures are completely different. We don't play the same game. They don't care at all about growth."

J.J. scoffed. "Stop being such a wuss. Let's just do it. I'm sure we can find some money they're leaving on the table." J.J. was rising fast in the company. Listening to subordinates was not among his strengths.

"I'm not so sure," responded Nick. "This isn't a dog that no one wants, run by amateurs. They know more about their customers than we ever will. They're different."

"You worry too much about the soft stuff, Nick," J.J. said. "Relax.

We won't force them to change that much. You'll figure out how to make the numbers."

The Synergon Style

Nick had been with Synergon for three years. He'd signed on because of the company's powerhouse performance. Synergon's acquisitions style was legendary. It used a crack team of financial auditors and operations professionals in the due diligence phase to figure out where it could add value. Every team had a "war room" at corporate headquarters with charts, fax machines, computers, and phones. It was staffed around the clock until the deal was

Can This Merger Be Saved?

On paper, it was a peaceful union. On the ground, it feels like a battlefield.

by Sarah Cliffe

done. The team prided itself on identifying every nickel the target business took in or spent.

After Synergon closed a deal, its integration machinery took over. Within weeks, it would close the acquired company's back-office operations and shift work to the nearest Synergon office. Since the acquired company was usually badly managed, Synergon would fire most of the management team within 12 months. Internally, they called this tactic "neutron bombing." The people were gone; only file drawers and contracts remained.

Synergon relished its rough culture. Due diligence teams were called

"commando squads"; its members got 18-inch bowie knives with their names and that of the acquired business engraved on them. Negotiating teams got silver-plated sledgehammers if they closed a deal at a price lower than the figure initially quoted to the board. Operating managers who achieved an acquired business's earnings and productivity targets in the first year got 12-inch-long models of a piranha.

Synergon's CEO swore that a "take no prisoners" approach was vital to survival. "The marketplace is war," he told new M.B.A. recruits. "That nickel you see at the end of the negotiation table belongs to us.

Get it. It's ours. There may be some collateral damage along the way, but it's our damn nickel."

Sometimes Nick found himself at odds with this culture. It's not that he wasn't competitive, but he had a more thoughtful side than many of his colleagues. He was worried that the Synergon style would someday get in its own way when the company was faced with a situation that didn't fit into its game plan. And Beauchamp, it seemed to him, might be that situation.

A Marriage Made in Heaven

Still, the acquisition made sense. Beauchamp would give Synergon a foothold in Europe—a key part of the company's strategic plan—as well as access to extremely desirable customers. And the deal could make sense from Beauchamp's point of view, too. The company needed to grow, and Synergon had deep pockets, plus some areas of expertise that Beauchamp lacked.

But the acquisition made Nick nervous because it would only work under two conditions: first, if Beauchamp's customers remained happy and, second, if Julian Mansfield, Beauchamp's longtime managing director, stayed on board. Mansfield was smart, sophisticated, and polished. Synergon could learn a lot from how Mansfield managed his clients. The problem was, Synergon didn't think in terms of learning.

Nick pointed out this problem one last time before J.J.'s acquisition pitch to the board, but to no avail. "Let it go, Nick. We're going to jam this through and they're going to love it."

And J.J. was masterful before the board. "We will leave Beauchamp alone. It's a great cross-selling opportunity for us," he said, looking deferentially at Synergon's CEO, Norman Waskewich. "And Nick will help get them focused on growth."

J.J. was on a roll. "Synergon's management and Beauchamp's customers. It's a home run. A slam dunk. They will learn what we've always known: You have to grow or die. They will grow."

Sarah Cliffe is a senior editor at HBR.

Right after the meeting, J.J. set the rules. Pointing a finger directly at Nick, he said, "You have three tasks. One, Beauchamp doubles its earnings in three years. They need a 20% pop in income in year one. Cut some heads and we'll get there. Two, no blowups at Beauchamp. Nada. The press and the analysts are all over us on this deal. Third, I want their big customers so I can pitch our products. And I want Mansfield to get me in. If he walks, they walk, and our pitch walks. If Mansfield walks, you walk out right behind him. Got it?"

The Venerable Beauchamp

Soon after the deal closed, Nick made a quick trip to London. He met briefly with Julian Mansfield and the rest of the senior management team. There was a lot of polite talk about Beauchamp's wonderful traditions and the "significant synergies" that existed between the two companies, but not much of substance occurred.

Nick scheduled a second trip for a month later—he was facing the end of Synergon's fiscal year and couldn't get back any sooner. In spare moments during the ensuing weeks, he studied Beauchamp. The place was impressive, no doubt about it. Beauchamp was an unusually stable company. Its management team consisted of 16 people who'd worked together for more than a decade. The 700 associates routinely shifted from one project team to another to handle a surge in business, solve a customer problem, or get a product to market. The turnover rate was a mere 4%, and managers averaged 21 years of experience with the company. (In contrast, Synergon's turnover rate was 21%, and the average tenure for managers was 6 years.)

Julian Mansfield presided over the whole like an old-fashioned patriarch. His title was managing director, but he was Beauchamp. He was the godfather of dozens of associates' children. He was revered within the company for his business sense and character, and he was well known in charity circles for his generosity.

As Nick was pondering his second face-to-face meeting with Mansfield, the Synergon integration team swung into action. First, Synergon's

HR director informed his counterpart at Beauchamp that Beauchamp's Associate Bonus Plan, which provided every associate with at least a modest bonus, would be scrapped. Synergon's Big Bang Bonus Plan, which favored senior managers who achieved high earnings growth, would take its place. The change would reduce the bonus for 70% of Beauchamp's associates.

Second, Synergon closed the cafeteria that for years had provided Beauchamp employees with a free lunch. Employees complained to one another as they ran out at lunchtime for take-out food. Julian was mortified that the "caf ladies," who'd been with Beauchamp for years, were let go with only a minimal severance package.

Third, Synergon's finance director informed his counterpart that purchasing and travel would now go through Synergon vendors. Agreements with vendors in these areas were geared toward big-ticket items, such as executive office furniture or cross-Atlantic airfare. Although Synergon's arrangements kept its own costs down, they were bound to push Beauchamp's up, since the smaller firm used regional carriers with lower local fares. People at Beauchamp were upset that longstanding relationships with local suppliers would be eliminated.

To top it all off, Synergon was now requiring multiple approvals before granting customer credit; the approvals would be based on customer industry, contract profitability, customer location, and the type of asset offered as collateral. Beauchamp salespeople had always made credit decisions with a conversation and a handshake. Under the new regime, Beauchamp received its first customer complaint in living memory when a valued customer of many years lost a deal while waiting for his loan approval to come through.

Julian and his longtime executive assistant, Olivia Carlton, heard daily complaints, too, about the new reports and forms that Beauchamp managers had to fill out for Synergon officials, who never introduced themselves or explained why the forms were necessary. Synergon was asking for numbers on market share, com-

petitor data, cost reductions, productivity increases, and risk allocation.

When direct communication did take place, it was horrible. The day before Nick's second visit, a Synergon financial auditor brought Olivia to tears. "Fax me the F-14 sheet in the next hour or I will be in your face Monday morning and your boss will hear about it. *Get me my report.*"

The Honeymoon's Over

When Nick walked into Julian's office on his second visit, the older man rose and shook hands, trying to be cordial, but he was clearly annoyed. After some initial small talk, he said to Nick, "Let me ask you a question. Is Synergon *trying* to offend me?"

"Goodness, no," said Nick, taken aback. "What do you mean?"

"Well, you can see that I'm not a small man," answered Julian. (Indeed, he was well over six feet tall.) "As you know, I travel a great deal, and I happen to suffer from arthritis. Yet my assistant has just informed me that I'm not to fly business class to Paris. Company policy doesn't *allow* that without permission from my superior. That would be you, I expect...?"

Nick stuttered out an explanation and assured Julian that the policy would be overridden. Julian gazed out the window for a long moment, then turned back to Nick.

"Look, Mr. Cunningham, we can help you reach these absurdly high target numbers you've set, but not unless you let us do our work."

"What do you mean?" responded Nick, genuinely puzzled.

"I'll show you what I mean," said Julian, opening his desk drawer and pulling out a two-inch pile of faxes. "These are just a few of the vital, urgent, ASAP messages we've received from your people. Do you have any idea how time-consuming and idiotic these forms are?"

Nick recognized most of them. Some were administrative: the travel center asking whether the "new employee" would prefer nonsmoking hotel rooms and what kind of airplane seat, aisle or window.

Some were procedural: HR asking that performance evaluations be completed for all subordinates in

SEPR format—which meant Synergon Employee Performance Review, but there was no explanation. And the S-EEO-1, which asked Beauchamp to classify employees by race, gender, and level, something not done in the United Kingdom.

Some were financial: the B-52s, growth projections for the next three years, and the M-16s, cost-reduction sheets for the past 12 months.

All told, several dozen requests from 14 different people at corporate. Nick recognized this as routine work that Synergon managers did at home on Sunday afternoons.

"I'll do my best," replied Nick. "I can get someone over here to help you out. But this is how we operate."

Mansfield narrowed his eyes and said with barely concealed anger, "I'm sure it is how you operate. But if your operations mean that my company—which was ticking along very nicely, thank you—becomes paralyzed, then we both have a problem. You people have a very odd notion of what 'leaving Beauchamp alone' means."

After a brief pause, he went on. "You know, Mr. Cunningham, you seem like a nice fellow. But I've been around too long to have to put up with this much impertinence. To have these boys you call auditors insulting my assistant is, frankly, something I can do without. My wife's been on at me to retire for the last year or two and, I must say, that idea is starting to sound attractive.

"I have a suggestion. Why don't you take the rest of the day off? You can get over your jet lag. There's a Sargent exhibition at the Tate that you might enjoy, and Miss Carlton could probably get you some theater tickets for tonight, if you like. Why don't we meet tomorrow morning, after you've slept on it, to talk about the future of the company."

HBR's cases present common managerial dilemmas and offer concrete solutions from experts. As written, they are hypothetical, and the names used are fictitious. We invite you to write to Case Suggestions, Harvard Business Review, 60 Harvard Way, Boston, MA 02163, and describe the issues you would like to see addressed.

Can the Beauchamp acquisition be salvaged? How should Nick prepare for tomorrow's meeting with Julian?

Six commentators explain how Nick can bring peace and prosperity to the newly merged companies.

Synergon excels at assimilating new companies but is terrible at integrating them.



BILL PAUL

is a partner in DelTech Consulting, a firm that specializes in acquisitions integration. It is based in Avon, Connecticut.

Nick Cunningham's problem is that Synergon excels at assimilating new companies but is terrible at integrating them. Between the two tasks lies a world of difference.

Assimilation works when the goal of the acquisition is to consolidate the two companies. In such cases, the deal itself is the major work. Once the deal has gone through, the objective is simple: make the acquired company just like the purchaser. In some cases, a consolidating acquisition

means isolating a tangible asset, product line, or high-performing unit and forgetting the rest. In any event, the acquired company's organizational culture doesn't matter, because it likely caused the underperformance that led to the acquisition. The same is true for that company's people. Their only choice is to adapt or leave.

Assimilation does not work in the case of a strategic acquisition, joint venture, or merger—integration is required instead. The real work begins after the deal. The goal is either to create a wholly new third company or to maintain separate identities while sharing strengths. The acquired company changes some practices, keeps others, and transfers still others to the purchaser. Organizational culture is critical, and people are paramount—the purchaser should retain most of the acquired company's employees.

Acquiring organizations are inclined to force assimilation on their new companies, regardless of circumstances. After a deal, many well-intentioned people will inundate the acquired company with requests and changes in an attempt to improve its business performance or its connections with the new parent. The result is an "accumulation effect" in which each request is modest in its own right, but the totality paralyzes the acquisition. Over time, this effect erodes the behaviors that made the company a success. That's exactly what is happening in this case. Beau-

continued on page 36

champ requires integration, and Nick needs to override Synergon's usual assimilation tactics.

In the short term, Nick should appoint an on-site integration manager from Synergon. Beauchamp doesn't know who or what is important, so every request appears serious, even the F-14 sheet from the financial auditor, who may be a first-year associate trying to impress the bosses. Beauchamp has no idea whether the form needs attention today or next week—or perhaps it can be stored in the circular file? The Synergon integration manager would know.

Nick then needs to drive a strategy that applies the three C's of integration: clarity, conflict resolution, and consensus building.

Nick must identify and clarify the "nonnegotiables" of the deal. Those are mainly the financial targets that led Synergon to make the acquisition. They include increasing Beauchamp's net income by 20% in the first year, doubling it in three years, and reducing the head count. Other

Nick needs to get Mansfield on his side. He needs to express regret about how the transition has gone so far.

nonnegotiables would include adhering to Synergon's risk-assessment process and introducing Beauchamp's customers to Synergon.

Nick also needs to clarify the differences between the businesses and why those differences exist. When you tamper with a business without understanding why it is successful, you confuse people in the acquired company and risk destroying its value. When two organizations are of equal size, such misunderstanding results in cultural wars that make it impossible to realize financial goals; consider the deal involving AT&T and NCR. And if the purchaser is much larger, the acquired company's strengths are usually trampled on. That's what happened when Quaker Oats bought Snapple, and that's what's happening in this case.

Nick can still prevent the misunderstandings from ending in disaster. To build consensus, he should bring the key people from both sides together for a couple of days. In-depth discussions will allow the two companies' executives to gain an appreciation of their different places in the market and different approaches to doing business. Having done that, the two sides should come to an understanding—based on available data and customer research—about what the market demands are likely to be over the next couple of years. If Synergon and Beauchamp build a business model based on the connections between market demands, competitive advantages, and organizational processes, they will be able to resolve organizational conflicts.

This group meeting is essential. If Nick fails to bring the two sides together around market demands, people will try to resolve problems one at a time, the integration process will drag on, and the acquisition will suffer. In another scenario, conflicts will simply be resolved on the basis of power or politics. In other words, Synergon will win every battle but destroy the reason for the deal.

Once a broad consensus has been reached, it will be possible for Julian Mansfield to talk about specific difficulties. For example, he may contend that Beauchamp will not be able to double its net income in three years *and* abide by Synergon's risk process. The reason? Competitors will poach customers by offering a quick turnaround on financing. Synergon's managers may disagree, but at least the two sides will be able to have a reasonable discussion.

One last note: before any of this can work, Nick needs to get Mansfield on his side. He needs to empathize with him and express personal regret about how the transition process has gone so far. In return, he needs a commitment from Mansfield that he will stay on and help Nick with the transition. If these two men can begin to understand each other, they may be able to salvage the acquisition.

A well-structured incentive plan could be all Beauchamp needs. At the end of the day, does it matter how Mansfield achieves Synergon's targets?



J. BRAD MCGEE

is a senior vice president at Tyco International, the conglomerate based in Exeter, New Hampshire.

"Our assets wear shoes." I first heard that expression from the CEO of a service-based company while I was in the diligence phase of acquiring her business. She was referring to the people-oriented nature of service companies—their reliance on relationships and the unique skills of individuals. In this case, she was advising me to be cautious about unraveling the fabric that held her people together. The same cautionary words apply to Synergon's acquisition of Beauchamp.

Clearly, this acquisition is a departure for Synergon. Its success depends not solely on reducing costs but also on increasing revenues. That's difficult for two reasons. First, selling incremental products to the same customers requires that they change their behavior. Second, it's hard to forecast increased revenues accurately; forecasts in this case would be susceptible to exaggeration. Nonetheless, this acquisition can be saved.

I've been involved in dozens of acquisitions, and in my experience

there's always room for improvement—even when a company is well managed. I recommend that Nick do the following:

Make Julian Mansfield part of the solution, not the problem. Mansfield has already expressed his willingness to help Synergon reach its “absurdly high” target numbers. At least for the short term, Nick should leave Mansfield clearly in charge of Beauchamp and allow him to create and own the plan to realize Synergon's targets. He likely performed his own diligence on Synergon before the merger and understood their financial goals. He also likely gave his blessing to the merger knowing that he would be under Synergon's management.

Put Mansfield on an attractive P&L-based incentive program. If Mansfield is a good manager, he will use the new tools available to him to drive both revenue gains and cost reductions based on the aggressive P&L targets. Those tools include access to a broader range of products and to Synergon's ideas about streamlining operations. Large cost-reduction opportunities can exist even in well-managed companies that are acquired. A well-structured incentive plan could be all Beauchamp needs. At the end of the day, does it matter how Mansfield achieves the targets?

Put a finance person from Synergon into Beauchamp. Make sure that the CFO or corporate controller at

rect access to knowledge about how he should be integrating the two firms. Finance people often work well in this role. They are generally viewed as nonthreatening and often have a good understanding of business operations.

Closely monitor Mansfield's performance. Due diligence can be very good at identifying the financial, legal, and environmental fitness of an acquisition target. However, it often fails to uncover the interpersonal dynamics that hold service companies together. In this case, it's difficult to assess how critical Mansfield is to Beauchamp's continued success. Nick should use the first three to six months after the merger as an evaluation period (the finance person is critical to this phase). After that, it should be clear whether or not Synergon needs to keep Mansfield on board.

Back off the bureaucracy. Synergon's bureaucracy will only burden Beauchamp, and it may prove demoralizing.

Now to the more immediate concern in this case: the upcoming meeting between Nick and Julian. Nick should brief J.J. d'Amato on the plan of action detailed above and have d'Amato recommend a financial person to bring into Beauchamp. Nick should think through the plan and be able to discuss it clearly and provide supporting arguments for each part of the plan.

During the meeting, he should assure Mansfield that he will be in charge of achieving the aggressive targets for Beauchamp and that he will be enriched for meeting or exceeding those goals. At the same time, he must inform Mansfield of the ways Synergon can help him, and he must get Mansfield to agree to include a Synergon financial person on his management team.

The meetings I've had of this type have gone very smoothly. Although people are often reluctant to change, they also realize—that being acquired means relinquishing ownership and control of their company.

It's critical that Mansfield agree to cross-sell Synergon's products. That's not going to happen unless it's in the financial interests of Beauchamp's associates.



JILL GREENTHAL

is a managing director of Donaldson, Lufkin, and Jenrette in New York City. She was the lead investment banker for TCI in its merger with AT&T.

The senior management team at Synergon knew that they needed to “leave Beauchamp alone.” But somehow that idea was forgotten after the deal went through. Nick's task now is to build a constituency within Synergon to treat the Beauchamp acquisition differently. It won't be easy, because Synergon's leaders have a playbook approach to acquisitions, and they've been very successful with it. This time, though, they've bought a good business, not a broken one, and they need to recognize that.

They also need to recognize—through actions, not lip service—that they've bought a company driven by the personality of its senior managers, especially Julian Mansfield. The problem is, Beauchamp's senior people probably made a fair amount of money from the sale, and it's going to be hard for Synergon to enlist the aid and support of people it's just made financially comfortable. Many

During the meeting, Nick must get Mansfield to agree to include a Synergon financial person on his management team.

Beauchamp is a person who knows Synergon. The importance of this action cannot be overstated. Having such a person in place offers two advantages: it establishes an insider who can monitor Beauchamp's financial health, its progress toward meeting goals, and its organizational dynamics; and it gives Mansfield di-

acquiring companies recognize this problem in the deal structure and pay senior management over two to three years, as goals are met. If Synergon has failed to consider this issue, it should move fast and put in place some very large incentives to get Mansfield and members of his senior management team to stay.

Next, Synergon needs to rethink the mechanics of integration. It can't leave Beauchamp completely alone, but neither should it take over every aspect of the business. It has to find a balance. For example, Synergon has a legal responsibility to understand Beauchamp's numbers, its financial reporting, and its credit risks. But other areas, such as purchasing and employee benefits, can be left to Beauchamp's discretion. Matters aren't helped by the condescending attitude drifting across the Atlantic from corporate headquarters. That attitude indicates that Synergon believes it has taken on another broken company and is prepared to demolish the old structure and build an entirely new one.

So far, Nick hasn't really done his job. There are, however, several steps he can take to avert a meltdown. Essentially, Nick must serve as—or appoint—a referee who will make the integration work by helping the two companies understand each other.

To accomplish that goal, he needs to persuade people on both sides to think in new ways. He must convince the people at Synergon headquarters that the acquisition will fail unless certain rules are broken—that, for example, not *all* the company's forms are critical to Beauchamp's future success. And he needs to be Mansfield's advocate at the top levels of the company. He's the only one who can absorb Mansfield's concerns and translate them effectively.

In the meantime, he should reassure Mansfield at their next meeting that he will work on Beauchamp's behalf to reduce the bureaucratic irritations now plaguing the company. Then he should turn to the serious matter of making the numbers. It's a hopeful sign that Mansfield seems to understand the objectives and has even indicated that Beauchamp can

meet Synergon's "absurdly high" target numbers.

It's critical that Mansfield agree to cross-sell Synergon's products. That's not going to happen unless it's in the financial interests of Beauchamp's associates, including Mansfield. Nick and Julian need to map out a sound game plan that includes changes in compensation, cross-selling incentives, and an understanding about how to retain customers and employees. If Beauchamp's employees have not been granted stock in Synergon, that omission should be corrected.

During these conversations, it will be important for Nick to convey

to Mansfield what he needs to do to become part of the corporate team. At the same time, they need to start planning for Mansfield's eventual retirement. Should they look to the next layer at Beauchamp? Or should they bring people in from Synergon to learn the business? This issue needs to be addressed sooner rather than later.

If Nick can persuade Synergon's top management not to fix what ain't broke, and if he can hold Mansfield's hand a little while the integration phase moves forward, then Beauchamp's future has a chance to be a happy marriage of growth and tradition.

Mansfield may want to fly coach and spend the savings on another design engineer. Such trade-offs are his to make, but he is accountable.



DALE MATSCHULLAT

is vice president and general counsel for Newell Company in Freeport, Illinois; he oversees the company's acquisition integrations.

In my experience, it is easier to do a job yourself than to manage others who are trying to do it. The Synergon story suggests that my experience is valid.

If I were meeting with Julian Mansfield, I would start by telling him that I appreciate his signing on

to Synergon's budgetary goals. I would let him know that, although we must agree on budgetary and strategic goals, he will ultimately be in charge of reaching them.

Next, I would ask Mansfield to develop a strategic plan for the business. The plan should be reviewed at least annually and must include: an analysis of the marketplace; an assessment of competitors' strengths and a plan for exploiting their weaknesses; suggestions for building on Beauchamp's strengths and attacking its weaknesses; a discussion of strategic opportunities; and a plan to make cross-selling effective. The strategic plan should contain virtually no numbers.

I would also ask Mansfield to prepare a budget for the next operating year—a nuts-and-bolts document that commits the company to figures for sales and profits. It will be negotiated with me and others at Synergon and must be based on a realistic sales forecast. Once the terms have been agreed on, they have to be met.

It is important that Mansfield's team develop these documents. As long as Mansfield can sell his vision to Synergon, he will shape the future of Beauchamp. Synergon has the capital to make his vision real.

Further, I would discuss the huge dissonance between the corporate cultures. I would tell Mansfield that I am going to bring a high-level Synergon manager into Beauchamp—

probably a corporate controller. The controller, who will be a member of Beauchamp's senior management team, will handle inside operations and manage costs. Mansfield will be free to manage sales growth and customer relationships. He and the controller will meld the two cultures.

All those ASAP messages from Synergon will go directly to the new controller. If there are problems, I would tell Mansfield this: "Not only will I be your boss, I will be your shield. You are responsible for Beauchamp's success, and as long as you respond successfully, you will be left to run it. It is my job to see to that."

I would then focus on Mansfield's hints about retirement. Optimally, Mansfield should run Beauchamp. But it is unacceptable for him to manage the integration with his mind on retirement. I would remind him that Synergon paid a premium for Beauchamp, partly because of its respect for his accomplishments. Synergon believes that he has the vision, guts, experience, and stamina to grow the company. However, unless Mansfield is 100% behind the endeavor, Synergon will not provide the capital he needs to do it.

Mansfield has to understand that Synergon, in its brash way, brings important principles to the table. It is very profit oriented and believes in lean, decentralized organizations that are self-driven but accountable.

So if Mansfield wants to fly business class around Europe, I will support it. But his strategic plan is going to require substantial growth. Perhaps he would prefer to fly coach and spend the savings on another design engineer. Such trade-offs are his to make, but he is accountable.

And yes, we can phase in the Synergon bonus plan. But at Synergon, bonuses are an important part of the compensation scheme. They are awarded when the budgeted numbers have been achieved. They are not given out for any other reason. Mansfield will have to find a way to motivate Beauchamp's midlevel associates without a bonus plan.

If Mansfield agrees to implement the ideas outlined in this meeting, Synergon will have purchased Beauchamp on the cheap.

Nick's supervisor either does not understand or does not care about the cultural issues separating the companies being merged.



DANIEL VASELLA

is president of Novartis, the company that resulted from the merger of Ciba Geigy and Sandoz. It is based in Basel, Switzerland.

Nick's not in an easy position. He has to manage a merger he doesn't believe in. His supervisor either does not understand or does not care about the cultural issues separating the companies being merged. And he's overseeing an acquired company whose managing director has been highly successful, is close to retirement, and has no incentive to change.

Nick has two choices. He can impose Synergon's culture—its strategy, business processes, and people—on Beauchamp. Or he can help Julian Mansfield find a way to operate in a reasonable environment. The first choice isn't really viable: Mansfield will leave, Nick will be fired, and the acquisition will fail. So Nick needs to ensure that he and Mansfield come to an understanding.

Nick should go into tomorrow's meeting with a crisis-management mind-set. He must stabilize the situation. He needs to get Mansfield's agreement to corrective actions, as well as his commitment to stay for at least six months. I suggest six

months because I don't believe Mansfield would commit to staying longer at this stage. Once Nick has established that he's acting in good faith, he may be able to negotiate a longer-term commitment with Mansfield at a later date.

I propose that he do the following. First, he needs to recognize the tremendous past achievements of Mansfield and Beauchamp and establish a sense of mutual respect. Second, he needs to depict in a compelling way Beauchamp's opportunity to become Synergon's flagship European operation. Mansfield has to buy in to a common future that is better in some ways than Beauchamp's past. Third, Nick has to explain Synergon's original motives for the acquisition—not only to get a foothold in Europe but also to introduce Synergon's products to Beauchamp's customers. I'm not sure that Mansfield ever understood these things. Fourth, Nick must acknowledge the existing problems and his own responsibility for them. He should find out which problems are the most disturbing and require immediate correction, and how Mansfield would go about mending these problems. That is, Nick needs to tap Julian's experience and, in so doing, acknowledge his capabilities. It's important that he act quickly.

Further, Nick should talk not just with J.J. d'Amato but also with Synergon's CEO. This is a major acquisition; there's a lot of money at stake. He should request formal approval for corrective actions. For example, there should be a commitment that all requests from the United States be cleared through him. And if Julian has never met Synergon's CEO, Nick should arrange a meeting.

Finally, to tie up the loose ends of the short-term crisis, Nick should propose biweekly progress reviews, to be conducted either by phone or in person. The sum of these steps should prevent the short-term problems from leading to a total deterioration of the acquisition.

In the long term, you're left with the question of how you align two companies with totally different cultures. For example, I do not think that Beauchamp is well suited to

grow Synergon in Europe. I would rather relocate one or two Synergon people and put them under Mansfield; they would be responsible for growing the business externally.

What are the lessons of this case? When you make an acquisition, you must have total agreement on the merger objectives and key strategies. You must share a vision of the value added by the merger. You have

to be aware of cultural differences. Eventually, the customer base, the strategy, and the culture of the acquired company have to fit. And once you have a common understanding of the merger objectives and key strategies, you have to gain rapid agreement on responsibilities, accountability, empowerment, and boundaries—and you have to keep the lines of communication open.

**It was misleading to say
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ALBERT J. VISCIO

is a vice president of Booz-Allen & Hamilton in San Francisco. He has consulted extensively on postmerger integration.

Synergon has made errors in both the mechanical integration and the strategic value integration of its new acquisition.

The mechanical integration is not being tailored to the situation. Instead, Synergon is using its standard integration process. Some of J.J. d'Amato's guidance has turned out to be just plain wrong. Cutting heads backfired. And the efficiencies being introduced aren't really efficiencies—Beauchamp's spending more on the airlines, for example.

Nobody ever clarified what "leaving Beauchamp alone" meant. It was Nick's job to do that. It was mislead-

ing to say "We'll leave you alone" and then close the cafeteria. Beauchamp didn't *feel* left alone. Synergon has created a very poor foundation for any kind of strategic integration.

This acquisition was about adding strategic value to both firms; it wasn't about cost reductions. But nobody seems to be talking about how strategic value will be added—and it doesn't happen automatically. Nick needs an answer to the question, What will the Synergon-owned Beauchamp look like? It's apparent that there is potential—Beauchamp needs to grow and Synergon wants wealthy European customers. But those mutual needs don't seem to be a focus of the integration effort. They should be. They're the whole point.

Three elements have been lacking: vision, architecture, and leadership.

Synergon never developed a vision of what Beauchamp could be. The old model wasn't right: Beauchamp wasn't growing. Pulling it into the Synergon fold isn't working either. Nobody's put forth a new value proposition for customers. Without that, you don't have a company.

As far as we know, nobody's talked about architecture: How does Beauchamp fit into Synergon? How are the companies related? What's the process for cross-selling going to be? Synergon's tried-and-true integration mechanisms need to be tailored, probably radically.

Finally, Nick has abdicated his leadership responsibilities. He should have been working with Mansfield and the other Beauchamp senior managers on creating a shared vision and common values. But he hasn't

spent much time on the ground with these people. They've been bothered with forms but not graced with his physical presence. Nick should be identifying and building leadership prospects from within Beauchamp's ranks—forming partnerships and building excitement about the company's future.

So Nick has a big problem: a derailed acquisition. He should go to that show tonight. Then he should find a way to reach common ground on a vision that will excite both Mansfield and Synergon's CEO. He needs to develop a process for getting there based on the understanding that value is going to be found in the market, not in cost savings.

He needs to find people at Beauchamp who will help lead that change process, and he probably needs to do battle with his own management. It's important that he talk to Mansfield and take responsibility for the many problems that have hurt the acquisition.

Having said all this, I have to point out that when a deal's success is contingent on retaining a senior person, it usually fails. We've done some research in order to understand why, and the answer is quite straightforward. When we asked top people why they'd moved on after a merger, they said, very simply, that they had no reason to stay.

Let's face it: when you acquire a company and neutron bomb it, you don't risk much because you don't

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need its people. But if the company's value lies in its customer relationships, you have to keep your finger off the button and think instead about the harder process of persuading the people you've acquired to work toward the company's goals. ▢

Reprint 99103

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