When Companies Collide: Maximizing Acquisitions

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What happens when a $94 billion company acquires a $26 billion company[1]? We don't know the punch line to that question yet, but we do know that Microsoft has made news recently for acquiring LinkedIn for $26.2 billion. To date, that is Microsoft's biggest purchase, dwarfing the $8.5 billion they paid for Skype. We know that Microsoft doesn't have a perfect track record with acquisitions, writing down $7.6 billion in 2015 on Nokia, which virtually wiped out the entire value of that transaction[2].

Microsoft isn't the only company that has struggled to create value out of acquisitions. In fact, more than 80% of company mergers fail, and corporate culture differences is often at the root of these failures[3]. Microsoft says it will allow LinkedIn to function autonomously, but it is hard to know the degree to which this will be true and at what level of the LinkedIn organization employees will feel the changes. Any change creates uncertainty, and people don't like uncertainty. Although we don't yet know the outcome of this partnership, we do know that the leaders in both organizations have their work cut out for them to make this successful.

Given how risky mergers and acquisitions can be and the massive cost if they fail, what does an organization need to do in order to get ahead of some of the challenges they will face? Here are three points to consider:

1. **Create Alignment:** The leaders of both organizations need to have a vision for where the organization is going – and both sides need to share that vision. Often, senior leaders are among the first to go during an acquisition, which can create a lot of fear. This fear can cause people to undermine the vision or go along with it, despite not agreeing with the company direction. Either one will create cracks in the leadership team, potentially creating factions and political maneuvering. That's not a recipe for a healthy integration. As an aside, it's also very important not to lose alignment with customers. When combining organizations, changes can often be made without customers in mind, causing unnecessary challenges in those relationships.
2. **Create Clarity:** There is often much ambiguity when one organization is absorbed into another. This ambiguity can create confusion around where the combined organization is going, job security, roles and responsibilities, as well as reporting relationships, among many other things. In order to reduce confusion, resistance to change, and even unnecessary turnover, it is vital to create clarity for the entire body of employees who will be affected. There is no substitute for clear, honest, and timely information that is delivered through multiple channels throughout the company. Perhaps most importantly, though, the message needs to be consistent. This means that one person in the organization can't be saying one thing and another person giving an entirely different message. It also means that the senior leadership can't be saying one thing and doing another.
3. **Create Buy-In:** It doesn't take long for what is billed as a mutually beneficial acquisition to begin to feel like a hostile takeover. This usually happens when decisions are made without any input from the acquired party or acknowledgement of the impact the decisions are having. Change is hard, and it is even harder when you feel like you've got no control. From the outset, it is vital to involve all parties in the decision making process, whether it's granting them vote in the decision, giving them a seat at the advisory table, or involving them with the implementation and communication team. Creating buy-in throughout the organization is a must.

Whether Microsoft chooses to fully integrate LinkedIn into their culture or not, billions of dollars are at stake if it's not managed well. If Microsoft/LinkedIn has an aligned leadership team, provides clarity for the new organization, and gets buy-in from the thousands of people affected, then they are in a good position to maximize the value of this partnership. What have you seen in organizations that either undermined or maximized the value of a strategic acquisition? Please let us know on Twitter and Facebook, and share this post with others who might find it helpful.

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[1] http://www.msn.com/en-us/money/companies/microsoft-to-buy-linkedin-for-dollar262-billion-in-cash/ar-AAgZ0bT?pfr=1

[2] http://www.bloomberg.com/news/articles/2015-07-08/microsoft-to-cut-7-800-jobs-as-it-restructures-phone-business

[3] http://www.forbes.com/sites/georgebradt/2016/06/13/what-microsoft-must-do-to-onboard-linkedins-leadership-successfully/#645bd39a44f7