The Transitions of Managers into Newly Acquired Organizations

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Abstract

There is a high failure rate of managers who fail in the transition process from small, loosely structured family owned business to highly structured larger organizations. This article addresses why individuals become managers then examines the transition of managers from smaller organizations into larger organizations due to the acquisition of their previous organization. The acquiring organization frequently has higher expectations, different cultures and greater accountability. This often limits the successful transition for the newly acquired manager. Other factors impacting successful transitioning of the newly acquired managers are: resistance to change, lack of team based management strategies, toxic management behavior, unwillingness to embrace employee empowerment and lack of leadership training and skills. Finally, this article examines the attributes of mangers who manage to make the transition successfully.

Keywords: Managers Mergers & Acquisitions, Toxic Managers

Introduction

As organizations grow, changes in the leadership needs of the organization require different skills to navigate through various phases of growth. Much of the growth in organizations comes from mergers & acquisitions. As the trend continues over the last several years more organizations are being acquired, this acquisition is especially painful when large corporations acquire small or medium companies. As smaller organizations tend to have less formal structure, which often makes them more vulnerable to larger organizations with, rigid infrastructures it is very difficult for them to transition into the larger acquiring organization. In fact according to Nguyen and Kleiner (2003) most acquisitions fail due to the lack of integration.

According to Roberts (2002) only 43% of acquired organizations achieve the expected success through the act of acquisitions. Roberts, states the major obstacles to successful acquisitions are the following:

1. Poor financial performance 64%
2. Loss of productivity 62%
3. Cultural differences 56%
4. Turnover of key talent 53%
5. Clash of management between two organizations
6. Ineffective integration or transition of the newly acquired organization

Corporate acquisitions are frequently undertaken with an emphasis on getting the deal done. Therefore, the integration issues that might arise afterwards are often overlooked or ignored. Inadaptability of employees and managers of the acquired business is one of the primary reasons that corporate acquisitions fail to meet the expectations of the parent organization (Johnson, H. 2002). Members of the newly acquired company's management team struggle with the new direction, structure, expectations, culture and accountability forced upon them; however it is the ability of these managers to make the acquisition successful.

Why do individuals become managers

Managers are expected to administer activities for corporations, every day these managers solve difficult problem, turn organizations around, and achieve astonishing performances (Daft, 2007). However, when I asked an employee applying for a recently open management position within the company "why did he want to become a manager"? His answer was, to have a nice office, make more money, not work so hard, and tell other employees what to do. While I was dismayed by his response I understand this might be a common view of why people want to be managers. Many employees pursue careers in management because of encouragement from parents. In an effort to have better lives many parents encourage their children to earn a college degree and become a manager. As young adults, children see parents working hard as auto mechanics, hospital workers, truck drivers and janitors and decide this is not the life or end goal for them. One method of achieving the sought after better life than one's parents can be obtained by listening to parents and being a member of a corporation's management team. For some people being on a corporate management team usually allows members to be able to, not work as hard, make more money, have a nicer office, and be in an environment where the manager's hands do not get dirty. Therefore, for some employees escaping the despair seen in the lives of their parents is the compelling reason to become a manager. However, becoming a manager just to escape despair is not a good reason to become a

manager. According to Pascarella (1998) in order to be a good manager, the managers must first determine "what do I want and how do I achieve what I want?" By first determining what you what and how to achieve it allows you to work toward your vision rather than reflecting off the despair of others.

The nature of post-acquired organizations

The world of a newly acquired organization changes rapidly. In order to stay in business, the parent organization must make money. However, making money may not be the highest priority with the pre-acquired organization. In smaller family owned organizations where the family has exceeded the dream of being successful, making additional money frequently takes a backseat to providing income to employees as a payoff to employees for helping the owner achieve success. Family owned business has what Thomas (1990) refers to as root guards. When trying to make changes to the culture of the organization the job of root guards is to oppose the change. As an example, in family owned businesses root guards will actively resist removing a long-term manager just because the manager is ineffective. For the root guard the only thing that is important is to keep employees employed. In the eyes of root guards organizations exist to provide income for employees of the organization, not to make money for the organization.

Although not directly attributed to an acquisition, the behavior of the characters in Johnson, S. (2002) book Who moved my cheese is a good example of behavior of managers when an organization is acquired by another organization. Johnson's characters Sniff & Scurry behave in a manner of accepting change and will quickly adapt to the changing environment of the new organization. While Johnson's characters Hem & Haw behave in a manner as to resist change. Hem & Haw were so comfortable in the pre-changed or pre-acquisition environment that after the change both Hem & Haw openly demanded that the change be reversed and the environment be restored to the original order. In fact the book leaves the reader not knowing if the character Hem will ever accept change. Johnson, S. (2002), describes the cheese as a metaphor of what is important to the reader. For Hem cheese was being a big cheese in charge of others in the organization. A manager who was a big cheese in the smaller pre-acquisition company may not be a big cheese in the larger post-acquisition organization. For Haw cheese was feeling safe. The manager who felt safe in the pre-acquisition company may no longer feel safe in a much larger post-acquisition organization.

Post-acquired business relationships have changed too. Today's manager's relationships extend well beyond the employee, boss, secretary and a few others in the organization. Post-acquired managers are expected to maintain relationships with customers, suppliers, regulatory agencies, lawyers, and employees from sister and parent organizations. Post-acquired managers require new tools that require managers to be able to comprehend and solve the wide array of business issues that are now commonplace in the new organization. Successful managers must have greater skills than just solving yesterday's pre-acquisition factory or non-focused on the customer issues. Post-acquisition managers must command skills in problem solving, change management, customer care, team based management, and organization cultural changes (Tapscott, 2002).

Resistance to change

The footprint of corporate America is changing, in a post: Dot-com bust, 9-11, Enron, Adelphia, Tyco, WorldCom, and the 2008 financial market collapse the world is different and America's businesses are forced to change. Much of the forced change comes through acquisitions and mergers.

Change is most difficult, when a large corporation acquires a small family owned organization. Change in a small family owned organization frequently means incorporating large company structure, procedures & policies into an organization that may not have utilized formalized procedures & policies. Research by Bryman (1992); Heifetz and Laurie (1997); and Kotter (1996) suggest that planned organizational change requires top management commitment along with an adaptive organizational culture. According to Weber and Manning (2001) several authors argue resistance to change may be due to the organizations managers not be resisters but may need to make sense of the expectations of the new organization before committing to the change. In the case of the manager of the newly acquired organization the manager may just be overwhelmed with all the new changes required by the new parent organization. Frequently, the new change is the use of teams and empowerment of these teams (Cameron and Green, 2006). The resistance to teamwork is often the insecurity of allowing a team to make decisions and the realization that by pooling the minds and skills of the workforce might uncover the manager's previous roadblocks and poor approaches to meeting the objectives of the organization. The resistance to empowerment often stems from insecurity too. Insecure managers feel that knowledge is total power; by controlling knowledge managers are able to retain all the decision making power in a changing organization and not have their authority challenged (Zwell, 200).

Organizational cultures

Following an acquisition, employee related issues principally stem from cultural differences between the two organizations (Johnson, H., 2002). Corporate culture is deep rooted within an organization; changing that culture can be difficult. The relationship between managers and the culture of the organization has an impact on the organization and affects the organizations ability to deliver the organizations objectives. Several cultures coexist within an organization and the effectiveness on the manager may depend on the manager's ability to work within the culture of the organization. According, to Bowen (2000), coexisting cultures can commonly share: locations, ethic backgrounds, industry, age, education, or some other bonding factor, it is when these cultural differences are not proactively addressed the manager of the newly merged organization becomes ineffective.

Factors that define an organization's culture include the following:(Fyock, 2002).
1.   Degree of hierarchy: the extent to which traditional channels of authority is utilized. An organization with high levels of hierarchy tends to be more formal and moves slower
2.   Degree of urgency: how quickly organizations push decision-making and innovation. Organizations with high levels of urgency tend to be fast-paced
3.   People/task orientation: the relationship between people and tasks within the organization. An organization with strong people orientation tends to put people first. Organization with strong task orientation places stronger emphasis on completing tasks

4. Functional orientation: the degree to which emphasis is placed on a certain function in the organization. Different employees may feel different functional departments or areas drives the organization
5. Institutional personality issues: organizational personality/slogan, how is the organization known to others
6. Values: what does the organization feel to be the most important quality of the organization

If different, the above factors can have a major impact on a manager of a newly acquired organization (Fyock, 2002).

Unsuccessful managers

Post-acquisition benchmarks the success of the acquisition by results. The purchaser undertakes the acquisition anticipating specific results; managers are expected to achieve these results. Frequently, the acquiring organization arrives at the doorsteps of the acquired organization with a set of performance measures to gauge the performance results of the newly acquired organization and expects the management team to achieve these results. Poor results occur where managers have never been accountable to performance measures and the idea of measuring performance is uncomfortable to these managers (Zwell, 2000).

As new organizations are acquired the formal system of the newly acquired organization shifts to different directions and priorities. According to Zwell (2000) the reality of how organizations function, is usually far different from the formal system. The real influencers may be completely different from those outlined in the formal system. If a manager does not know who the real influencers are, the manager is unlikely to achieve the goals of the organization. Managers with long durations in small companies often lack organizational savvy and may never realize who the real influencers are after the acquisition. While organizational savvy or understanding the cultural environment may not be critical for lower level or non-managerial personnel, a complete understanding of organizational culture is vital for managers who want to succeed in large organizations. Without the competency of organizational savvy, managers cannot understand how decisions are made or how the power is distributed in the new organization. Without organizational savvy, managers operate in a vacuum and may pursue agendas different from the organization. When the lack of savvy is unable to recognize the management style of the organization has changed, the un-savvy manager may continue to operate under behavior, which is no longer acceptable (Griffin (2008) .

According to Flynn (1996b) managers who bully, yell, threaten, backbite, and belittle employees are toxic managers. The mood swing of these managers determines the climate of the workplace. Frequently, the results of the toxic manager look good on paper. In many organizations that is how these managers continues to exist in the pre-acquisitioned organization. Merely through intimation of the workforce, the toxic manager is able to meet the goals of the organization. Toxic managers thrive when the organization does not have a means of rating managers outside of productivity. Therefore, this type of management is tolerated by the organization.

Toxic managers do not just spring up from nowhere, nor do they last in organizations that will not tolerate their type of management. Toxic managers face problems when the pre-acquired organization encouraged this style of management to increase productivity and the post-

acquired organizations will not allow this style of management antics regardless of high productivity numbers.

According to Flynn (1999a) the following are behaviors of toxic managers:

1. Actor Behavior: managers who act out anger rather than discuss issues. A manager who wants every employee in the organization to know when the manager is upset

2. Fragmentor Behavior: managers who see no connection between what the manager does and the outcome. Managers who takes no responsibility for unacceptable behavior or feels that any behavior is authorized to obtain desired results. Fragmentor behavior is frequently found in family own organizations where managers are rewarded for achievements not for behavior

3. Me-First Behavior: where decisions are made based on the convenience of the manager. Me-first behavior is found where managers feel elite based on relationships with senior management or owners of family own organizations

4. Mixed-Messenger behavior: managers who present concepts and ideas one way, but the manager's behavior does not match the words of the manager

5. Wooden-Stick Behavior: managers who are extremely rigid and controlling regardless of the outcomes

6. Escape-Artist Behavior: managers who do not deal with reality. If there is a negative outcome, it is never the fault of the manager

7. Shocker Behavior: managers who behave extremely out of character with the rest of the organization

8. Stranger Behavior: managers who are remote with poor social skills and are frequently fixated on an idea or employee

Research by Miles and Bennett (2008) suggests that toxic or self-serving managers in newly acquired organizations have an inability to meet organizational objectives because these managers do not adapt or change during the transition between the pre and post acquisition organization. Not only do these managers have difficulty working with subordinates, these mangers find it difficult getting ideas accepted by their superiors, because they operate by a different set of rules than their superiors. Unless corrected, toxic managers stand a good chance of losing their job or have little chance of further advancement and are unsuccessful in the progressive post-acquired organization (Noe, Hollenbeck, Gerhart and Wright, 2007).

Organizational dependency on toxic, narcissistic or otherwise dysfunctional managers makes employees more susceptible to the deception of the manager. In an effort to maintain control and dependency on the manager the dysfunctional manager will often mislead employees on the future of the organization after the acquisition. Because of employee dependency, managers may create abusive relationships with employees where the employee strives to please the abusive manager. Frequently, in manager dependency relationships, managers communicate colorful stories to employees to draw positive attention to the manager. Colorful stories to employees are designed to persuade employees that the employee is lucky to have the manager and the employee can continue to depend upon this manager. It is not uncommon for the abusive manager to have the employee believe, regardless of the position the manager has in the organization, that the abusive manager is the ultimate source of power within the organization. Or, as a minimum the abusive manager strives to have the dependant employee to believe the manager has the ear of the chief executive who will unlash the chief executive's power at the request of the abusive manager (Conger, 2002).

Successful managers

The best managers are managers who serve employees needs to meet the goals of the organization. Successful managers attract and retain successful employees because successful managers build trust and commitment. According to Davidson (1999) the following are attributes of successful managers:

1. Appreciate uniqueness: managers who genuinely appreciate the uniqueness of each employee. Successful managers create work environments that match the talents and interests of employees to meet organizational goals
2. Assess capability: managers who assess the capabilities of team members. Successful managers understand the concept of teams and achieve rewards through the accomplishment of employees working as a team
3. Anticipate the future: managers who lead employees through change. Successful managers accept change and works with employees to understand how change might impact the employee's job or future in the organization
4. Align aspirations: managers create a win-win relationship with employees, based on respect, trust and loyalty. Successful managers understand, harnessing ambition of employees produces powerful organizations
5. Accelerate learning: managers realize continual learning breeds success. Successful managers challenge employees and provide employees with the required training to help prevent deterioration of skills

Successful managers wear many hats. The newly acquired workplace is complex and successful managers have the ability to shift gears and move from situation to situation to meet the demands of the organization. A key difference between successful and unsuccessful managers in newly acquired organizations is the manager's ability to adapt to the organizations work environment after the acquisition. Successful managers set the tone for successful completion of the organizations new goals and objectives. Successful managers realize everyday is different and changes are constant. Unsuccessful managers want and work to maintain with as few changes as possible after the acquisition (Stanley, 2002).

Managers may require help in making the transition into the new organization

According to Nguyen and Kleiner (2003) most acquisitions fail during the integration or transition process. Therefore, helping managers make the transition into the new post-acquisition organization is essential. A strong message to all managers must be sent telling managers of what is and what is not acceptable in the new organization. Signs, symbols, stories, rites, and ceremonies must all support the desired results. According to Dessler (2001) if a change is desired in a newly acquired organization the organization should send the right message to managers by doing the following:

1. Make it clear what the organization pays attention to, and how they are measure and controlled. Attention should be directed to the area where results are expected
2. React appropriately to critical incidents and organizational crises. Hold managers and others accountable for results. Never over react or display toxic behavior
3. Deliberately disclose role models, teach, and coach the behavior emphasized. Senior management must walk, talk and perform as others in the organization are expected to walk talk and perform
4. Communicate priorities by the way rewards, status and promotions are allocated. Pay raises, promotions and bonuses must be linked to the outcomes of the desired behaviors
5. Make human resources procedures and criteria consistent with the values espoused by the organization.

Although the key to making the acquisition successful many managers are not properly prepared or trained for the role of management. This is especially true in smaller companies, as smaller organizations tend to spend fewer resources on formal training, choosing on-the-job training instead of more the costly formal training for management personnel. The larger the company, the higher the likelihood of the company investing in personnel training, and the more intense the training becomes. Therefore, the lack of structured management training coupled with the practice of promoting unqualified employees to management positions as a method to justify salary increases or simply as a reward for longevity in the company further weakens the manager's ability to be successful after being acquired by a larger structured organization that expects change and hard-hitting results (Castrillon and Cantoma, 2005).

Conclusion

With markets shrinking, competition increasing, and organizations being acquired by other organizations the job of managing is more challenging and complicated. It takes a different, quicker and broader manager to manage organizations than it took in the 90's (Daft, 2007). In the 90's the economy was so vibrant no matter what an organization did the organization made money. Making money was almost a guarantee. The guarantee of making money is gone, today's managers need energy, commitment and must be able to identify, nurture talents and influence subordinates.

To influence subordinates managers must overcome the resistance to change. Managers expecting success in newly formed organizations must embrace biases, comforts and new methods of meeting goals. Mangers must accept and operate under the premise that managers achieve success and accomplish objectives through subordinates. Managers must realize success comes from teamwork and teamwork means working with and empowering employees to meet

the goals of the organization. Therefore, in order for managers to maximize success, subordinates cannot be mistreated or placed in a dysfunctional environment created by the manager (Cameron and Green, 2006).

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