



## Leadership's Role in Mergers

Change management skills needed at fast-growing companies

Building leadership capacity and change management skills at the top of an organization that cascade down into middle management can help maintain growth momentum after a merger.

It takes a significant, intentional effort on the part of the combined organization, but it's critical to success, as the leaders of two furniture-manufacturing companies that recently merged to form a company with nearly \$1 billion in annual revenues are learning.

### **Bridging cultures**

Creating a common culture is imperative after companies merge. Typically, each organization is protective of its own culture that produced the success it has experienced to date. However, new leadership has to take the best ideas from both organizations to create a new culture.

This task was especially challenging for the furniture company, because the cultures of the two merging organizations were so different.

One was a third-generation family business that had a small community-focused culture and a traditional business model emphasizing showroom sales.

The other merger partner, located in a slightly larger community, was a hard-driving organization that focused on selling higher volumes of furniture at lower margins using modern, internet-based sales strategies.

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## Training builds capacity

Top management sought help from The BB&T Leadership Institute in merging the disparate cultures.

Initially, the top six executives of the merged company participated in a five-day training program aimed at increasing their leadership capacity in ways that would support the blending of the two organizations. The program helped the top executives develop self-awareness of their personalities and leadership styles – including how they respond to stress – and identify blind spots that reduced their effectiveness. The training's driving principle: You can't lead others until you know how to lead yourself.

The executives then embarked on a yearlong program where they applied their new self-awareness to learning how to communicate more effectively with other company leaders and managers, including those from their new merger partner. The training focused on conflict and collaboration, and discovering how to lead change and foster team development.

Company leaders also participated in a one-day program that had them describe the culture they were intending to create at the merged business and assess the culture's current state. They analyzed the gap between the current and target cultures and devised a set of common strategies for reaching the desired state.

One of the lessons the furniture company executives learned was they needed to develop better communication about the changes in culture they sought. Once they fully defined the culture, they set out to communicate the strategy throughout the organization through print and digital communications.

Leadership training is most effective when it starts at the top and migrates down into the ranks of management. The furniture company now has about 30 middle managers participating in similar training programs designed to provide the same core concepts and common language the top executives learned.

## Other common growth challenges

A merger is just one scenario where fast growth sometimes results in companies struggling.

The Kauffman Foundation and *Inc.* magazine studied the health of companies five to eight years after they appeared on *Inc.*'s 5,000 fastest-growing companies list. Two out of three of these companies had shrunk, been sold at a disadvantage or gone out of business entirely.<sup>1</sup>

Some specific challenges corporate executives of fast-growing companies can address through leadership training – to avoid such difficulties – include:

- **Formulating and executing a growth strategy.** Many companies are ill prepared to deal with the consequences of their business growth. For instance, they might have focused all their efforts on achieving a goal such



Talent optimization means moving the right people with the right skills up the leadership ladder.

<sup>1</sup> "Why Two-Thirds of the Fastest-Growing Companies Fail," by Derek Lidow, Fortune.com, March 7, 2016.

as winning a large contract or launching a new product, and when that's accomplished, they don't know what to do next. Additionally, they may not have the tools to move their organization through a change initiative.

- **Optimizing talent.** As your company grows, talent optimization means having the right people with the right skills to meet the business's needs. It also requires developing a deep and talented bench and moving the right people up the leadership ladder. To achieve these goals, you must have the right processes in place.
- **Empowering employees.** Increasing leadership capacity is critical, as an organization's performance can never exceed the performance of its leaders. Unfortunately, the impulse to control everything often hinders leaders of fast-growing companies. Tight control might have worked when the company was new, but it can be disastrous for a rapidly growing business. Failure to empower others can lead to operational bottlenecks, inhibit employees' professional development, and lead to inefficient business processes and layers of frustration.
- **Maintaining a high level of employee engagement.** In the face of significant change, employees can become overwhelmed and either leave the company or become less engaged.

## Developing vertical and horizontal skills

Business leadership training should refine both vertical and horizontal competencies to address these challenges. Vertical competencies relate to personal characteristics and leadership maturity and affect perceptions. Horizontal competencies, on the other hand, include professional abilities around handling tasks, such as managing time efficiently and being able to command an audience's attention in a formal presentation.

Vertical competencies are particularly instrumental to a company's growth. If a leader lacks the personal skills to inspire a sales team and help members strengthen their competencies, it doesn't matter if the company has a written business growth plan.

## Communication and agility

A number of the common growth challenges highlighted above were evident at another fast-growing organization, a large publicly traded textile, apparel and luxury goods company. The business was achieving impressive growth organically but at the same time experiencing numerous growth-related problems. For instance, the company missed multiple deadlines and its leaders were pulled in too many directions. It was a classic case of management overload.

However, thanks to leadership training, the company's executives were able to create a common leadership language, improve their communication skills and become more agile as the company's operations continued to expand and become more complex.

## Do you recognize any of these challenges at your organization?

The BB&T Leadership Institute, and its predecessor firm Farr Associates, have developed and refined approaches to business leadership through collaborative work with clients throughout



the United States. The BB&T Leadership Institute provides organizations with a leadership development partner that helps create dynamic and effective leaders, increase employee retention and improve the bottom line. To learn more about how The Leadership Institute can help fast-growing companies move successfully through a merger or other growing pains, contact your BB&T Relationship Manager.