

Why Soft Skills Are More Important Than Hard Cash for Your Acquisition's Long-Term Growth

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In 2021, 21,107 mergers and acquisitions took place, with 676 of these businesses being valued at more than \$1 billion dollars. I've worked with some founders to determine which soft skills will create the most impact when going through the acquisition process.

Mergers and acquisitions happen across all industries for various reasons, from horizontal scalability to inorganic growth. Whatever the rationale behind your M&A is, finding an acquisition company is difficult and takes talent, but soft skills close the deal and promote long-term growth.

The integration of an acquisition company's personnel is a delicate situation. You want to retain key employees to keep operations flowing smoothly but also successfully combine the two companies to avoid operational silos, calling on the need to take a strategic approach to company culture, pay and work environment through the deploying of soft skills – all while planning on surprises throughout the process.

Corporate culture

Every company retains a culture. It's how you do what you do within the workplace. From formal and informal systems to behaviors and values, your acquisition company is bound to

have a specific company culture flowing through the work process.

You must determine which company cultures to keep, modify or eliminate. Improper attention placed on culture may land you discrimination lawsuits, poor productivity and high employee turnover. The Society for Human Resource Management (SHRM) outlines three broad culture categories to pay close attention to:

1. **Social culture:** This category refers to the roles and responsibilities within the organization, including power distinctions.
2. **Material culture:** This category includes everything and anything that people in the group make, develop or achieve, and how the employees function and support each other.
3. **Ideological culture:** This category focuses on the values, ideals and beliefs of the group and highlights the emotional and intellectual guidelines employees follow.

Uncovering similarities and differences in these cultural categories is critical when acquiring a company. Similar traits between the acquiree and acquirer should be communicated to intertwine company culture. However, when changes are unavoidable, convene employees from both companies, and have a clear and open discussion on the expectations going forward.

Related: Cultural Fit Can Make or Break an M&A Deal

Employee pay

M&A comes with a large upfront monetary burden post-purchase. Day 1 of merging companies shouldn't come with cutting pay or

terminating employees. Keep everyone's pay consistent for a few months to evaluate who key personnel is and where changes may be needed.

I've seen too many founders focus on the bottom line and neglect to look at the value that key employees in the acquiring company provide. This is detrimental to the long-term growth and integration of the acquisition company.

There's no doubt that some positions will become redundant when you merge with a company in the same industry. In fact, a study by Harvard University found that nearly 30% of positions can be eliminated. When terminations are unavoidable, be sure you are giving adequate time for employees to find new jobs.

We've all seen the power of social media when layoffs occur. Take Better.com for example. The CEO fired over 900 employees over a Zoom call right before the holidays, which negatively impacted brand image before their IPO.

Every employee in the acquisition company will need to have their pay, benefits and employment status reconsidered. The amount of hard cash you come to the table with determines how long you can keep redundant positions, how the pay will change and what benefits to offer. The benefits and pay in your company should not vastly differ from the acquisition company.

Related: Why Integration is Key for Seamless Transition in a M&A Deal

Work environment

You care about your team, and you like to show it. So, what work environment will you instill throughout operations and your employees? You want to avoid the "my way or the highway" approach and implement a team approach on all issues. A Gallup poll found that employees who are engaged lead to a 17% increase in productivity, boosting your profit. SHRM outlines

six steps to promote inclusivity within the workplace:

1. Educate leaders.
2. Create an inclusion council.
3. Commemorate employee differences.
4. Listen to your employees.
5. Hold effective meetings.
6. Clearly communicate goals, and consistently review progress.

These steps must be present in both your current company and your acquisition. The work environment should be uniform throughout your entire company to see the most success.

Expect surprises

The M&A process isn't going to be smooth sailing. No one willingly airs out their dirty laundry, making it important to expect surprises. Extensive due diligence and clear terms can help avoid costly surprises; however, you still may find yourself facing the following unpleasant surprises:

- **Cross-border implications:** This occurs when you underestimate the impact of purchasing a company with a different home location. Language barriers, time-zone differences and currency risk are all prevalent.
- **Compensation agreements:** Companies generally have agreements in place for highly compensated executives that span multiple years. You may be required to uphold these agreements when you acquire a company, eating into profitability.
- **Due diligence inadequacies:** Due diligence becomes more

difficult when travel is involved. Reports might not be up to date, employee counts may be wrong, and operational deficiencies may exist.

Utilizing hard cash and soft skills can combat these surprises, allowing your acquisition company to begin operating at the level you expect.

Related: Successful M&A Strategies for Startups

Avoid failures

Would you be surprised to know that 70% to 90% of acquisitions fail, according to a Harvard study? People aren't boxes. You can't expect an acquisition company and its employees to operate exactly how you want from day 1. Acquisition failure leads to lost investor confidence, lower market share, unprofitable segments and declining brand image.

Having onsite advisors and completing extensive due diligence before the purchase boosts your chance of a successful acquisition. You want full transparency into what you are signing up for. In addition, don't focus solely on the bottom line. Soft skills carry more weight when looking at the long-term success of your acquisition company.

Mergers and acquisitions come with many working parts, from figuring out the hard cash needed up front to how you will deploy soft skills to effectively manage your new team. I assure you that the growth and merger of your acquisition company requires these resources.

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