



CEO ADVISER

By Spyro Kourtis

Lessons Learned in Merging Well

How to maintain your culture when you get bought out

Mergers and acquisition activity continues at a fast clip in the Evergreen State. It's a common growth strategy in many industries, and over the last decade the advertising industry has seen its share of consolidation. Your company may never be acquired or acquire another company. But your organization will change – and you need to be prepared for it. Even better – control it!

Eight years ago Hacker Group was sold and got a corporate parent. Since then, an even bigger entity bought our parent company. After that, two of the big agencies – including the one we directly reported to – merged within the large holding company. That's a lot of change.

Most statistics report that on average 50-70 percent of mergers and acquisitions fail. We beat the odds. We kept our sanity, our clients and our profitability.

At Hacker Group we had three overall strategies for our transition and they were all about retention: Our key people, our clients and our company's success values.

RETAINING STAFF

Fairfax Cone once said about his agency, "The inventory goes down the elevator every night." Staff retention was our priority or we'd lose our biggest asset.

Our senior managers had a lot of experience with each other and worked well together for years before the merger. Keeping key people on board requires more than just a generous compensation plan. During any major transition, take the time to talk to each member of your team. Find out what each wants from the merger – and keep the promises you make. Share information and take key staff into your confidence whenever possible.

Three of the four vice presidents we had dur-

ing the first transition still are at Hacker Group. The stability at the top helped us keep other staff as well. Employees had strong reactions to the idea of being acquired. Those who reacted positively saw the opportunity for new responsibilities and personal growth. They picked up their game. The ones who reacted with trepidation were likely to leave the company.

RETAINING CLIENTS

The first step is to have a plan to communicate with clients as directly and quickly as possible. We took steps to ensure that our parent company didn't send news announcements until we gave the go-ahead after personally contacting each client. This kept the conversation focused on substantive issues, not gossip. In conversations with clients, we underscored the benefits of a merger, including the new resources and capabilities our parent company could bring them.

At a marketing agency, many clients are very particular about any hint of a competitive conflict. It's critical to be aware of your clients' sensitivities and decide in advance which client you may have to walk away from if a conflict becomes an issue.

Like our employees, our clients' initial reactions often were strongly positive or else they took a wait-and-see attitude. If the change concerned them, we concluded they were happy with the current relationship, and we could reassure them that the merger wouldn't affect them. If they were excited about the merger, we could learn what capabilities they hoped we would gain.

RETAINING KEY ELEMENTS OF SUCCESS

During a merger, be clear about when it makes sense to be unique and when it's critical to conform to the rest of the corporation. In a service

business like ours, success is driven by our culture. Our culture is our business model. It defines how we serve our clients and how we make money. Changing the culture would impact our bottom line. Although we maintain our unique identity, we tie into corporate when it makes sense, for example, to provide better employee benefits by using the leverage of the larger company.

Retaining our company culture and focus is non-negotiable. When an employee comes to me with improvements, I always listen. But I give more weight to the opinions of those who show they know how to contribute to our goals. They've earned a voice in how we get things done.

Our founder wrote a "touchstone" document describing everything that made us different from other agencies. That document was a terrific way to stay aligned and hold true to our identity and success. I update it with minor changes every year. As time passes, we see we've evolved. What worked in 1995 for an entrepreneurial company run by its founder wouldn't work for us now. We've incorporated hundreds of new technologies and dozens of new capabilities. Our selling proposition is different now. Our clients are bigger and our relationships with them are more fully engaged. However, the one thing that continues to transform us is the thing we won't ever give up: our focus on growth.

Mergers can be spectacular failures. Casualties of mishandled alliances are everywhere. It takes careful planning and thoughtful strategy to make it through as a happy and profitable organization. Never abandon what made you successful. Make sure all stakeholders know exactly what the unique character of your company is.

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