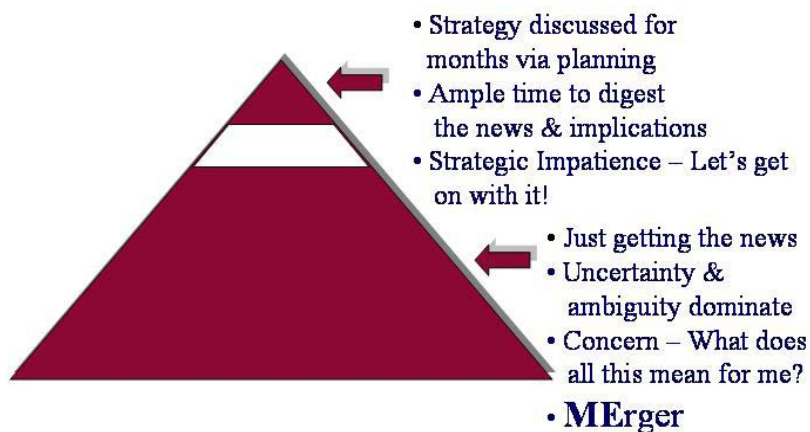


The Hierarchy Gap

Very often in merger and acquisition deals, a phenomenon called the Hierarchy Gap by Drs. Anthony Buono and James Bowditch (in their book, “The Human Side of Mergers and Acquisitions”) comes into play. Because of obvious reasons of confidentiality, the group initially involved in putting the transaction together, from both sides, is as small as possible. This small group may be engaged in the due diligence process for months before the announcement. These individuals have had ample time to absorb the implications of the joining of the two companies. In particular, they have a clear understanding of the strategic intent and a clear vision of why the transaction makes sense – relative to the required investment(s). Months of discussion around strengths and weaknesses and strategic possibilities have been hashed out within this small group.

However, by the time the transaction is announced, this group has grown impatient. The closing of the deal often marks the end of their efforts as most companies have a different team “do” the deal and then turn it over to an operational team to execute it. The operational team and the transitional team members often first hear about the deal when it is announced. They have not had the advantage of talking to the acquired management team nor have they had time to digest the strategic possibilities. Yet, they are quickly thrown into execution mode, expectations having already been set with the Board and the management of the company prior to the offer to purchase or merge.

Hierarchy Gap



For more information contact:
Dennis Fitzgerald, Principal Partner
AcquisitionWorks, Inc.
5 Elaine Ave., Maynard, MA 01754
(+1) 978 461 0682
dennis.fitzgerald@acquisitionworks.com