PREPARING FOR ORGANIZATIONAL DEATH: PROACTIVE HR ENGAGEMENT IN AN ORGANIZATIONAL TRANSITION

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This article describes an HR team's call to action in managing an organization's transition from healthy, vibrant, and financially successful workplace to its death after being acquired. The HR team countered conventional practice in two key ways. First, despite being from the seller's side, it acted unusually early in the company's acquisition and operated proactively throughout the integration process. This constructive approach stemmed from the self-confidence developed in the HR function over years of process improvement and culture change. Second, the HR professionals were motivated (rather than threatened) by the high stakes involved in this organizational transition. Their company—with its industry-leading business results and a loyal, long-tenured workforce—was slated to be closed, dismantled, and auctioned off in pieces to other firms. The HR team's mission was to help people deal with the death of their current employer and prepare for life afterward while maintaining a focus on business results. This article shows how HR helped senior leadership handle the challenge of retaining the talent needed to meet customer commitments and keep the business running while also readying people for an uncertain future with many eventual layoffs. © 2008 Wiley Periodicals, Inc.

The terms *change* and *transition* are used interchangeably in both scholarly and practitioner contexts. They shouldn't be. Organizational transitions are much more psychologically taxing for employees than rudimentary instances of organizational change. Change is a path to a known state, with orderly, incremental, and continuous steps. A transition, by comparison, is a path to an unknown state—something that involves many simultaneous and interactive changes and adopting new ways of thinking, organizing, or conducting activities (Bridges, 1991). Using this definition, an organization's death is its ultimate transition.

Organizational deaths happen frequently and affect millions of employees annually. In 2005, the most recent year for which data are available, 544,800 U. S. busi-

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nesses closed (Corporation for Enterprise Development [CFED], 2007). This is consistent with historical trends that show nearly half of all American corporations die within five years of birth, and 90% die within 20 years; government organizations die at a similar rate (Harris & Sutton, 1986). These organizational deaths occur for myriad reasons and do not imply financial failure—analyses reveal that one-third of closed businesses are successful at their termination (Headd, 2003). Frequently, employees' jobs survive when their workplaces die, as was the case in many of the 10,000 U.S. and 37,000 worldwide mergers and acquisitions transacted in 2006 (Thomson Financial, 2007) in which the buyers terminated the acquired organization's structure and identity yet sought to retain some or all of the workforce.

Since organizational deaths typically do not happen abruptly, there is a need to ensure that employees sufficiently focus on work activities to meet customer commitments and other business requirements.

This article presents a case of organizational death—the breakup of the Seagram Spirits and Wine Group—and highlights an HR team's proactive efforts in managing the organization's transition from healthy, vibrant, and financially successful workplace to its death after being acquired. It shows how HR can help senior leadership handle the challenge of retaining the talent needed to meet customer commitments and otherwise keep the business running while also readying people for an uncertain future with many eventual layoffs. It also describes the planned interventions used to initially help the HR community and ultimately help the general employee population deal with their current employer's death and prepare for life afterward.

Organizational Death

Organizational deaths come in a variety of forms but can be sorted into two major types. First is the actual demise of the organization when an entire company goes out of business or a plant, office, or other unit is closed. Second is the effective end of an organization's activities, community, and culture when an entity is acquired by and integrated into another firm or when a department or business unit is dissolved through an internal restructuring. The timing and circumstances of organizational deaths vary widely across both types. Many organizations, including small businesses and high-tech start-ups, fail to survive beyond the infancy of their first year. Some mature organizations—such as Montgomery Ward—tend to linger for years before being taken off financial life support. In some cases, as with Ford Motor Company's 2006 announcement that it was closing 30 manufacturing sites, a portion of the overall organization is sacrificed in hopes of saving the remaining parts. In still other cases, such as the one we discuss here, the organization completely ceases to exist.

Managing organizational death is important to HR professionals. First, there is a need to retain employees and keep them attentive to business results during the period between the announcement of an organization's death and its actual demise. Since organizational deaths typically do not happen abruptly, there is a need to ensure that employees sufficiently focus on work activities to meet customer commitments and other business requirements. Polaroid, for example, faced this situation when, concurrent with the announcement that it was exiting the instant imaging business and closing its manufacturing plants, it made a three-year promise to customers to continue to produce film for its cameras.

A second reason for carefully managing organizational death is to help employees feel confident in and, to the extent possible, in control of their ability to deal with the tremendous sense of loss, other conditions of organizational death, and their personal transition. This is especially pertinent to acquirers who kill off an acquisition's structure and culture yet retain its employees. The more quickly these employees can mourn their losses, the sooner they will be prepared to look forward to new organizational and personal opportunities.

Adaptation to Organizational Death

Adaptation to transition is a process through which an individual moves from being preoccupied with the transition to integrating it into his or her life (Schlossberg, 1981). This has obvious implications not only for the individual (e.g., adapting in a manner that produces psychological growth versus psychological deterioration), but also for organizations engaged in transition (e.g., the extent to which member preoccupation leads to distraction from performance). Individuals who make a healthy transition from their predeath to postdeath work situations should be better prepared psychologically and practically to contribute to both personal and organizational success.

Human adaptation to organizational transition occurs through two stages: ending the old and accepting the new (Marks, 2007). While people move through the phases of the adaptation process in the same sequence, they do not do so at the same pace. And not all people accept the new reality. Some never let go of the old perceptions, expectations, and behaviors, despite all the changes that may be going on around them (Bridges, 1991). As with the loss of anything meaningful to them, organizational death survivors must go through a mourning period and an adaptation process of actively letting go of the old before they can move on and embrace new realities (Levinson, 1976). However, executives typically ignore or deny the normal and natural process of human adaptation to organizational transition (Marks, 2003).

Consequences of Mismanaging Organizational Transition

The consequences of mismanaged—or undermanaged—transitions have been well documented (Morris, Cascio, & Young, 1999; Vanderheiden, DeMeuse, & Bergmann, 1999). Studies consistently show that, in the aftermath of transitions involving layoffs, survivors' attitudes about job satisfaction, job involvement, organizational commitment, and intention to remain with the organization become more negative (Brockner, 1992; Hallier & Lyon, 1996). Organizational trust falls (Cascio, 1993), while fear increases (Buch & Aldridge, 1991). In addition to these unintended attitudinal responses, transitions also produce undesirable behavioral consequences. Studies have shown that organizational communication deteriorates, and managerial rigidity increases (Cascio, 1993; Dougherty & Bowman, 1995). In addition, surviving employees report a lack of direction in prioritizing work, risk avoidance, and increases in role ambiguity, political behavior, and work-team dysfunction (Marks & DeMeuse, 2003).

The costs of mismanaged mergers and acquisitions have been measured in financial as well as human terms. Expenses ranging from increased health care claims to unanticipated training expenditures spike following a combination (Marks, 2003). Poorly managed mergers and acquisitions have also been shown to influence customers to flee to competitors and create uncertainty for vendors and suppliers (Bastien & Hostager, 2003).

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Life After Death

The capacity to disrupt people's current equilibrium and jar them from their status quo—that is, to *unfreeze* them (Lewin, 1947)—gives transitions the potential to be an impetus for renewal or even rebirth. If properly managed, an organizational death can be the kick in the pants that moves people out of their comfort zones and gets them to move their life or work situation to the next level—say, to open the small business they always dreamed of or to pursue new career aspirations. For employees who retain jobs in the buying organization, the death of their former workplace following an acquisition presents an opportunity to abandon old workplace attitudes, expectations, and behaviors and adopt new ones more congruent with their new work situation.

Despite this opportunity to spark renewal, research shows that holding on tends to predominate over letting go during and after transitions as organizations and their members attempt to maintain the status quo during difficult times (Chattopadyhah, Glick, & Huber, 2001). Thus, it may be necessary for organizations to create transitional phenomena through planned interventions that facilitate the adaptation process (Morgan, 1997). The following case describes how an HR team acted promptly and proactively to create transitional interventions to help employees cope with the death of their company and adapt to new personal and business realities. They did this while maintaining superior business performance during a 14-month period between the announcement and actual closing of the organization.

A Case of Corporate Death[1]

CEO Edgar Bronfman Jr. sold Seagram for $23 billion to the French media and utilities company Vivendi in June 2000. This sale marked the end of Bronfman's tumultuous decade-long drive to transform the liquor company, founded in Canada by his grandfather in the 1920s, into a world-class media and entertainment company.

As a consequence of the formation of the newly named Vivendi Universal, the Seagram Spirits and Wine Group (SSWG)—the world's third-largest wines and spirits business—was considered nonstrategic to the new entertainment and communications conglomerate and put up for sale. SSWG had been the core of the parent company, contributing about 35% of total revenues and more than 60% of operating income in fiscal year 2000 from sales of a roster of well-known liquor brands. After an intriguing auction in which the world's top spirits and wine producers were involved, SSWG was sold December 19, 2000, for $8.15 billion to a coalition of two of its fiercest competitors—Britain's Diageo and France's Pernod Ricard. (See Table I for a timetable of events in the sale and closing.) Pernod Ricard acquired six Scotch whiskies, including Chivas

TABLE I Major Organizational Milestones Leading to the Death of SSWG

May 1994 to August 1997	Reengineering effort to redesign processes across Seagram
February 1995 to May 1997	Culture change effort to formulate and cascade the Seagram Values
April 1995	Seagram acquires MCA-Universal
June 1998	Seagram acquires and integrates Polygram Music into Universal
August 1998	Tropicana beverage business sold to Pepsico
September 1998 to June 2001	Start of 11 of 12 quarters of double-digit income growth
June 2000	Vivendi acquires The Seagram Ltd. Company, forms Vivendi-Universal, and puts SSWG up for sale
August to December 2000	Auction of the SSWG, including failed leveraged buyout attempt
November 2000	SSWG HR transitional event to prepare the HR function and the entire organization for the breakup of the company
December 2000	Announcement of the SSWG sale to a coalition of Diageo and Pernod Ricard
May 2001	European Commission approves the deal in Europe
December 2001	FTC approval in United States; SSWG deal closes

Regal and Glenlivet, as well as Martel Cognac and Seagram's Gin. Diageo, already the industry leader in sales volume, strengthened its position by taking Crown Royal and VO Canadian whiskies, as well as Captain Morgan rum. Both buyers already had operational and support functions; thus, the deal was disastrous for SSWG's marketing, sales, and corporate groups.

Ironically, all this happened at a time when SSWG had posted all-time record earnings of $5.1 billion for the fiscal year ending June 2000. Further, it had enjoyed double-digit growth 11 of the past 12 quarters. From an earnings perspective, SSWG led the spirits industry. Interviews with corporate executives in 2000 reported that these great profits boosted the morale of employees who were seeing positive results after four years of difficult, yet successful, reengineering and culture change interventions. "People tell us that they feel part of a highly streamlined and winning organization with a growing performance discipline," noted the firm's CFO.

While employees conceded that their company was in play, there never had been any talk that SSWG would be broken apart or closed. Thus, they met the announcement of the SSWG sale with shock and anger. The buying companies were predominantly interested in acquiring new brands, which they could easily integrate in their existing sales and distribution networks. It soon became apparent that only a small number of positions would survive. Thus, SSWG's senior management suddenly found themselves faced with the paradox of having to retain the talent needed to keep the successful business performance going, while also preparing people for an uncertain future with many eventual layoffs.

A Long and Emotional Transition

The Vivendi Universal deal was a major blow to many SSWG employees, who felt deeply let down by the Bronfman family. This was especially true in North America, which accounted for 60% of the total Seagram business and posted the company's strongest growth. Following the announcements of the Vivendi Universal combination in June 2000 and of the SSWG sale by the end of that year, waves of hostility and resentment came from the many long-tenured employees. As the president of SSWG's North American business noted, "Most SSWG employees from the senior ranks downward are angry with what they consider to be the selling out of the company by the Bronfmans." Edgar Bronfman Jr. in particular became a target of derision and frustration. Employees scorned any communication from him regarding the business reason for the sale as unempathetic and insensitive to the recipients' situation. A Web site critical of him was established by disgruntled employees and featured numerous anonymous comments. Interviewees acknowledged frequent "Bronfman bashing" meetings in offices and hallways. The gloomy conclusion was that something great was coming to an end.

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The period between the announcement of the Vivendi Universal combination and the sale of SSWG proved to be an emotional roller coaster for employees. After the unsettling news that their company was to be sold at auction, a ray of hope emerged for SSWG people when a consortium led by their management team attempted a leveraged buyout of the spirits business. These highs turned to lows, and employee anger was further fueled when the *International Herald Tribune* reported in late September 2000 that Edgar Bronfman Jr. opposed the planned buyout. As the auction of SSWG's brands became drawn out with many incidents and attempts at side deals, further news reports described the situation as "messy" and "chaotic." The situation was highly entertaining for outsiders but not for SSWG employees. A bidding war ensued among six of the world's largest spirits producers. At stake was the largest portfolio of drink brands ever to be put on sale, which gave each of those companies a unique chance to secure leading positions in key categories of spirits producers around the globe.

The emotional roller coaster kept climbing and falling as the closing date for the sale continually changed. When the deal was announced in December 2000, newspapers reported that all parties involved were adamant that they would get regulatory approval in the United States, Canada, and Europe by the end of March 2001. But at approximately the same time, General Electric saw its deal with Honeywell blocked by the European Union Commission in Brussels, and United Airlines got a thumbs down for its takeover bid for US Airways in the United States. Although the European Union approved the sale of SSWG in May, the closing date slipped to the end of June, then to early July, then to the end of July, then August, late October, and, finally, the second half of December 2001. In retrospect, one SSWG executive concluded, "Diageo and Pernod Ricard had clearly underestimated the difficulty and the complexity of the transaction and the scrutiny of the Federal Trade Commission in the U.S."

Meanwhile, the HR function took a lead role in preparing the organization for transition and proactively tried to mitigate the sense of impending personal loss associated with the death of SSWG. It also worked closely with business leadership to maintain excellent business results during the transition.

During the 14 months between the announcement of the intention to break up SSWG and its actual sale, managing and working in SSWG became extremely difficult. Discussions with SSWG employees at all levels were peppered with comments regarding how Vivendi Universal, the investment bankers, and others involved in the deal seemed to care very little about employees' needs or situation. However, SSWG's management team bonded together—they increased the frequency of meetings both among themselves and with the workforce. They provided important emotional support to one another following the disappointment of not being able to carry out their management buyout. They provided a united front to the workforce with a message of "we are all in this together." The senior team members communicated openly and credibly about why they abandoned the buyout option and confirmed their commitment to the sale. They rearranged their schedules so all senior team members could appear in front of the workforce at town hall meetings. Meanwhile, the HR function took a lead role in preparing the organization for transition and proactively tried to mitigate the sense of impending personal loss associated with the death of SSWG. It also worked closely with business leadership to maintain excellent business results during the transition.

Preparing for Life After Organizational Death

When is the right time to begin preparing for organizational death? An obvious—and fitting—answer comes from following the lead of considerate individuals who make funeral arrangements and other plans for their deaths in advance of the need rather than burden survivors dealing with loss and the associated emotional reactions. Similarly, forward-looking HR professionals should begin making plans for organizational death well before the transition actually occurs. Once the death is announced—whether it is the actual demise and closing of an organization or its effective end through an acquisition or restructuring—strong forces will detract from planning appropriate interventions. First, as with their reactions to human death and dying (Kübler-Ross, 1969), people meet organizational death announcements with denial, anger, bargaining, and depression before acceptance. Inevitably, energy and focus get detracted from managing the transition. Second, a crisis mentality develops during times of organizational transition as people adopt very political behaviors in hopes of exerting control over their situation, organizational communication becomes constricted, and creative approaches to problem solving are pushed aside by mechanistic responses to the perceived threat (Marks & Mirvis, 1998).

In addition to these normal and to-be-expected responses is another force that either can enable or detract from an HR function's ability to help an organization and its leaders deal with organizational death: its perceived status within the organization. While the announcement of an organization's demise could create an opportunity for an HR group to show its stuff, in reality, others in the organization are likely to use their established frames of reference to assess overtures and input from the HR community. If, prior to the announcement of organizational death, the HR function does not already have a seat at the executive table or is perceived as not adding much value to the organization's strategic leadership, then it is unlikely that even the most genuine and appropriate suggestions for managing organizational death will be given due consideration. On the other hand, if the HR function is held in high regard prior to the death announcement, then its input in managing the transition should be welcomed and utilized. This was the case at SSWG, where the conditions for effectively managing the human and business issues in organizational death were being developed years before the actual breakup of the organization (see Table II for a timeline of HR preparation for the eventual organizational death).

Strategic Preparation: An Ongoing Leadership Agenda

The people and processes that enabled SSWG's HR group to make a profound and positive impact on the closing of the organization were not an overnight success. In 1994, Edgar Bronfman Jr. initiated a major

TABLE II Major Milestones for the HR Function

Prior to 1997	HR in SSWG is very task-oriented, traditional, reactionary.
January to April 1997	PDM (people development and management) reengineered into a key line accountability.
March to May 1997	The SSWG HR function is assessed globally against new requisite competencies by an external consulting firm. Action plans are implemented and HR capabilities are upgraded.
June to December 1997	"Team Seagram," the people brand culture change project, is launched for line management across the world. Training programs on performance management, designed by external consultants but delivered by internal HR staff, are conducted with and through line people.
January 1998 onward	The HR function supports the efforts and gains high credibility. The chief human resources officer becomes a member of the senior leadership team and SSWG HR overall becomes regarded as a strong business partner that comprises very strong HR professionals.
August to December 2000	SSWG HR leads the development of a transition approach toward the breakup of the company.
November 2000	Milestone three-day global HR event is held resulting in development of a white paper on how to effect the transition to the new buyers with a constructive mind-set.
January 2001 to January 2002	The senior SSWG HR team proactively negotiates the best way of transitioning SSWG employees to the new companies or to a "humane" exit from the company.
February 2002	SSWG split up and SSWG HR team disbanded.

reengineering and culture change program at Seagram. Over the next four years, more than 40 cross-functional teams examined and redesigned every process in finance, consumer marketing, customer development, order fulfillment, manufacturing, purchasing, IT, business planning, and HR. These efforts resulted in a more process-oriented company, significant cost savings, reduced overhead, and enhanced business performance. Concurrent with the process redesign was a companywide culture change effort. At the core of the culture change were six Seagram Values: customer and consumer focus, quality, innovation, teamwork, respect, and integrity. These values became the rules of engagement throughout the company.

Though not intended as such, the efforts that turned SSWG into a high-performing organization also created the conditions that helped the organization and its people through its ultimate breakup while maintaining business focus and momentum. One of these conditions was that the HR function in SSWG went from being one of the least respected functions to one of the strongest in the years leading up to the sale of the company. In a 1994 survey conducted as part of the diagnosis for the reengineering process, only 49% of responding managers and executives reported being "satisfied with the support I receive from HR professionals," and just 41% indicated "HR's recommendations/actions reflect clear understanding of our business needs." Interviews conducted with SSWG executives from other functions as part of the diagnosis also conveyed disdain for the HR function:

- "They really should call it 'personnel' and not 'human resources'; they operate with a pace and style like it is the 1950s."
- "I try to avoid them. They are highly political, and you cannot rely on them to defend your case. You just cannot trust HR to get the job done."

Over the next few years, HR management processes were extensively redesigned and enhanced through the reengineering process, and the caliber of HR professionals the company hired was upgraded. Interviews conducted in summer 2000, shortly after the announcement to auction off SSWG, described a much different HR function. A content analysis identified four characteristics of the group that, in addition to being quite different from those cited in 1994, contributed to its readiness to assist senior leadership in effectively managing the subsequent organizational death in a manner that maintained both human dignity and business performance (see Table III). First, the SSWG HR function in 2000 was described as having a proactive orientation. The HR team did not wait for direction when the auction and intended breakup of the organization was announced; rather, it leaped into action. Second, the HR function displayed strong teamwork. In 1994, line executives had complained about the factionalism in HR in which field generalists and staff specialists often worked at odds with one another. In 2000, the HR function was described as seamless and cohesive. Third, the HR team was willing to break the mold. Previously, HR solutions were regarded as conventional and uninspiring for such a large organization. While steps were taken upon the announcement of the auction of the company to identify best practices at other organizations, the SSWG HR team crafted customized and innovative approaches to maintaining a business focus while preparing people for organizational death by reviewing all work currently being done; prioritizing projects; and freeing up people, time, and other resources to manage the transition. Interviewees also noted a collective self-confidence among the HR team

TABLE III Perceptions of HR Function 1994 to 2000

1994	2000
Reactive	Proactive
Silo mentality	Team orientation
Toe the line	Break the mold
Low self-regard	High self-confidence

in 2000, which contrasted with the low regard both its members and others in the SSWG organization had of it prior to the reengineering and culture change.

SSWG CEO Steve Kallagher confirmed the role and value of the reengineered HR function in presentations to the six potential buyers at the onset of the auction process. One presentation slide attributed SSWG's business success in recent years to three factors: the firm's reengineering, its culture change, and "the work of the HR function from 1997–2000." Perhaps the foremost indication of the heightened regard within SSWG for the HR function was that, in contrast to prior significant events in the company's history, HR leadership was invited to participate in senior-level executive meetings to prepare for the company's death.

HR Functional Preparation: A Catalytic Transitional Event

Immediately upon the announcement of the intended sale of SSWG, the senior HR team met to identify and discuss the large number of issues involved in a corporate combination. Their actions and results differed in some significant ways from the usual response of HR leaders who learn that their organization is being sold. First, in contrast to typical merger-and-acquisition (M&A) situations, where HR on the seller's side reverts to a holding pattern awaiting direction, HR leadership in SSWG took action rather than wait until it became clear who the buyers were. In an interview shortly after the sale announcement, the HR head of Asia noted, "The starting point should be to prepare the HR function itself. We know that acquisitions typically are very negative experiences for employees, their families, and for the communities in which they reside. HR's actions, in line with the Seagram Values, should be to help people through the transition with respect and integrity, regardless of who was going to be the group's new owner."

Second, the SSWG senior HR team integrated a sophisticated and realistic understanding of the process of human adaptation to organizational transition into the design of their interventions. They consulted with experts on workplace transitions, who advised about the need to create formal interventions to help people let go of the old so they could accept new realities. While the adaptation process increasingly is acknowledged in many organizations today, it rarely is acted upon (Marks, 2003). Managers dismiss the notion of facilitating the letting-go process as an inappropriate use of time and resources and instead appeal to workers to stay focused on getting work done. Yet, as the SSWG senior HR team recognized, people go through the adaptation process whether senior management likes it or not. Employee time and attention get diverted from work activities in any event. The senior HR team at SSWG accepted and worked with this reality rather than deny it or work around it.

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Third, the SSWG HR team responded to the announced sale of the company by adopting a cross-functional approach to understanding and addressing the issues involved in the transition. In acquisitions and other major transitions, it is common for staff functions to turn inward and adopt a silo mentality as they circle the wagons and take other political actions to give the impression of gaining control over their situation (Marks & Mirvis, 1998). The SSWG HR community acknowledged that it had to learn more about financial and legal aspects of corporate transitions and HR's role in making them work. So, the HR team began to acquire knowledge in these areas. They also invited colleagues from the SSWG Communication and Legal functions to participate in preparations for the company's sale, in anticipation of needing to work closely together during the transition.

Among the most ambitious interventions in preparing for the ensuing organizational death was a three-day transitional event for the worldwide HR function. Held before any buyer was announced, the meeting agenda was built around three key objectives (see Table IV):

1. Prepare the HR function and its members, both psychological and strategically, for their roles in managing the sale and closure of the company.
2. Design a global action plan for the coming six months.
3. Develop a partnership and bridge-building mind-set to deal with the imminent sale of the company rather than adopt a victim mentality.

Psychological and Strategic Preparation

The primary purpose of the three-day transitional event was to prepare the HR community for its role in managing the sale and closure of the company. On a psychological level, this meant not only conveying an intellectual understanding of the process of adaptation to organizational transition, but also beginning to move HR members through it. As the HR head for Latin America stated in the design stage of the event, "We need to prepare members of the HR community emotionally as well as intellectually for the work ahead. We are going to have our own reactions to the end of the company, so whatever we can do at the event to help people come to terms with the reality that our days are numbered will be beneficial."

The starting point for this facet of the transitional event was raising awareness of the adaptation process. Presentations from authoritative consultants and representatives from other companies that had gone through similar experiences described common employee reactions to organizational death and what HR could do to contribute to a successful transition. This intervention at an intellectual level was complemented with experiential activities at the emotional level. In one session, HR members went through an active mourning of what was being left behind—old ways of seeing and doing things, abandoned hopes and expectations, and the loss of what was once meaningful or simply familiar. The day concluded with a symbolic ceremony designed around building exhibits with photographs and other mementos honoring past accomplishments and experiences in the SSWG HR organization.

Members of the HR community also prepared strategically for their role in managing the sale and closure of the company.

TABLE IV Three-Day Transitional Event Objectives and Corresponding Activities

Objective 1: Prepare the HR function and its members, both psychologically and strategically, for their roles in managing the sale and closure of the company.

- Raise awareness of adaptation and transition processes.
- Have presentations by investment bankers and board members on financial aspects of acquisitions and potential buyers.
- Conduct experiential activities to express and vent feelings and emotions.
- Conduct symbolic ceremony to mourn loss.

Objective 2: Design a global action plan for the coming six months.

- Identify actions in each of ten HR areas critical to transition success.
- Create roster of HR staff with expertise in each area.
- Assign responsibilities and timetable for each action item.
- Learn how other companies managed successful transitions.

Objective 3: Develop a partnership mind-set to deal with the imminent sale of the company.

- Develop future scenarios of SSWG HR participation in the transition process.
- Assemble a white paper (and HR blueprint for integration) to distribute internally within the HR community and externally to HR professionals of the buying companies.

As noted, external speakers provided insights from previous cases of organizational transition. In addition, investment bankers and a few members of the Seagram Board of Directors made presentations about the financial aspects of corporate acquisitions and provided financial and strategic profiles of the half-dozen firms that were the most likely prospects for purchasing SSWG. This further developed the HR community's capability by enhancing its knowledge of the business context of the imminent acquisition and the business profiles of all possible future partners.

Global Action Plan

The HR group identified ten critical transition management responsibilities: resourcing (i.e., having sufficient personnel in all positions to ensure that business operations ran smoothly during transition), compensation, benefits, performance management, HR information systems, legal compliance, culture change, employee communication, transition management (i.e., helping individuals understand and progress through adaptation to transition and providing HR support to integration planning teams), and the HR organization (i.e., the strategic direction, role, and structure of HR). For each area, meeting attendees determined work activities that could be conducted prior to the announcement of the buyer and work to be conducted once the buyer was identified and the deal received legal approval. (See Table V for sample output from one area, resourcing.)

The output constituted a comprehensive HR Global Action Plan for the transition and prepared SSWG HR staff for participation in integration planning teams after the sale. After the transitional event, the Global Action Plan was distributed to and embraced by business leaders within SSWG. It would later be shared with HR counterparts from the buying companies once they were identified.

Partnership and Bridge-Building Mind-Set

A key design principle of the conference was to influence the prevailing victim mind-set and to help the participants see there could be a different way of approaching an acquisition. "Our assumption," noted the HR head for North America in an interview conducted as part of the design process, "is that, even though SSWG is not in charge, an inclusive scenario can be created that offers to develop a 'win-win' proposition for the post-transition venture in partnership with the buyer." This was accomplished through many sessions in which all participants were involved in building future scenarios in which they could contribute their capabilities. This led to describing what success would look like and developing a set of HR principles for dealing with separation, selection, and integration. All the outputs were written up in a white paper, an HR blueprint for integration, which also was provided to the buying companies' HR professionals.

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Evaluations of the transitional event indicated that the HR community had not only enhanced its capability, but also was unified in understanding what the HR function stood for and how it could influence the buyer to cocreate the future if it so desired. The event was a major catalyst for the HR community, strengthening confidence and cohesion within an HR function that ended up having a lead role in the dialogue with the eventual buyers regarding the ensuing transition. And, in interviews conducted several months afterward, the transitional event was credited with contributing to retaining HR talent during the organizational death. "There were no special efforts to retain HR people during the transition," recalled an attendee. "The teambuilding and bonding effects of the three-day meeting had a strong effect on keeping spirits high and people focused on their work, especially since most of us in HR knew that there were no jobs for us going forward. Even after the event, we increased the number of meetings, moved those meetings around the regions so that we, as an HR function, could be seen to

TABLE V Sample Contents of Global Action Plan

Resourcing

Objective: To have employees in all positions who can ensure that (1) in the short term business operations can be continued and (2) in the long term staffing is aligned with the buyer's strategy.

Work that can be done prior to legal closing:

- Develop a clear package on the Talent & Source Seagram process and on the recruitment processes and methodologies that are being used. The package should address what we are doing, why we are doing it, and what the achievements are for the business.
- Ensure that the people databases are fully updated, listing employee data and skills.
- Ensure that our talent pool reviews and our high-potential list are accurate and well documented.

Work that can be done once the deal closes:

- Focus on retention, getting the employees in place who have the required knowledge, skills, and relationships.
- Establish a steering committee (identify the participants and build teamwork so they can work well together) to:
  - identify the operating principles for retention, sourcing, and redundancies (including diversity guidelines);
  - identify and rank the hot spots for retention and sourcing;
  - clarify the roles and responsibilities to make decisions with respect to sourcing, retention, and redundancies; and
  - link with the overall integration team and the group responsible for the organization design of the company.
- Establish a global taskforce (identify the participants and build teamwork so they can work well together) to:
  - identify positions for which retention is required in the short run;
  - identify retention tactics;
  - identify positions for which recruitment is required;
  - identify the selection criteria in terms of required knowledge, skills, and relationships;
  - design the selection methodology and tools;
  - decide when to go outside for talent;
  - identify how to integrate the existing talent and high potentials into the sourcing process;
  - identify redundancy tactics;
  - design the communication strategy;
  - prepare individual managers for execution; and
  - establish global and regional taskforces for implementation.

be out in the field, and continued to make decisions as a team."

Tactical Interventions: A Focus on Education, Communication, and Retention

Immediately following the HR transitional event in November 2000, implementation of the HR Global Action Plan commenced. This included actions taken prior to and after the announcement of who would win the auction for SSWG.

Prior to Identification of Buyer

While many organizations engaged in M&A offer transition management workshops to employees, they usually are not implemented until after the deal receives full legal approval and, often, they are not much more than generic stress management training. In contrast, SSWG began offering workshops even before a deal was announced and continued to offer them through the time of closure. Importantly, the content and emphasis of these sessions shifted over time in line with the evolving reality. This allowed employees to attend sessions that applied to their specific situation and addressed what their perceived greatest needs.

In *Taking Stock* sessions, participants received 360° feedback and other psychometrics to help identify professional and personal strengths they could bring to a new role. *Me and Transition* workshops equipped employees with insight into the human dimensions of the transition process and helped them come to terms with the negative emotions they were experiencing due to the imminent ending of SSWG and the critical mass of uncertainty confronting them. And *Thriving on Change* programs helped employees identify actions they could take to feel more confident in their abilities, regain a sense of control over their situation, and remain productive on the job during transition. In addition, personal coaching and counseling were made available to senior executives, both to help them cope with their personal transitions and to enable them to better lead their workgroups through the process.

After Identification of the Buyers

Just a few days before Christmas 2000, and a full six months after going on the auction block, the split-up and sale of SSWG to Diageo and Pernod Ricard was announced. Upon the announcement, SSWG's senior executive team and HR leaders reached out very quickly to the buyers and started conversations about people. In doing so, the strong HR practices that had been developed during the previous four years of reengineering were leveraged immediately. The buyers left key processes including high potential review and communication—which had become an integral part of the SSWG culture—intact. The early exchange of performance, talent, and résumé information about senior management and high potentials was well received by the new owners. This information became the primary data the buyers used in deciding who would be offered jobs in the postacquisition organizations.

In many areas, the HR Global Action Plan literally became the blueprint for the HR practices and policies that were adopted for the closing of SSWG and its integration into the acquirers. HR leaders in both buying firms welcomed the comprehensiveness and value of the work initiated at the three-day transitional event. The preparedness of SSWG's HR group also caught the attention of operational leadership in both Diageo and Pernod Ricard. HR matters had not been on business leaders' screens in either firm. A review of both buyers' December 2000 internal management presentations on their respective acquisitions revealed extensive coverage of brand strategy, marketing, operations, and finance but not a single mention of HR factors. In contrast, the SSWG internal management briefing on the buyers contained entire sections on HR issues, opportunities, and challenges.

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Throughout the period between announcement and legal approval of the sale, the senior HR team kept proactively involved and alerted the buyers when their practices appeared to conflict with those of SSWG—for example, when buyers' communication materials may have been poorly received by SSWG employees—or when they were not in line with initially agreed-upon principles, such as criteria for triggering redundancy payments. The operating principle followed by SSWG HR was to control the destiny of its employees for as long as it could influence the new owners. HR also urged the buyers to communicate the future mission of the overall company and the local organizations to the workforce and helped them organize the necessary road shows to bolster employees' confidence in the future of their new employers and themselves.

Retention of Talent

Many SSWG senior managers feared a massive walkout as soon as the deal was announced. However, retention levels stayed remarkably high throughout the transition. In the year following the announcement of the intended sale, only 534 out of 8,500 SSWG employees (6%) left voluntarily. The voluntary turnover rate was even lower in North America, where SSWG had its largest number of long-serving employees.

While there were many levers for enhancing employee retention during the difficult transition, a financial scheme to provide incentives for incent people to remain in the organization—and to perform at expected levels—was the most effective means for securing retention. HR created a number of retention schemes to keep the critical talent needed to attain SSWG's business objectives. Senior management and HR settled on an inclusive approach and allocated retention funds across a broad management population of about 1,000 people. A complementary special retention scheme also rewarded 575 non-bonus-eligible employees, who were nominated by their country managers or function heads as critical to successfully running the daily business or essential to closing the sale transaction.

Descriptive research can determine what really matters in retention: Is it primarily influenced by financial payouts, or do psychological rewards matter in getting people to stay with an organization as it ceases to exist?

The senior HR team also lobbied the buyers on behalf of SSWG employees to keep all the normal compensation practices such as performance bonuses and salary reviews. Exit interviews with departing employees repeatedly confirmed that these practices contributed greatly to the record business performance results SSWG delivered until its sale received full legal approval and the organization ceased to exist.

Implications for Research

The SSWG case study enhances our understanding of the conditions and actions that enable an HR function to support a business and its people during organizational death. Given the high number of organizational deaths each year, research on the process of organizational death—and, in particular, the role of HR professionals in facilitating it—should yield both scholarly insights and practical applications. A few key implications for research activity emerge from this case.

- *Which HR programs and practices are most effective in retaining the talent needed to meet customer commitments and keep a business running while also readying people for an uncertain future?* Descriptive research can determine what really matters in retention: Is it primarily influenced by financial payouts, or do psychological rewards matter in getting people to stay with an organization as it ceases to exist?
- *Which planned interventions are most helpful in preparing employees for the death of their current employer and prepare for life afterward?* Empirical studies on whether and how transitional events matter in preparing for organizational deaths are needed. As this article goes to press, one of us is preparing a study of the efficacy of workshops like the one conducted in SSWG for preparing employees for organizational transition. Half of employees will attend workshops and half will not, and then differences in their perceived readiness will be assessed.
- *Which components of transitional events are the most effective in preparing people for organizational death and readying them for productive lives after death?* The transitional event at SSWG had three primary components. Which ones were most beneficial: being prepared psychologically or strategically, having an action plan, or developing a partnership and bridge-building mind-set? Do they each contribute meaningfully in helping people deal with organizational death, or are certain components more effective? And are there additional components of a transitional event that are effective but were not contained in the SSWG intervention?
- *Which types of support are most effective at enhancing employee confidence and well-*

being during organizational death? The SSWG case combined emotional support, practical support, and informational support in a comprehensive approach. Are any of these components more valuable than others?

- *Are types of organizational deaths experienced differently and, if so, are distinctive approaches to managing the deaths warranted?* Does the experience of going through an actual workplace termination differ from the experience of having one's workplace absorbed into another entity or dissolved through a restructuring? How does an organizational death due to strictly financial causes differ from the death of a financially healthy organization? In particular, what psychological dynamics emerge when employees regard their workplace as successful and productive, yet it is terminated through acquisition?

Implications for Practice

In some ways, organizational death is like any other major workplace transition—a path to an unknown state, involving many simultaneous and interactive changes and requiring a break from the past. Yet, for the survivors of organizational death, the actual or effective end of their workplace is quantitatively and qualitatively distinct from other types of organizational transitions. Quantitatively, the sheer number of changes people have to contend with in an organizational death is much larger than in other transitions. Following a restructuring or downsizing, for example, a critical mass of pretransition practices, processes, and people remains. Even if 20% of the workforce is eliminated, 80% stay. In organizational death, no one remains except those who stay to turn off the lights. Qualitatively, the demise of the organization takes with it formal and informal sources of support that would be available to moderate the stress and other unintended consequences of an organizational transition—including credible and reassuring leaders who provided informational support, HR professionals and other support staff who provided practical support, and coworkers who provided emotional support. And, given the uncertainty of life after death, the adaptation process that begins with letting go of the old is made more difficult and can take longer following organizational death than in transitions in which employees have at least some sense of what the new entails.

The journey of the SSWG HR function through the sale, breakup, and termination of the company provides some key lessons for others approaching or engaged in organizational death.

1. *Be constantly ready for organizational death.* Be realistic about the potential for being acquired, divested, or closed, and make preparedness an ongoing agenda item for both the HR function and senior management. Once the transition is announced, all involved will lurch into a crisis mode. Executives become overwhelmed with the dual demands of managing the transition while running the business, and HR staff members contend with mountains of paperwork and seemingly endless requests for data while, at the same time, they get distracted from their work as they worry about their personal fates. Just as thoughtful and caring individuals prepare wills and make other arrangements before their deaths, the best time to begin planning for organizational death is well before the triggering event occurs. Mergers, acquisitions, divestitures, restructurings, and closings are here to stay and, if anything, their frequency is increasing. The efforts organizations take to develop processes, build desired cultures, and clarify guidelines for action in the preceding months and years will yield great benefits when death is imminent.

What psychological dynamics emerge when employees regard their workplace as successful and productive, yet it is terminated through acquisition?

2. *Become an architect of transition rather than a perceived victim of it.* Denial and anger

are among the normal reactions to a pronouncement of organizational death, but people must work through them to move to a position of being part of the solution rather than part of the problem. And, while the victim mind-set is a common and to-be-expected response among people in the dying company, do not conclude that all control has been lost. Once an acquisition, divestiture, or closure is announced, most HR professionals sit back and wait for things to happen to them. The SSWG case shows that there is much to be gained by becoming proactive and influencing your destiny.

3. *Make the transition an opportunity to show your character as a professional, a function, and an organization.* Being able to answer the question, "What do we stand for here?" is vital as an organization faces its demise. A set of shared values and high standards will enable HR professionals to actively add value in managing the pain of transition for people in both the dying and surviving entities. All of the horror stories about mismanaged mergers, acquisitions, divestitures, and closings are based in fact—transitions have the potential to bring out the worst in people who are involuntarily confronted with the loss of their work situations, identities, and comfort zones. Large amounts of both integrity and sensitivity are necessary throughout any organization to prevent power plays, reductions in productivity and quality, and other unintended consequences that regularly occur during transitions. The death of an organization will play out in a manner consistent with its culture and underlying values, whether or not they are explicitly stated. In SSWG's case, the processes developed through four years of reengineering and the leadership capabilities and character developed as part of the broader culture change paid off. Indeed, one of the "success criteria" for advancement in the organization for Seagram leaders was "character counts."

There is no one-size-fits-all program for assisting people confronting organizational death. Some individuals will want mostly practical support, while others will have a greater need for emotional support.

4. *Be prepared to manage the emotions involved in organizational death, and spend a lot of time doing so.* Strong feelings are elicited upon the announcement of any organization transition, and they ebb and flow as people experience the emotional roller coaster of moving through transition—one day they are angry and spoiling for a fight while the next they are optimistic and have a temporary sense of relief. Leaders who manage transition effectively cope with emotions by bringing them to the surface and understanding how they affect work activities and relationships as groups face challenges and organizational changes. Managing emotions aroused during organizational death requires sensitivity and time. Formal interventions help here, such as the time carved out at SSWG's three-day transitional event for structured activities to help attendees vent anger and express their feelings, but so does the informal touch of demonstrating care for people in ways such as active listening and having time on one's calendar so people can drop in as needed.
5. *Tailor interventions to individual employee needs.* There is no one-size-fits-all program for assisting people confronting organizational death. Some individuals will want mostly practical support, while others will have a greater need for emotional support. Rather than attempt to be all things to all people, the HR staff at SSWG developed three distinct workshops and let employees elect to attend the ones that appealed to them. And, in working with line managers to retain the talent needed to stay and turn off the lights as the organization closed down, HR professionals customized packages to fit individual situations. Some employees were interested primarily in money, while others wanted more flexible work schedules or opportunities to work at home. Some key individuals who were concerned about employability outside the organi-

zation were motivated by prominent roles on new projects or broadened job responsibilities during the 14 months between the announced sale of SSWG and its actual closure; they figured these new experiences would look good on their résumés and make them all the more employable down the road.

6. *Help people become aware of their skills and strengthen their self-confidence.* One of the benefits of organizational death is that it challenges people to move out of their comfort zones and explore new opportunities. Perhaps some employees have always dreamed of opening their own business or otherwise changing careers. Interventions that help individuals take stock of their skills and interests and develop personal transition plans benefit them on a practical level. But it is also important to overcome the declines in self-confidence and perceived loss of control over one's situation that accompany organizational death—people tend to beat themselves up for not seeing it coming and may require support in working through this and related emotional responses.
7. *Help yourself as well as others.* In the dozens of major organizational transitions we have witnessed, we have seen HR people make substantial contributions as well as shut down and offer no value at all. Either way, it is a stressful journey. Remain confident in your abilities and potential for helping people through the transition. But, take care of yourself also—eat well, get plenty of sleep, continue to exercise, keep a journal documenting your ups and downs, and talk things out with people.

Finally, find ways to have some fun along the way and make every day important and productive as organizational death approaches. Frame organizational death as an opportunity to make a difference, show your character, and contribute to the value of the HR function. The HR community at SSWG made a conscious choice to approach the death of their well-regarded organization as an opportunity to learn and build competence every step of the way. They found an eager audience in educating senior executives and line managers on the potential pitfalls of acquisitions and closings and made a difference in the eventual outcomes by designing and implementing responsive interventions that allowed the organization to deliver its financial and strategic objectives while preparing for its demise. They assisted the general employee population who mourned the loss of their work situation while contributing to its final strong business results. And they had considerable influence over the practices the buying companies used to select, recruit, and motivate employees.

There is no shame in organizational death—inevitably it happens in every workplace. How organizational death is managed—and, in particular, how the HR function contributes to the transition—leaves a legacy for the terminated organization while yielding a more confident and better-prepared workforce for life after organizational death.

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NOTE

1. A variety of sources were used to collect data for this study: (1) interviews conducted with managers in 1994 as part of the diagnosis phase for an organizational reengineering project and in 2000 first to prepare for the transitional event and then to evaluate it; (2) analyses of several internal documents from both the acquired organization and its eventual buyers (including senior management presentations, memoranda, and employee newsletters and other communication materials); and (3) analyses of articles from periodicals including the *Financial Times, International Herald Tribune, Wall Street Journal,* and *Business Week.*

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