

**American Chemical Society  
Conference Call  
March 11, 2010**

**Dr. Lisa Balbes:** Our guest today is Price Pritchett, who has spent nearly 30 years as an advisor on merger and integration strategies to senior management in Fortune 500 companies and other organizations. To date, Dr. Pritchett has authored 29 publications on mergers and change, including the *Employee Guide to Mergers and Acquisitions*, the all-time best seller on mergers. Thank you for being with us today, Dr. Pritchett.

**Dr. Price Pritchett:** Well, thank you.

**Dr. Lisa Balbes:** In 1987, you published the *Employee Survival Guide to Mergers and Acquisitions*. Has the business environment changed since then?

**Dr. Price Pritchett:** You know, Lisa, it—I was reflecting on kind of the trend lines over the past 30 years now, and it's really remarkable. I can just really quickly tick off 10 ways that we have had significant shifts in terms of the business environment and what that implies in terms of individuals' careers. You can go back to the 80's, and still there was a lot of that implied contract between employee and employer. Now, they cannot guarantee employment in the way that they once could, and people can expect to just have a larger number of jobs in a career. I saw a quote in a December issue *The Wall Street Journal*. The quote said by age 42, the average American will change jobs 11 times. And I think we see another change in that people now have to think in terms of continually retooling themselves or, at least, staying in school. It's no longer K through 12 or even K through four years of college, but it's K through 80. We can see a major uptick in terms of global competition for one's job.

We have seen an accelerating elimination of occupations, just tremendous job churn. People are engaging more in what I would call micro careers, where they are, actually, a career shift at different points along the way, and they move from kind of one line of work to another line of work. Another major change is that the barriers to entry in terms of starting a business have gone down dramatically, and so we see a lot more opportunity for entrepreneurship. We see companies having to contend with the fact that their product shelf life, or if you're a consulting firm even, something like that, the shelf life of your solutions, your methodologies is not what it used to be, and so there is a much greater need for innovation. And employees need to think in terms of, "How can I contribute to that?"

We see a major emphasis on diversity in the workforce that has developed over the past 30 years, particularly. And the power

shift in organizations is dramatic in the sense that power has moved from the center and the top of the organization out to the fringes, to rank-and-file employees, and so individuals on their own have so much more information than they used to. And so, this has brought about, I think, just major shifts, in terms of how the work world functions, that has real implications for how people run their careers.

**Dr. Lisa Balbes:** That is a lot of changes. I think I would agree with all of those. Now, one thing, we hear a lot of talk about mergers and acquisitions. Do you think there are more mergers and acquisitions than they're used to be, or do we just hear about them more?

**Dr. Price Pritchett:** Well, we probably hear about them more, but I think that if you—we were the first firm in the United States to specialize in merger integration strategy, and that was at the end of the 70's. And we wrote the first books about it. There was no such consulting specialty, if you can imagine that, in the United States, that being, merger integration strategy. And that does not mean that there were not plenty of mergers before that, because we had just gone through the 60's, which was kind of the age of conglomeration. I think if you look over the 20<sup>th</sup> Century, you'll see an incline, upward incline in terms of the number of mergers and acquisitions. And, you know, in, I'd say '95 through 2005 or thereabouts, there—those years had the highest rates—with some ups and downs—but the highest rates of mergers and acquisitions that we'd ever seen. There has been a slump because of the economic downturn. Companies are moving back into this arena, making more deals now. So, I think that the general up—there's been a general up trend in the number of mergers and acquisitions, but it's softened a little bit over the last couple of years, certainly. Picking back up, but if you go beyond M&A, and you just think about organizational change, it has profoundly increased.

**Dr. Lisa Balbes:** Okay. I know in our industry, in particular, there have been a lot of mergers over the last few years, including, you know, Pfizer taking over Wyeth, Merck acquiring Schering-Plough, and Air Products recently bid \$7 billion for their rival, Airgas. What advice would you have for scientists who were involved in these companies and involved in companies that are undergoing mergers?

**Dr. Price Pritchett:** That's a good question. And, as a matter of fact, we worked with Pfizer on the Wyeth deal. We worked with Merck on the Schering-Plough deal. We've worked with a number of other pharmaceutical companies and chemical companies like Bristol-Myers Squibb, Novartis, Warner-Lambert, 3MG, and so on. I would say that for the scientists that are involved, the professional people that think of themselves as experts in a given area, particularly, that is no longer enough. There is a new kind of career mandate, I think, that one needs to respect these days, and that is, you need to learn how to change as an individual because, you can take it to the bank, the nature of your

work is probably going to shift noticeably, repeatedly over the course of your career. I think people need to become more adroit perhaps at dealing with uncertainty. We developed a course for that simply because we had clients saying, “How do we help our people in that uncertain period between announcement and close?” And so, that’s kind of a general statement, and I can get more specific as we move on through the dialogue here, but I think that people need to grasp the fact that, rather than just becoming technically competent or an educated person, there is a new behavioral or psychological dimension that they need to add to their bag of tricks, and that is, really, being able to quickly come to grips with change, know how to manage that process well.

**Dr. Lisa Balbes:** Mm-hmm. And is that what you’re seeing the people who successfully get through these transitions are able to do?

**Dr. Price Pritchett:** It’s kind of interesting. In just about any deal, any merger that we see going on, Lisa, that people break it out into about three categories. You’ll have about 20% of the people that just instinctively, or for whatever combination of reasons, 20% of the people get on board very quickly, they become change agents and they help drive the change. You’ll have about 50% of the people that they kind of go into maybe a little bit more of a holding pattern, a wait-and-see attitude. They kind of sit on the fence. So, 20% just jump in gear, help drive change. About 50% are kind of indefinite about this. And you’ll get about 30% that they dig in their heels, and they form the resistance category. The successful people don’t fall victim to that. One of the coaching points that we give to people these days is, look, any time there’s a major change, as a human being, your first scan is for danger. That’s just the way we’re wired as a human being, it’s a survival instinct. But what it does, it tells us to be careful, and that’s good. But people get stuck there far too often.

I think the successful people in a merger, for example, do not, but a lot of other people do, and they get hung up with what we call the five C’s, that being, complaining about the situation, criticizing the way management’s being done or the way the other company’s doing things. They’ll hang out together and commiserate—that’s the third C word. Maybe they just go around expressing their concern all the time and, you know, it’s a garden variety worrying, is what it is. And then, you’ve got some people that, man, they just twist off, you know, and they go into the catastrophizing, kind of the worst case scenario. Here’s the tricky part. As individuals, for most of us, about 70% of our negative thoughts, frankly, cruise through out consciousness undetected, and it’s because we’re out there subtly complaining, criticizing, commiserating, expressing our concern, or maybe just full-blown catastrophizing. Only about 30% of the stuff that would be called negative thinking do most people really recognize, and so they’re in a poor position to correct the situation. Again, the more successful people, they approach it with a different mindset. It’s kind of interesting—Donald Trump, I was listening to him on a morning show here a few

months ago, and he came out with a quote—you may not be a Donald Trump fan, but I thought this was a very, very weighty comment—and he said, “The mind is everything. It’s all about the mind.” And I can tell you, from over three decades of experience in working with people in mergers and acquisitions, it is a huge thing, in the context of a merger, or just major organizational change. And the successful people are better at managing their mindset and their thinking processes and their attitude.

**Dr. Lisa Balbes:** Interesting. Are there specific actions that people can take in addition to trying to watch their mindset?

**Dr. Price Pritchett:** Yes. I think, first, I would tell the group, or just an individual, “Look, so you’re being acquired, you’re being merged. I understand that that’s—that can be very disconcerting, maybe very threatening to you in your career, and so forth. But here’s the deal. If you didn’t leave, then you decided to stay.” Implicitly, you know, “If you didn’t resign or get downsized, or whatever, you’re here. So, if you’re not leaving the scene, then you’ve decided to stay, so make the most of it. Act as if—act the way you would act if you had just joined a company of your own volition where you would be trying to fit in, you would be trying to earn your spurs, you would be trying to align with the existing culture,” and that kind of thing. The next thing I would say is, “Be positive and opportunity-minded.” And people think that, “Well, I’ve heard that all my life, have a positive mental attitude,” you know. And I will ask people very often, “Which do you think is more important, thinking positive or not thinking negative?” And it kind of throws people for a minute, and they think it’s a trick question but it’s not. And you’ll get some people to raise their hand and say, “Well, I think it’s more important to think positive. It’s what I’ve heard all my life.” And other people will say, “Hmm, I don’t know, maybe it’s more important to not think negative.”

Here’s what research has found. It’s not that this optimism-pessimism thing is not one scale with, let’s say, optimism on the high end, that being the good side, and pessimism being the low end, that being the bad side. Actually, they’re two different scales. And what research has found in recent years is that people are much better served by eliminating negative thinking than they are by just trying like crazy to be an optimist. It’s the negative thinking that does the real damage. Negative thinking does more harm than positive thinking can do good, which is a kind of peculiar thought. The other thing is, there was a study that was done a few years ago by Opinion Research Corporation, and it was to—they asked people across the country, “How would you label yourself, as an optimist or a pessimist?” Seventy-eight percent of the people labeled themselves as optimists, while only 17% categorized themselves as a pessimist. And there were a few undecideds. But, anyway, 78% versus 17%. Well, the fact is, research shows that optimism and pessimism are pretty evenly distributed across the population, so it should have been about 50-50 instead of 78% versus 17. So, what we have is a lot of people out there that are

miscategorizing themselves or giving themselves credit for being more optimistic than they actually are. I think that goes back to making sure that you avoid the five Cs I talked about, all of that negativity, because, once again, when change hits, the first scan is for danger and it's easy for people to get stuck there.

**Dr. Lisa Balbes:** Excellent. Well, it sounds like this is something that you can do even before your company is into a merger or acquisition, kind of prepare yourself to think positively about whatever happens?

**Dr. Price Pritchett:** Well, yes, and once again, I think that that is going to be a new skill set that we all need to develop in this world of high-velocity change. A couple of other things I would mention, Lisa, though, that I think that one could try to do once they're involved in a merger/acquisition situation. If you can, try to get an assignment on one of the integration teams that will be set up. Secondly, do what you can at your individual—in your individual work role to facilitate the integration process. Don't be a barrier. Don't be one of those people in that 30% that is just either overtly or covertly resisting the whole process because the fact is, you're not going to unmerge the company. I will see people all the time fight it, and be angry about it. And it's a dead-end street. It's just going to drain them, and it's going to make them look less attractive as an employee.

The other thing I would say, just a quick note, get to know the people in the other company. Network, get over there. It's kind of like, okay, if these two companies are getting married, you need to know, you know, who's—who else is involved in this relationship. That just makes it easier to live together.

**Dr. Lisa Balbes:** Good point. Let me ask you one last question. Sometimes, as you said, people can't handle the merger, and they end up just moving to another company, but that's, really, just another form of change. Is it easier for people if it's a change of their choosing, by moving to another company?

**Dr. Price Pritchett:** I like that question, Lisa. I think that if change is of our own choosing, it probably, as a rule of thumb, is easier for us to adjust to and embrace. But, if you stop and think about it, that can still be very difficult. Think about when you get married. Think about when you have babies. These are, usually, purposeful acts. These are things we do on purpose. These are things we want. We want a family, we want to get married, and so forth. I can tell you, man. I've been married for 45 years, but those first two years of marriage were the hardest adjustment I've ever had in my life. And so, once again, if it is a merger situation, and if it is something that, particularly if you're the target company and you're being acquired, I think the best thing you can do is either, one, salute, resign and go on your way if it's something that you cannot stomach, or act like you would if you joined a new company. Behave just as if you were

there trying to prove yourself, trying to fit in, trying to align with that company's goals, and so forth.

**Dr. Lisa Balbes:** I think that's an excellent point, it's all in the attitude and how you handle the—what has been thrust upon you.

**Dr. Price Pritchett:** And these are all things that we've talked about here that are within the individual's control. You know, you can do this. And it may take some effort, but it's so much smarter than—I will—we will always tell our clients, the people down in the rank-and-file parts of the company, particularly, we'll say, "Look, control the controllables. Don't waste your effort trying to fight those things that are inevitable." Jonathan Kozol (sp?) had a quote that is one of my all-times favorite—one of my all-time favorites. He said, "Pick battles big enough to matter, small enough to win." And I think that's really good advice in a merger situation.

**Dr. Lisa Balbes:** I think you're right. I think that's excellent advice. And with that, I will thank you for being here today. Again, our guest has been Dr. Price Pritchett, an expert on integration and change management. And we thank you for helping our members deal with the changes that I'm sure are coming to all of them.

**Dr. Price Pritchett:** A pleasure being with you, Lisa.

**Dr. Lisa Balbes:** Okay. Thank you very much for your time.

**Dr. Price Pritchett:** Good-bye now.

**Dr. Lisa Balbes:** Bye.