

Mergers, Partnering, Restructuring: Blending Cultures in the New Company

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About Culture

There are many ways of characterizing culture:

- “Primary culture is what you do when no one is watching”.
- “It’s the way we do things.”
- “It’s our company’s personality”

The values and beliefs of a culture are its core; all the other elements of a culture are negotiable and subject to change. In a tribal society, the sacred bundle contains the core artifacts of the tribe. The responsibilities of the tribal elders are to:

1. Protect the bundle
2. Teach the youngsters the lore, the significance of the artifacts in the bundle

When communicating lore, it’s best to use stories. **Example:** Peg tells her new employees about the time she hired a taxi from Greensboro, NC to the Homestead Resort in Virginia -- a \$400 fare -- to get to an appointment when her flight was delayed in Chicago. **Message:** Don’t give me excuses -- show up!)

Assessing how one culture feels about another: “What do you say about them when they’re not present?”

3 levels of cultural expression:

- Visible Symbols
- Espoused Values
- Basic Assumptions.

When you start challenging basic assumptions, expect a backlash. (Example: current news story about health care providers harming their patients through errors is shaking them to the core.)

You can’t directly change basic assumptions. They evolve slowly from the other aspects of culture.

Why is Culture Important in Mergers?

Per McKenzie & Company, 50 - 70% of merger/partnership failures are due to culture clashes. It is important to do due diligence on cultures before merging companies.

Some issues that happen when companies merge are:

- Leadership
- Duplicity

- Mismatches of culture (both ethnic and corporate)

In *Built to Last*, Jerry Porras and James Collins identify a key trait of long-lived companies: these manage to simultaneously:

- Preserve the Core
- Stimulate Progress

Don't assume that only the CEO and senior managers can work on the issues -- there's a lot of work to do at all levels

Three Basic Questions to Answer When Merging Cultures

1. What worries you about this situation? (Any impending 'train wrecks' keeping you awake at night?)
2. What key characteristics do you want the new culture to have?
3. What action will you take to make it happen?

In case you aren't already worried, consider these questions:

- How will your job change?
- How will key leadership positions change?
- What do the existing cultures think of each other? Where is there agreement and respect? Where is there dislike or distrust? What evidence (behaviors, stories) support your conclusions?
- Within each group, what level of trust is there for leaders and peers?
- How much change has each group experienced lately -- enough to burn out or too little to be adaptable?
- Do many group members foresee a crisis?

When envisioning key characteristics of the new culture:

- What's the reason for the merger? What's the gain?
- What should be the core values & beliefs of the new organization?
- Is this truly a merger, or is it really an acquisition?
- If you are acquiring, which issues are negotiable and which are not?
- If you are being acquired, which (few) issues will you hold firm on?
- Is the acquirer acting arrogantly?

Planning for Action:

There are 3 options when combining companies:

- Continue to operate them as separate entities
- Assimilate (dominant company assimilates subordinate one)
- Integrate (blend the two cultures)

It's important to be straight with your employees about which option you're following. If you call it a merger and it's clearly a takeover, it violates employee trust and only adds to the confusion. If, for political or public relations reasons, you can't be explicit with employees, at least take it down a

level to tactics and explain what needs to be done. From this, the employees will figure out what the big direction is.

If you're in a merger situation, and management is unclear about what's happening, assume it's a takeover (the most common scenario).

True mergers are very rare. The term "merger" is often used as a 'politically correct' term for what amounts to an acquisition or takeover.

When trying to merge cultures, don't expect a single weekend retreat to do the job. It takes thousands of small actions to achieve the change. You get one point for each activity -- regardless of how large or small -- and you need thousands of points to win the game.

A paper and pencil analysis of culture compatibility is not likely to be successful. Instead, get people talking (especially telling their war stories), and listen for the values and beliefs that underlie the stories. It becomes evident after a while where culture clashes are likely.

Many clients later lament "I just knew that was going to happen", but failed to intervene before it did. Prompt action on these concerns is essential to success.

In international mergers, national culture is often stronger and a more significant issue than corporate culture.

Recommended Readings

1. Bridges, William, *Managing Transition - Making the Most of Change*, Addison-Wesley, 1991.
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4. Kouzes, James and Posner, Barry, *The Leadership Challenge*, Jossey-Bass Publishers, 1987.
5. Neuhauser, Peg C., *Culture.com: Building Corporate Culture in the Connected Workplace*, John Wiley & Sons, 2000.
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8. Prichett, Price, *Making Mergers Work*, Irwin Professional Publishing, 1987.
9. Raelin, Joseph A., *Clash of Cultures*, Harvard Business School Press, 1986.
10. Schein, Edgar H., *Organizational Culture and Leadership*, Jossey-Bass Publishers, 1992.
11. Schein, Edgar H., *Corporate Culture Survival Guide*, Jossey-Bass Publishers, 1992.
12. Scott-Morgan, Peter, *The Unwritten Rules of the Game*, McGraw-Hill, 1994.