



HOW TO INTEGRATE TWO CULTURES POST-ACQUISITION

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A practitioner's viewpoint

Worldwide merger and acquisition activity hit an all-time high last year, but most (around 2/3rds) of the newly formed companies performed well below the industry average. And always the same story, the overall productivity improvements envisaged at the outset failed to materialise. Amongst the many published case studies, one can find plenty of evidence to support the view that the high failure rate is largely down the lack of focus on the people issues: -poor leadership; political in-fighting; poor communication, loss of key people and cultural clashes.

This article addresses this issue and attempts to provide a practical guide as to best practice in this area with some tips for success.

Step 1 Decide your Overall Approach

There are four main ways to approach the job: You can either keep two distinctive cultures; you can apply all policies and procedures from Company 1 to Company 2; or vice versa; or you can create a new culture with a mix and match from the two different cultures. Know what your objective is from the start. If you are really acquiring the other company (irrespective of their size versus yours) don't try and protect sensitivities by presenting it as a 'merger', particularly if you select strategy 2 as your real intentions will soon be transparent and you will lose support, trust and credibility.

Step 2 Know what you stand for

In options 1, 2 and 4 above, you will need to be clear on your own cultural norms. Do you have a widely accepted set of values and beliefs? A clearly communicable mission and vision statement? Are you clear on what you stand for and are not willing to compromise? In most situations, the acquired company will respect a strong set of beliefs and values and respect clear direction and a vision which is not presented as a 'fait accompli' without consultation, but is nevertheless compelling and motivational from the outset.

Step 3 Use Internal Wisdom

External consultants, well directed, might be a tremendous added value, but consider first what wisdom you have in-house. Have any of your key executives faced similar situations? What have their learnings been? – respect them particularly if there have been positive outcomes. Has the vendor group had experience which you can tap into? What is the likely attitude of the acquired personnel anyway to being acquired ? - as this is almost certainly coloured by their ex-colleagues attitudes of similar events.

Step 4 Ensure someone is in charge

Someone ultimately needs to be responsible and accountable for the success of the integration. If it is very large, this can be chunked into individual accountabilities for different aspects. This will result in clarity and focus and ‘joined-up thinking’ in respect of what needs to be done. It should also inject a sense of speed and urgency as the key individual(s) will be pushing for decisions.

Step 5 Agree clear communications strategy

This is vital. People in the acquired company will be desperate to know where they are. Clear communications will help to reduce uncertainty and anxiety and help achieve strategic people goals such as increased retention. Far better than no communication on the future is a statement such as; “We can’t tell you (don’t know) yet what X is going to look like, but this is the process we shall go through to decide this and this is when you are likely to know the outcome” are extremely helpful.

Step 6 Consider your strategic priorities

Carefully consider why you have bought the company in the first place. Is it for their brand name/credibility; client base; patents; unique technology; or technical skills? Dependent on the answer to this question, you will determine what you most want to preserve. Especially important is the answer to the question: “How important is it that all the key people are retained?” – though you might not know the answer to this until you have had a chance to get to know their value (see point 8 below). If you want to retain the key people at almost any cost, you will approach the process differently to if you have really acquired the brand/the technology. In the former case, you will want to consult and involve the key people at each stage and be sure to gain their buy-in and lessen any of their uncertainty about their future. Don’t forget important mid-level, lower profile but strategically important players in this analysis. You may wish, for example, to consider a retention strategy (bonuses linked to key strategic goals) which go at least 12 months out. However accommodating you may wish to be initially however, you must be sure you have a process for identifying and routing out any individuals who may derail the integration but being open or closet saboteurs.

Step 7 Recognise emotional issues

There is an important need to recognise that individuals' real agenda may be actually quite far from the stated strategic or operational agendas. During the transition, people are likely to be concerned about very personal issues – have they got a job?; what are their terms and conditions?; what are the longer term implications/prospects?; what is the new reporting structure and will they get along with their new boss or be 'found out'? Perhaps more difficult to comprehend and empathise with is a possible sense of loss, even profound grief about what they have left behind – or what has left them behind. If the acquired business has previously been part of a well-known brand which has experienced a demise, this is likely to be the case. They will be considering their ex-colleagues or have fared better or less well and this will have emotional implications which really need to be acknowledged and, in extreme cases addressed with counselling before depression or lethargy sets in.

Step 8 Measure the Gap

Perhaps even before determining Point 1 it is important to determine some measures of the different cultures and the cultural gap (though not so easy to gather data on this until there is a higher degree of trust). There are many ways of doing this which a specialist could advise you on. You could consider undertaking a full culture and opinion survey (either bespoke to you or 'off the shelf'), followed up by focus groups (more appropriate to larger companies); and you could consider assessing all the key people against desired competencies or just get a view of their Values, Interests and Attitudes and Behavioural Styles, for which good, inexpensive assessments are available on-line. Information on the latter might be invaluable for succession planning and encourage key people to 'hang on in' if they see the potential for career development within the new group. In terms of assessing culture it is always advisable to recognise at the outset that there is an explicit stated culture and quite possibly quite a different one which exists as a 'sub-culture' or the 'shadow side'. The key to management of culture often resides in identifying and deciding how to manage the latter. For this reason, independent consultants who are generally considered as more objective and impartial will generally get better data in this respect and be able to identify what the really 'hot issues' are and give recommendations for how to address these.

Step 9 Find Commonalities

From the outset, try and agree what is possible together. Some big and exciting long term goals as well as some short term goals which can be presented as 'quick wins'. For example if you can agree some 100 day goals which are stretching but attainable, you have an opportunity to really celebrate successes out of this and bring the teams together in a very positive spirit. For this purpose, shared social events are often a great bonus and will help to break down any mistrust and dispel false pre-conceptions about 'the other side'.

Step 10 Decide on any specific interventions/workshops

This transitional time represents a great opportunity to bring teams (from the one acquired company or one composed of representatives of both, especially if involved in joint projects) to work together in a focused way to build understanding, improve communications and agree actions. Specific workshops can be designed and delivered to help develop a joint vision and mobilise teams for specific projects which might be customer-facing such as joint marketing initiatives or internal such as systems integration.

Conclusion

Whilst it is very important to recognise that this sort of change and transition is bound to create some negative stress engendering uncertainty and insecurity which needs to be managed, it can also create some positive stress which can be very creative. Individuals can actually be at the most 'unfrozen' and receptive to new ideas and ways of working at this time and, if well handled in this way, the integration team can optimise the potential for synergy and increased business and personal performance.

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