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Mergers and Acquisitions

THE SUDDEN CULTURAL SHOCK

MERGERS are a unique situation culturally. During a merger or acquisition you have to manage culture in a different way. Mergers accentuate cultural issues which might have simmered along unnoticed in a 'business as usual' scenario. Anyone who has been harbouring lingering doubts about whether there really is such a thing as culture will have no doubt after living through the first few months of a merger. Culture will jump up and hit you in the face!

In the case of normal organic growth, an organisation's culture grows and changes as its value-set evolves naturally over time. In the case of a merger, two cultures, each an intact and working value system in their own right, are pushed together. It is like an arranged marriage. The parents got together and worked out a deal, and suddenly the children find themselves lifting their veils to see a complete stranger. The underlying value-set of this new partner will not be immediately visible. What are apparent are the behaviours, symbols and systems.

These behaviours, symbols and systems will probably be very different from those you are accustomed to. In all of my years as a consultant, I have never come across a merger where the people involved saw the two cultures as the same, even when on the surface the two organisations have similar business backgrounds. The complexity of a cultural DNA makes finding two identical cultures almost as hard as finding two identical human beings.

If you are reading this before your organisation goes into a merger, then I will describe to you what you will experience and how to manage your own emotions and behaviours, as well as the broader organisational challenges. If you're already in the middle of one, then you will know the feelings, and I intend to provide some perspective which will help you feel more in control of the situation and more able to capitalise on the cultural opportunities.

Much of what this chapter will cover applies to every situation where two different organisations are brought together. The business structures vary: merger, acquisition, joint venture, outsourcing, business partnership, and to a lesser extent the amalgamation of two divisions within the same company. There are some important differences between each, which I will explain. Until then I will use the word 'merger' to apply to all.

We have found most people's early experiences of a merger are unfavourable. Most mergers bring out the worst features of tribalism. When one group sees the behaviours, symbols and systems of the other, they judge them according to their own value-set. They make assumptions – usually negative ones – about the other group.

A very deliberate plan of action is required to build understanding, respect and eventually a new identity. Without this, the cost to the merged entity is very high:

- Some good people leave as it becomes clear which tribe is top dog
- Decision-making is slow and integration synergies are delayed
- Individuals give up in their communication efforts, and start to withhold crucial information from each other, building silos and increasing cost through duplication of effort
- Customers suffer as people play internal politics

Understanding the emotional issues at play

Mergers are high-risk for those involved; large sums of money have been spent, reputations are at stake, and the external market is watching intently. There are rarely immediate benefits for customers. In most cases a great deal of planning occurs before merger-day to mitigate these risks and ensure the expected return on investment is delivered. It is well known that a large percentage of mergers – figures are often quoted at around 70 per cent – fail because of 'cultural issues'. However, the rigour associated with anticipating and managing the cultural issues is often considerably less than that associated with other elements, such as technology and product rationalisation. It is uncommon to have someone on an M&A team with cultural expertise, paralleling the contribution of the investment bankers. Mergers are undertaken for financial reasons, and those with financial expertise tend to outweigh those with cultural expertise both before and after the decision is made.

A common mistake is to confuse culture with people, and to place the cultural planning in with the people-planning stream of an integration team. There are two sets of 'people' challenges afoot which come together during a merger, and each need outstanding leadership and emotional intelligence to navigate successfully. Whilst they overlap, they need to be considered separately as well as together, because the plans to address each will be different.

The first challenge concerns how people feel, the second the differences in the two value-sets. The first impacts climate, the second culture. Only the second fits strictly into the framework of this book. But because the two tend to get muddled up, both inside the minds and emotions of the people involved, and in those planning the integration, I will describe both. Many of the difficulties associated with merger situations emerge because all the normal cultural-change challenges exist but in a situation of heightened emotions and short time frames.

How people feel after a merger

I would like to be really positive here, and tell you that people are filled with excitement at the time of a merger. It would be great if everyone saw the opportunities which were in the minds of the merger-designers, and embraced them with open arms. Unfortunately, these people are in the minority. Everyone knows there will be some rationalisation, and therefore people are competing with each other for jobs. Under these circumstances it is understandable that the other side is seen as the enemy. Most people feel one or more of the following during the first three months.

Insecure	Will I have a job? Will I have to move? Will I lose my friends, status, perks and opportunities? What will happen to my projects, plans, performance and customers?
Angry	Why did they do this? Why is no one consulting us? How come those people are being more advantaged than me? They're making a real mess of this.
Undervalued	Doesn't anyone care about my customers, projects, plans, experience? Why is no one telling me anything? How come I'm not in the 'inner circle'?
Grieving	I don't want to lose our name, identity, team, rituals, friends.
Arrogant	I'm better than them; we've come out on top here; we're invincible.

A merger will test the mettle of each person involved. Those with higher self-actualisation are inherently less insecure because they have higher confidence in themselves. This makes them less dependent on outside circumstances for their personal satisfaction and security, and consequently less fearful of change or loss. They are able to move *above the line* quicker, and take personal responsibility for their feelings and their future. This will bring out the best behaviour, and you will notice these people are constructive and productive in their day-to-day affairs. They waste less time complaining about management, blaming the other organisation for their problems, playing games of one-upmanship and holding on to the past. This has always been true of such people, but you really notice it at times of high emotional stress and threat. So any work you have previously done to raise your own consciousness or that of your organisation will pay big dividends at this time. (See Chapters 7 and 8.)

The people stream of a good integration team will address most of these emotions through change-management planning. Involvement, frequent factual communication and speed are the basis of good change management during mergers. These all serve to reduce uncertainty and the emotions associated with being in the dark. Work on the vision and future will help to lift people out of their negative emotions and increase their excitement.

THE EARLY DAYS

The tone for the merger is established during the due-diligence period. The first cultural decision is often centred on who will be the CEO and the chairman. The role of the due-diligence team is by its very nature invasive and implicitly critical. The target group feel on the back foot and defensive. Emotions can be cemented in at this stage, unless the teams involved are trained to set up relationships and a working environment which will facilitate the future success.

MANAGING THE CULTURE

To effectively manage yourself and your organisation through a merger, you must be able to separate the management of emotions from the management of the culture. The first is urgent, and important; the second can appear less urgent, but in the long term is even more important.

Let's return to the analogy of the arranged marriage. The bride and groom may not like the fact that it occurred, or be angry about the manner in which it took place. However, it has happened. After a few months they are left with the reality of having to make a life together. At this point, it is their ability to understand and work with each other's values and beliefs about what is important that will make the real difference. Most relationships have their frustrations as a result of different personalities rubbing up against each other. But it is the values conflicts that are the most fierce. The reason some of the deepest arguments in relationships centre on money is because how an individual spends their money is an outward expression of what they value. Align around your values, and you become a strong partnership. The same is true in a merger.

During the first few months, emotions are high and most people are busy settling down to their own personal circumstances and re-establishing some kind of order in their lives. They are not thinking about values, they are thinking about personal security. Abraham Maslow's 'Hierarchy of Needs' shows us that until the basic needs of security and survival are met, people do not tend to focus on other, deeper issues.

Your challenge, as a leader and a culture champion, is to find a way to focus on culture whilst simultaneously dealing with your own personal feelings, and those of others, about the merger. If you wait until things have settled down, you will find that a de facto culture has emerged which may not produce the best outcome for the future performance of the business. Most of the key decisions made in the first few months of integration have a cultural impact. Some of those made prior to the actual event have the most impact of all: for example, the choice of CEO and from which organisation this person comes. So the earlier culture gets on to the agenda in a meaningful way, the better chance you have of ending up with one that will support future plans and deliver the benefits laid out in the original merger proposition.

How culture operates in the first three months

Two organisations come together. The veils come up. Each group gets to see what the other looks like. Specifically what you see are the behaviours, symbols and systems of the other organisation: the DO-level of the BE-DO-HAVE model. They may look like you, even talk like you. They may be in the same business, and therefore undertake the same activities. But very quickly you will notice that they are not the same as you. Of course you will have heard some information already about how the other tribe operates. Some of your members will have been involved in due-diligence activities, or planning for the future merger. Others may have worked there previously in their career. Perhaps the other tribe was a past competitor, or people you met at industry functions. They might have been a customer, or a supplier. You may share a parent, and be two divisions of the same group. They will have a reputation, and you will know what it is.

There is a large distinction between the observation of differences and the formation of judgements about those differences. In one merger we worked on, one company had a strong verbal culture. Decisions were made in meetings, face-to-face, based on debate and presentations. The other had a written culture, based on extensive documentation. Individuals made decisions once all of the relevant information had been submitted. Both cultural systems worked. Both made mostly good decisions, and a few not-so-good ones. However, the judgements each made about the other were damning. 'They're so bureaucratic,' said the verbal tribe, describing their new colleagues. 'They take so long to make a decision most of the good opportunities pass them by. No wonder they're struggling in the marketplace.' 'They're cowboys,' retorted the others. 'They take insane risks and make subjective decisions. We are fact-based and considered and this is best for business.'

Based on previous reputation, and rapidly cemented during the first few weeks of direct exposure, each tribe formed a view of the other which was primarily negative. You will notice that I have been using the word 'tribe' to describe each organisation. I have found mergers bring out very tribal instincts in almost everyone involved. People's opinion of their own tribe is enhanced, whilst the other is seen in a negative light. We are the heroes, and they are the enemy. We the victor, they the vanquished. Or we have been taken over, the victims, but will fight to retain our true identity as the superior race. Why is this? The merger is a threat, and therefore tends to bring out defensive feelings and behaviours. Attack is an effective form of defence. It is common to belittle those we feel threatened by, and to build up our own position. The other tribe is strange, they are different from us, and that makes them more of a threat because we don't understand them. The more defensive we become, the less clearly we see the others, and the more likely we are to describe what we see them DO in a negative light. We spend more time *below the line* blaming the others. At the same time you will find that employees who were quite negative about their own organisation in the past suddenly start to see it much more positively, and to consider it to be superior to the other one.

Many people are surprised by this irrational and emotional description of what happens during a merger. I myself found the behaviours surprising when I first started working alongside merging organisations. However, they are so consistent from merger to merger that I became convinced we were not dealing with a rational situation, and therefore the emotions and the ego-defence system had to be involved.

As a leader in a merger, your role is to help move yourself and your people past this stage as fast as possible, whilst simultaneously creating the culture you want.

Mind-sets in a merger

There are five mind-sets that can potentially exist during a merger, and people have to go through at least the first four to reach the point where the culture becomes an asset.

1	My way is the only way	Ignorance that other organisations are not like mine
2	My way is the best way	Arrogance, superiority
3	You have some good ways too	Understanding, objective observation, respect
4	Let me learn from your ways	Openness, realisation of benefits
5	Let's build a new way together	New identity, best of both

My experience has been that almost EVERYONE involved starts at levels 1 or 2, even the most senior leaders whose jobs have been secured before the merger commenced. Some may only spend a few days at level 1 or 2. Others are still stuck at level 2 five years later. Many move up and down, jumping from 2 to 4 and back again as they come to terms with the new situation.

This seems to apply to all types of situations when two or more groups come together to work as one. The selection of a national sports team, for example, involves bringing together sports people from different cultures belonging to different club teams where they spend most of their time. National coaches see these mindsets and have to apply similar tactics as would be used by a leader of a government department or a company in order to merge people into one culture. As an individual, you need to move through the levels as soon as you can if you are going to be a useful contributor in the merged organisation. As a cultural leader, it is your job to help others do the same. Before I show you how to do this, there are a few more pieces to the jigsaw to put on the table.

Your culture strategy

When two organisations merge, there are four cultural options available to you. It is important to make a conscious decision which option you are going to go with. If you don't you will default to one or the other, and may find later it was not the best option for your business strategy.

1. Best of Both
2. Choose One
3. Maintain Both
4. Build Different

Option 1: Best of Both

Here you take the best of both cultures and mould them into one. Most organisations say this is the strategy they want; it sounds good and is what most people want to hear. But it is hard to achieve, and doesn't happen that frequently. In fact, it almost never happens unless it is very carefully planned and implemented. It requires a high level of discipline and focus. By picking the best of both cultures, you create the opportunity to build a best-practice culture, and use it as a true competitive advantage. This is what some dream of when planning an acquisition. However, the immediate challenges involved in mergers – the 'must do's' such as extracting cost synergies, integrating technology platforms and product portfolios, implementing new structures and selecting people to fill them – tend to completely occupy the leadership teams. By the time you get through this, another cultural option may have asserted itself.

This option is the most palatable for the 'underdog' organisation, for example the acquired organisation in an acquisition. It respects their heritage and strengths, and makes their people feel valued. Hence they are more likely to stay, and this is often key to capitalising on the value of the deal. It is the most challenging for the 'top dog' organisation, usually the acquirer, who will probably not have anticipated having to change themselves as a result of the merger, and may go in with a position of superiority.

Take this option if:

- Your strategy provides the opportunities for considerable cross-fertilisation between the two organisations. (Geographic, business integration)
- There is good culture know-how in the organisation (people know how to manage culture) which predates the merger, and at least one party was committed to culture as a path for competitive advantage before the merger occurred
- Neither culture is at best practice already
- You are prepared to work as hard at culture as at all the other urgent integration issues, from the first day of the merger

Option 2: Choose One
Here you use one culture as the basis for integration, and merge the other into it. This is the default position. Under most merger circumstances, if no rigorous cultural plan is implemented, the dominant culture ('top dog') will gradually become the way of the whole, although it may be less effective than before because the acquired organisation will be resisting it. In the case of an acquisition, most acquirers will quickly put in place their own financial and risk-management processes, and this alone will strongly influence the other culture. Under many circumstances the Choose One strategy is the right one, but the key is to be straight about this to everyone concerned. The absolutely worst option is to give lip service to building a Best of Both culture, but in fact simply impose that of the acquirer. That is the fastest way to lose the good people you have just acquired.

Choose One is not available in joint ventures and partnerships or any circumstance where both parent organisations will be staying around. In these circumstances the on-going influence of both force the JV/partnership to navigate a path which incorporates elements of both parents.

Some organisations that acquire lots of smaller organisations use this option as standard operating procedure. It requires sharp, quick action and absolute clarity about 'how *we* do things'. Assuming the culture is a fairly attractive and effective one, and people are treated well on entry, most acquired employees adjust and end up making a great contribution to their new organisation. It is a much easier option for the integration team, because when they are making decisions about factors that are levers for culture (remuneration, budgeting process, financial systems, office layout, leadership development, etc.) their default position will be to use that of the acquirer.

Take this option if:

- This merger is one of many for your organisation and you have, or intend to have, a formula for doing these integrations
- One culture is clearly best practice, and capitalising on this was a core reason for doing the merger (outsourcing contracts are a common example of this)
- The state of the business in one organisation is very poor, and will require extensive intervention (new management systems, importing managers from the other organisation), which will immediately impose new cultural norms
- You do not have the stomach for a major cultural intervention, and believe the rest of the integration challenges are enough to deal with. (In this case, be straight about your intentions from the start)
- You believe you can preserve the majority of the value embedded in the 'underdog' organisation if the culture is lost or changed (including the risk of losing people)

I had dinner recently with a man I have done work for over many years, who has been in charge of a number of very successful acquisitions undertaken by a global organisation, one of which was of an organisation considerably bigger than itself. These integrations have been internationally recognised as some of the most successful in recent years. Jim is a man of clear ideas. 'Our philosophy has been to identify the seven most highly paid executives and get rid of them all very early on. The acquired tribe, now leaderless, will re-align itself to its new leaders, those from our organisation.' Apparently this approach was used in the fourteenth and fifteenth centuries after the capture of towns. Jim and I have long arguments about the merits or otherwise of a more humanistic approach. (He will smile when he reads this!) There are clearly circumstances where the directness of this approach leaves everyone knowing exactly where he or she stands, and moves the business forward quickly.

Option 3: Maintain Both

Keeping both cultures separate is often the strategy that the employees of both would like, but realistically is only possible under very specific circumstances. Keeping both cultures separate requires keeping both businesses separate, and this is not usually the intent of most merger options (acquisition, JV, partnership, integrating two divisions, etc.).

A more frequent occurrence is that pockets of the old cultures remain, and employees from both still identify with the past several years later. This gives a situation where the dominant culture is that of one organisation (whichever circumstances determined who was 'top dog') but there are little commando units running around trying to break away and thus creating silos. This leads to endless conflict and business outcomes as described in the section on the One-Team Culture in Chapter 5.

Option 3 is one which you would choose if you want to satisfy employees who don't want to be a part of the new organisation. If you do choose it, it is the easiest, because you don't have to do all of the cultural-integration work, and all employees get to keep the cultures they are used to. Your planning work needs to focus on keeping them separate, and not allowing one culture to gradually take over. Each organisation might then choose to undertake culture-development work in its own right.

It is possible to train two different cultures to learn to work together in, for example, a supplier/customer-style relationship. This happens all the time, of course, between large suppliers (such as consulting firms) and their customers. It is a different type of relationship to a merger, and works best if both parties understand and respect each other.

Take this option if:

- You have a holding company structure and are making investments in separate businesses, the identity of the whole is not a strong brand in the minds of employees and customers, and you are happy for it to stay that way
- The power and authority lie in your business-unit leaders, and you do not operate the top team as a real team, but more of a working group
- You have very few whole-organisation policies, systems and procedures that will force the cultures to become similar
- Your two organisations are separate – geographically and/or in their business processes – or if there is business relationship (such as supplier/customer) and the engagement principles between them are unambiguous
- You do not intend to move a lot of people around from one organisation to the other
- You are comfortable that you can keep any reputational risks of different business entities separate

Option 4: Build Different

Sometimes I come across an organisation which concludes that both entities had poor cultures, and chooses this as the moment to build a new one. Building a new culture is difficult to do under normal circumstances and even more so during an integration period. Most successful culture-change efforts build on the strengths of the existing culture. Build Different is similar to Best of Both, but assumes that neither has good attributes to take into the new culture. Build Different might work as a long-term goal, but I have found it to be problematic in the short and medium term. It can seem to employees as an approach that avoids the day-to-day reality of both organisations, which, even if the cultures are not desirable, are nevertheless very real. It is more effective to position your culture strategy as Best of Both than Build Different. This encourages employees to feel some pride in what they have been, and in finding the best in each other to build something new. Even though the end game may be a different culture, the strategy of Best of Both is more engaging and more realistic.

Build Different can be a choice if:

- The new organisation has significant elements that were not in either of the two previous ones (new people, new products, new markets)
- The leadership team have an accurate picture of both organisations' cultures (especially the one from which they came) and are willing to be critical of both as well as describe something new
- The leaders want to take the opportunity to grow and change themselves
- The integration timetable allows for new processes and features to be adopted which were not a part of either organisation before (i.e. build C, rather than adopt A or B for remuneration systems, etc., etc.). In most integration scenarios, resource pressure forces the adoption of either A or B.

Choose your culture strategy early

It is usually best to choose your option very early in the merger process, perhaps even before the final decision to proceed has occurred. This ensures that all decisions made, and communications put out to staff, will facilitate this cultural outcome. When this does not occur, you are in a process of trying to undo the negative influence of decisions and communications later found to be not aligned.

The CEO of an acquiring organisation wanted to show support for the employees of the newly acquired entity. Before the deal was done he assured the leadership team their culture would be valued and preserved. On merger day he stood and communicated the same message to large groups of employees. But he had not worked through what this would actually mean. He had a large corporate head office, and many procedures, policies and systems he had no intention of permitting the acquired organisation to circumvent. He did not tell the owners of those systems to tread carefully with regard to imposing them on the acquired entity. By day two, the gloss was coming off the deal in the eyes of the acquired people. There followed years of frustration as they saw what they valued, and felt they had been promised, gradually eroded. Many left, taking with them the customer goodwill. Much of the value was eroded. I spoke to many of these leaders one or two years after the acquisition. They told me it was almost impossible for the CEO to recover from the promises made on that first day.

In another case the HR Director realised a few months in that there was real value in both cultures, and a Best of Both culture plan would provide an exceptional outcome for customers and staff. However, by the time this was decided, the top two levels of management positions had been filled. People from one organisation dominated these appointments, and everyone believed this culture would take over. The decisions and mind-set of this dominant group become much harder to shift than it would have been if the original selections had been made with the intent to merge the cultures firmly in mind.

CONSIDERING CULTURE AS A COMPONENT OF THE DUE DILIGENCE

Careful assessment of the cultural risks and opportunities often does not take place during the period when one or both organisations are forming their business case for an acquisition, merger, joint venture or outsourcing deal. I often hear the management teams and M&A teams talking culture, but not with the rigour applied to other business risks. People with cultural expertise often do not sit on the M&A team, and HR people, who may have specialist culture know-how, are more often seconded in to deal with issues of remuneration and retention plans. From the outside, you may have a perception of the organisation's culture, but this may be based more on hearsay than on analysis.

It is possible to undertake a cultural diagnostic on an organisation from the outside, though obviously it is more difficult if you do not have full access. Such an assessment is undertaken considering the elements of behaviours, symbols and systems that are available or visible, asking the question: 'What are the messages this organisation would be receiving about the patterns of behaviour that are expected?'

You can also look at your own organisation in relation to its ability to manage a merger well from the cultural perspective. If you are intending to adopt a Best of Both strategy, one capability makes all the difference: the willingness to learn from others, displayed in curiosity, humility and respect. Leaders who display what Jim Collins calls Level 5 leadership in his book *Good to Great* have an instinctive ability to deal well with mergers. They are open to embracing the best of what they find in their new partner, to respecting difference and to changing and learning themselves. Level 4 leaders, whom Collins describes as charismatic and egocentric, are less likely to display these characteristics.

Thus I have found an interesting parallel between a culture which has embraced diversity (of gender, nationality or race) and one which can embrace the different ways of a new partner, and use them for business advantage. The mind-sets are similar. Not 'my way is the best way' but 'you have a good way' and 'let me learn from your way'.

From this base you can look at the strengths of your culture and the strengths of the other, and consider the opportunities and challenges that a merger will produce. This analysis may sometimes cause you to reconsider whether doing the deal is a wise strategy. It will certainly prepare you for what you must do after it has occurred, and enable you to start planning your culture strategy from day one.

The different types of mergers

Every merger is unique. When working your way through your unique set of circumstances, and the cultural implications of these, consider the following questions. Your answer to each has a bearing on how you tackle the cultural issues:

- Who is the acquirer? Who is the biggest?
- Are the groups geographically separate?
- What cultural implications are contained in the structure of the deal?
- What are the business drivers of the merger?
- What relationship will the business strategy require that each organisation has to the other?
- What is the required speed of integration?
- Is the merger hostile or friendly? Are both groups keen? Who was involved in the decision to go ahead?
- Which organisation will the CEO and other key appointments be from?
- What disciplines will the acquirer choose to impose from day one?
- To what extent are both cultures already homogenous versus diversified?
- How engaged/on board are the key players on day one?
- To what extent are all or parts of one organisation a mirror of the other?
- Are the synergies primarily costs or revenue?

This list is by no means exhaustive, but is a good starting point.

VARIATIONS ON THE MERGERS AND ACQUISITIONS THEME

Many of the challenges you will face apply equally to mergers, acquisitions, joint ventures, outsourcing and bringing together two internal divisions. But there are some particular things to be aware of when you are planning.

1. Acquisition by one large organisation of a smaller one

- The risk of swallowing the culture of the acquired organisation when it in fact contained the essence of the value acquired
- The risk of losing the best people in the acquired organisation because both sides are not given support to work through the transition
- Allowing the smaller organisation room to breathe whilst still ensuring core management disciplines are met from the start

2. Merger of two organisations or groups of equal size

- Putting particular emphasis on building a new identity which is neither one nor the other
- Not allowing one culture to dominate unless you specifically decide this is the best strategy
- Being prepared to give equal weight to both in key decisions associated with cultural levers, such as management appointments, even if favouring one seems the best option for the short term

3. Joint ventures

- Building a JV identity when staff still have ties back to their old parent company
- The impact of keeping both partners happy when they have different cultures and therefore different expectations regarding policies, performance, reporting, etc.
- The confusing messages received from staff being managed by leaders from first one and then the other JV partner

4. Outsourcing deals

- Helping outsourced staff to identify with their new employer when their relationships and often their physical location are with their old one
- Building the right culture for the outsource company as a whole, when you/staff are acquired in large clumps from each new outsourcing contract

- Ensuring the outsource company's culture really is one that will deliver the synergies promised to the customer

5. Bringing together internal units through a restructure

- Focussing particularly on behaviours and symbols, since many systems will already be shared
- Distinguishing between groups which genuinely need to think and act as one, and those who simply share the convenience of reporting through to one person
- Managing the competing demands of a matrix-type structure where people belong to more than one team (for example a global technology group within a country-based organisational framework)

PUTTING IN PLACE THE CULTURE DEVELOPMENT PLAN

The Culture Development Plan of a merged organisation combines elements covered elsewhere in this book with those required for the special circumstances of a merger. It contains streams of work which are not entirely sequential, but rather will run alongside each other in a way which only you can determine. Its timing will depend on the timing of the rest of the integration. However, my advice is start early!

Stream 1: Choose the culture strategy you want

- Best of Both
- Choose One
- Maintain Both
- Build Different

To do this you will need to:

- Look at the business strategy
- Review the rationale for the merger and where the value will lie
- Understand both cultures
- Consider the appetite for culture amongst the key leaders who will need to drive it (including a good look in the mirror)

Stream 2: Define the culture you want

Use the processes described in Chapter 3 to define values and behaviours for your intended culture. This is particularly important for Best of Both, where you must define what this actually means.

If you are selecting Choose One, you define the culture you want to dominate, in terms that the other organisation will understand. In particular describe what will be different, what will be expected of them in terms of behaviour, values and mind-sets, and how to comply with the core business systems.

Stream 3: Help individuals move down the mind-set levels as far as is required by the option you have chosen

There are many interventions which will help this occur.

Objective feedback on two cultures

Use a method which removes the subjectivity and enables individuals to appreciate the strengths of each and how each works.

Grieving processes

There is a natural rhythm to moving on, and part of it requires permission to say goodbye to the past. Organise some wakes, and respect people's need to go through this process. Encourage both groups to tell each other stories about their past.

Building new teams

Accelerate the normal process you would use to build new teams. Give teams the opportunity to work together and get to understand how the other organisation thinks and behaves. Provide a new team start-up kit which covers the cultural dimension of both organisations. Pull teams together for special projects, like the integration-planning.

Culture-management education

Teach people what is in this book. Provide education on how to manage themselves and others in the unique dynamics of a merger

– it is not something most people have to go through very often, and they need help understanding behaviours, symbols and systems.

Build identification with the new entity
The more strongly people identify with the new entity, the more easily they can let go of the old. As the new starts to feel exciting, the old becomes less important. This can be achieved through a new vision, new branding, new business opportunities or problems to be tackled together, creating common enemies.

New leadership programme
Design and run a new leadership programme which defines and develops the mind-sets and behaviours. Your leaders and how they are at both the DO- and the BE-level will define the culture you HAVE. Influence and develop them and you immediately build a common framework for the future.

Entry of new neutral people, and moving people around
Break up old cliques by moving people from a team dominated by one heritage to one dominated by another. Bring in new people who have no association with either heritage organisation.

There is a point, and I suggest it comes about six months after the merger, where you really need all of your key leaders to be operating at the more constructive mind-sets: 'you have a good way too', 'let me learn your way', 'let's build a new way together'. They need to have moved beyond 'my way is the best way'. At this point it is perhaps time to suggest to some of them that they might be better off leaving and working somewhere else. You cannot have people holding on to past resentments when you are designing the future: they are too damaging. A simple litmus test is to listen to the language people use. I can always tell when someone is starting to make the shift when they begin using the word 'we' to describe the whole, new organisation, rather than their old one. The use of the word 'they' to describe the other group is also telling.

Monique runs a key division of her parent company. The division is made up of an acquired organisation and a much smaller group who were part of the acquirer prior to the deal. Most of the leadership team come from the acquired organisation. About a year post merger, they uncovered some serious deficiencies in relation to products delivered to customers several years before which were very costly to rectify. These products had been delivered by the small unit of the acquiring organisation. It would have been easy for our client and her team to disassociate themselves from the problem, and blame 'them'. Instead they made a decision to take complete ownership of the problem. No reference to 'them' was allowed. 'We' made the mistake, 'we' are responsible for fixing it, and 'we' will bear the performance implications (including bonuses) of the mistakes.

This position was very important both to the speed with which they acted on the problem, and on how the issue was viewed by employees from both heritage organisations. It sent strong beneficial signals about the expectations of behaviour in the new organisation. It was only possible because their mind-set shift had already occurred.

Stream 4: Select the symbols and systems

As you go through your integration planning, you will notice there are many opportunities to embed the culture you want through decisions that are being made in every stream of the integration work. Culture, of course, is not something that is created separately from the rest of the business, but rather by the decisions that are made every day in the business.

It is important that those making decisions associated with all the symbols and systems described in Chapter 1, those which send cultural messages, understand this link. They will all need to be clear about the culture you are intending to create. One way to achieve this is to assign cultural champions to the teams making these integration decisions, to act as the voice of the culture. There will be other important criteria against which choices will be assessed, for example speed, complexity and cost, but it is important that the cultural voice is always heard. There will also be times when neither organisation has current symbols or systems, for example the office layouts, the remuneration system or the planning process, which really send the right cultural message. On these occasions you will find you have important debates about whether now is the time to design a new approach, or whether you just need to adopt one currently in use, and make a cultural compromise in the interests of time, simplicity and cost. One cannot be a cultural purist – there are always future opportunities for improvement. Your role is to ensure the right debate occurs, and that the risk of compromising culture is weighed up against other drivers – often in this environment culture is given a high priority.

Whether you need to implant cultural champions depends on the level of cultural awareness of your people. An alternative approach with people who have reasonable cultural awareness already is to provide a crash course in culture-building, the role of symbols and systems, and the culture strategy you intend to adopt.

The selection of people is always a crucial symbol for the culture, and this is never truer than at merger time. If you define your desired culture early, you can use the selection process to build a team of leaders, from both organisations, whose values are aligned. This can provide a wonderful opportunity to lift standards. These leaders will set your new culture, and their mind-sets determine the extent to which the performance hurdles are met.

SUMMARY

The link between performance outcomes and culture is strongly highlighted during mergers. They offer the opportunity to do your best culture work, but also are the most challenging because of the pressures of the broader integration timetable. Start culture work early. If people are not very interested, do what you can anyway. They will wake up a few months down the track and realise work has to be done. If you have done all the legwork already, you will be prepared with the data and solutions when the broader leadership group is ready to listen.

Remember you yourself are a part of this merger too, and will be going through some turmoil yourself. As always, work on your own mind-set first. The sooner you move down the mind-set levels, the more you will be able to support people from both organisations to build a winning culture together.