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Corporate Culture Can Make or Break a Merger

As the U.S. economy continues to grow out of the financial crises of 2008-09, merger and acquisition activity has increased.

In the past several months alone, Sherwin-Williams announced plans to acquire Valspar, Marriott is in the process of acquiring Starwood Hotels and Resorts, Johnson Controls plans to merge with Tyco and, most recently, AT&T announced it wants to acquire Time Warner.

And all this is after a very active year of mergers and acquisitions in 2015.

Although a merger or acquisition can prove beneficial to an organization, it can also lead to disastrous results. Probably the most well-known example of a failed international merger is Daimler-Benz and Chrysler. That $36 billion deal dissolved after nine years for just $7.4 billion.

Or consider the Sprint and Nextel merger, a $35 billion move to create the nation's third largest wireless company that resulted in well-documented tensions between the two companies.

What seems to be the causes of such epic failures? A number of reasons were given for these mismatches - including technology differences in the case of Sprint-Nextel, customer base differences with Daimler-Benz-Chrysler and significant disagreements in strategic objectives in both situations.

However, one of the biggest reasons mergers fail comes down to a clash of cultures between the two organizations.

Dr. Mitchell Lee Marks - a professor and expert in mergers and acquisitions and corporate culture - noted in his research that leaders typically don't focus on the culture in their own organization and, therefore, downplay any "potential differences" in the often-conflicting cultures of the merging companies. Focusing instead on the potential financial gains, the individual culture of each company and creation of a new "combined culture" is nearly always an afterthought.

This is an amazing occurrence, since the Society for Human Resource Management reports that more than 30 percent of mergers fail because of simple culture incompatibility. But as many of us know, "corporate culture" is very difficult to measure or manage and is therefore often left on the backburner, completely overlooked or even intentionally ignored.

The question then is, "How can a leadership team improve the odds of successfully combining two companies with different histories and cultures?"

As outlined by Darcy Jacobsen and Arthur Gallagher, experts in mergers and integrating merged companies, there are several key actions that will maximize the likelihood of a successful merger, including:

- Reinforcing core values. It is important for the acquiring company to "reinforce" – not "impose" – their core values onto to the company with which it is merging. These organization values must also be practical and absorbable.
- Evaluating the leadership talent in the acquired company. Remember that the company that has been acquired had also been successful and therefore also possessed high-performing leaders. Learning the capabilities and gaps of each "acquired leader" is critical for establishing a productive "merged organization."
- Stopping the brain drain. As the acquiring company is learning about its expanded leadership team, it is critical to guard against the unwanted departure of key leaders and managers from the acquired company. Losing key leaders not only limits opportunities for growth and success within the new company, it also destabilizes employees throughout the organization. And, this then opens the door for a further exodus of top talent.
- Turning negativity into positivity. Help stop the negative attitudes that can accompany change by encouraging employees to catch each other doing something right and freely give positive feedback and encouragement.
- Finding your biggest influencers and encouraging their buy-in. Learn to identify those employees who are your most influential workers and managers and spend extra time educating them, increasing their confidence and earning their enthusiasm. Their attitude will cause a ripple effect.
- Facilitating communication across groups and divisions. Encourage the forging of relationships across the boundaries of the merger. Make it possible for employees to recognize and appreciate their counterparts in other buildings, departments, countries, etc., and watch those bonds begin to strengthen—and with them, your merger.

Although failed mergers are often in the news, many combined companies are able to successfully grow and prosper – think Walt Disney and Pixar.

By following the steps outlined above, an organization can significantly increase its chances of being one of those success stories.

About the Author

Joseph Gier, Ph.D., is vice president for consulting services for at E•A•S•I-Consult®. *As a licensed psychologist, Gier has identified and developed hundreds of leaders throughout the world. E•A•S•I-Consult works with Fortune 500 companies, government agencies, and mid-sized corporations to provide customized Talent Management solutions. E•A•S•I-Consult specialties include individual assessment, online employment testing, survey research, competency modeling, leadership development, executive coaching, 360-degree feedback, online structured interviews, and EEO hiring compliance. The company is a leader in the field of providing accurate information about people through professional assessment. To learn more about E•A•S•I-Consult, visit https://easiconsult.com or email ContactUs@easiconsult.com or call 800.922.EASI.*