

The Importance of Culture in a Merger

Jo-Anne Hill, JH Hospitality, August 2016

“If I had to do it again, I would start with culture,” was the comment from one of the founding fathers of the European Union, Jean Monnet. Whether defining common values in unifying Europe would have avoided Brexit is debatable; however, the importance of defining a new culture when merging organizations is irrefutable.

Culture is defined as ‘the way things are done around here.’ It is made up of the values of the people that comprise the organization, and it can be seen in the behavior of every employee, from the receptionist to the CEO. It is the moral compass that employees turn to when they are determining their actions and at a senior leadership level, it is the guidance for executive decisions both large and small.

For two organizations coming together, focusing and articulating the acceptable behavior is even more important, as team members will be looking to leadership to show them the way through the new environment. When an organization is undergoing major change employees often become less focused on their work. AON/Hewitt found that 23 percent of employees become disengaged during a merger, even if their job isn’t affected. It may be because of the uncertainty regarding their future, not having a voice in what is happening around them, or because leaders are focused on tasks related to the merger. The outcome is employees spending work hours engaged in distractions such as gossip and guessing games of what the future will look like. Productivity reduces, and the overall culture suffers; it comes as no surprise then that KPMG found that 83 percent of mergers fail.

But before throwing the baby out with the bathwater, there are easy-to-implement solutions that reduce the likelihood of a merger falling into that statistic. Below are my three insights to make sure a merger is successful:

1. Culture is a fundamental building block

Peter Drucker’s famous quote, “Culture eats strategy for breakfast,” makes culture a key driver of business performance. It is the nucleus, or foundation, before anything else, even before the strategy. Regardless of how good the strategy is, unless the people understand, support, and embrace the organization’s values and vision of the future, it will fail. Getting the culture ‘right’ is the first step toward success as it

determines why you are in business, how you are going to provide it, and what the behaviors are to get it done.

Defining the common values of the newly created organization and constantly articulating and behaving to the standards they represent is how the culture becomes the way things are done.

THE ROLE OF ORGANIZATIONAL CULTURE



© JH Hospitality Consulting. All Right Reserved

2. Culture starts at the top

The president/CEO must embrace, champion, and communicate the values and behaviors adopted on a consistent basis. Employees will look to this person as the standard for what is acceptable. If they are incongruent with what is being stated on the website or what other leaders are communicating, the ability to develop a consistent, positive culture is impossible.

While developing the culture essence may seem like a human resources issue, unless it's a top priority of the most senior leader, it will have limited influence and impact. Similarly, all leadership must support the culture and repercussions in place when someone acts in a way that is contrary to cultural standards of the organization.

Once an organization puts a stake in the ground to embrace values and becomes value-centric, leaders need to be seen 'walking the talk' and constantly be aware that everyone will be looking to them and their actions to show the way. While everyone is human, and even senior leaders are vulnerable to transgressions, they hold a new responsibility to do everything possible to live the company's values both on stage and off.

3. Acknowledge the past while creating a new culture for the future

As two organizations come together, it is critical to identify the similarities and differences between the two cultures which are expressed through values. Some of the values may be kept, some discarded, or it may be an opportunity to develop all new values for the new organization, but it is important to acknowledge what each brings to the newly combined entity.

Finding a quantitative tool to measure culture is the first step in the culture transformation journey, and the results become the benchmark from which all discussions, plans, and actions stem. Measuring the culture again, after a given period or when transformation is underway, will determine if the culture work undertaken so far was successful at improving overall performance and productivity.

A practical tool, such as Barrett's Culture Transformation Tool, measures culture by identifying the personal values of employees and comparing those with both the current and desired cultures of the organization. This approach gives a numerical value to the culture that can be used as a benchmark from which to improve. It measures the amount of tension, friction, and loss of productivity within the organization as well as identifies key areas that need focus. What will emerge is a new culture with new values, new vision, and new mission statements that reflect what and where the new company is going.

Ignoring this step will lead to dissension with some team members feeling like they don't belong in the new entity. The more people can bring their values to work the more they are able to bring their whole selves into the office. The greater the consistency of values in the organization, the happier employees are. In fact,

Good.Co reports that 67 percent of employees want their employer to have similar values as themselves.

Having an objective person from outside the company facilitate the journey allows everyone to be part of the process and ensures there are no inherent biases. It also requires a trusting approach, so when asked for clarification, employees don't feel fearful of saying what is on their minds.

Starting with culture as the defining thread that brings everyone together is critical when merging two organizations. It will increase the probability of long-term success and create a positive work environment that people want to be part of.