



THE IMPORTANCE OF CREATING A SHARED CULTURE WHEN MERGING ORGANIZATIONS

A WHITE PAPER

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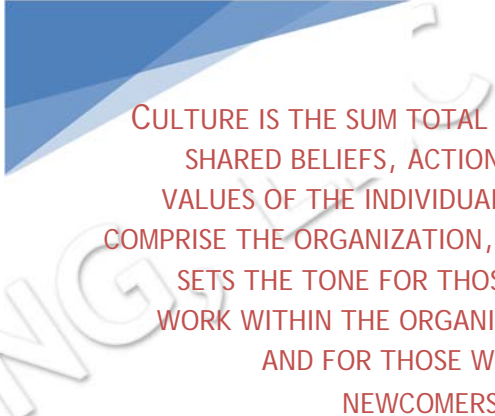
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Executive Summary

Historically, during mergers and acquisitions, leaders have discounted the importance of culture on the success or failure of the newly formed organization. As a result, cultural compatibility has often been overlooked in favor of more obvious factors, such as each organization's financial compatibility. Cultural compatibility between two merging organizations, however, is of great importance, since cultural mismatch has been deemed on a number of occasions to have been the culprit in the downfall of many mergers. The integration of two distinct cultures into one must be carefully managed to ensure that one culture is not subordinated to the other, to prevent the decline of organizational confidence and productivity, and to curb the loss of key members of the organization. Leaders must address the underlying assumptions of each group, assess the congruence of each culture's values, and help implement new assumptions based on values that are deemed meaningful and adoptable by each culture. Furthermore, leaders must communicate with the merged group, train them in the ways of the new culture, and model the behaviors that they intend for members to adopt. By taking a careful, planned, proactive approach, leaders can successfully merge two cultures into one.

Introduction

Humans have a need to identify with commonalities among the people they interact with on a regular basis. These commonalities form bonds that allow for communication, connection, and cooperation. Over time, these common bonds become deeply rooted and evolve into a culture - shared beliefs, artifacts, and systems of a particular group. Culture gives a group its identity and helps it remain distinguished from others. Shared norms, behaviors, languages, values, ways of thinking bind these groups, and influence the way they perform and interact within the group and with those external to the group.



CULTURE IS THE SUM TOTAL OF THE SHARED BELIEFS, ACTIONS, AND VALUES OF THE INDIVIDUALS WHO COMPRISE THE ORGANIZATION, AND IT SETS THE TONE FOR THOSE WHO WORK WITHIN THE ORGANIZATION AND FOR THOSE WHO ARE NEWCOMERS TO IT.

Culture is not only shared, it is also handed down to newcomers of the group.

It provides new members with the filter through which actions, thoughts, and problems are to be processed. In other words, culture is to groups what personality is to the individual.¹ The aspects of culture are often shared at a deep, unconscious level. As such, cultures can be quite resistant to change.

An organization's culture has a great deal of influence on the organization's ability to survive external threats and to thrive. It facilitates daily functioning and assists the organization's members in adapting and learning.² The creation of a new, shared culture from two different cultures requires care and tact. Some leaders will employ an incremental approach and others will dive in with both feet. The method that leaders choose and the manner in which they carry the integration out will be crucial to the success of the new culture's implementation.

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¹ Edgar H. Schein, *Organizational Culture and Leadership*, (San Francisco: Jossey-Boss, 2010), 14.

² Ibid. #

Culture Matters

An organization's culture speaks to how the company behaves and the manner in which it desires to be seen by the outside world. Its culture is the sum total of the shared beliefs, actions, and values of the individuals who comprise the organization, and it sets the tone for those who work within the organization and for those who are newcomers to it. A healthy organizational culture optimizes the conditions for growth, while a dysfunctional culture can ultimately bring stagnation or death to the organization. Culture is an important component of the corporate organism and should not be neglected.

Individual satisfaction, commitment, and productivity are affected by culture,³ since it is the dynamic of the organization that determines how and when people are rewarded and reprimanded, guides the manner in which newcomers are selected, and contributes to the factors that indicate organizational success or failure. Whether by intent or default, all organizations have a culture, and that culture has a significant effect on the people who are a part of it. Likewise, no two cultures are exactly alike. Cultures are driven by the individuals who comprise it and those individuals each bring their own backgrounds, life experiences, and values to the group. Thus, cultures between organizations can be as complex and varied as fingerprints.

Culture drives organizations. It provides the backbone against which decisions are made, and it is marked by the extent to which an organization's values align with its goals. Culture turns groups of individuals into teams. It creates common bonds between people and gives them a sense of purpose, ownership, and belonging when relating to the accomplishment of the organization's goals. These bonds are reinforced as individuals face challenges, solve problems, and adapt to external influences together, and, over time, result in the formation of the set of basic assumptions that will be used to address future problems.


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³ David W. Jamieson, "Organizational Culture is Our Business," *Training & Development Journal* 39, no. 10: 22.

Making It “Our” Culture

Because culture is comprised of the shared espoused values that give individuals their “why” when it comes to routine conduct and decision making, the creation of a healthy, unified culture is important. When merging two different cultures, the creation of a new shared culture is vital to the success of the new organization. Without an intentional, planned effort, the two separate cultures will likely each circle their wagons and segregate, causing dissonance in the organization. This poses a serious impediment to the merged group’s ability to communicate and collaborate.

During mergers and acquisitions, leaders who are sensitive to the effect of culture on organizational success and morale must view the compatibility of each organization’s culture as being as significant as the financial compatibility between them. Failure to do so could ruin any chances the new company may have for success as a unified organization. Leaders must consider how well and to what extent the two organizations will work together as one. A “culture clash” or dysfunction between the two cultures can be disruptive to the forward motion of the new organization, so cultural fit and a clear, planned path forward are especially salient.⁴



TO CREATE A NEW, SHARED CULTURE, LEADERS MUST FIRST OBSERVE THE ORGANIZATION WITH ITS VARIOUS GROUPS AND SUBCULTURES, AND THEY MUST OPEN WIDE THE DOORS OF COMMUNICATION.

Cooperation between members of merging organizations can be a source of added value to the merger and acquisition process,⁵ but each side must be willing and able to integrate the behaviors and processes that worked well for them separately. A successful merging of two cultures is not measured by the “good feelings” that the leaders may have about the joining of the two organizations. Success, rather, is measured by both cultures’ ability to displace some of their old, deeply held norms, in favor of new ones to the extent that neither culture feels subordinate to the other

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⁴ “Key Strategies For A Successful Merger or Acquisition,” *Healthcare Financial Management* 69, no. 1 (2015): 77-81.

⁵ Michaël Viegas-Pires, “Multiple Levels of Culture and Post M&A Integration: A Suggested Theoretical Framework,” *Thunderbird International Business Review*, 55, no. 4, 357-370.

and both cultures feel that the new culture fosters a trusting environment with which all individuals of the organization can identify.

Furthermore, the subcultures of organizations must also be considered when merging two different cultures; they represent a microcosm of the organization's larger culture - its *macroculture*. Subcultures are more closely knit, representing bonds built as a result of daily task collaborations and unique experiences between smaller groups within the larger culture. Subcultures hold their own shared values and beliefs that let outsiders and newcomers know: "This is how we do things around here." Subcultures can be exclusive and even destructively competitive with other subcultures, creating a "them" versus "us" mentality that can pervade the organization. Additionally, subcultures can be contrary toward the organization's macroculture. This generally occurs when the macroculture is weak or unenforced - that is, when leadership fails to "walk the talk."

Dissonance between the subcultures of the organization and between the subcultures and the macroculture can destroy the organization from the inside out. Much time will be spent managing the "human factors," or the relationships between people, and the groups in the organization will find it difficult to interact, communicate with, and trust one another.

Share The Culture

The challenge of creating a shared culture between merged organizations lies in each culture's desire to maintain the status quo. Because cultures rely so heavily on basic assumptions that are deeply rooted in the group members' psyche, leaders have to work diligently to identify areas of the culture that each side can easily identify with (and modify) and those that the organization might find to be challenging for group members to accept. The merging of cultures means the creation of new ideas regarding what is acceptable and what is not. Leaders will have to determine how they can get each side to see the value of modifying routines and communication styles.

There are two options: invalidate one culture and adopt the other, or identify the best of both and use those components in the creation of the new culture. The optimal solution is the latter of the two. By using this approach, individuals are less likely to feel as though they have lost their sense of identity in the group or in the organization. This creates a sense of “we,” putting aside the notions of “my culture” and “their culture.” Each group will feel less threatened by the culture change and will be more likely to share their culture with “the other side” when they feel as though what they bring to the cultural table is worthy of preservation. This recognition of the importance of each culture will go a long way to win over those who may have been skeptical about the success of the merger.

Because the new, shared culture will determine the direction and the limits of organization’s strategy, it is the leader’s job to create synchrony between the two cultures. The leader must take time to assess the artifacts, norms, and basic assumptions of each culture and determine whether they *can* be congruent. There are some cultures - those based upon religion or region, for example - that may never find enough common ground to merge. The astute leader must be aware that without common ground between the two cultures, individuals will become defensive about what they perceive as “theirs.” The result is a decline in productivity, an increase in discord, and ultimately, loss of the organization’s followers and clients.

To create this new shared culture, leaders must first observe the organization with its various groups and subcultures, and they must open wide the doors of communication. This observation is noted by Schein as “deciphering” the culture, and is characterized by in-person visualization of the behaviors of those in the organization and from questions that are posed to those who are a part of the organization.⁶ A great part of deciphering the cultures to be merged lies in the leader’s interest in learning what is important to the people who comprise each culture. Leaders must examine the artifacts of each culture - that is, the symbols, products, language, stories, and

⁶ Schein, *Organizational Culture and Leadership*, 177.

rituals - that are congruent. The best of each should be considered for integration into the new culture.

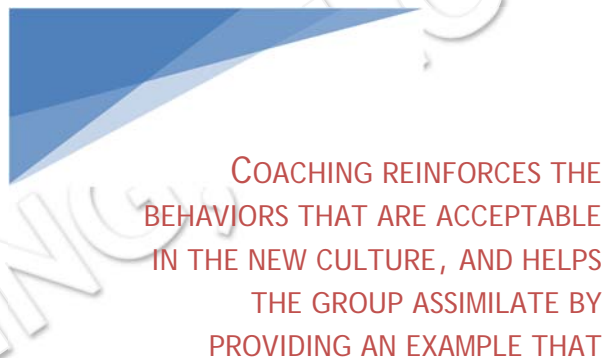
Leaders should also consider the basic underlying assumptions of each group.⁷ In other words, leaders must look at the factors that influence what each culture deems as morally and ethically acceptable and determine what, if anything needs to change to produce one, synergized culture. This can potentially be the most difficult part of the process, since values held at this level are so often deeply ingrained in the individual and in the group. Attempts to make changes to basic assumptions, therefore, can be met with anxiety or even hostility. Leaders must take care not to deem one culture as the “wrong culture” or dismiss one culture in favor of another. For there to be a successful merging of the cultures, leaders must identify and utilize common ground between the two.

As the new underlying assumptions are adopted, leaders will notice a difference in the espoused beliefs and shared norms of the entire group. Individuals that comprise the group will approach problems in new ways, as they begin to rely on newly formed assumptions. As the united group witnesses successes based on the employment of the new assumptions, they will validate and reinforce the new culture. Over time, the assumptions, espoused beliefs, and values become normalized behavior for both cultures. This is reflected by a change in the aforementioned artifacts of the culture. Leaders will know that the cultural merge is moving forward with success when the symbols, stories, language, and rituals of the culture reflect the changes that were implemented by the leadership.

⁷ Ibid.

Talk It Out, Then Walk It Out

The most important factor when attempting to merge two cultures is the leader's ability to communicate. Communication is the most useful tool in the leader's leadership toolbox. Leaders must be proactive in their communicative efforts; they must begin talking about the benefits of the new culture early and often. They must convey to followers that they have a place and an identity in the new culture. Communication before, during, and after the integration process gives individuals (and the groups they comprise) the opportunity to be heard and made to feel as though their concerns are valid. By keeping the doors of communication open, leaders are more likely to navigate the cultural integration more efficiently and effectively, and they are better able to create environments that are rich in information and involvement.⁸



Leaders must also be willing to provide training regarding the new assumptions, values, and norms that will be deemed acceptable in the integrated culture. Followers need to see the benefit of adopting a new culture before they can get on board themselves. Training can go a long way to allay each group's uncertainty about pending changes by setting expectations, and by letting each group know that care has been taken to consider all involved. At the same time, the leader should convey an accountability strategy, so that each group is made aware of new expectations and the equitable manner in which deviations from the new culture will be handled. Leaders should use training as opportunities to assess the progress of the integration process and determine whether modifications are needed.

Leaders may also find the designation of role models useful in the transmission of the values that will be important in the integrated culture. Coaching reinforces the

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⁸ Thomas O. Davenport, "The Integration Challenge," *Management Review* 87, no. 1 (January 1998): 25.

behaviors that are acceptable in the new culture, and helps the group assimilate by providing an example that others can follow. By setting examples for the group, leaders are able to demonstrate that they are willing to do more than just talk about change; they show that they are willing to be an integral part of the change, as well.

Conclusion

An organization's culture says a lot about the organization, and it can be a major factor in how or whether an organization ever attains its vision. Culture can play a factor in the satisfaction of its followers to the extent that the *desired* culture of the organization matches its *actual* culture. Success is also influenced by the congruence between the subcultures of the organization and the organization's macroculture. A mismatch between the two can produce "culture clash" which can be detrimental to the merging of the two organizations, and which can be catastrophic to the creation of a new, shared culture.

Because culture plays such an integral role in an organization's success, it should be an important factor that is considered when two organizations are being merged. Leaders must tread carefully before, during, and after the integration process. They must design culture integration plans that consider and merge the best of both cultural worlds, and they must work with the merged group to alleviate anxiety, diminish uncertainty, and build trust for all involved. The leader's ability to communicate will play a key role. The ultimate outcome, however, is the creation of a new culture, strengthened by the very best of the cultures that comprise it.

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About The Author

Rhonda Alexander is an educator, empowerer, and encourager to leaders and entrepreneurs.

She is the lead consultant at IUVO Consulting, LLC, a Virginia-based, international leadership and organizational development consulting firm, which she started in 2015. Ms. Alexander is passionate about helping leaders and organizations be the best they can be. Her organization's motto, "We're here to help," demonstrates her team's desire to work closely with organizations to provide the support they need to launch, diversify, and grow. Ms. Alexander's experiences in management, leadership, organizational development, and government regulatory requirements give her a unique perspective and provide for outside-the-box solutions for complex leadership and organizational challenges.

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