Culture Makes the Difference in the Business Objects and Crystal Decisions Merger

The Facts

Companies
Business Objects and Crystal Decisions

Industry
Business Intelligence

Diagnostic Tool
OCI® and OCI-Ideal

Market Position
In October of 2007, SAP acquired Business Objects for $6.8 billion

The Challenge

In July of 2003, California-based software firm Business Objects completed a $1.3 billion merger with Canadian company Crystal Decisions. It was a cross-border merger of mid-sized international leaders in the fast-growing business intelligence software realm, requiring the integration of not only competing technologies but also vastly different cultures.

The practical and cultural challenges of the merger were substantial. The new combined company included a workforce spanning more than 20 countries. Sales, service, and customer-support staffs needed to be combined, and there would be some layoffs of redundant staff. As Janet Wood, Business Objects Senior VP of Global Partnerships and Sales Enablement, described in a *BC Business* article, Business Objects was known to be more "corporate, direct-sales oriented and aggressive," a combination of French and U.S. styles. The perception of Crystal Decisions' approach was more traditionally Canadian in that it was "egalitarian, communicative, community oriented and entrepreneurial."

Merging the two entities successfully would require a deliberate approach fueled by accurate insights about both companies and their people.

THE CULTURE CHALLENGE

Culture has widely been cited as one of the single most common reasons for unsuccessful mergers and acquisitions. As a 2007 Hay Consulting study pointed out, "More than nine out of 10 corporate mergers and acquisitions fall short of their objectives, with failure often occurring because business leaders get too bogged down with finance and technology issues to spend enough time integrating corporate cultures and management styles." Similarly, a Watson Wyatt survey of 1,000 companies found that "less than 33 percent of companies attained their profit goals after a merger, only 46 percent ever met their expense-reduction goals and 64 percent of the time the mergers failed to produce expected benefits."

The case for a thoughtful, measured approach to cultural integration during mergers is not a hard one to make. Repeatedly, studies have shown that, more often than not, mergers and acquisitions fail—and when they succeed, it is likely that hard work in the area of cultural integration played a part.

CREATING THE RIGHT CULTURE

Building the right culture during a merger or acquisition doesn't always come easily. It requires a strategic approach using time-tested tools and clear vision based on solid data.

During the Business Objects/Crystal

Decisions merger, the leadership created a clear picture of what they wanted the culture to look like by using Human Synergistics International's *Organizational Culture Inventory*® (OCI®). The OCI can be used to assess both an organization's *Current Culture* in terms of the behavioral and personal styles that currently **are** expected (i.e., behavioral norms) and its *Ideal Culture* in terms of the behaviors and personal styles that **should be** expected (i.e., espoused values).

The OCI-Ideal enables leaders to define their vision of the culture that the new organization should strive toward to maximize long-term effectiveness. The Ideal culture described by most leaders is usually rich in "Constructive" styles, such as *Achievement*, which is characterized by organizations that do things well and value members who set and accomplish goals, and *Affiliative*, where a high priority is placed on Constructive interpersonal relationships. Constructive cultures are worth the effort to develop as they are positively correlated with high levels of motivation, cooperation, performance, and quality.

Without focused attention on and commitment to building a Constructive culture, employees in a new organization formed by a merger often adopt "Defensive" modes of behavior to protect themselves and their jobs. People in such situations are often afraid of losing their authority, being moved to a less prestigious position, or being fired. Fear and apprehension constrict the ability to make decisions, take actions, and accept risks. As a result, the new organization suffers from lack of initiative, flexibility, and timely decision making. If leaders underestimate their employees' abilities, are unclear about their expectations, or micromanage, the tendencies toward "Passive/ Defensive" behaviors increase, resulting in decreased motivation, work avoidance, and inferior quality.

Alternatively, employees may take a more forceful approach to defending themselves in the new company. Particularly, when they feel that management is putting its own interests before those of its staff or other key constituents, they see an "every man for himself" situation and begin to do what's best for themselves rather than considering the long-term interests of the company. They may conclude that the best approach is to take control, be "tough," and prove their superiority over others. Or they might feel they must do things perfectly and appear competent—even when they are uncertain or lack the necessary knowledge or skills. If the new leadership believes success is based on finding errors, weeding out mistakes, and promoting internal competition, then the outcome is an "Aggressive/Defensive" culture resulting in increased stress, poor cooperation, and inconsistent quality.

As Rochelle Todosichuk, Senior OD Consultant for Crystal Decisions/Business Objects, described in an article for *HR Voice*, by utilizing the OCI, the merger leadership team was able to examine the cultures of both organizations and agree on the best path for the new organization going forward. "That's when the executives realized that there was a gap between the Ideal culture they wanted and the Current one," said Todosichuk.

REALIZING RESULTS: DELIVERING ON CULTURAL CHANGE

"To close the gap, the entire organization needed to get behind the new vision and to let go of the past cultures of the two separate organizations. They also needed to realize the consequences of not changing, which included the possibility of losing their number one position in the business intelligence market," said Todosichuk.

Once the shared vision for the Ideal culture is in place, leadership at all levels must work toward it in order to assure success. They need to act on the Ideal culture before, during, and after the merger. They must be clear, specific, and consistent in describing the direction they want to take the new organization—and, even more importantly, make decisions and personally behave in ways that reinforce rather than contradict and quash the culture that they are trying to create. Otherwise, the organization will likely slip into a Defensive mode.

As Todosichuk described it in *HR Voice*, during the Business Objects-Crystal Decisions merger, "executive sponsorship was vital, and the company put particular focus on aligning all of its corporate programs and performance management tools with the new vision." By using the OCI to help plan and monitor change toward the Ideal culture, the leadership team was able to successfully create a new, financially successful company.

"The combination of Eurocentric Business Objects, with its public-company experience and Fortune 500 customers, and Crystal Decisions, with its modern democratic management style and North American customer base, resulted in a strong market leader," said Wood. "We went from being similar mid-sized [annual revenue of $200 to $400 million each] companies to a billion-dollar global company."

The success of the merger shortly thereafter was underscored by SAP's decision to acquire Business Objects for $6.8 billion and to operate it as an independent business.

While no merger is easy, advance planning with a focus on culture not only enables mergers and acquisitions to go more smoothly; it also helps to ensure a promising future that makes employees proud to be part of the new organization.

About the Circumplex

Human Synergistics International's Circumplex provides a way to "see" what drives the performance of individual contributors, leaders, work teams and, in short, the entire organization. It illustrates the factors underlying performance in terms of 12 styles of thinking and behaving. Some styles lead to effectiveness and productivity; some do not. Regardless of their impact, they all describe what's happening inside the organization and provide a direction for change and development.

Effective individuals in groups and organizations show STRONGER tendencies along the Constructive styles.

12

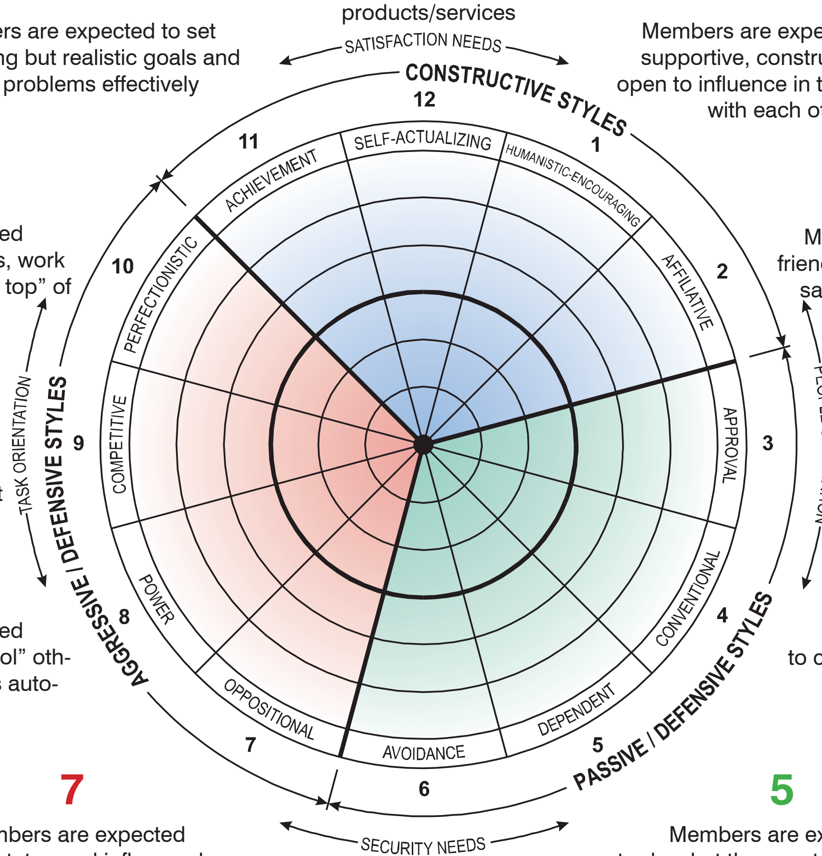
Members are expected to gain enjoyment from their work and produce high-quality products/services

11

Members are expected to set challenging but realistic goals and solve problems effectively

1

Members are expected to be supportive, constructive, and open to influence in their dealings with each other



10

Members are expected to avoid making mistakes, work long hours, and keep "on top" of everything

2

Members are expected to be friendly, open, and sensitive to the satisfaction of the work group

9

Members are expected to operate in a "win-lose" framework and work against their peers to be noticed

3

Members are expected to agree with, gain the approval of, and be liked by others

8

Members are expected to take charge and "control" others, and make decisions autocratically

4

Members are expected to conform, follow the rules, and make a good impression

7

Members are expected to gain status and influence by being critical and constantly challenging one another

5

Members are expected to do what they are told and clear all decisions with superiors

6

Members are expected to shift responsibilities to others and avoid being blamed for mistakes

Effective individuals in groups and organizations show WEAKER tendencies along the Aggressive/Defensive styles.

Effective individuals in groups and organizations show WEAKER tendencies along the Passive/Defensive styles.