How To Measure & Effectively Merge Company Cultures | Whitepaper
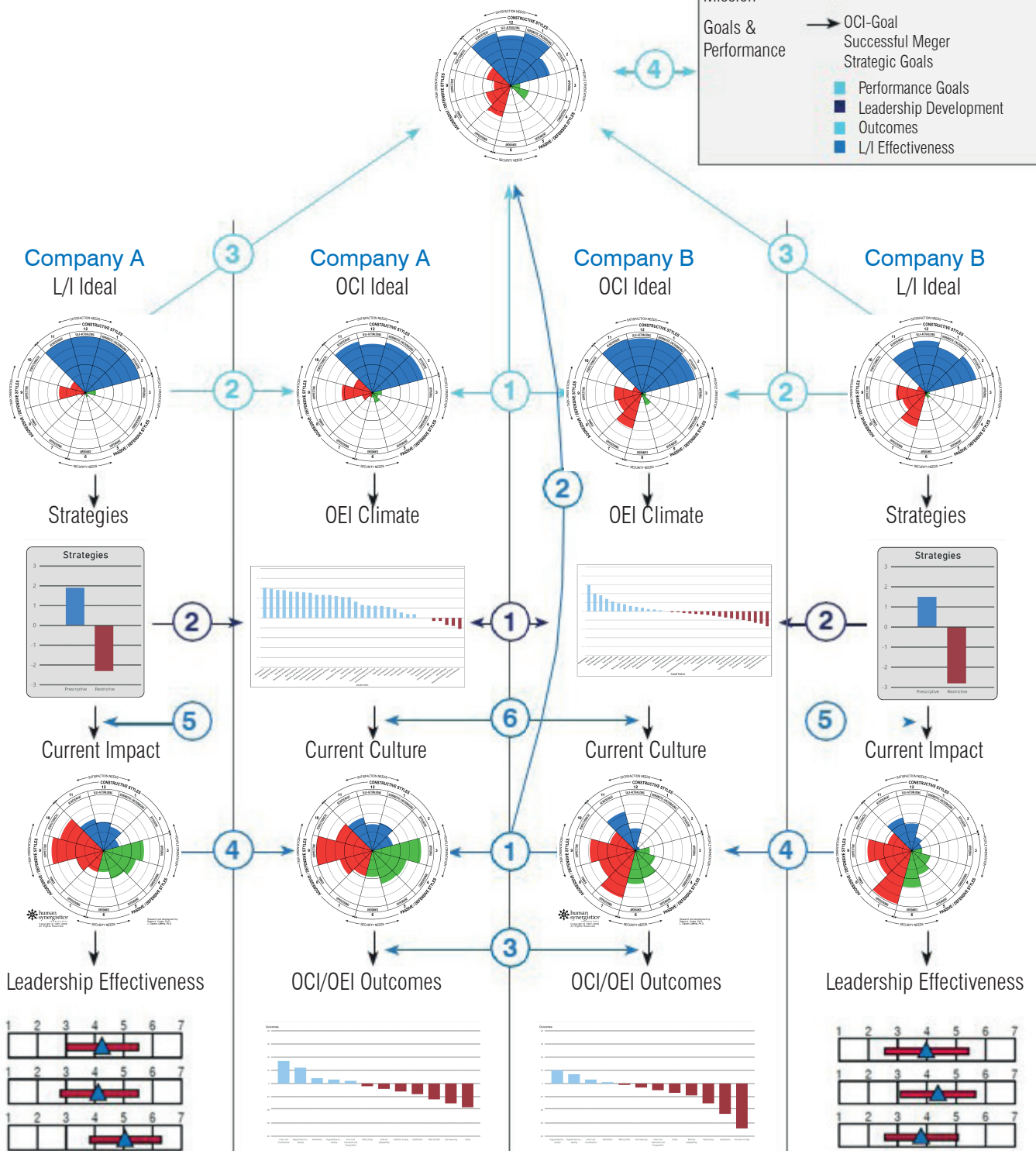
Introduction

In the case of mergers and acquisitions, the hope is that two companies operating as one will achieve greater results than they could realize separately.[1] This collaborative and ideally synergistic benefit is only achieved by creating a shared Constructive culture. In reality, mergers and acquisitions often fail to produce these intended benefits, with culture conflicts being cited as one of the most common reasons for failure. According to Hay Consulting, "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."[1]
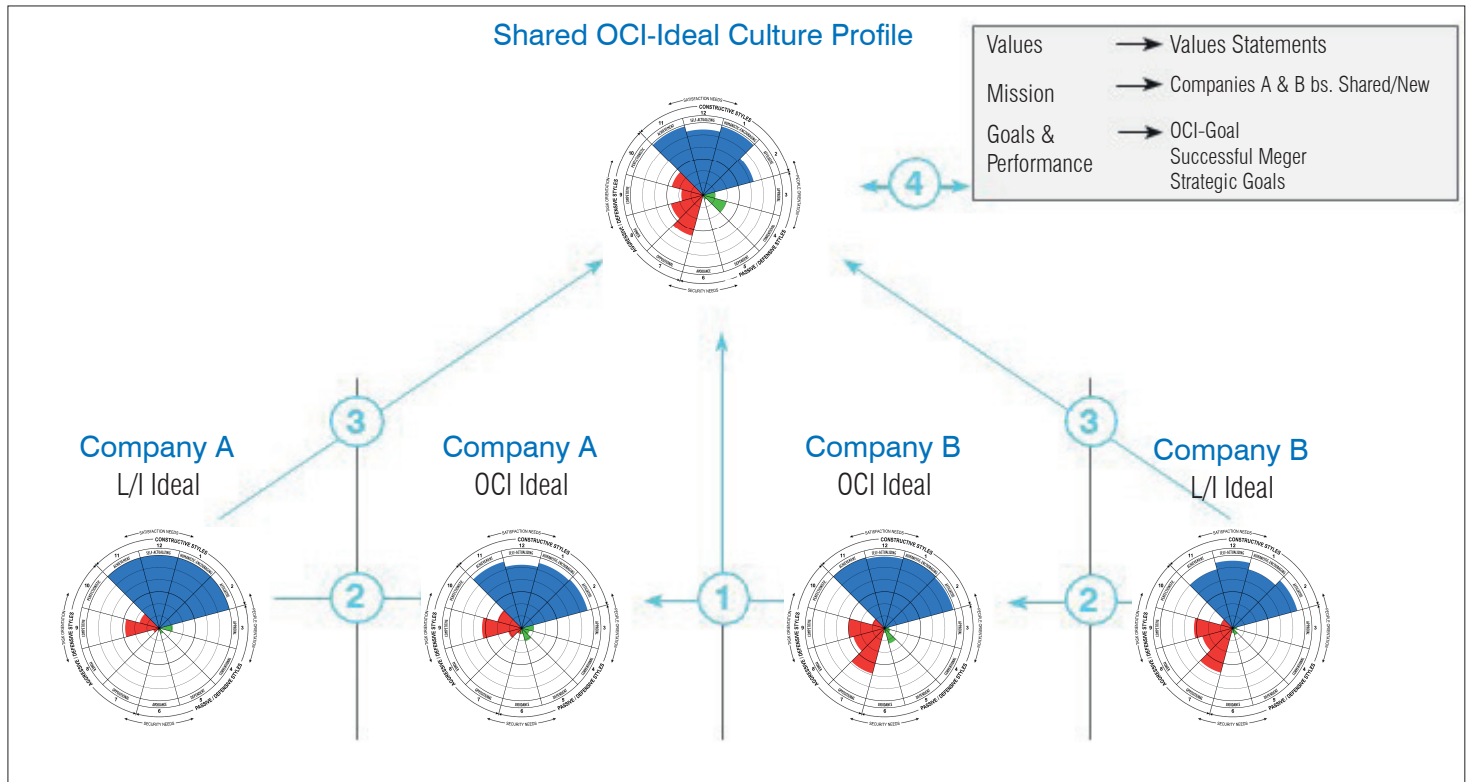
While leaders often focus on finance and technology in a merger, identifying and addressing the similarities and differences between the organizations' respective cultures is critical. To carry out a successful merger, there is likely hard work in the area of cultural integration ahead. While combining two companies with unique cultures is never easy, approaching a merger or acquisition with a conscious focus on culture can make the difference between success and failure. Employing validated, data-driven assessments to measure behaviors and outcomes can help organizations better position themselves to beat the odds and become better together.

This paper outlines a data-driven method for the assessment, comparison, and development of organizational culture utilized in large pre-merger cases. The models and instruments referred to were developed by, and are available from, Human Synergistics Inc. and include the Organizational Culture Inventory (OCI®) Current & Ideal, the Organizational Effectiveness Inventory (OEI) and Leadership Impact (L/I) as well as various models, including HS Circumplex and "How Culture Works" models, to structure and classify these data.

The use of these instruments in merger cases provides an opportunity to quantitatively measure not only current culture across pre-merger organizations, identifying shared and conflicting characteristics, but also the measurement of espoused values, leadership´s impact upon culture, and the role of culture in diving busines performance.
The use of valid data and predictive system models, provide structure, clarity and tangibility to these critical business factors

Shared OCI-Ideal Culture Profile

Section 1

Company A
L/I Ideal

Company A
OCI Ideal

Company B
OCI Ideal

Company B
L/I Ideal

Section 3

Strategies

OEI Climate

OEI Climate

Strategies

Current Impact

Current Culture

Current Culture

Current Impact

Section 2

Leadership Effectiveness

OCI/OEI Outcomes

OCI/OEI Outcomes

Leadership Effectiveness

Legend:
Values — Values Statements
Mission — Companies A & B bs. Shared/New
Goals & Performance — OCI-Goal / Successful Meger / Strategic Goals
- Performance Goals
- Leadership Development
- Outcomes
- L/I Effectiveness

Section 1: Goals, Values, & Creating Alignment: Where Do We Want to Go?

1: This section displays the similarities and differences between the values that drive the organizations using the Organizational Culture Inventory-Ideal (OCI-Ideal) in two ways:

- The OCI-Ideal Circumplex profiles for both organizations are compared, providing a graphic representation of the behaviors that leaders and other members describe should be expected to maximize effectiveness and enable the organization to reach its goals.
- A combined OCI-Ideal profile is created based on the averages of the responses from both organizations. This "shared-ideal" profile shows the culture that members of both organizations agree is ideal for the new organization. This allows organizations to measure and display, rather than merely describe, espoused values.

The combined OCI-Ideal profile answers the question, "What should the culture of this organization be?" This provides insight into to whether the values of both organizations are similar enough to enable both organizations to share one set of guiding values/principles.

2 & 3: Leaders and managers have a significant impact on those around them and on the culture of their organization. For these reasons, it is critical to review the values and objectives of leadership concurrently with those of the ideal culture. These sections look at the values of leadership team members from both organizations using Leadership/ Impact (L/I) to answer two questions:

- Is leadership in agreement regarding what "we" are working toward? In other words, are we all (in terms of values and aspirations) pointed toward the same "true North?"
- How closely aligned are the values and ideals of our leaders (L/I Ideal Impact) with the values and ideals of the organization (OCI Ideal Culture)?

Because both the OCI and L/I display results using the Circumplex, comparisons can easily be made between the leaders' desired approach and impact and the ideal culture (for both the existing organizations and the new combined organization).

Key Takeaways

The OCI and L/I Ideal profiles answer the question, "Where do we want to go?" and "What do we want to create?" While some variations in ideal profiles exist based on mission, strategy, and societal norms, strong extensions in the Constructive styles are universally described as desirable and appropriate. According to research by Dr. Janet Szumal, "Across all countries, leaders and managers consistently identify a Constructive impact as critical to optimizing individual performance and enhancing organizational effectiveness."[2] Aggregate profiles created from data in the Human Synergistics research database also show that organizations overwhelmingly view the Constructive styles as ideal regardless of industry or location.

The example above (Graphic 1) is consistent with these findings. Across both companies, the OCI and L/I ideal profiles reflect a strong desire for a Constructive culture and impact. This illustrates that organizational members and leaders both recognize and describe Constructive behavior as being:

1. Valued: Contributing to individual, team, and organizational performance.
2. Appropriate: Consistent with and supportive of the business values.

While the two companies may have very different current operating cultures, they can find common ground in a shared ideal culture that aligns with their individual ideal, providing a common goal to work toward a new, successfully merged organization.

Section 2: Current Culture: Where Are We Now?

Company A	Company A	Company B	Company B
Current Impact	Current Culture	Current Culture	Current Impact
Leader Effectiveness	OCI/OEI Outcomes	OCI/OEI Outcomes	Leader Effectiveness

1. The current culture represents how organizational members understand they are currently expected to approach their work and interact with one another. The Current form of the OCI results reveal snapshots of the culture that already exist within both organizations, accounting for their respective histories, leaders, and stories of growth and survival. Understanding the current states helps to identify existing challenges within each organization and also provides a framework for comparison of both organizations.

Comparing the OCI-Current profiles allows for quantifiable comparison of the two cultures currently, providing insight into:

- Shared Patterns, including both Constructive norms that will promote successful integration and Defensive norms that detract from it.
- Intercultural gaps, including differences in behavioral norms across organizations, that are development opportunities. Gaps tend to contribute to confusion, conflict, and resistance during integration processes.
- Potential challenges. Comparing the two current cultures supports prediction of:
    - How the two organizations will respond and react to various changes, initiatives, or interventions.
    - Whether the merged leadership team will be able to work effectively together.
    - Whether the Customer Service functions will maintain their positive customer focus.
    - Whether members of the merged organization will be able to collaborate and innovate together.

In this example, both organizations' current cultures are predominantly Defensive, with both showing strong extensions in the Conventional, Avoidance, and Perfectionistic styles. The weakest styles for both organizations are Self-Actualizing and Affiliative, both in the Constructive cluster. Action plans are then created with these similarities in mind, giving the organizations common ground to start from when working toward the shared ideal state.

2. Comparing the current culture profiles of both organizations to the shared ideal profile provides valuable insights into the gaps between the existing and desired states. This comparison identifies priorities which both organizations need to develop in order to develop a culture that is more consistent:

- with the shared ideal state, and thereby:
    - contributes to and promotes performance.
    - consistent with and supportive of values.
- across both organizations (creating a common shared culture).

3: By using OCI-Current to measure current culture, it also becomes possible to measure the relationship between culture norms and "performance" such as motivation, engagement, innovation, safety, ethical decision making, level of stress/strain, intention to stay, work collaboratively, serve customers effectively, etc.

Both organizations will find that, within the current culture, Constructive styles will contribute to performance, while Defensive styles will detract from performance. Both organizations can benefit from developing more Constructive behavioral norms, which have been demonstrated to promote performance across measures.
Based on this OCI data, it can be determined that the current operating cultures of both organizations need to reduce Defensive behavior norms and promote a more Constructive culture for the following reasons:

- Constructive styles are consistent with values while Defensive behaviors are inconsistent with values.
- Constructive styles promote greater performance while Defensive behaviors detract from performance.

Focusing on Constructive styles will also result in both organizations developing a current culture that has "more in common." Shared approaches to work and interactions with one another directly improve the likelihood of a successful and effective merger.

4 & 5: Sections 4 and 5 explore the ways in which leaders are contributing to and impacting the culture of their organizations. This helps to quantifiably answer:

- Why the culture is the way that it is currently.
- How leadership has (historically) created the current culture state.
- How leaders can best contribute to promote Constructive—and reduce Defensive—behaviors.

Making a side-by-side comparison of the current culture and current leadership impact profiles is very revealing. Because leaders drive culture within the organization, the OCI culture profile of an organization often reflects the same "patterns" found in its leaders L/I current impact profiles. For example, some leaders promote Constructive

behaviors in the people they lead, and this contributes to a more Constructive culture. Conversely, some leaders primarily promote Defensive behaviors and in turn, promote a more Defensive culture within their organization.

6: When used in tandem, the OCI/OEI reveals a full picture of both organizations' pattern of behavior (i.e. culture) and the measurable factors which influence that behavior pattern (i.e. climate). The climate data reveals those factors that contribute to and drive the culture. Once identified these factors can be changed to shape and develop the organization's culture. This climate helps us to understand:
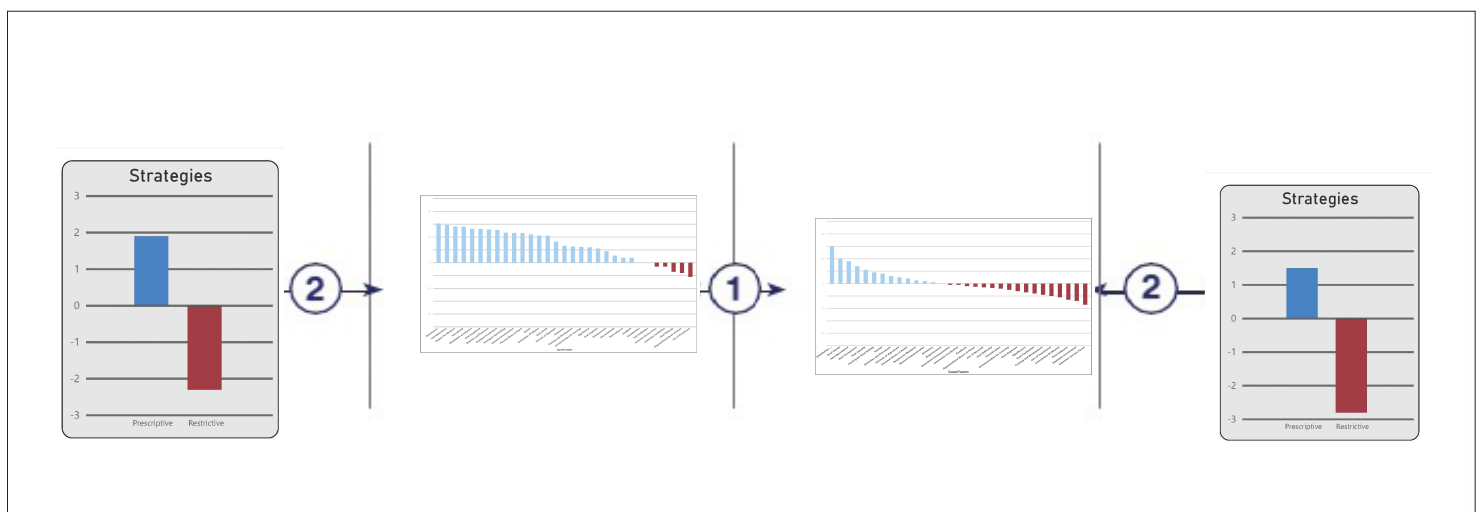
- How the current culture has been created?
    - What factors within the organization are promoting Constructive while inhibiting Defensive behavior?
    - What factors within the organization are promoting Defensive while inhibiting Constructive behavior?
- What needs to change in order for the climate to contribute to a Constructive culture?

As a result, the OEI effectively identifies levers for change to help align internal systems, structures, technology, and skills and qualities to enhance performance and long-term effectiveness.

Key Takeaways

The OEI provides valuable information that was previously not available to organizations by presenting a comprehensive view of their cultures and what is driving them. It provides answers to many previously unanswerable questions, such as the causal factors (i.e. climate) which shape culture. This provides leadership with the necessary information to begin developing culture via a data-driven and predictive methodology.

Section 3: Climate & Leadership: Taking Action: How Do We Create Change?

1 & 2: Examining climate helps organizations establish targets for changing/shaping the culture and thereby performance. The OEI also aids in identifying levers for moving the organization's current culture toward its ideal. Comparing the OEI climate results for both organizations allows them to understand shared strengths and opportunities that can be used to drive first-stage culture development. Levers where there are gaps, i.e. where one organization is strong, while the other organization is not, are strong targets for second-stage culture development.

2: This section compares leadership strategies and climate to show how Prescriptive and Restrictive strategies positively or negatively affect climate factors like Employee Involvement, Respect for Members, and Autonomy. Looking at these results together helps to identify:

- Shared themes. What strengths or opportunities in the climate are also supported by strengths or opportunities in the related leadership strategies? In other words, how are the leadership strategies are consistent with and supportive of the organizational climate with regard to both strengths and opportunities?

Gaps: In what ways are the leadership strategies inconsistent and misaligned with the organizational climate? In these cases, either the leadership strategies or the climate needs to be aligned so consistent messages are being delivered and comparable practices are being carried out, both by leaders and via the organizational climate. If we find gaps between leadership strategies (L/I) and organizational climate (OEI), this can represent areas in which the organization is inconsistent or conflicting with the strategies of leadership.

Key Takeaways
Using the OEI and L/I in tandem gives organizations a comprehensive view of how climate factors are impacted by leader behavior and strategies. When looking at leadership strategies and climate, both of which influence culture, organizations can now determine:

- what leaders need to do differently;
- what needs to change within the organizational climate; and
- how the organizations can align the above two points (i.e., where they need to focus their efforts/resources and what needs to change).

With this information in hand, the organizations have all the tools they need to begin shifting their culture.

Conclusion

For a merger or acquisition to become a success story, everyone involved must be willing to take a deep dive into culture. This includes not only determining the vision for the new, combined company, but also understanding the current state of the individual organizations and how it will help or hinder the change process.

As organizational culture and leadership pioneer Edgar Schein says, "Culture is what a group or organization has learned during its lifetime."[2] In a merger, these two "lifetimes" must integrate all the behaviors and values that each company has accumulated since inception to achieve success. Measuring and examining the two existing cultures and coming together to define the shared culture going forward is a critical aspect of mergers that frequently does not receive the degree of attention it needs. Schein says, "if you have been around for a while, you are so embedded in your culture that you are not aware of how much it determines your daily behavior." A merger is a perfect opportunity to assess culture to identify current shared values (adaptive and maladaptive) and gaps (positive and negative) to determine first-stage and second stage culture change initiatives.

 "Culture for you and your employees is like water for the fish," according to Schein—the right tools and processes will ensure you're working toward one that will help everyone thrive.

References

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