

“For better or for worse...”

When are corporate marriages made in heaven? And can matchmaking improve the odds for marital harmony?

The answer could well lie in Cartwright and Cooper’s book “Managing Mergers, Acquisitions & Strategic Alliances - Integrating People and Cultures”. Chapters five and six describe a method for assessing the cultural compatibility of prospective merger or acquisition “marriage” partners.

THE PROBLEM

Many merger and acquisition (M&A) ventures result in unfulfilled expectations, and organisational culture is the most frequently cited cause of failed mergers. The authors observe that those who select prospective M&A partners tend to focus on the fit between strategic and financial goals and seem largely unaware of the likely organisational impact of their selection. Mergers and acquisitions are seen by the authors as “the greatest disturbers of cultural peace”. They say that two cultures colliding leads at the macro level to ambiguity and fragmentation, affecting management styles and behaviours, while at the micro level the individual may feel they no longer fit and experience conflict and stress. The quality of performance suffers at both levels.

COMPATABILITY ASSESSED

Criteria for assessing cultural compatibility are established by the authors, which they imply can be used by selectors to choose auspicious combinations.

A range of organisational matches were studied either within days of their M&A deals being announced or before significant changes were introduced. They also studied the organisations twelve months after integration had taken place and monitored them throughout the process using interviews and questionnaires.

THE CORE CONCEPT

Culture match

Most acquisitions are made by a dominant partner. The authors found that so long as the changes to the acquired partner are perceived by the employees as giving them more autonomy and opportunities to participate then the marriage will have a good chance of success.

Where mergers genuinely seek true integration and benefits from finding the best of both worlds the authors predict there will be difficulties the greater the real and/or perceived cultural dissimilarity between the partners.

Mutual Agreement to the terms of the Marriage Contract

The power dynamics of acquisitions are generally clear cut and employees of the weaker partner expect to have to assimilate. In mergers, however, the power dynamics are ambiguous, and the staff will tend to fear domination. The management's ability to facilitate the integration process and communicate the win/win intention becomes vital.

THE CONNECTING THINKING

Origins of culture

Culture has a powerful influence on human behaviour, informing the right and wrong of how to do things. Organisations are mini societies, each with their individual culture and subcultures. New members imbibe the culture unconsciously through a process of socialisation until the behavioural norms are accepted and taken for granted. Underpinning culture is a unique set of values, attitudes and beliefs which create a "shared sense of reality". Subcultures can exist in an organisation, but there is generally an overarching dominant culture.

Types of Culture

There are many models that have been used to describe and categorise culture. The authors decided to work with the Harrison (1982) typology framework because it can handle intra-industry differences and the types are easy to recognise in practice. Harrison identifies 4 main cultural types:

Power Culture

This is often found in small entrepreneurial organisations or larger organisations with a charismatic leader who makes the decisions, enabling it to move swiftly. If this person is benevolent then a Patriarchal Power culture is likely, characterised by a loyal parent-child relationship with staff although the environment can be oppressive, and employees tend to be ill informed. If power is derived from status and position alone then an Autocratic Power culture is likely. Leaders are assumed to be moving on and not to care, so their power is resented. Staff gain their satisfaction from the work and their commitment towards colleagues.

Role Culture

This is typified by logic, rationality and the achievement of maximum efficiency. Bureaucracy is the norm and the company bible rules! Roles, often specialised, are the focus rather than people or personalities. The hierarchy is all important and employees are very status conscious. There are often many symbols of status. Competition between departments is common. This culture functions well in stable conditions but is slow to change and is often experienced as impersonal, frustrating and hampering to innovation.

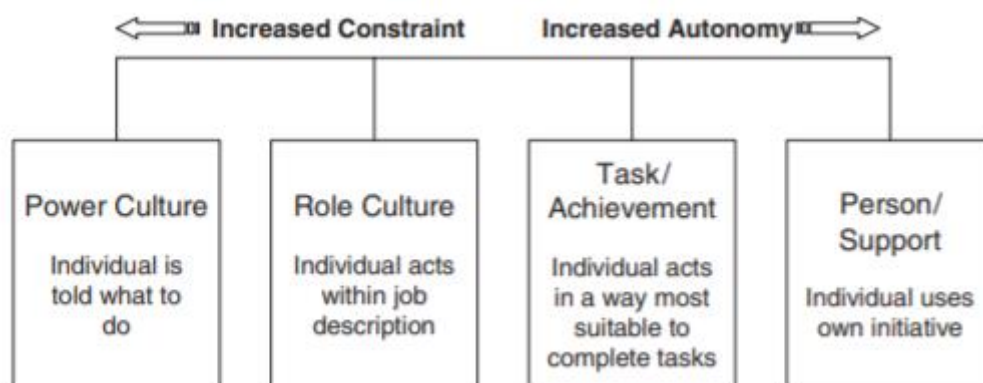
Task/Achievement Culture

What achieved tends to be more important than how, and there is a focus on securing the necessary resources and skills. This culture often exists in parts of an organisation, eg R&D, although it is often found in start-up high technology companies. It is a team culture, committed to the task. Harrison refers to these “Marching to it’s own drum” often giving the customer what they think is right rather than what the customer demands.

Person/Support Culture

Egalitarianism is a key value and the organisation exists to nurture the personal growth and development of its staff. Structure is minimal and information, influence, and decision-making are shared equally. It is often found operating in communities or co-operatives.

“Pure” types are rarely found, so the authors have modified the model to cover a spectrum reflecting levels of individual constraint:



THE IMPLICATIONS FOR M&As

Similarity, Compatibility and Attractiveness

One might easily assume that compatibility merely requires cultural similarity. However, the authors found that partners could be dissimilar and still compatible provided the direction of movement along the continuum in Figure 1 (above) that an organisation is expected to make is to the right. The authors explain that cultures further to the right on the continuum are experienced as more satisfying than those to the left as they offer more individual autonomy, participation, and fewer individual constraints. Employees are therefore likely to be more willing to assimilate into cultures to their right on the continuum than to their left. If the movement required is to the left, unsanctioned separation can occur. Where employees value neither their own culture or the new, they feel alienation or “deculturation”. Separation and alienation have a significantly adverse effect on organisational and human outcomes.

Terms of the Marriage Contract

The authors realised that the “terms of the marriage contract” (i.e. the tacit power dynamics), as well as cultural compatibility, have a bearing on the success or otherwise of the merger or acquisition. After all, success could be the result of the acquiescence of one partner rather than real compatibility.

An “Open” contract is defined as an acquisition where the acquirer does not interfere, tolerates differences, gives autonomy and the support needed for development and growth. This works where there is a healthy prognosis for future growth. As no integration is required cultural compatibility is not an issue.

A “Traditional” contract is an acquisition where the dominant partner imposes its culture on the weaker. Success depends on the willingness of the weaker partner to conform, which is in turn dependent on the direction of movement this must make along the continuum:

Power Cultures were found by the authors as easier to displace than any other. Where both partners are power cultures, success depends on the acceptability of the new leader and tolerance of the removal of the old. If the old leader is still employed, how they are perceived to have been integrated into the new power structure matters. Where a Power culture does not tolerate multiculturalism and acquires a different culture there is likely to be a culture collision.

Role cultures are generally experienced as more satisfying than Power cultures and therefore will resist being acquired by one. They are likely to be a willing partner with any culture of a less constraining nature, even another Role culture, as the rule book is simply rewritten.

Task/Achievement cultures tend to resist change, but they have the potential to mesh well with an acquiring partner that has a similar culture type or is a person/support culture.

Person/support cultures have the potential to acquire all types successfully. However, they themselves are not easy to acquire as they are experienced by their employees as very satisfying.

A “Collaborative” marriage is a true merger. Both parties genuinely want to combine technology, practices etc for mutual benefit. The authors found them to be rare and often not recognised as collaborative by employees. They observed that the greater the distance apart on the continuum the greater the compromise needed to achieve the middle ground. Employees seem to focus on the differences rather than the similarities and can experience a significant culture shock. Furthermore in times of crisis organisations tend to become more constraining on the individual, so partners are likely to perceive each other as further to the left on the continuum than they really are. The authors, therefore, recommend that M&A partners be of adjacent types rather than at opposite ends of the continuum. The senior management’s facilitation of the process of integration becomes key, helping employees find aspects of the other attractive and communicating mutual benefits and shared power.

Table 1

<i>Culture of the dominant partner</i>	<i>Potentially “good” marriage partners</i>	<i>Potentially “problematic” partners</i>	<i>Potentially “disastrous” partners</i>
Power		Power	Role Task Person/Support
Role	Power Role	Task	Person/Support
Task	Power Role Task	Person/Support	–
Person/Support	All culture types	–	–

COMMENT

The book seems to have been written with practitioner in mind and yet its style is quite academic. Having said that the conclusions appeal intuitively - people prefer more freedom, don't they? But the experience many organisations have had in the process of empowering their work force has not been without its challenges. If employees have been managed with strict rules, they initially resist the ambiguity and responsibility of fewer constraints. One man's constraint is another man's structure. Do most employees welcome less structure/constraints? This is an implicit assumption – is it sound?

An approach that the authors don't consider is the situation where their partners choose a staged approach to the marriage contract. From the media description of some mergers it would appear that the partners agreed an initial open marriage, working over a period of time towards a collaborative contract where synergies (and no doubt savings) can be sought. One can speculate as to whether this is a ploy to minimise the threat perceived by each workforce in order to avoid possible resistance while the “best of both worlds” might be explored.