

Skidmore Consulting

Communication + Leadership Services

White Paper:

Developing a Shared Culture through an Organizational Merger

Sarah Skidmore, MA

sarah@skidmore-consulting.com



Summary

Much of the time the term globalization is associated with endless opportunities thanks to technology and the evolution of business practices in the 21st century. But, this concept of globalization also brings about a whole new set of challenges such as balancing varying cultural values and standards, acknowledging different types of business practices, and creating teams with members who have diversified methods of work.¹ This eclectic environment is branded with overwhelming dynamism, vigor, and competition to prepare organization for the future.² Mergers and acquisitions are methods used often within this dynamic business environment of the modern world.³ With mergers and acquisitions, part of standard practice in today's global environment, leaders must recognize the need to proper re-organization of the organizations and the individual duty a leader has in this process. In the re-organization process, "the speed of the integration needs to be, on the one hand, as fast as possible and, on the other hand, on a realistic time schedule. This necessitates very pro-active involvement on the part of the management."⁴ This calls for leaders to be a pro-active example of what the 'new' shared culture will look like.

With the merging of two organizations, a critical step in the process of creating a shared culture among this 'new' organization that is combining two different entities into one. Leaders must consider the theoretical principles of associated with merging cultures, consider both direct and indirect actions they will need to initiate within the organization, and consider the benefits of the successful merging of two cultures into one. Here is some important information for leaders, initiating a merger process, to consider when thinking about a shared culture.

¹ Alas, Papalexandris, Niglas & Galanaki, 2011

² Morgia & Barakonyi, 2009

³ Morgia & Barakonyi, 2009

⁴ Morgia & Barakonyi, 2009, p. 57

3 Key Principles

Principle 1: Today's Business Landscape

Common strategies organizations use when aiming to grow are mergers and acquisitions. This type of strategy is a proven method to “expand into new markets, diversify products and services, and increase the competition in the field.”⁵ Cisco has over 60 acquisitions under its belt during 1996-2000 and IBM competed 17 acquisitions valuing \$1.5 billion in 1999.⁶ However, without the proper emphasis placed on resolving the cultural gap between organizations and building a unified culture quickly, ultimately a lack of cultural integration can be dismal.⁷

Today's corporations can be compared to micro-societies that have the need to foster cooperation, motivate employees, establish norms, and provide incentives – such as compensation plans and promotions for instance.⁸ In contemporary settings within Western corporate environments, an identified value system and culture are critical for organizational success.⁹

Principle 2: Organizational Merger

Merging two organizations may seem relatively simply if a robust business plan is used to provide the strategy and tactical steps involved; however, consider the importance and need for a shared culture and value sets for the people within the organization. Cultural integration is vital to the success of a corporate merger.¹⁰ There are four approaches for acculturation.¹¹ These include “integration, when the two cultures are integrated each retain their individual identity; assimilation, when one culture absorbs the other; separation, when the two cultures are entirely separate; and deculturation or marginalization, when a culture disintegrates.”¹² Bridging the cultural gap between two organizations during a merger is not an automatic process, but rather requires active involvement from organizational leaders. Consider the 2007 statistic that holds the main reason for the failure of mergers and issues within partnership was due to the cultural clash and ineffective integration of two organizations.¹³ Consider misunderstandings between geographical cultures, generational perspectives, business experiences, and organizational procedures. When two organizations merge, an active and involved presence from leadership teams is a must! This involvement helps create the value structure, purpose, and vision for all the employees involved.¹⁴

Here is a bit more about company culture. Sociologists and anthropologists both study culture however they have nuanced views of the principles.¹⁵ In short, sociologists hold that company culture is part of the organization while anthropologists hold that a company is a culture.¹⁶ Generally, sociology's view of culture is what is transmitted in modern dominate thinking and often motivates the instrumental values used for activity planning and goal setting.¹⁷ These values are at the heart of the organization as from

⁵ Morga & Barakonyi, 2009, p. 55

⁶ Morga & Barakonyi, 2009

⁷ Morga & Barakonyi, 2009

⁸ Guiso, Sapienza & Zingales, 2015

⁹ Posner, Kouzes & Schmidt, 1985

¹⁰ Marrewijk, 2016

¹¹ Marrewijk, 2016

¹² Marrewijk, 2016, p. 338-9

¹³ Morga & Barakonyi, 2009

¹⁴ Morga & Barakonyi, 2009

¹⁵ Dempsey, 2015

¹⁶ Dempsey, 2015.

¹⁷ Dempsey, 2015

the values stems beliefs which stems expectations which stems attitudes which stems behaviors.¹⁸ These values directly impact how members treat internal and external audiences – including customers, community, competitors, etc. - in varying situations.¹⁹ Values matter and that is why is it so important to close the cultural gap within a merger and quickly recreate a shared value environment.

Principle 3: Importance of Company Culture

Has Mickey Mouse put his arms around you under the warm Florida sunshine or have you boarded a Disney Cruise Liner for a family vacation or have you simply walked through the doors of a Disney retail store at your local shopping center? Disney is known for embedding their corporate values and standards across all members of the organization as leadership stresses the ‘big picture.’²⁰ Disney employees are not referenced or termed workers but rather as cast members who are ‘on stage’ when interacting with customers.²¹ Even their personnel department embraces this concept as it is referred to as the ‘casting department.’²² Disney is so committed to its culture, standards, and values that the folks scanning guest tickets as the front gate undergo quite a bit of training and instruction before allowed to hop ‘on-stage.’²³

Analysis of these Disney practices including communication methods and cast member reward programs are part of the on-going success of this entertainment engine as the Disney culture is paramount.²⁴ At Disney, there is limited ambiguity about the values and purpose of the organization to either the cast members or the guests. “Culture matters because it is a powerful, latent, and often unconscious set of forces that determine both our individual and collective behavior, perception, thought patterns and values.”²⁵ Whether a business is five years old, a hundred years old, in the middle of acquisition, or about to announce a merger – no matter the circumstance, company culture matters. Creating this unified organizational culture often leverages the strategy of “cultivating shared mindsets” and the strategy of “attaining work-value congruence.”²⁶

- Shared mindsets is an interesting concept as it fills the space between company values and the business’s actual performance. This shared mindset references a “uniform way of thinking, perceiving, and valuing” within the organization.”²⁷
- Work-value congruence holds that various values hold different amounts of influence in the work environment. This concept relies on balance.

These strategies help leaders who are overseeing a merger, work to create that shared culture.

¹⁸ Malbasic & Brcic, 2012

¹⁹ Malbasic & Brcic, 2012

²⁰ Posner, Kouzes & Schmidt, 1985

²¹ Posner, Kouzes & Schmidt, 1985

²² Posner, Kouzes & Schmidt, 1985

²³ Posner, Kouzes & Schmidt, 1985

²⁴ Posner, Kouzes & Schmidt, 1985

²⁵ Alas, Papalexandris, Niglas & Galanaki, 2011, p. 45

²⁶ Thareja, 2014, p. 41

²⁷ Thareja, 2014, p. 42

4 Leadership Actions

Action 1: Embrace an Attitude of Willingness

Creating a shared culture is not something that is accomplished by hosting to a corporate team building workshop one time and then all assuming ‘eureka’ all the division is solved. Creating a shared culture, requires the leaders to actively be involved in aligning all members towards that unified culture.²⁸ This openness and willingness to embrace a shared culture may require an attitude adjustment for some leaders. Leaders must really buy-in to the idea that company culture matters and that resources need to be dedicated to unifying the two organizations. Culture is not an abstract thought or softy concept,²⁹ but rather it is critical for achievement of strategic goals.³⁰ In the recent decade, a study surfaced that quantified the value of cultural alignment.³¹ This study surmised that organizations with a shared culture “generate 16.7 percent higher enterprise value based on five-year compound annual growth rates, compared with the average of all companies participating in the study.”³² A leader must fully embrace this idea of a shared culture through daily practices at the organization; there is no room for a ‘one foot in, and one foot out’ philosophy.³³ Having an attitude of openness and willingness to promote this shared culture, requires a leader to habitually promote what is considered valuable to the organization to demonstrate to followers what standards and consistency looks like in the new setting.³⁴

Action 2: Lead the Alignment Process

This business circumstance of two organizations merging into one and the need to develop a shared culture calls for transformational leadership. The term value-based leadership is comprised of “self-leadership, team leadership, and transformational leadership” all working together simultaneously to solve a problem and achieve an ultimate goal by leveraging individualized specific goals, team or departmental goals, and broader organizational goals.³⁵ In this merger setting, in order to promote alignment and shared culture, transformational leadership must be enlisted. “Obviously, traditional leadership will not survive in the Third Millennium. The world will need transformational leaders. Transformational leadership allows companies to compete in a turbulent and unpredictable environment.”³⁶ An important part of transformational leadership is leading the alignment toward the ‘new’ culture for both entities to embrace. Transformational leadership is achieved by using both words and actions to impact and influence followers.³⁷ Transformational leadership looks to shift the attitude of, build trust with, and cultivate a relationship with followers.³⁸ Transformational leaders “are able to motivate followers, inspire them, gain commitment of their followers and change beliefs, attitudes and goals of people and organizational norms.”³⁹ Considering this, there are two elements leaders must understand when aiming to align two organization into one – intrapersonal and interpersonal.⁴⁰ A leader must recognize the need of both types of alignment among employees within the organization.⁴¹ Interpersonal alignment involves an individual’s beliefs and values whereas interpersonal alignment

²⁸ Posner, Kouzes & Schmidt, 1985

²⁹ Posner, Kouzes & Schmidt, 1985

³⁰ Wait & Dayman, 2012

³¹ Wait & Dayman, 2012

³² Wait & Dayman, 2012, p. 30

³³ Posner, Kouzes & Schmidt, 1985

³⁴ Dempsey, 2015

³⁵ Alraqhas, 2015, p. 771

³⁶ Teymournejad & Elghaei, 2017, p. 1413

³⁷ Teymournejad & Elghaei, 2017

³⁸ BIN, JING, RUILI, CHUYING, BEI & YINAN, 2016

³⁹ Teymournejad & Elghaei, 2017

⁴⁰ Hultman, 2002

⁴¹ Hultman, 2002

involvement involves the integration and consistency within team, departmental, or organizational settings.⁴² Through the merging of two organizations, employees may face both types of conflict and may need the help of leaders to work through the alignment process. Often the issue here is not simply to align or not to align but rather how.⁴³

There may not be a 100% alignment between individual and organizational values, however value alignment is an continuous process that is necessary for transformational leaders to promote to all employees. A single person has between thirty and forty individual values.⁴⁴ Then consider how many different departments are within your business and then consider the two organizations being merged – that is a lot of values! Be a leader who is the example of the alignment process and transformation needed for the merger to be successful from a cultural perspective.

Action 3: Communicate Across the Organization

Communication is critical throughout any organization. This is not new or novel information; however, it continues to be a concept lacking in many organizations. From a buzzword perspective, much attention is given to communication. But, have you considered why it is discussed so much and what some of the benefits are? Here are some of the positives outcomes of successfully conveying a message.⁴⁵

- “completing a broader scope of work in a more satisfying way
- increasing the level of mutual understanding and respect
- increased impact on employees
- better problem-solving and conflict management
- closer and more intimate relationships with others
- a healthier life altogether”

⁴² Hultman, 2002

⁴³ Hultman, 2002

⁴⁴ Hultman, 2002

⁴⁵ Malbasic & Brcic, 2012, p. 106

Action 4: Devote Corporate Resources

There are several formulized programs from a human resources perspective that executive teams can enlist to drive the necessity of educating and centering everyone impacted by the merger towards one desired culture.⁴⁶ These programs should be used to empower employees to feel a part of the culture,⁴⁷ opposed to simply indoctrination. This empowerment may then ultimately benefit the company in better products for customers and services for clients.⁴⁸ Empowerment helps the employee feel a connection to the team and the greater organizational plan.⁴⁹ As a leader, consider these important questions Wait & Dayman outline as critical issues:⁵⁰

- “Does the company have an established program to hire the best candidates?”
- Is there an effective plan for new employee orientation?
- Does the company maintain a mentoring system to orient new employees with appropriately matched, seasoned employees?
- Do all employees have clearly explained job responsibilities and rewards?
- Are employees trained and empowered to make decisions involving their work processes?”

Keep your responses to these questions in mind, and consider the following programs. Possibly your organization has some of these programs already, possibly this is an opportunity to revamp your current programs, and possibly there are new programs that you can institute now. Here are programs that prove helpful in creating this shared culture:⁵¹

- Programs to clarify and communicate values help to provide guidelines, rules, and necessary information to engage employees with the post-merger culture.
- Recruitment selection and orientation processes are important as hiring managers can ask values-based questions and engage candidates with the organization’s culture.
- Training programs - whether it is quarterly seminars, weekly presentations, or daily meetings – allow for the creation of training cycles that emphasize to employees their importance within the organization.
- Reward systems are critical. Be creative and know what intrinsically and extrinsically motivates your team to developed a system that works.
- Counseling support shows the organization acknowledgement of employee welfare and the need to keep employees engaged in both individual and organizational goals.

⁴⁶ Posner, Kouzes & Schmidt, 1985

⁴⁷ Wait & Dayman, 2012

⁴⁸ Wait & Dayman, 2012

⁴⁹ Wait & Dayman, 2012

⁵⁰ 2012, p. 31

⁵¹ Posner, Kouzes & Schmidt, 1985

2 Benefits of a Shared Culture

Benefit 1: Organizational Commitment

There is a strong connection between employees who feel their personal values are aligned with organizational values and that alignment helps to strengthen organizational commitment.⁵² Studies have proven the correlation between aligned values and organizational commitment; basically, managers who felt aligned culturally were far more confident to stay with the organization over the next five years.⁵³ This alignment is also beneficial to team decision making and willingness to work together.⁵⁴ Consider the lengths that Proctor & Gamble, IBM, and even Hewlett-Packard require during the recruitment and hiring process to ensure that candidates have aligned values with the organization.⁵⁵ This type of cooperation and commitment is one of the by-products of a shared culture.

Benefit 2: Goal Achievement

Organizations rely on strategic planning and goal setting in order to achieved desired outcomes. Studies prove that employees who have high shared values with the organization tend to rank higher than those will fewer shared values, with “goals of effectiveness, productivity, reputation, morale, profit maximization, and stability.”⁵⁶ These goals, in particular, are more internally orientated and relate to individual involvement.⁵⁷ Further, this study highlights that “managers view organizational priorities and policies through the prism of their personal values.”⁵⁸ Again, shared culture ultimately increases organizational goal achievement.

For more information on the topics covered in this white paper, please contact Sarah Skidmore at sarah@skidmore-consulting.



About the Author

Sarah Skidmore, Chief Strategist at Skidmore Consulting, brings innovative and transformative thought to both non-profit organizations and for-profit businesses in industries including construction, medical & pharmaceutical, food & beverage, and consumer products. Guiding executive leaders, she delivers forward-thinking strategies founded on integrity. Sarah serves as a dynamic speaker at universities, globally recognized conferences, and industry events. Currently, Sarah is pursuing a Doctorate of Strategic Leadership from Regent University.

⁵² Posner, Kouzes & Schmidt, 1985

⁵³ Posner, Kouzes & Schmidt, 1985

⁵⁴ Dempsey, 2015

⁵⁵ Posner, Kouzes & Schmidt, 1985

⁵⁶ Posner, Kouzes & Schmidt, 1985, p. 301

⁵⁷ Posner, Kouzes & Schmidt, 1985

⁵⁸ Posner, Kouzes & Schmidt, 1985, p. 301

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