MAXIMIZING M&A DEAL VALUE THROUGH CULTURE

Real-world strategies and tactics for mastering culture in M&A deal strategy, due diligence, integration and execution
# Table of Contents

The Business Case for Addressing Culture ................................................................. 2

Defining Culture in the Context of Mergers and Acquisitions ........................................ 3
  Distinguishing Business Model from Culture .............................................................. 4
  Recognizing Sub-cultures in M&A .............................................................................. 5

Understanding National Cultures in M&A ................................................................... 7

Identifying and Avoiding Cultural Flashpoints .............................................................. 9

Case Studies in M&A Failure: Sprint-Nextel ................................................................. 10

Finding “True North”: Building a Culture That Fosters High Performance ....................... 11

Winning with Culture in M&A .................................................................................... 12
  Culture in Each Phase of the M&A Lifecycle .............................................................. 12
  Deal Strategy and Targeting ....................................................................................... 12
  Pre-Deal Cultural Due Diligence ............................................................................... 12
  Integration Planning and Execution ......................................................................... 13

Who Should “Own” Culture During M&A? ................................................................ 14

About M&A Partners .................................................................................................. 15
  M&A Thought Leadership ......................................................................................... 15

Our Featured Experts .................................................................................................. 16
The Business Case for Addressing Culture

Almost every M&A study since the beginning of time has consistently determined two key findings: culture matters, and acquirers are generally quite bad at managing culture. One such study we conducted determined that out of approximately 15 categories considered “essential” for due diligence, culture ranked dead last in terms of the percentage of acquirers’ actually conducting this type of inquiry pre-close. That same study revealed that 77% of acquirers consider themselves poor, very poor or average at effectively managing culture during M&A.

Meanwhile, countless other studies demonstrate the link between culture and deal success (or, more often, failure). For example, a survey of Forbes 500 CFO’s indicated that four of the top ten sources of M&A deal value erosion are directly related to culture issues, with “incompatible cultures” coming in at number one.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top Ten Pitfalls in Achieving Synergies</th>
<th>Negative Impact</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Incompatible cultures</td>
<td>5.60</td>
</tr>
<tr>
<td>2</td>
<td>Inability to manage target</td>
<td>5.39</td>
</tr>
<tr>
<td>3</td>
<td>Unable to implement change</td>
<td>5.34</td>
</tr>
<tr>
<td>4</td>
<td>Synergy nonexistent or overestimated</td>
<td>5.22</td>
</tr>
<tr>
<td>5</td>
<td>Did not anticipate foreseeable events</td>
<td>5.14</td>
</tr>
<tr>
<td>6</td>
<td>Clash of management styles/egos</td>
<td>5.11</td>
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<tr>
<td>7</td>
<td>Acquirer paid too much</td>
<td>5.00</td>
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<tr>
<td>8</td>
<td>Acquired firm too unhealthy</td>
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<tr>
<td>9</td>
<td>Need to spin off or liquidate too much</td>
<td>4.05</td>
</tr>
<tr>
<td>10</td>
<td>Incompatible marketing systems</td>
<td>4.01</td>
</tr>
</tbody>
</table>

Figure 1: According to a survey of Forbes 500 CFO’s, four of the top ten pitfalls in achieving M&A deal synergy are directly related to culture. Impact is measured on a scale of 1 to 7, with 7 being highest.

Culture has an incredible impact on cost synergies and deal value. According to our State of M&A Effectiveness survey, acquirers consistently identify culture as one of the top drivers of revenue synergies. Moreover, survey respondents ranked effective management of culture as one of the “top ten” best practices driving revenue and cost synergies.

Figure 2: Regression analysis showed the following top ten integration practices to be directly linked to successful outcomes of revenue synergy capture. Values indicate percentage increase in successful outcomes linked to the use of each best practice.
Defining Culture in the Context of Mergers and Acquisitions

Culture is still one of the greatest remaining mysteries in the M&A universe. For most executives and organizations, getting a handle on culture during M&A is more than just an “unknown.” Part of the challenge of addressing culture is that it’s a difficult concept to define. Broadly speaking, culture is best defined in terms of three cultural elements or “levels”:

- **Symbols and strategies:** Often the easiest to observe, symbols and strategies include enterprise vision; mission; value statements; brand identity and connotation; business model and operating strategy; and physical atmosphere and work environment.

- **Work processes and protocols:** Usually ascertained through due diligence inquiry and documentation, work processes and protocols include decision styles; power and authority; involvement and access to information; spending authorities; work-life practices; and “clock speed.”

- **Core values, beliefs and behaviors:** Generally the most difficult to evaluate, core values, beliefs and behaviors include what really gets rewarded; leadership behaviors; responses to crisis events; organizational history; and “legends and lore.”

Each of these cultural elements tends to require a different type of fact-finding or due diligence, and each tends to correlate to different types of risk. For example, some attributes may only be observed based on experience and knowing what to look for, while others can be adequately assessed only from documentation and due diligence requests. Finally, others can be identified only through interviews and insights gained from the target company executives and staff, perhaps through formal cultural assessments.

Partner Perspectives: Iceberg or Lily Pond?

*By Donna Brighton*

Dr. Edward Schein’s concept of culture has often been represented as an iceberg: an outsider sees only the surface, while the most important part is hidden below. But Dr. Schein himself has noted that this analogy fails to acknowledge the fact that culture isn’t frozen. It’s constantly changing—like a lily pond.

- **Culture is an ever-evolving ecosystem,** with its own chemistry, interdependencies and even environmental resistance to change.

- **Culture is nurtured from beneath the surface,** and you cannot make true change without affecting the whole system.

- **Culture reflects leadership.** Although human behavior and experience shape it, culture starts at the top and reflects the influence of leaders.

Ultimately culture is dynamic, yet stable and strong. Understanding the complexity and interrelationships of culture is crucial to M&A success.
Distinguishing Business Model from Culture

If culture remains an enigma to most acquirers, business model is hardly on the radar at all. Therein lurks substantial risk and a fundamental reason why culture is so often blamed for integration disasters when it likely played only a supporting role. Business model can be defined as the ecosystem for how an organization creates, delivers and captures value. Though they may impact or overlap with culture, the following elements are more aptly categorized as factors of business model:

- Principle “market discipline”
- Customer value proposition (CVP)
- Customer relationship/ownership
- Resource requirements to deliver CVP or other business model elements
- Essential value-added activities, capabilities and processes
- Sales strategy
- Channels
- Market/customer segments
- Revenue model
- Cost structure
- Key partners or stakeholders

These strategic components more typically drive the development or evolution of cultural attributes, more than the other way around. But the two are highly correlated and integrally entwined. You can’t arbitrarily change one without anticipating impact on the other.

A few purely hypothetical M&A deals highlight key business model considerations. Imagine if Wal-Mart bought Neiman Marcus, or Dunkin’ Donuts bought Starbucks? Compare and contrast each of the following components between buyer and seller.

- **Primary market position or customer value proposition**: How might Wal-Mart’s cost leadership discipline influence other cultural attributes throughout Wal-Mart? What might happen if these attributes or business model elements were arbitrarily integrated into Neiman Marcus? What is the expected ambience and customer experience at Starbucks? How might these business model components influence other cultural attributes of Starbucks? What if Dunkin’ Donuts attempted to convert its acquired Starbucks stores to a Dunkin’ Donuts format?

- **Essential value-added activities, processes and capabilities**: How might Wal-Mart’s views about merchandising and pricing strategy represent a potential risk to Neiman Marcus? How might Wal-Mart’s supply chain and distribution process help or hurt Neiman Marcus’ value proposition? How might Starbucks baristas view Dunkin’ Donuts’ well-intentioned efforts to harmonize its HR policies and practices into Dunkin’s business model and culture? How well might cross-training or job rotation between Starbucks and Dunkin’ Donuts store-level associates work as a cost-optimization synergy between the two?

Given the far-reaching implications of business model on culture, business model should be considered from start to finish during every M&A deal. Business model components are well known to most corporate development and strategy teams, but as the deal progresses throughout the lifecycle, this
focus tends to get blurry thanks to the “checklist blinders” of functionally oriented due diligence and integration. In reality, however, the business model can provide some of the most important insights and strategic directional guidance needed to ensure that the deal actually attains its full value as originally intended.

Recognizing Sub-cultures in M&A

It’s important to recognize that there is no such thing as a single “company culture,” but rather a variety of sub-cultures that must be understood, respected and aligned around the core issues that matter, instead of focusing on every subtle difference.

A “sub-culture” is defined as a cultural group within a larger culture, often having beliefs or interests at variance with those of the larger culture. Sub-cultures are sometimes also called “co-cultures” to avoid any risk of implying a cultural hierarchy. Sub-cultures may pose additional integration risk and complexity because no matter how obvious or nuanced differences may be, sub-cultures are notorious leading causes of cultural flashpoints, conflict and resistance. Consider these examples of common sub-cultures:

- **Geographical region:** Watch typical beliefs and biases about Southern cultures; East coast vs. West coast; and urban vs. rural. Geographical region also usually comes into play during cross-border M&A deals.
- **Headquarters vs. field office:** Headquarters might have a more formal culture, especially regarding dress code. But that might not be appropriate for the day-to-day operations at field offices. Avoid heavy-handedly instituting “HQ culture” simply for the sake of consistency.
- **Professional discipline, function or department:** Engineers are different from sales people, and accountants are different from customer support staff. Don’t let these functional or professional viewpoints result in disparaging or derogatory interactions. You’ll need all teams working together to resolve cross-functional dependencies.

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*Figure 3: Potential business model considerations fit into every phase of the M&A lifecycle.*
• **Role level or educational level:** Sometimes the most significant differences between “top dog” and “rank and file” show up in rank and access. Make sure your communication and onboarding efforts are inclusive and appropriately targeted for all levels and audience types.

• **Performance level:** Less-well performing units or individuals may be cynical, threatened or disengaged. Special handling may be necessary, or this attitude could spread to healthy units.

Adequate awareness and understanding of sub-cultures is a great starting point for proactively managing them. Fortunately for insightful integration executives, these additional strategies have proven effective:

• **Avoid “us” vs. “them” language and labels.** After closing, recast terminology to shift away from the legacy company name (when appropriate) to city, function, leader’s name or other common team name. Otherwise you may institutionalize ABC, Inc. vs. XYX Co. for years to come.

• **Engage, interact and get to know.** Purposely create a variety of integration and onboarding events between and among both buyer and acquired company teams. These might include on-site representatives; mentors/buddies; training and orientation exchange trips; temporary duty “exchange assignments”; and periodic joint meetings to get both top-down and bottom-up dialogue around NewCo’s vision, values and essential business objectives.

• **Continually discuss productive cultural attributes.** Always focus the organization around the question “Which cultural attributes, beliefs and behaviors will help or hinder the business going forward?” The goal is to create an organization that embraces the cultural attributes associated with high performance.

• **Align based on what creates value.** Be courageous in aligning what and where value can be created, but be okay with differing nonessentials, especially among distinctive sub-cultures.
Understanding National Cultures in M&A

In our State of M&A Integration Effectiveness Survey, 35% of respondents indicated that their global M&A results were “worse or much worse” than those of domestic deals. Global M&A deals are more complex than domestic transactions for many reasons, but the one most frequently cited is the difficulty of understanding and dealing successfully with differences in national culture.

Geert Hofstede defines national culture as “the collective programming of the human mind” that shapes individual values through socialization over the early years. During M&A transactions that involve multiple country or regional cultures, national culture is a given that must be understood, recognized and respected at every interaction. Organizational culture (also commonly called “corporate culture”) is different in that it is created and perpetuated by those who are part of a single organization, ideally in a thoughtful way to support the business objectives of the company. It’s important to note that national culture can—and absolutely does—influence organizational culture.

It’s also important to be sensitive of cultural stereotypes. These stereotypes may be generally reflective of typical behaviors we observe in a given location. But there is danger in overgeneralizing from the stereotypes in a way that ignores individual behavior, or in tainting our reactions with the conventional wisdom reflected in the stereotype. Instead, it’s better to acknowledge that stereotypes can provide a

Partner Perspectives: National Culture Influences Organizational Culture

By Renee Southard, Senior Partner

Organizational culture incompatibilities are a leading cause of deal failure for domestic M&A deals. In cross-border deals, the M&A team must also contend with differing national cultures, which can impact everything from work hours to leadership expectations.

• **Varying roles**: Roles and responsibilities may change based on local culture. In some places, for example, the HR team acts as “order takers,” while they act as strategic advisors in others. Your cross-border counterparts may not have the same level of input as you, and you may experience resistance to your own participation or leadership based on how your role is perceived.

• **Differences in work practices**: You may find that in addition to differing response times and attitudes toward vacation and work hours, foreign labor markets are also more heavily regulated. These regulations require careful analysis during due diligence.

• **Human capital differences**: Differences in employment practices, plans and program design, for instance, can even influence how you ask questions during the due diligence process. Furthermore, the structure of the deal itself may change from country to country, further complicating the human capital puzzle.

These cultural factors go far beyond superficial differences like language, time zone and employee benefits, but they can have significant impact on M&A deal value.
sort of starting point for understanding local business practices, etiquette and cultural clues we can use
to work more successfully in different parts of the world.

Hofstede identifies six dimensions of national culture that can help highlight potential cultural
differences that often “show up” in the context of a deal:

1. **Power distance (high vs. low):** The extent to which the less powerful members of society accept
that power is distributed unequally
2. **Individualism (individualist vs. collectivist):** The extent to which people look primarily after
themselves and their immediate family, versus a larger in-group that includes strangers
3. **Achievement (success vs. caring):** The extent to which a society’s dominant values are
achievement and success, as opposed to caring for others and quality of life
4. **Uncertainty avoidance (high vs. low):** The extent to which people feel threatened by
uncertainty and ambiguity and try to avoid such situations
5. **Pragmatism (pragmatic vs. normative):** The extent to which people show a pragmatic or future-
oriented perspective, rather than a normative or short-term point of view
6. **Indulgence (indulgence vs. restraint):** The extent to which people try to control their desires
and impulses

![Hofstede's Cultural Dimensions Diagram]

**Figure 4:** Each of these factors of national culture can significantly impact a cross-border M&A deal.

It’s important to acknowledge that that national culture component of the M&A community’s culture
challenges is one where leaders need most to become knowledgeable and respectful of local practices,
working with or around them, but not trying to change them. National culture awareness is relatively
easy to accomplish through training. Furthermore, it’s necessary for acquirers to have a culture
integration process in place that begins with preparing and training integration team members far in
advance and during projects. The methodology must consider national culture.
Managing culture successfully during mergers and acquisitions is about achieving two essential business objectives. First is to minimize and avoid setting off cultural flashpoints. The second is to drive superior business results by defining and building cultural attributes proven to create high performance. This is the “True North” of culture. The problem: Most acquirers unknowingly or unwittingly set off cultural flashpoints and self-inflict so much collateral damage that they must spend precious time, energy and relationship capital to get back on track—all at a time when they can least afford this type of disruption.

What are cultural flashpoints? They’re emotionally and historically significant traditions, most of which carry a disproportionate level of risk to very little synergy value. Unless your executive teams, deal teams and integration teams are prepared to deal with cultural flashpoints, these flashpoints are usually discovered too late—when you’ve stepped on them and created an explosion. Territorial battle lines get drawn, and the inevitable “culture clash” ensues.

Potential cultural flashpoints abound. These are some of the most common:

- **Branding, logos and acquired company names**: Think of Nipper, the beloved Jack Russell terrier listening to his master’s voice on a phonograph. This brand, used for many years by RCA Victor, is one of the most famous brand images of all time. A version of it is still in use today by U.K.-based entertainment retailer HNV, over 100 years after the image was trademarked. You can imagine the dismay of customers and employees alike when this iconic image was substantially restricted over the course of several M&A deals and complex licensing requirements.

- **Employment perks and work-life benefits**: From pizza lunches and happy hours, to flexible work schedules and tuition reimbursement plans, employee perks can vary widely among organizations. These can become particularly challenging when publicly owned or heavily

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**Partner Perspectives: What’s in a Name?**

*By Mark Herndon, President*

Branding, which includes naming conventions, is a source for frequently overlooked cultural flashpoints. Nothing better illustrates this than Union Pacific Corporation’s decision to rename all the rail routes of Southern Pacific Rail Corporation.

For over 100 years, Southern Pacific had cultivated a deep customer loyalty with their romantic rail routes, which bore names like San Francisco Challenger, Shasta Express and the Memphis Blue Streak. Union Pacific made a seemingly logical decision to reassign each route a simple alphanumeric name.

As one Union Pacific manager lamented, “For Southern Pacific, losing the historic and emotionally significant Memphis Blue Streak—the company’s oldest and most famous line—it was tantamount to being betrayed, and betrayal is exactly what the decision was taken to be. We never recovered from that move.”
regulated businesses acquire smaller, privately held organizations where unconventional employee perks may figure into employees’ perception of their compensation and benefits.

- **Organization structure:** Imagine a company where even the CEO sits in a cubicle alongside junior staff. In such a scenario, the whole organization would probably be less formal, with a less rigid power hierarchy and more verbal communication. Now imagine this company acquires another organization with a more traditional office arrangement, where executives have the big corner offices. These acquired executives might feel threatened by the idea of losing their office, which is both a symbol of authority and a source of privacy.

Cultural flashpoints might also include spending habits and signature authorities; decision-making approach/styles; communications and meeting practices; work habits; performance management metrics; and “clock speed,” that is, the speed that business actually gets done within an organization.

**Case Studies in M&A Failure: Sprint-Nextel**

Announced in December 2004, the $35 billion Sprint-Nextel merger created the third-largest wireless company in the nation. But the deal quickly turned into a mire of cultural flashpoints. On Announcement Day, khaki-clad Nextel CEO Tim Donahue energized the crowd with cheers and chants before introducing Sprint CEO Gary Forsee—who took the stage in a sedate suit and offered a PowerPoint presentation on his expectations for the new company.

Even after the merger was finalized in August 2005, cultural tensions persisted. The deal team decided to maintain dual headquarters. Nextel would remain in Reston, Virginia, while Sprint would maintain its lush, expensive Overland Park headquarters outside Kansas City. It didn’t take long for Nextel employees to start derisively calling the headquarters “Overhead Park.” One Sprint executive later admitted that the dual headquarters was a mistake. “Having your management and operations half a country apart doesn’t foster camaraderie,” the executive said.

And in an effort to be as fair as possible to employees in redundant roles, Nextel and Sprint employees had to compete against one another for jobs. That drawn-out process fostered animosity, which was exacerbated by differences in communication and decision-making styles. Nextel employees, accustomed to quick decision making and relative autonomy, grew frustrated with Sprint employees’ insistence on seeking permission from superiors.

The end result: pernicious and destructive subcultures based on legacy organization, with no incentive for employees to merge cultures. One Nextel employee observed, “It’s just that, well, I think we all have a tendency to stick to our own kind.” In 2008, the company wrote off a one-time charge of $30 billion, which it attributed to impairment of goodwill, and its stock earned a junk rating.

“Having your management and operations half a country apart doesn’t foster camaraderie.”
—A Nextel executive

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“It’s just that, well, I think we all have a tendency to stick to our own kind.”
—A Nextel employee
Finding “True North”: Building a Culture That Fosters High Performance

The concept of “True North” can be particularly useful for discussions about culture. The “True North” of culture refers to those foundational values, beliefs and behaviors you must understand and embed in your organization if you want to drive high-performance results. Unfortunately, many acquirers never get the point of understanding the “True North” of culture, a failing that will prevent you from aligning and mobilizing the entire NewCo around the cultural attributes that matter the most. Research consistently points to several cultural attributes of high-performance organizations:

- **Strategic clarity and direction**: High-performing organizations have leaders who create and articulate a compelling, logical vision for the future and carefully translate that to employees in a personally meaningful way. They back that up with a top-down analysis, plan and process for reaching those goals, while carefully balancing these with legitimate forms of bottom-up participation and involvement to gain insight and understanding, and to mobilize for implementation.

- **Engagement**: High-performing organizations are more typically open environments where information is shared more than concealed; where trust is built through candor, transparency and integrity as opposed to tolerance for the incongruous actions of those in power; and where the challenge to grow personally and professionally is backed up with substance and action.

- **Accountability**: High-performance organizations are characterized by clear authority structures and efficient decision processes; by clear alignment of unit, team and individual performance commitments; and by the incentive and consequence systems that signal your belief that success should be shared in a meaningful fashion.

Getting to the point where your values, beliefs and behaviors are well understood on both sides of the deal requires both art and science. Interviews, group input and dialogue with key leaders and team members on both sides of the deal are some of the best ways to identify and define what really matters. Often this process will reveal unique aspects of a company’s “legends and lore” that both encapsulate and demonstrate bedrock values and beliefs, even many years after the actual event.

If your deal team has trouble digging into the “True North” of your own organization or that of a potential target, start with a business crisis or extraordinary event that the organization has successfully navigated. A terrific example was the Tylenol tampering crisis of 1982. The efforts of McNeil and parent company Johnson & Johnson are still upheld as a sterling example of corporate social responsibility thirty years later.
Winning with Culture in M&A
Throughout the M&A lifecycle, your deal team and key leaders must maintain a laser focus on culture. While the focus and strategy will shift with each stage of the cycle, a few key principles should guide the effort from start to finish.

- **Insist on leadership alignment and accountability.** Get all executives from both organizations aligned behind the desired objectives, decisions, etc. and make them accountable for leading meaningful change.
- **Pull out all the stops in implementation.** Maximize effort around communication and change management, along with education and training.
- **Leverage key influencers.** Opinion leaders can be high-profile, highly credible individual contributors who have the power to build trust and goodwill throughout the organization.
- **Implement multiple complementary organizational changes.** Align the organizational structure; business processes; measurement and appraisal system; selection and staffing practices; reward systems to reinforce key behavior outcomes.

Note that single interventions tend not to work well in isolation. That applies to widely used practices like incentives; KPI’s and control mechanisms; highly detailed strategy; and command and control leadership. Every organization needs at least a baseline proficiency in a wide range of management practices and cultural attributes to positively impact performance. These practices must be adapted to the context of your current culture and strategy.

Culture in Each Phase of the M&A Lifecycle
Culture should be embedded in your M&A lifecycle framework and playbook, to ensure that your deal team proactively manages culture from start to finish.

Deal Strategy and Targeting
Prior to embarking on any M&A deal, conduct a baseline culture assessment on your own organization. You won’t be able to make time for this once a deal begins. Establish cultural screening criteria for potential targets, along with a process to avoid spending time on deals with higher risk profiles. Provide your corporate development team a short list of the most important green-light/red-light cultural indicators to look out for during preliminary exploratory conversations. Maximize the use of third-party data, as well as general insights you can gain from former employees, customers or vendors without tipping your hand.

Pre-Deal Cultural Due Diligence
By necessity, cultural due diligence is almost always a “second wave” due diligence item, which gets launched only after the core strategic, financial, legal and other business analysis uncovers no “show-stopper” issues. Make sure your checklists include the right culture-related due diligence request, such as the target’s employee opinion data, employment value proposition, communication samples and key work-life policies. But the most important culture data can only be obtained by direct observation; dialogue with key executives or deal team members; and validation sessions with other target company staff as they get brought into the deal.

Always remember cultural due diligence should never be a “one and done” activity. You’ll most likely be limited in what data you can directly access from the target in the early stages; therefore, you have to
get what you can, when you can—and stay at it. Except in extremely unusual and collegial deal situations, don’t even think about asking to conduct a formal culture assessment until after definitive agreement. Most likely, this step won’t be possible until after closing.

As you gain access to the target company, conduct structured interviews with key target company staff. Once the deal points are mostly resolved, some target companies will also permit limited culture surveys to be administered to executives and other employees who are already involved in the deal and under NDA. Understandably, at this stage most target companies will be hypersensitive to revealing any data or insights that might negatively impact the transaction or the go-forward role of key people.

![Figure 5](image.png)

*Figure 5: As you move through the M&A deal cycle, there will be more opportunities for formal culture assessments.*

**Integration Planning and Execution**

Culture is a highly recommended priority item for the acquirer’s executive team to discuss before integration begins. It should also be incorporated into the Integration Strategy Framework. After the initial public announcement, and once the full pre-close integration planning process is underway, most target companies will allow broader access to integration team members, function leads and any previously conducted culture assessments.

The right cultural assessment tools are invaluable for identifying bedrock values, beliefs and behaviors. There are myriad internal and third-party tools available for different applications. We advocate the use of cultural assessments that can help quantify and visualize key similarities and differences. Denison offers a highly validated tool and process that analyzes sixty different dimensions of culture over several major categories that include the following:

- **Mission**: Strategic intent, vision, etc.
- **Consistency**: Core values and coordination
- **Involvement**: Team orientation and empowerment
- **Adaptability**: Learning change and customer focus
Denison also has substantial normative data available for comparison purposes.

Avoid getting so caught up in background documentation and formal assessments that you overlook the more important step of working with leaders to define what the ideal future culture should look like to maximize business results. It is far more important to actively engage with executives and key leaders to define the desired high-performance culture attributes of the combined business and to align the organization around these objectives.

Adapting the concept of operations is an indispensable strategy for ensuring effective cultural integration. The concept of operations is typically developed to help key leaders evaluate alternatives and establish directional guidance on the major business integration issues, such as what will be done with specific products, facilities, systems, processes and organizational issues. A similar exercise should be done with culture.

The cultural concept of operations should evaluate both quantitative and qualitative culture assessment data gathered during the targeting and due diligence phases. It includes a review of key findings and potential flashpoints, along with a gap analysis on key cultural attributes. Instead of focusing the discussion on “right/wrong” or “us/them,” concentrate on making specific directional decisions with respect to the desired “to be” culture. Start by asking how both organizations compare on key cultural attributes like these:

- Customer orientation
- Performance accountability
- Visionary leadership
- Workforce engagement
- Degree of collaboration

For each attribute and the associated cultural practices designed to establish that attribute, the deal team must decide whether to preserve, leverage, consolidate, integrate or transform, and a time frame for completing that action. Next, the team must determine legitimate best practices that the combined entity can adopt and leverage for maximum success, along with the values and behavioral expectations that need to be recast to support these new cultural objectives.

Who Should “Own” Culture During M&A?

This is a common question among acquirers. In some cases, the most logical choice is HR, while in other organizations the Integration Management Office (IMO) or Organizational Development and Change Management (ODCM) team takes primary responsibility for culture. Regardless of who handles the daily responsibilities of culture, key executive leadership should also “own” culture during M&A.

In designing your integration governance approach, use a principal “deal sponsor,” that is, the senior-most executive with direct P&L responsibility for the acquired business. That role, or the closest equivalent, is the ideal candidate to lead the culture analysis, development and integration effort. However, this is still not an isolated, independent effort. It must be cross-functional and well supported by subject-matter experts, including the IMO, HR, ODCM and outside advisors. Anything other than this level of senior executive ownership is unlikely to be effective.
About M&A Partners
At M&A Partners, we help leaders maximize deal value by building M&A as an enterprise core competency. We work with your team to transfer our best-in-class techniques to ensure you get integration right, time after time. Our services include:

- **Internal M&A capability development**: Leveraging our senior experts, thought-leading research and extensive best practices, our team can help you quickly assess potential gaps and opportunities in your current M&A approach and deliver the solutions, strategies and skills to ensure your organization succeeds deal after deal.

- **Integration strategy and executive advisory**: M&A Partners works directly with your senior leadership team to determine the overall integration strategy framework, key decisions and process approach needed to capture the anticipated deal value. Services include integration strategy planning; executive coaching; M&A readiness and capability assessments; and merger repair.

- **Turnkey DMO and IMO management**: Our highly experienced consultants guide you through the set up and running of your Diligence and Integration Management Office to plan, coordinate, implement and track all M&A operations.

- **Change management and business transformation**: M&A-related change management is about accelerating and optimizing the results you expect by effectively managing the people and organizational risks that cause 70% of M&A deals to underachieve or destroy value.

- **IT due diligence, integration and optimization**: Business integration and IT integration are so deeply interdependent that more than half of all M&A synergies are IT related. Let our senior M&A IT leaders guide you through the entire M&A IT lifecycle to achieve superior results.

M&A Thought Leadership
The exclusive integration partner of the M&A Leadership Council, M&A Partners contributes to the professional development of the M&A community by teaching multiple workshops around the country each year. The M&A Leadership Council partners with outstanding organizations to provide exceptional M&A education, and more than 2,500 M&A professionals have attended the Council’s “Art of M&A” workshops.

For more information about M&A Partners, or to schedule a complimentary consultation, please contact us via email at info@mapartners.net or by phone at (855) 862-2784.
Our Featured Experts

When you hire us, you get our best people, solutions and thinking: M&A playbooks, tools, publications, training, with support for multiple integration management platforms that lets you concentrate on results. Several of our consultants contributed to this guide.

Donna Brighton, Senior Partner

Donna serves as a Senior Partner with M&A Partners and is the founder and President of the Brighton Leadership Group. As a business leader, she specializes in getting results for her clients through change management and strategy implementation initiatives. Her successes range from preventing a global Fortune 500 consumer products company from losing $1 million a day by effectively transitioning a 500-person SAP implementation team from a traditional office to an open working space, to a multi-billion-dollar insurance company saving $15 million through challenging the business case assumptions on several key projects.

Renee Southard, Senior Partner

Renee has more than 30 years of global executive and M&A experience, including senior-level positions at Accenture and Keane, Inc. She has led diligence, pre- and post-acquisition integration planning and cross functional integration of more than 60 companies, and she has deep industry expertise in all corporate and field business processes and functions for retail, software product, high tech and professional services companies. Renee’s global M&A and executive HR experience includes assignments in the US, Canada, UK, India, South America, Europe and APAC regions. In addition, Renee is an accomplished and popular executive coach, working with key leaders on a variety of business, organization and personal leadership development objectives.

Mark Herndon, President

Mark is the President of M&A Partners, where his practice includes M&A strategy, due diligence and integration management; enterprise communications, leadership during periods of disruptive change; and helping acquirers build internal M&A capabilities that maximize deal value. Mark co-authored The Complete Guide to Mergers and Acquisitions: Process Tools to Support M&A Integration at Every Level, which has been translated into five languages and is used as a foundational guide for various consulting firms and university programs. In addition to his business advisory work, Mark is the Chief Knowledge Officer for the M&A Leadership Council, a professional association devoted to establishing best-practices for the M&A community. A dynamic and professional speaker, Mark has presented keynote addresses and training sessions to nearly 400,000 people in 45 states and twelve countries.