

A survivor's guide to Mergers, Acquisitions and Integrations

Part 3

Identity
& Culture

Introduction

Perceived wisdom says that most mergers fail because of the intangibles such as a clash of cultures or egos that get in the way. In this, the third of our survivors guide to mergers and acquisitions for leaders we focus our attention on the basics of shifting culture to get the vibrant outcome needed.

Most leaders only ever go through 1 or at most 2 largescale mergers in a career and often feel ill equipped to handle the uncertainty which surrounds them. In this 4 – part series we share a practical guide of how to get in control of a merger process and shape the outcome rather than be a victim of spreadsheet management. It is a survivor's guide aimed at senior leaders who must ultimately lead the new company as seen through the lens of the human impact of integration – as it is the people that make success happen.

This is an integrated guide in 4 parts and it is the collective message that is important.

Parts 1 & 2 focused on the tangible elements of strategy, structure, integration planning and control.

Part 3 Identity & Culture should be read in conjunction with those, as the true secret to getting the cultures of the legacy companies to work effectively together is to build something new together.

In Part 4 – Individual Leadership – we will focus on “What’s in it for me”, deciding whether you’re in or you’re out, positioning yourself for success and ultimately stepping forward as a leader.

Parts 3 and 4 should not be seen as the soft stuff – it is the intangibles that make the difference.

Welcome to part 3 of Serac's guide to Successful Mergers, Acquisitions and Integrations.

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SOME PRINCIPLES TO KEEP IN MIND ACROSS THIS 4-PART SERIES

- **Leadership** from the top is the greatest factor in determining successful outcome – leaders shape culture.
- **Clarity of story is essential** to pull employees and colleagues together to see the future and let go of the past.
- **Get emotional and logical** in all decision making. Defining what needs to be done and doing it effectively is difficult enough, it becomes impossible if you don't take your people with you.
- **Co-creation** is the best way to get leaders wedded to the future and it builds relationship between new groups of people.
- **Shape your culture** or it will inevitably shape you. “Culture eats strategy (and integrations) for breakfast” every time.
- **Control the money** in integrations and you control the decision making and the outcome.
- **It's the people stupid!** How you treat your people and how well you engage with them will determine the outcome.

What is Culture?

One definition of culture is “the ideas, customs and social behaviour of a particular people or society”. In organisational terms this can simply be described as a set of shared beliefs and the way the organisation interacts – those moment to moment connections between people that shape the way things get done.

There are 2 principle levers that influence culture – **identity and leadership**. Identity, underpins the belief system – it defines “who we are” and is central to a sense of belonging. What leaders do governs the interactions within and outside the system – therefore leaders shape culture.

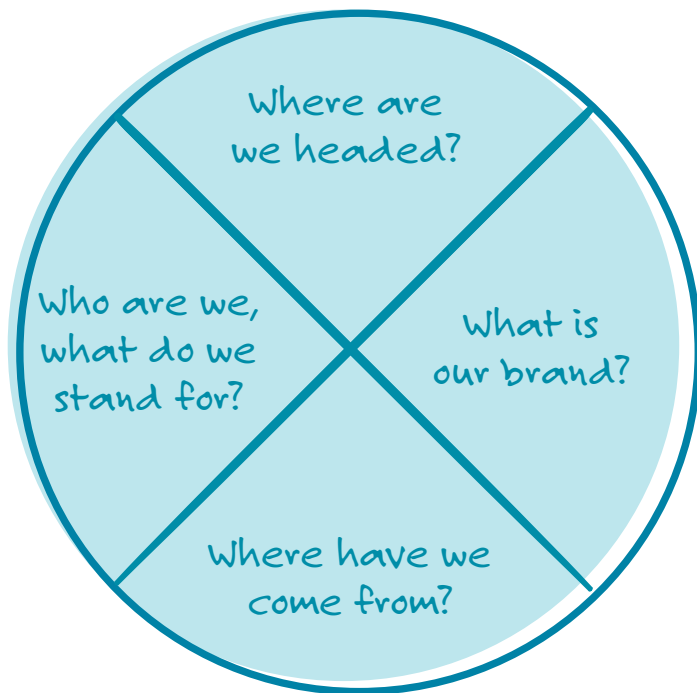
In integrations belief systems and the role of leadership are inevitably different between the parties so the opportunity for dysfunctionality is large. Spending time clarifying identity and the expectations of leaders is time well invested as it speeds up the integration process. Done the right way, through internal leaders, this can really generate a buzz and build excitement for the future.

IDENTITY

What you stand for and where you are going, as a company, is a really important part of establishing a sense of belonging amongst employees. This sense of belonging often gets confused during a merger and is particularly the case for employees of an acquired company. So, if leaders can be as clear about identity as they are about financial targets and product mix, it really helps people to understand who they are joining. If this is not clear, people will make it up for themselves!

What is important here is that the narrative is an integrated one. One that does not see these intangibles as separate from the core business.

4 Elements of Identity – Our Story



There are many definitions of identity and the building blocks of culture which all have similar threads to them. But fundamentally there are 4 elements needed to create a powerful story about **identity** – it needs to express who we are, where we've come from, where we are headed and how we show ourselves to the world

It's an integrated story with the elements informing each other

A pivotal component is **Who are we?** – what makes us special (**our sense of purpose**) and **What do we stand for?** – how we are and how we interact (**our values**).

On the vertical axis is **Where are we headed? (our direction)** and **Where have we come from? (our history)**. Our sense of purpose and values are informed by our history and shape our direction. If our direction is true to our purpose it is difficult for others to compete with us.

Completing the story is **Our brand** – our reputation, how we stand out, and what people say about us. This is shaped by what makes us special (our purpose and values) our history and where we are headed.

The importance of leadership

It is **leadership**, and **how we want our leaders to be**, that brings identity to life. This places an emphasis on leaders to authentically live our sense of purpose and our values – as this impacts both where we are headed and how we appear both internally and in the market, thereby shaping the culture of an organization.

If leaders shape culture, then having a clear and simple way to describe the expectations of those leaders will mobilise the desired future culture – and why not be explicit? These are the folks that get paid the big bucks, so it seems reasonable to set out some clear expectations.

Those expectations should be based on a small number of clearly defined imperatives and principles describing the essence of leadership in your organization. Keep it simple so people “get it”

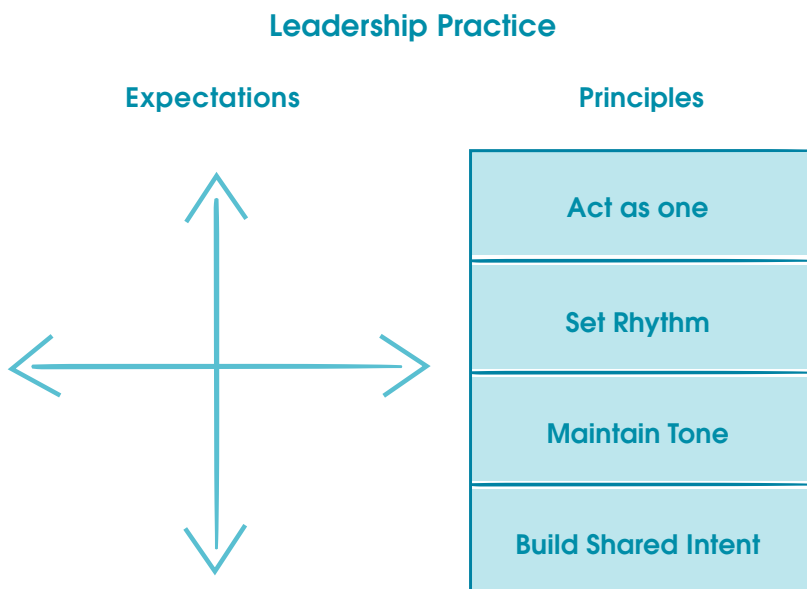
... and it does not mean doing away with independence of thought but it does require leaders shaping things together and ultimately agreeing a course of action.

ACTING AS ONE – ADDRESSING POLITICS AND BUILDING VIBRANCY

The tone of an organisation is set at the top and the competition should be outside the company not in it. Politics and internal power struggles are toxic to organisations and can be particularly prevalent during mergers and acquisitions. People do what their leaders do and what gets rewarded. So, if people lower in an organization see senior leaders not aligned and not in agreement they get confused, take sides rather than doing what is in the best interests of the business. Keeping these toxic patterns at bay helps build vibrancy in a culture.

BUILDING A LEADERSHIP PRACTICE

Vibrant cultures come through paying attention to both the tangibles and intangibles – it's not just the "What" but also the "How we are as leaders" that counts. This is best done by developing a **leadership practice** specific to the organisation that: reinforces identity; builds shared belief and sense of belonging; is a role model to the organisation; and, sustains core energy. The practice is made up of 2 parts – setting **expectations** and adhering to core **principles** – The secret is to keep it utterly simple so people get it.



- **Expectations** – Defining 3-5 specific imperatives for leaders that are important for the company – eg setting direction, empowerment, delivering performance etc.

- **Principles (of conduct)**

- **Act as One** – this is a collective commitment to align ourselves so that there is genuine agreement. So that the separate parts of the organisation are in lock step and act as one
- **Set Rhythm** – Establishing the right governance structures for effective decision making and setting up a rhythm or heartbeat of meetings so that people know when things are going to happen and do not get knocked off balance by snap decisions taken out of process. It is about establishing a sense of the integration being held, of leaders controlling events.
- **Maintain Tone** – People tend to do what their leaders do and what they are rewarded for. So, this is about walking the talk, showing congruence, authenticity and discipline. Showing that you believe in where the organization is heading and that you support your colleagues who have co-created the future direction with you. It is also about aligning the things that matter in the system – like reward systems.
- **Build Shared Intent** – Defining what we are building together that we are proud of.

Identity & Culture

Tips and Traps

Don't treat culture as a separate component, it is how we interact and what we collectively stand for, so it is important to spend quality time as leaders shaping things together.

Focus on building an integrated story. Often when we are lower in an organisation many things appear disconnected and meaningless – a brand initiative here, a strategy there, values dreamt up by people and stuck on the wall. It is important to integrate such elements so that people can see how it all joins up.

When co-created by the senior team identity is the foundation upon which belonging is built. It is inevitable that pieces of this framework will exist in the legacy organisations - but it is important to create something new from the elements of the past. In this way something fresh can be created that is part of the future.

Be as clear as you can on what is expected of leaders – they can then be forward looking. Don't take this for granted. The organisations that are coming together will have had different approaches to leadership, even within the same industry or country - one person's attention to detail, for example, is another person's micromanagement – so clarifying how we are going to be and what is expected of us as leaders can take a lot of stress out of the system.

Summary

Parts 1 – 3 of this series have collectively addressed the areas of Who we are, where we are going and how we will implement the transition to an integrated new company. They have stressed the importance of paying attention to both the tangibles and intangibles together so that employees are able to look forward not back.

These are the core conditions for success, of course along with the business soundness of the deal in the first place.

But how the individual leader navigates these conditions whilst operating outside his/her comfort zone, in the often stressful chaos of all this change, is equally important to our survivor. This will be the topic of our 4th part – Individual leadership.

About Serac

Serac is a change and transformation consultancy that specialises in helping leadership communities to act as one. Global organisations often have a myriad of competing agendas, complex visions and cultural disconnects due to M&A activity. This confusion dilutes focus, purpose and organisational progress. Serac solves this for clients by working alongside existing leadership teams to align goals and behaviours – to develop a shared sense of purpose and direction. The end result is a team that thinks and acts as a coherent force, capable of leading the new organisation through the uncertainty of integration to ultimately deliver on the M&A promise.