



# TRANSFORM

# MERGERS & ACQUISITIONS: HOW CULTURE CAN MAKE OR BREAK YOUR M&A STRATEGY



## STRATEGIC ALIGNMENT



## MERGER & ACQUISITION



## TRANSFORMATION & TURNAROUND

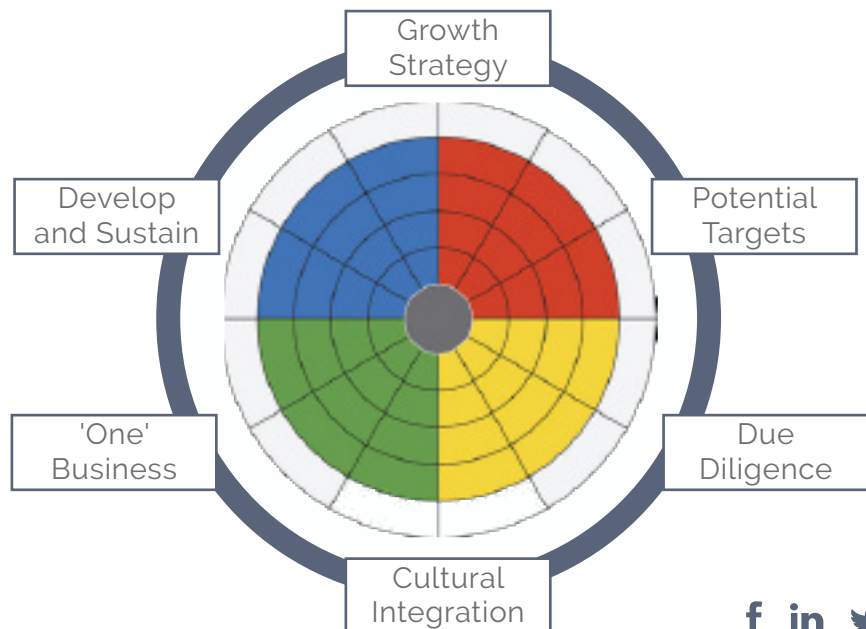


## TALENT MANAGEMENT

To enter new markets, acquire new technologies, increase scale or gain access to low cost operations, mergers and acquisitions is a key strategy for many organizations. While the strategy is a common one, it is also a risky one. One wrong move can have significant consequences for organizations.

When the discussion turns to what went wrong in a merger or acquisition process, more often than not, "culture incompatibility" is identified as a key culprit. Culture often takes a back seat in the preparation and execution of a merger or acquisition. It's perceived as "hard to define" or the "soft stuff" and consequently, leaders may ignore the human aspect of the deal or may simply cross their fingers and hope it works out. Only when problems surface or anticipated gains go unrealized do they understand the value of a well thought out cultural integration plan.

Denison Consulting has worked with a number of M&As, including some of the largest corporate marriages of the past two decades. From first-hand experience, we have identified a number of critical activities that aid in the success of the culture integration process both pre-and post-merger. The Denison model and diagnostics offer a way to keep culture 'front and center' throughout the M&A planning and execution cycle.



The model reflects the various stages in which culture should be considered throughout the M&A process, from early planning stages through the creation of a single high-performance organization.

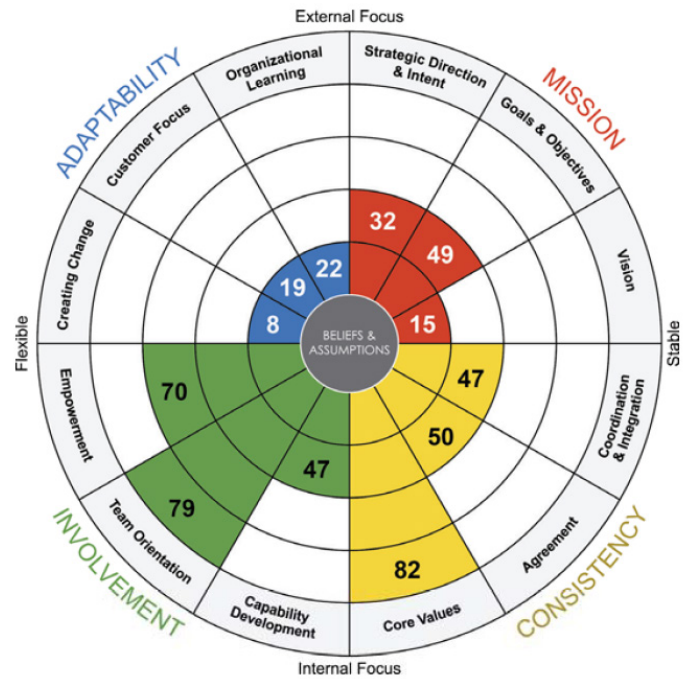
**Pre-Merger and Post-Merger: How Can Denison Help?**

Experience tells us that managing culture integration from the start helps organizations avoid the pitfalls often associated with M&A activity. Even as your organization identifies potential targets, you should consider cultural compatibility. Denison Consulting provides objective, research-based solutions based on the Denison model that allow you to discuss the "soft stuff" often difficult for organizations to articulate. Our model and diagnostics allow you to compare the gaps between your organization and your target, with emphasis on the aspects of culture that drive performance. We can assist you in identifying and leveraging the common areas of strength while proactively addressing potential areas of conflict moving forward.

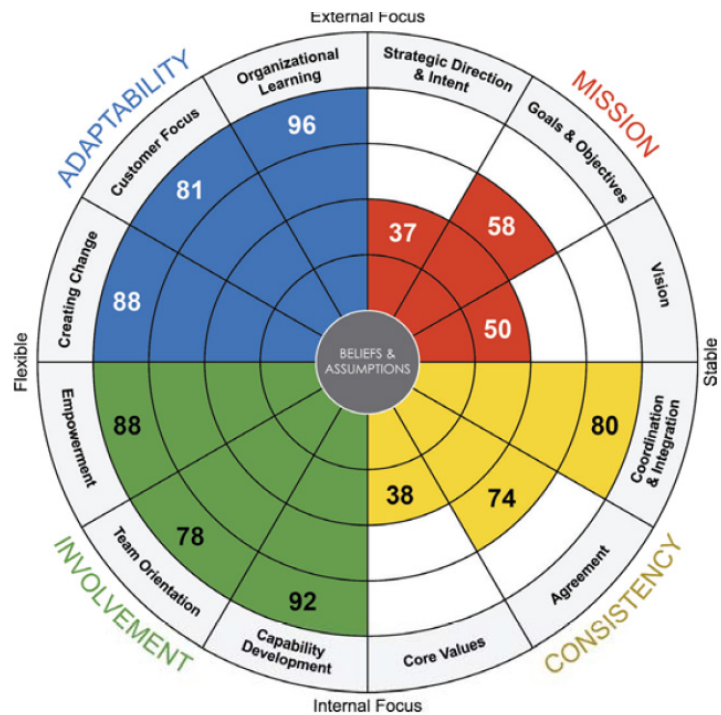
Post-merger the focus shifts away from the cultural differences and toward creating a single high-performance culture. We support you throughout the process of positioning the combined organization for long-term success. Post-merger activities focus on creating or adopting a common mission and core values, such as creating alignment among the leadership, integrating your workforce, and linking culture to your key business objectives.

*In this example, the Parent company and the Acquired company took the survey just after the merger. The goal was to understand how the organizations complimented each other and what challenges they might face during integration. The strong Adaptability and Involvement traits in the acquisition were great points of leverage for the organization going forward. The relatively weak Mission trait for both organizations opened up important conversations for the organization on their vision and strategy for the future. Many other important integration conversations were possible based on the overall profiles of the two organizations.*

Parent Company



Acquired Company



## Developing Your Growth Strategy

One of the first steps to developing your M&A strategy is to understand your own cultural strengths and challenges. We recommend that organizations conduct an objective assessment of their own culture, asking questions such as:

- Do we have a clear Mission?
- Do we understand the marketplace in which we operate?
- Are we able to effectively manage change?
- Do we encourage a high level of employee Involvement?
- Do we have predictable systems and processes that create the leverage we need and provide Consistency across the organization?

A clear picture of your own organization's culture helps you to determine your readiness for integration and what to consider in potential targets.

## Identifying Potential Targets

The Denison model helps you objectively assess how the target organization views their mission, their core values, their market, and their operating practices. It's important to understand the level of integration that will be needed for an acquisition or merger. Will it be:

- A holding company with minimal integration required?
- An absorption with significant change required for the acquired company?
- A reverse merger with significant change required for the acquiring company?
- A transformation with significant change for both organizations?

Depending on the level of integration needed,

Denison Consulting can help you set realistic goals and expectations, increasing the likelihood of a successful integration strategy.

## Conducting Due Diligence

At the due diligence stage, organizations are typically focused on creating a deeper understanding of their cultural similarities and differences, and begin to plan the integration effort. Therefore, using the Denison model and assessments as the basis of discussion allows you to between the two organizations. It also allows you to educate leaders and transition teams on the impact culture has on performance.

During due diligence, Denison Consulting assists you in creating a plan to address the gaps between the current culture(s) and establishes areas of priority for the desired culture. This is your opportunity to identify the systems and processes that will be utilized to reinforce the desired culture.

## Integrating Organizational Cultures

The goal during integration is to effectively merge the two organizations into a single high performing culture by working with leadership and integration teams. We help you address questions such as:

- How do we make sure leadership is aligned and engaged as we move forward?
- What are the common messages that need to be developed and how will they be communicated?
- What's the vision and roadmap for the future and what do employees need to focus on in the first 30, 60, and 90 days?
- What do employees need to 'leave behind' and what do we need them to embrace as we move forward together?

The days and weeks after the deal is closed are characterized by a flurry of activity, and the importance of generating alignment and focus cannot be overestimated. It is easy during internal integration efforts to take your eyes off of the marketplace. Therefore, it is important to have teams that are both internally and externally focused and that are moving quickly to foster coordination among employees. Denison can facilitate workshops designed to educate and engage both leaders and employees. These can also be used to build working relationships, identify issues, and knock down any barriers to getting work done.

### Creating 'One' Organization

Creating a high performance organization is an ongoing process. It is easy for organizations to slip back into legacy routines and practices. After a few weeks the question, "Are we done with the culture stuff?" may be heard. Organizations must build on the momentum created in the early stages of integration and anchor the progress for long term success. The focus on creating "one" organization must continue. There are a number of processes and diagnostics that can help you assess your integration efforts to-date and can help identify where to focus as you move forward.

### Developing a Culture of Success

Building a high performance culture isn't a destination, but a journey. It takes time, thoughtful planning and persistence. Linking culture to your annual planning helps you connect your culture to key business

objectives and inform your strategies. Denison Consulting can help you establish a cultural assessment schedule and support your annual planning cycle. The culture results offer insights regarding:

- Do we have a shared vision and strategy for the future?
- Do employees see how their work connects to the bigger picture?
- How well do we understand our customers and the marketplace we serve?
- Do employees believe they can make a difference and do they have the skills needed for current and future success?
- Are we able to coordinate our efforts to meet the needs of customers?
- Are our values being practiced and reinforced?

Taking a proactive approach to managing culture integration will help you to avoid the common "culture clash" and realize the desired synergies a merger or acquisition can offer. Denison Consulting offers a range of solutions and activities designed to keep culture at the center of your strategy at every stage of the M&A Process.

## FOR MORE INFORMATION

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