

“Reshaping your cultural DNA”

by Leo Gaddini – Director, StrataBridge

Mergers and acquisitions continue to generate excitement: beforehand, in speculation about who’s bidding for whom; and after the contracts are signed, as the world watches to see what changes will be made and whether they will turn the single entity into something greater than the sum of its previously distinct parts.



Unfortunately, the success rate of M&A – after the euphoria of the early ‘quick wins’ – paints a disappointing picture. As, indeed, does the history of most major change initiatives within companies, of which M&A could be classed as extreme examples.

Why do so few achieve what they set out to? Many complex explanations have been devised and published. But the issue is, in fact, simple. It’s not that the idea (e.g. of M&A) was necessarily wrong. The problem is that people rarely know how to **implement** change. We may be able to identify the areas that we need to focus on – but we cannot seem to align our efforts in all these areas. Changes are taking place all over the organisation; but, more often than not, everyone seems to be moving in a different direction.

What’s going wrong?

At StrataBridge, experience and analysis of major change programmes has given us a clear answer. For such a programme to succeed, we need to consciously and explicitly address the issues shaping the ‘cultural DNA’ of the organisation – issues that are usually ignored or avoided, because business people generally don’t know what to do about them: they feel they are too busy ‘running the business’ to worry about ‘culture’.

They could not be further from the truth. For M&A or any other major change to deliver the desired results, alignment must be achieved concurrently in three areas. We need to understand:

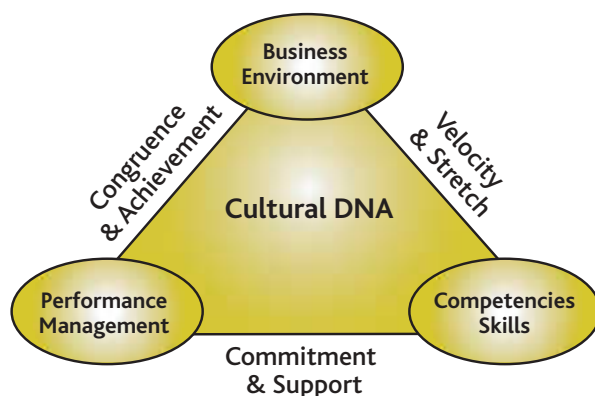
- The current and future shape of the business

context in which we’re working

- The skills and competencies required to achieve the desired results
- The performance management approach we will need to take

With this understanding, we can determine the changes that are needed in the ‘cultural DNA’ of the organisation, and set those changes in motion.

Cultural DNA - Interdependencies



Business environment

This is an area where those responsible for change programmes often think they are most at home. Ask them what the business context is, and they will describe the markets their organisation is in, competitive forces in those markets, and their organisation’s distinctive capabilities enabling it to compete in its markets. Such an answer may be quite correct – but it would not be complete.

The company culture shapes business competitive edge in a very powerful, though usually

subtle, way. To see how, consider two organisations with contrasting cultures.

Company A has a strongly task-oriented culture; the leadership style is participative; projects and processes rely on teamwork to get the job done. An environment like this is typically quite prescriptive – procedures and processes are specified in a careful and detailed way – and tends to be mission oriented.

In Company B, success is based on interpersonal relationships. The culture is not very prescriptive: a handshake is more important than a contract. Approaches to work tend to be individualistic.

Neither of these is a 'good' or 'bad' culture. The two companies are simply different in the way they engage, motivate, negotiate, show commitment and achieve results.

The real issue is that senior management in today's multi-cultural and multi-national environment rarely understand these differences. Very often, they fight them, ignore them, or deride them. They shelter behind the claim: "There is only one way to do this and it's our way – it's been proved."

But is this really true? Are we going to convince people in, say, Greece that a certain initiative is worthwhile simply because the idea worked and makes sense in Canada? Or is it right to expect people in the Engineering department to adopt new processes because they worked in the Marketing or Finance department? Jumping to such conclusions can be dangerous – if not fatal.

'One size fits all' may sound an easier option at first. We've all seen the proposals with 'harmonisation' and 'standardisation' as their mantra – and witnessed the many horror stories that followed (e.g. global IT initiatives).

Certainly, harmonisation and standardisation can bring real benefits, not least in cutting costs and making interworking between operations and divisions more efficient and effective. But the real secret is to find the right balance between the global or central requirements, and the local aspects that require adaptation of whatever is proposed if it is truly to deliver the maximum benefits.

Some companies have put considerable effort into understanding their differences, and appreciating the diversity of strengths they contain.

This effort has enabled them to leverage that diversity to competitive advantage.

Competency and skill development

The process of creating the 'changed' organisation should therefore include training in how to understand and work with the cultural issues as well as the more familiar business issues.

This is vital when it comes to integrating the components of a merger or acquisition. Willing or telling people to act and behave like one company won't make them do so. Specialist skills are required to build the new organisation's DNA.

When the change taking place does not involve M&A, but is a major reorganisation (e.g. downsizing, refocusing, portfolio rationalisation) of the company, the same specialist skills are again required of managers – whose job it is to create a fully functioning, profitable and/or growing business out of the redesign on paper.

There is another situation where the skills to manage and make the most of differences are essential, but usually overlooked. Globalisation often means more and more expatriate staff being sent to foreign countries, for months or even years. Too often, all the training they receive is how to converse in the local language.

This falls far short of sufficient for expatriates in positions that involve running a business, interacting with local authorities, negotiating with customers, employees and possibly unions, and entertaining – all in a foreign environment. Too often, lack of the right coaching and training leaves new managing directors to find out the hard way what they're missing, through humiliation and even damage to the business.

In all the situations described above, key skills include the abilities:

- to engage everyone relevant to, or affected by, the changes taking place;
- to build rapidly a personal understanding of the differences between different parties, and key barriers to integration and/or collaborative working by them;
- to identify actions that will allow differences to co-exist constructively, and people to work together most effectively for the benefit of the whole organisation;
- to motivate others to gain their own

understanding of the situation, see the benefits of overcoming the barriers, commit to and take action.

and measuring effort in a way that makes sense of the 'new' organisation.

Performance management approach

The success of action in the 'new' organisation needs to be measured in a way that reflects what the new organisation has been created to do.

For example, if we are going to shift the focus from asset utilisation to innovation, we need to change what we reward people for. Cost cutting and inventory management may be pushed into second place, as we reward the behaviours of innovation such as risk-taking, flexibility and entrepreneurship. Stating a new set of goals and aspirations will have no effect if we leave the old mechanisms in place.

Similarly, the success of a global initiative may need to be measured differently in different countries. Consider the retail industry in Europe, for instance. Northern Europe's retail sector is intensely concentrated with a handful of big players. The South, however, is highly fragmented: the vast majority of retail outlets are a multitude of small to medium-sized companies – the 'mom and pop' store rules.

To a large extent, this difference reflects the differences in culture between North and South. And it calls for different forecasting techniques, different supply management techniques, etc.

Different sales management skills and measurement mechanisms are also required: in the North, the sales person is managing a major account, and doing business mainly involves advanced negotiating skills. The sales person in the South, meanwhile, needs to demonstrate excellent skills in interpersonal relationship management, as they travel around the many small concerns in their territory.

The bottom line

After the effort of preparing and announcing a merger, acquisition or major change in your organisation, it's natural to want the envisaged benefits to materialise as soon as possible. After all, they probably justified the move in the first place – to often sceptical stakeholders.

To 'hit the ground running', there is no substitute for: explicitly addressing the cultural dimension of the business context; building the extra skills and competencies needed by managers;

Play first, or sign first?

A Brazilian company invited tenders from all over the world for a major project. Two companies made it to the final short list: one from the US, and one from Denmark.

The US negotiators met with the Brazilian company over a couple of days, and pushed their proposal hard. They were keen to get the contracts signed, so they could move on to develop the relationship with their new business partners over a few days' golf – in the time-honoured US tradition.

The Danes had done a little more homework on Brazilian business culture. They learned that, in Brazil, winning business is all about winning trust. They spent a couple of days on the golf course with their would-be partners, getting to know each other's personal and business goals, values, standards, and expectations. When they then met across the boardroom table, signing the contract was an easy next step.