culture clash!

As companies of all shapes and sizes merge their businesses, how can HR help them combine identities as well?

By Susan Milligan

On the financial side, architectural design firm Vocon's acquisition of Conant Architects in August 2013 was speedy and smooth. The principals hit it off immediately, seeing their three-month courtship and corporate marriage as a great way to cement Cleveland-based Vocon's presence in New York City. The merger would enable Vocon to broaden its services beyond interior design by offering architectural and workspace strategy as well.

On the culture side, there was additional work to be done. As the head honchos celebrated the union, HR was busy making sure the deal would not be undone by an inability of the two company cultures to mesh. ›

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"You have to respect that when you buy or [merge with] a company, there's a lot of angst," says Susan Austin, PHR, chief human resources officer for Vocon.

Acquiring firms are buying human talent along with office space and products, and neither company wants to lose valuable employees in the deal. Companies also may not want to lose a culture that is meaningful to them.

Conant employees described their office culture as "traditional," while Vocon saw itself as "fun." Even seemingly small differences can have a daily impact. For example, Conant was using paper cups for coffee, while Vocon principal Debbie Donley preferred reusable mugs.

Knowing that the people at the company being bought are likely to feel more nervous about their futures than the people at the acquiring company, Austin worked to minimize anxiety. She compared the two employee handbooks, highlighting differences in holiday schedules and the timing of annual commendations so she could explain to

Road to a Corporate Divorce


Shari Yocum


Niki Lee

Shari Yocum and Niki Lee, owners of Silicon Valley-based M&A human capital advisory firm Tasman Consulting, know exactly what their clients are going through. They had to deal with the challenges of a merger personally when networking equipment giant Cisco Systems acquired the smaller Linksys, seller of routers and wireless access points, in 2003. Cisco was mainly focused on selling to big business, while Linksys marketed to home consumers.

"From a cultural perspective, we were two completely different companies," says Lee, who was HR director at Linksys during the acquisition and became director of human resources in the Mergers & Acquisitions organization at Cisco before starting her own firm with Yocum. "They really didn't know what to do with us." But Cisco didn't want to break the mold that had made Linksys such an appealing acquisition to begin with, she says.

Things did not go smoothly. "There was this sense that Linksys was the redheaded stepchild. There was resentment, and people started leaving," Lee says.

Adds Yocum of merging companies: "Their stated values might be the same—'We love customers. We trust our employees and empower them.' They all say it. But when you look under the covers, you find it's very different."

Cisco, for example, was a big company where people had to go through many layers of approval to get a product to market, whereas Linksys was run by a husband-and-wife team with a more informal approach; employees with a product idea were accustomed to going right to the top.

That difference stemmed from the sizes and missions of the two companies.

Benefits, too, differed. Cisco believed that employees would feel more invested in the company's success if it offered equity and stock options—something Linksys did not do. Despite the cost, Cisco eventually offered the benefit to Linksys employees, easing cross-company resentment.

Yet in the end, the marriage didn't last. Cisco sold Linksys to Belkin in 2013. And neither Yocum nor Lee blames either company. "It was just this cultural mish-mash," Yocum says.

employees how and when those might change.

She also had employees from each company team up and conduct goofy interviews with each other, asking such questions as "Who's your favorite 'Wizard of Oz' character?" Then Vocon flew the entire Conant staff in New York City to Vocon's Cleveland headquarters for the company holiday party—an event made even more meaningful, Austin says, because the Cleveland office is an operational example of the architectural and design flair Vocon sells.

A year later, she reports, Vocon has largely held onto its acquired staff, and it's a pretty content family.

M&A Outlook

Things may have worked out for Vocon so far, but many other companies experience a different outcome when they seek to meld people and cultures. Roughly 40 percent to 50 percent of mergers and acquisitions (M&As) fail, and a 2000 KPMG study found that 83 percent are unsuccessful in the sense that they don't increase shareholder value.

"There's a staggering percentage of mergers that fail, and the reason is that you can't get the two cultures to mesh," says Jennifer Vergilii, a partner with the Cleveland law firm Calfee, Halter and Griswold.

Culture clash is an even bigger issue now, says Lawrena Colombo, a partner in the M&A Advisory, Human Capital practice at PricewaterhouseCoopers. Mergers and acquisitions, once entered into to achieve cost efficiencies, are now being entered into for growth, she explains. That tends to make for more-mixed marriages, with companies of divergent sizes and cultures trying to make a go of it.

According to University of Maryland management professor Susan Taylor, who recently helped guide hospital administrators through a merger, 1 in 4 U.S. workers is affected by an M&A over a 10-year period and might experience anything from having a boss or peer lose his or her job to dealing with the stress of moving to a new location.

And that proportion is likely to increase. In a recent KPMG survey of more than 1,000 M&A professionals, 63 percent said they believed that their U.S. clients would initiate at least one acquisition in 2014.

Different Strokes

Perhaps one company is a cubicle culture, while the other has an open-desk layout. Or one group commonly eats lunch at their desks, while another dines together in the cafeteria. Dress codes can vary greatly, as can benefits and vacation schedules. All of these things stem from differences in corporate philosophy, and all can impede the success of a corporate union if not addressed.

Even when the stated corporate approaches are the same, the execution may be radically different, notes Chuck Moritt, North American Corporate M&A Leader at Mercer. Both companies may call themselves collaborative and mean it, for example, but what does "collaborative" look like? For one company, it might mean people working remotely and contributing ideas through an intranet. For the other, it could translate to having a big bullpen in the middle of the office for group brainstorming.

Two companies might look like a great match on paper, but that doesn't mean the merger will work in the real world, says Razor Suleman, founder of Achievers, an HR consulting and software services firm in San Francisco. "It's about people and personalities."

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Chuck Moritt

That's why it helps to involve HR before the deal is sealed, says Mary Cianni, who heads the global M&A consulting group at Towers Watson in Arlington, Va. "A lot of our clients are starting to think about culture as part of the due diligence stage," she says. "They're not saying, 'We're not going to go through with this deal,' but they are starting earlier and saying, 'This deal's going to be successful if we get the culture right.' "

Ready, Set, Merge

HR managers and experts lay out a three-phase process for mergers:

Pre-merger. The first phase involves assessing the cultural differences (including benefits) of the other company and figuring out which personnel are most important to retain. Once the financial

WEB EXTRAS

For links to more resources about mergers and acquisitions, see the online version of this article at www.shrm.org/0814-culture-merger.

Guiding Global Mergers

When German-based Daimler-Benz bought U.S. company Chrysler in 1998, the German staff made fun of how the Americans dressed and talked, while the Americans joked that they'd have beer in their vending machines and lederhosen-casual days. Word got out, and neither group was amused, according to University of Maryland management professor Susan Taylor.

Here's how to ease the transition when a merger has the added challenge of bringing together people from different countries:

Learn the local customs, and educate staff. In parts of Asia, it's rude to hand over a business card with one hand. In Korea, never pour a beverage for yourself—someone else does it.

Don't assume a common language means a common culture. The hardest international transition is from the U.S. to the U.K., says Sally Jamara, partner at corporate consulting firm Traversa. Americans often wrongly assume that their British counterparts differ only by their accents. In fact, British corporate culture puts a premium on job title, and it's considered impolite to introduce oneself to a stranger.

Make time for face time. "It's a pain, but you need to get on a plane and go to Japan—not just do it by phone," says Lawrena Colombo, a partner in the M&A Advisory, Human Capital practice at PricewaterhouseCoopers.

Understand that some things cannot be synchronized. This is particularly true when something is ingrained in the national culture. Be sensitive to national pride.

deal is announced, HR from the acquiring company needs to visit the other company to explain to employees the vision and mission of the merged company and to answer people's questions. (Corporate confidentiality prevents executives from revealing details while negotiations are ongoing.)

Integration. In this process, HR picks the best practices of the two companies' approaches to everything from dress code and paid time off to how complaints are communicated to management. It is also the role of HR to communicate changes to employees and educate them about the new way of doing things. Many HR managers create "buddy" programs to encourage interaction between workers.

Stabilization. This phase can take years. HR seeks to make the employees of once-separate (and perhaps competing) companies work together as a single team.

Dee Otts

At Eaton Corp., a global energy management company based in Dublin, a dedicated team of 50 handles HR issues arising from M&As. "That's our only job," says Dee Otts, HR integration lead in Eaton's Cleveland office. Otts has worked on integrating three of Eaton's acquisitions, including a major deal with electrical equipment company Cooper Industries that was completed in 2012.

Otts started by teaming up with her counterpart at Cooper, evaluating how—and how well—the HR element there worked. The outreach alone goes a long way, she says, because "it provides a level of comfort to the acquired business to make sure their interests are being represented."

Even before the deal was completed, Eaton representatives met in person with both senior-level and rank-and-file employees at Cooper, introducing themselves and explaining Eaton's vision and philosophy. After the acquisition, Eaton launched a "welcome day" event, with a nice meal and giveaways for the new workers.

HR managers say they start by anticipating and addressing a list of common employee questions: What is my compensation? What are my benefits? To whom will I report? Will I fit in at the new company, and will I feel valued there?

Pay and benefits are easy to identify but tricky to equalize. If a large company buys a smaller one—particularly one located in a city with a lower cost of living—it might be costly to bring the acquired staff's salaries and benefits up to the acquiring company's level. But not doing so may make acquired staff feel like second-class corporate citizens and may result in resentment and attrition.

In some cases, benefits are subject to differing state laws, and thus can't be equalized. In others, it makes sense to bring the acquired staff up to the higher level. On matters involving chain of command and employee input, HR managers stress, it's critical to be clear very early on about how things will work.

Making It Work

So how can you meld two very different corporate cultures?

Take the best of both worlds. Ideally, the thing to do is to pick the paramount perks of each company and offer those, says Brigette McInnis-Day, executive vice president of HR for SAP, a large enterprise software provider that has made several recent corporate acquisitions. That applies to salary and benefits, as well as day care, holidays and the methods by which management communicates with staff.

Don't assume you'll get total integration. The very nature of a merger, and especially an acquisition, causes suspicion and resentment. "A lot of the time, people who are really proud of their identity are less likely to [feel] part of the new company," McInnis-Day says.

Adds Sally Jamara, a partner at the corporate consulting firm Traversa in Atlanta: "People get used to operating in a certain environment. … Where organizations fail is in assuming everybody's going to integrate—and that's just not true."

Include leaders from both teams. The bigger or buying company tends to set the tone. "It's very unusual to have a merger of equals, where both cultures can stand on their own," Vergilii says. So it's particularly important for HR to include representation from both the buyer and seller in the integration process to help everyone feel at ease.

Avoid uniformity for uniformity's sake. "Sometimes where I see the biggest failure is when a buyer wants unnecessary consistency," Vergilii says. "Everything doesn't have to be the same."

That's especially true if a company is purchasing a firm whose success is rooted in its unique style, Moritt notes.

Imagine, for example, that Bank of America wanted to buy Facebook, hoping to expand its youth customer base and use social media for marketing. The bankers might show up to work in fancy suits, have a clear chain of command and hold formal meetings. But it wouldn't make sense, Moritt said, to ask the Facebook team to ditch their sneakers and ban video games, since the company's unconventional style is critical to its innovation.

Help former competitors become collaborators. Merging with a former competitor carries its own challenges for employees. "First, you have to get them to stop hating each other," Moritt quips.

The upside and downside is that the two companies' workers already know a lot about each other, Colombo says. Typically, employees have skewed perceptions about how the other company operates, and those misconceptions need to be aired and dismissed. Colombo suggests holding focus groups so that employees can hear what it was like to work at the other company.

PricewaterhouseCoopers also has a buddy system, in which new employees are assigned a counterpart at the firm for mutual support.

Company retreats can be useful, but not if they seem contrived. "When I get onto a table and fall into your arms … that's a bad idea," Suleman says.

Communicate early and often. The most important element, HR managers and experts agree, is communication. Transitions are often, if not always, hard, but they are made worse when employees are left to speculate. "The way people are treated—before, during, after and throughout the merger or acquisition—makes a huge difference," Taylor says.

When workers read about their possible fates for the first time in the media, "it really makes them feel inconsequential," she says. And that, according to HR managers, makes for an unhappy, unmotivated and ultimately unproductive workforce—exactly the opposite of what a merger was meant to accomplish. HR

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