When teams come together

Prioritizing organizational culture at the onset of a transaction

Written by: Angela Sanghera and Josh Kim

Introduction

The benefits of a merger or acquisition can be plentiful but a deal can also fall astray without a clearly defined strategy for assimilating organizational cultures. In fact, KPMG research has shown that the #1 challenge identified by executives during an acquisition is cultural integration.

Despite good intentions, there are no guarantees as to how well teams from either side of a transaction will integrate following a deal. And left to chance, odds are high that conflicting values, beliefs, and behaviours between a buyer's and seller's workforce will result in a culture clash that takes a toll on their time, money, and emotions before being resolved.

It's a workforce transition that cannot be taken for granted. That's why conversations and plans concerning the post-deal workplace culture are as critical as any other focus area during the M&A process.

Costs of a culture clash

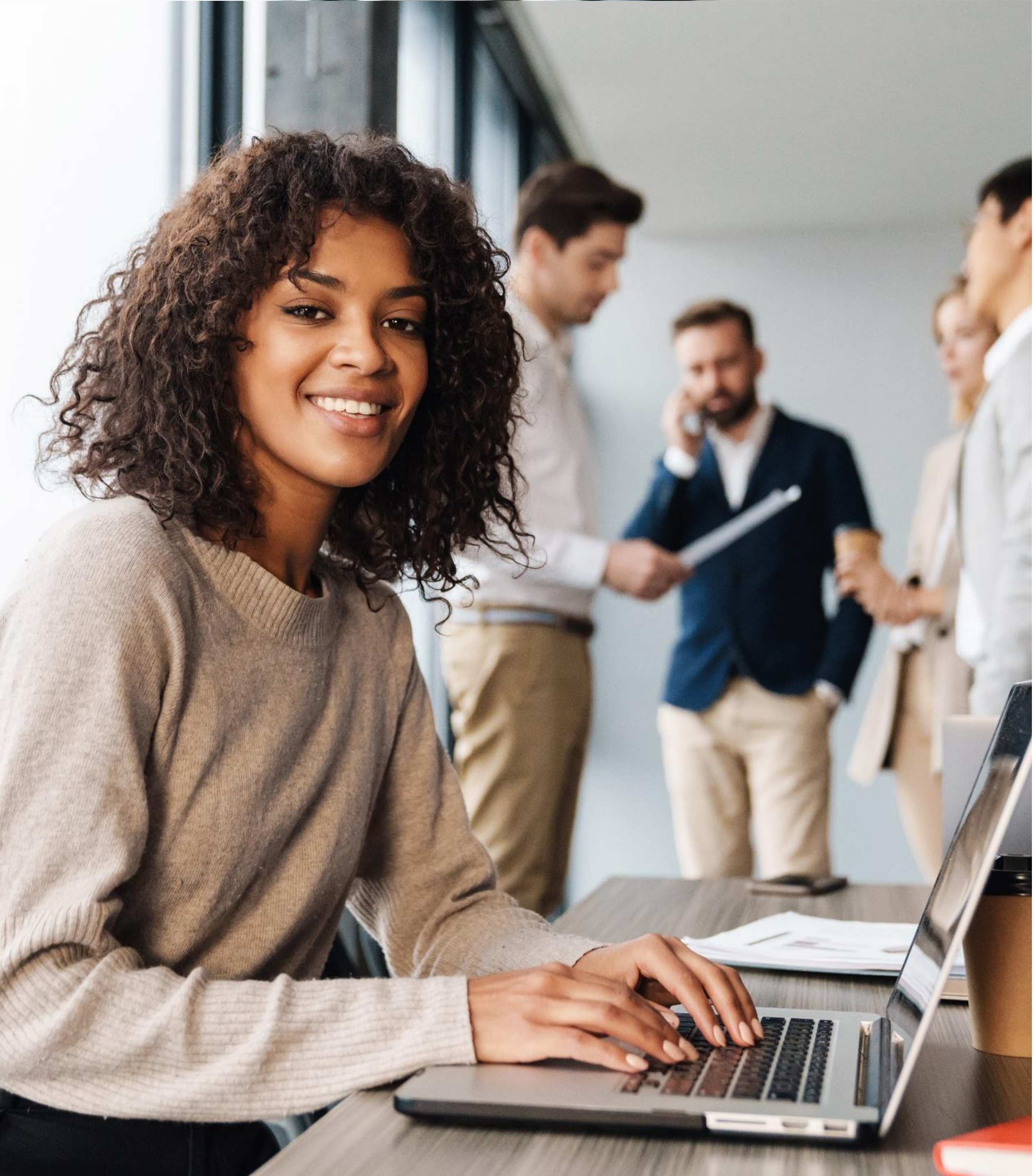
There are tangible costs to leaving workforce assimilation out of the M&A conversation. "Organizational culture" may be hard to translate into hard numbers on a spreadsheet, but a lack of planning as to how disparate workforces might come together deserves leadership's attention, nonetheless. Potential disadvantages include:

Deal value loss
Resulting from the loss of leaders and employees who are key to realizing the value of an M&A transaction. KPMG research has shown that voluntary turnover increases significantly as integration discomforts arise.

Recruitment costs:
Incurred when employees leave or resign during a critical period of a transaction, resulting in increased time, effort, and costs in finding replacements that require training and extra support during onboarding.

"**Quiet quitting":**
Loss of productivity that happens when employees lose passion or engagement in their job but stay on to "collect a paycheck."

Knowledge loss
Resulting from the loss or disengagement of employees with key institutional knowledge and skills.



Remember: You're working with people

While, yes, people are assets, they are not computers that have no opinion about being pulled from one office and slotted into the next. It is quite the opposite in fact; humans have feelings and emotions, but often have limited say in where they end up in a merger or acquisition and are therefore prone to walking out the door if their new work reality does not align with their values, beliefs, and behaviours.

The employers most likely to retain an engaged and complete team after a deal are those who evaluate the differences in cultures before the M&A process begins and try to listen to their people throughout the process and make plans for an organizational culture that will keep them on board and articulate the benefits of a combined company.

Communication first

There's no such thing as aligning cultures. The more realistic approach is to assimilate the best aspects of each company's culture, identify non- negotiables and strengths from both organizations and work towards establishing a new culture that reflects these traits.

Effective team assimilation begins with communication at all levels and on both sides of the transaction. This involves bringing people from all levels of the company together to discuss and define what the workplace culture will look like when the deal is done. Questions to ask include:

1. **What aspects of our organization's culture do we want to keep? Where can we compromise?**
2. **What makes our culture unique and how can we preserve that?**
3. **Who will take ownership of organizational culture post-deal?**

Communication is also needed to clarify what team members can expect after a transaction regarding their roles, teams, and company expectations. Even details such as where they'll be working, who they'll report to, and what IT security measures they'll need to change are important in helping teams navigate the changes to come.

Communications can't simply be one sided either; employees must be provided with various options for communicating their questions and concerns with leadership. Examples of upwards communication vehicles could include:

FAQ database(s)

Pulse surveys

A general helpdesk or mailbox

Routine touchpoints with managers / supervisors

Ultimately, it's important that employee beliefs, behaviours and values are considered throughout the M&A transaction so they do not feel blindsided or that they don't have a voice in the changes to come.

Mapping it out

In our experience, the companies that get this right spend time upfront defining what the combined culture should look like and create a game plan to get there. They conduct a mapping exercise with all stakeholders to pinpoint where each company's values and practices overlap, where the gaps exist, and what needs to be done to achieve cohesion.

Importantly, this organizational culture mapping exercise only works when managed by leaders. Without accountability and engagement from the top, it's unlikely that the outcomes will go further than the boardroom.

Leaders & influencers

Leaders have an important role in guiding organizational culture associations. Not only is it important for them to be in the room and engaged in early conversations, but it is vital that they model the right behaviours as teams come together. While HR plays a key role in engaging discussions around culture, they must be supported by leaders who champion and sponsor key culture initiatives to reflect the combined company.

Of course, each organization has role models who may not have official leadership titles. These people hold sway over their colleagues and are influential among their individual teams or the company at large. The trick is to find these people and get them invested in the workplace culture discussion early on, so they can affect the culture journey ahead. Give them talking points and insights that will help them address questions and concerns with their peers.

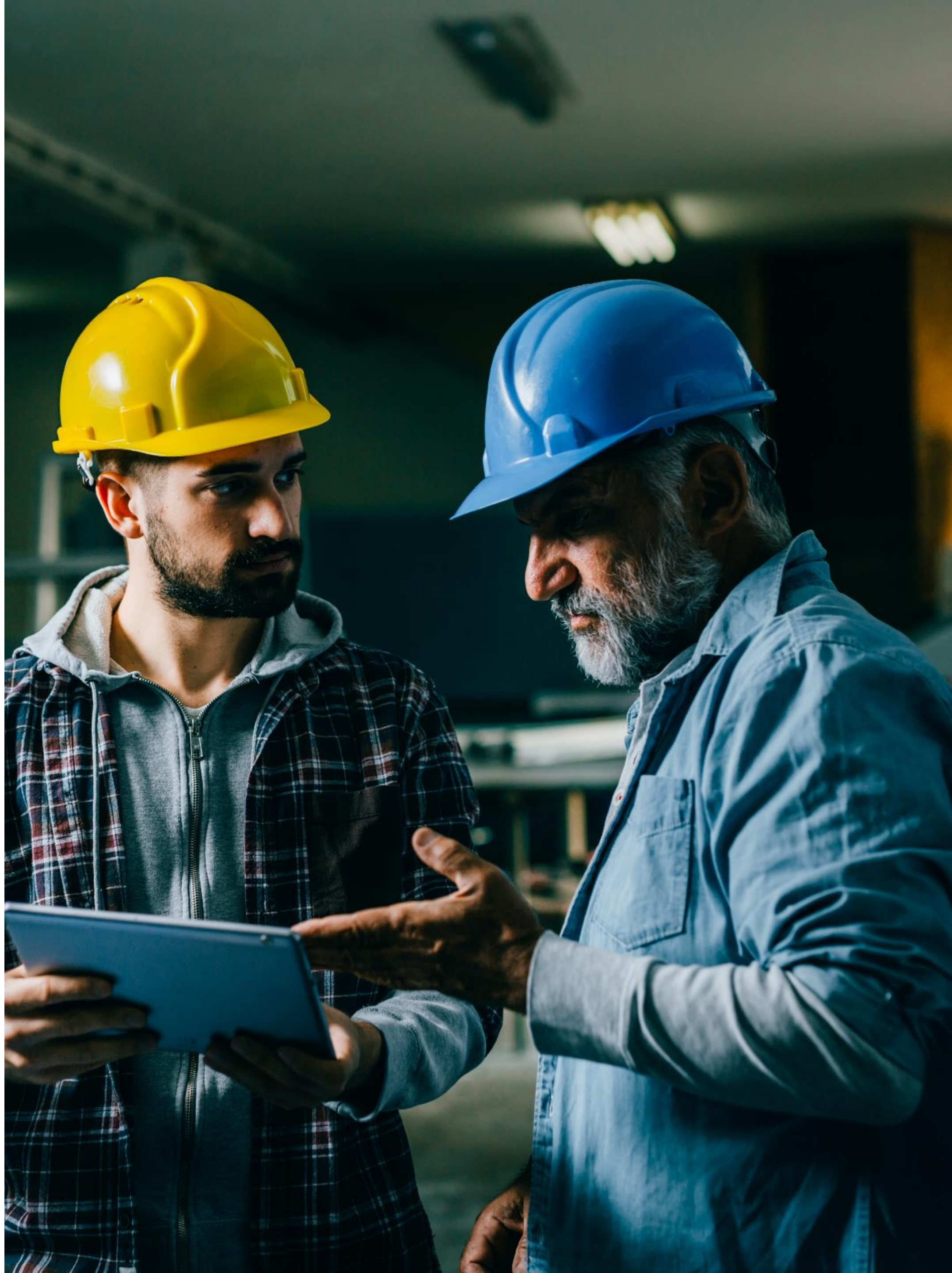
No matter where you find your "influencers," it's important that they genuinely believe in addressing workplace culture issues and are on board with harmonizing the two cultures throughout the deal process. If they're paying lip service, employees will catch on quickly and this will have an adverse affect.

Hitting the ground running

Even after the conversations, action plans, and preparations have been made, making first introductions between teams can be intimidating. There's no sure-fire method for breaking the ice between combined workforces, but there are strategies that have proven to ease the transition.

For one, there is value in bringing teams together on a local level, be it in a specific site, department, or team. This can help avoid the building of the "us versus them" mentality that typically forms when disparate groups don't have an early opportunity to intermingle and put faces to names. Similarly, it can help to temporarily pair people from both companies to encourage new relationships and facilitate the realization of the harmonized culture.

An onboarding checklist can also help in this regard, as can follow-up meetings with managers and leadership to discuss how the journey is going to date. No matter what your organizational culture strategy is, it's important to establish metrics and checkpoints along the way to ensure that the hard work done beforehand to create a better culture is not deprioritized or forgotten.



There is no time like the present

When does the process of assimilating workplace cultures begin? The short answer is: as soon as possible. The sooner discussions begin around workplace culture, the greater the chances that teams from either side of the deal will model the values, beliefs, and behaviours that will propel the combined workforce forward. Tips leaders can consider to help ensure a smooth transition include:

Spending time upfront **defining what the combined culture should look like**

Ensuring leadership buy in at the onset of the deal - leaders must be role models of the desired culture

Providing employees with **communication channels with leadership** throughout the transaction

M&A deals can be an exciting opportunity for organizations and their people. However, in a time where the speed of deals is increasing, it is imperative for leadership teams to consider how cultures will mesh when organizations come together. Without a proactive approach to culture, an organization's rate of retention and overall employee experience are at risk of being negatively impacted post transaction.

Contact us

Angela Sanghera
Director, HR Ops M&A
angelasanghera@kpmg.ca

Josh Kim
Senior Consultant, HR Ops M&A
joshkim@kpmg.ca

Tim Prince
National Lead, Ops M&A
tprince@kpmg.ca