Plain Talk© about Business Performance

the Leadership Lessons newsletter

Issue 34, 2020

Not Always a Sustainable Solution

A new PwC survey reveals U.S. executives' plans for growth through trade and M&A. This headline did bring to mind a column I wrote in 2007.

The prevailing growth pattern of choice has been, and still is, through merger or acquisition. And whilst the decision to grow in this manner is usually based on sound business logic, there seems to be an equally logical assumption that once the two companies are one, the resultant organisation will be able to function as one high-performing organisation…and to do quickly. The logic that says that the two organisational cultures can be integrated easily is about as sound as the shifting sands of the Sahara.

Organisational cultures are built over time, and, in the case of a merger situation, whilst both of the two cultures may have similar characteristics, the existing cultures are a function of the people who formed them. When the merger or integration occurs, there is often an effort to integrate the two organisations into one high-performing culture. On the surface, this effort seems sound, but too often one of three things happens.

1. The Integration team maps out a plan that is met with disagreement about the validity of the new collective organisational values, and the effort to integrate results in cultural discord.
2. The Integration team maps out a plan that is met with subtle defence mechanisms and behaviours that stall the integration effort.
3. The Integration team's efforts focus too strongly on cultural survey data and this then generates a mis-applied focus on detail complexity that distracts decision-makers from the new challenges they face.

As the rationale behind most mergers is to build an organisation that can consistently deliver high performance, each of these outcomes can be devastating to the overall effort. All three outcomes result in wasted time, efforts, and resources – all things that the new organisation will need if it is to realise its potential. These problems surface, not because of what the integration team is trying to do, but usually because of how the team is going about it.

Two cultures mean two ways of doing things and two sets of collective mental models. These include; how risk adverse the organisation is; how quickly decisions are made; how much input is used in the decision-making process; how employees are rewarded; how innovative employees are (and should be); and the relative competence of the senior management team, to name a few. Simply by bringing two cultures together and then issuing guidelines about the 'way things need to get done' will not mean that the guidelines are followed, especially for those who see that the ways that they did things in the past will need to be changed. In fact, the act of issuing the guidelines only stimulates the application of defensive routines to avoid 'the new way.'

Integration teams do need to develop a set of planning recommendations, but they should focus on:

- Sharing the way that the two cultures function as opposed to changing them. This is done by openly recognising that diversity in the ways things are done and the prevalent mental models can be a good thing. Instead of trying to change the way employees do what they do, create an environment in which the employees can make the conscious choice to change.
- Encouraging senior managers to look at their demonstrated behaviours, and set up a process to evaluate the managers on their performance behaviours. One of the biggest complaints about merger activities is that senior management doesn't act in the way that they want everyone else to act. Key decision-makers need to look at how they *think* about the challenges they face, how they *influence* others to meet those challenges, how they *achieve* the goals that they have been given, and how they *demonstrate leadership.* By setting up a process to evaluate decision-makers in these four areas, the signal is sent that the organisation is serious about creating an organisation that can realise its potential.
- Identifying the various characteristics that the new organisation will need to have in order to realise its potential. Too often, the only characteristics that are looked at are numerical; i.e. what the desired level of revenues or market share or employee turnover will need to be. Whilst these characteristics are important, they will provide little leverage in integration efforts. More important are the characteristics that are not as easily seen or measured, such as the mental models of employees that will be needed to support policy decisions that will guide the company to hit the numbers. Often, this means identifying sought after levels of characteristics such as '*the ability to make effective decisions*,' ' *the willingness to deliver high performance*,' and *'the real and perceived competence of senior management*.' If the organisational population is able to effectively demonstrate these characteristics, the chances of the numerical characteristics being achieved is increased dramatically.
- Identifying and openly discussing organisational 'undiscussables.' All organisations have them, and the fact that they are not talked about only enables them to keep hindering performance efforts. In many organisations, these undiscussables include internal politics and implicitly adversarial departmental relationships. By surfacing them, it is possible to mitigate their impact or remove them as obstacles.

By having an Integration team focus on what is really important instead of putting together a plan that probably won't work anyway, managers and employees can get on with doing what they need to do – which is to deliver sustainable performance.

James B. Rieley advises senior leadership teams from all sectors of business and industry, higher education, and government, and has written extensively on the subject of improving organisational performance through leadership.

Global Leadership Advisory Services +44 (0)208 638 6843 leadershiplessons@rieley.com www.rieley.com