

CULTURE CLASH CAN UNDO BRILLIANT PARTNERSHIPS

A German-based technology company we will call Gesternwerks merged with a U.S. - based technology company we will call FutureWorks. After significant due diligence over a two-year period, the decision to merge seemed brilliant. Gesternwerks needed the new technology platforms that FutureWorks was developing and FutureWorks could benefit from the systems and processes Gesternwerks had already perfected.

Senior company leaders and financial experts all agreed that the combined company would have greater power to capture more market share. Gesternwerks hoped the merger would infuse them with new and innovative technology for future success. FutureWorks hoped to gain access to more capital and resources to sustain their start-up operation.

So, why did the combined company fail less than two years later?

Culture clash. Even when there is a compelling business reason for change, leaders often underestimate the significance of organizational culture. Gesternwerks and FutureWorks were just from opposite sides of the tracks.

The German company was more traditional with an established hierarchy and structured process for operating. The Americans had developed a lean and mostly flat entrepreneurial start-up where people had a lot of autonomy and few constraints. The merger felt more like an acquisition because Gesternwerks was so large and influential.

FutureWorks employees immediately felt constrained and started leaving the company when they could no longer operate with the independence to which they were accustomed.

When a change involves a merger or acquisition, even though the business imperatives may be clear, the harder work is often meshing different cultures. Frequently, those who thrive in one culture will not thrive in the next. It is important to think ahead about what kind of culture will ultimately be created.

What will be the impact on existing employees? What employee fall-out is likely? Will you need to recruit new players? Are the cultures so incompatible that, in spite of the business imperatives, the change effort is likely to fail?

It is important to ask how the organizational cultures can be leveraged to assist the change process. Is this a culture that values being the best or cutting edge? Do they like being first to market? Do they prefer the tried and true? Can you capitalize on existing motivational drivers?

When you understand, respect and work with a deep knowledge of the culture, you can usually design more effective change processes. In some cases, what you admire about an organization will no longer exist post-merger because the change in culture will not sustain or support the previous climate. Considering the impact of culture is just as important as all other aspects of due-diligence.

© 2009 TRANSLEADERSHIP, INC.

Dr. Karen Y. Wilson-Starks, 719-534-0949, ext. 1, DrKyws@aol.com, www.transleadership.com
FOR HELP WITH A CHANGE PROCESS, PLEASE CONTACT US