



# Culture Matters. Measure It to Drive M&A Success.



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An organization's culture can be a powerful force – a force that propels it towards its goals, or derails it from achieving them. Culture is intensified and tested during times of change: a merger or acquisition, downsizing, major product launch, or leadership turnover. Understanding your company's culture and measuring it against your desired culture is the first step toward harnessing this invisible power.

A company's culture is a set of shared assumptions and values that shape an organization's perceptions and behaviors. It is also the unique social and psychological environment of a business: its work spaces, how employees relate to one other, whether its rules are strict, lax, or somewhere in between, when and how transparently communication occurs, the organization's demonstrated priorities, and its overall attitude and ambiance. Whether these are defined and documented or not, they each combine to create a company's culture.

“Corporate culture is the only sustainable competitive advantage that is completely within the control of the entrepreneur. Develop a strong corporate culture first and foremost.”

- David Cummings, co-founder of Pardot

**Wise leaders know that culture influences employees' engagement and effectiveness in three important ways:**

1. Culture can build alignment towards achieving its vision, mission, and goals. Employees know “What” is important.
2. Culture can increase coordination and control. It is “How” things get done – based on, or despite, processes and protocol.
3. Culture can encourage high employee motivation, loyalty and engagement. It's “Why” we do things. It creates meaning.

## Measuring Culture Gives Meaning to Ideals, Reality, and Change

In today's business environment, people understand the value of culture, and they understand the value of metrics. But business leaders sometimes have a hard time putting the two together. Culture is often regarded as too intangible, selective, and elusive to measure and track. And leaders often confuse culture with engagement, which they do routinely measure.

Try thinking about it this way: engagement describes the “mood” of an organization. The level of engagement can change quickly with the introduction of a new leader or impactful business news. Culture describes the “personality” of the organization. It tends to change more slowly and is typically less localized to a specific department, leader, or geography.

So it's valuable to measure both culture and engagement. Engagement data is a leading indicator of culture shift, but the questions asked are quite different. And culture measurement is a comprehensive indicator of organizational health, while engagement is an indicator of local and immediate employee perspectives.

High-performing companies can meaningfully describe the ideal culture and experience they want their people to embody. They intentionally measure whether the reality reflects that culture and experience.

## Measuring Culture is Easier Than you Think

Measurement is ideally a blend of quantitative and qualitative feedback and can take place at both a macro and a micro level. Qualitatively, ad hoc MBWA (Management By Walking Around) can provide a useful 'temperature check' on organizational or team culture. Aspects like office layout, display of organizational mission statements and news, employee dress codes and style choices, and even overall ambiance are easy to observe.

But many aspects of culture are unseen: how well formal values are reflected in behaviors. Tacit assumptions. Unspoken rules. New employees tend to adopt the behavior of their seasoned colleagues – so either positive or negative assumptions are perpetuated.

On the quantitative side, successful organizations use assessment tools to measure cultural attributes and monitor indicators such as the number of employee referrals, internal transfers, and re-hires. Other indicators can be the number of employee ethics/whistleblower/incident hotline calls and Employee Assistance Program (EAP) activity, engagement surveys, feedback vehicles, and voluntary and involuntary turnover rates. This data, along with employee engagement assessment results, creates a full picture of the current culture and culture trends.

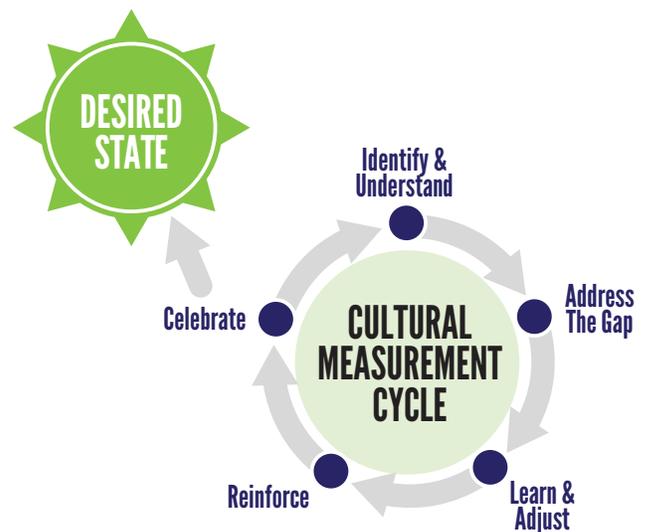
“ I came to see, in my time at IBM, that culture isn't just one aspect of the game—it is the game. ”  
- Louis V. Gerstner, Jr., Former CEO of IBM

## The Basics of Measuring Culture During M&A Activity

Mergers are an increasingly common strategy for improving innovation, profitability, market share, and stock value. But mergers and acquisitions always present the challenge of combining multiple and often very different cultures to create a new shared culture. Done with intention, it's a win-win that blends the best of each culture into a tuned, optimized hybrid that energizes and fuels M&A success.

But often, combining multiple companies into one creates a culture clash. The single most important factor for post-merger success and long-term sustainability is the involvement and integration of leaders (first) and ultimately all employees to create a common new identity around a shared vision. That new shared vision may require supportive cultural alignment. For example, a focus on innovation and creativity requires leaders to have a supportive view on risk-taking and experimentation. A mature business may place a key focus on reliability and process orientation. The approach to culture alignment must resonate with the organization's new core values and support its new vision.

In our work with a wide variety of organizations, we have observed the following five steps consistently increase the chances of successfully creating the desired culture.



“ Our secret weapon for building the best culture is open and honest feedback. ”  
- Gina Lau, Team Operations, HelloSign

## Five Steps To Creating A Desired Culture

### Step 1: Identify and Understand the Culture

Identify the cultures of the merging organizations. Cultural DNA due diligence reveals how and where the cultures are similar and different, and where the differences appear (certain business units? Leadership styles? Customer sets?). Gather quantitative and qualitative data to discover the assumptions people act on, and how firmly they adhere to them. Failure to understand this baseline can create substantial roadblocks in the future.

### Step 2: Articulate the Desired State and Address the Gap

Assess current realities against your strategy. Intentionally define a cultural vision that aligns with your strategy, and put resources behind making it reality: What do we want our new culture to look like? How will we help our people understand and agree with our vision? How will we enroll leaders in this vision? How can we involve our people effectively? What are the risks involved? How quickly should we move and what needs to change (e.g. policies, practices, programs)? How will our top leaders inspire and evangelize for the newly aligned culture? How will we close gaps, resolve differences, and encourage and reinforce new behaviors?

### Step 3: Learn & Adjust

Observe interactions among old and new team members. Are leaders modeling positive behaviors, and providing guidance and support as team members test out the new behaviors that support the desired culture? Does our culture measurement framework indicate a positive trend? Where is reinforcement needed? Employees will be understandably reluctant to change what has worked for them in the past. So stay alert to undesirable legacy behaviors that aren't budging – and rapidly devise solutions to eradicate them – to avoid momentum loss and accelerate positive change.

### Step 4: Reinforce Desired Behaviors

Recognize and reward behavioral changes that align with the desired culture. Ensure leaders know how to reinforce them. Position internal thought leaders and early adopters as advocates to accelerate the transition. Leaders who authentically encourage acceptance of the new organization and its desired behaviors are critical to success.

### Step 5: Celebrate

Be sure to call out and celebrate achievements along the way. Positive encouragement and affirmation motivates employees' support of shared goals. Measures are important here, too. Show quantitative indicators of change and encourage transparent feedback across the enterprise. Celebrate each benchmark as proof of progress toward shared future success.



**When you merge cultures well, value is created.  
When you don't, value is destroyed**



*- George Brandt, The Root Cause of Every Merger's Success  
or Failure: Culture*

## The Best Organizations Treat Cultural Measurement as an Ongoing Process

Change is challenging to most people and organizations. But for better or for worse, leadership and culture are inextricably linked. Leaders who understand that their people – their attitudes and behaviors – are the most critical element have a better chance of success. So keep an eye on your cultural vision, measure and track progress, and maintain a willingness to evolve and adapt. Paying attention to culture will ensure your people and organization transition with greater ease, and grow healthily in the new organization.