MANAGEMENT APPROACHES TO MERGER EVOKED CULTURAL CHANGE AND ACCULTURATION OUTCOMES

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Abstract
In a study of merger-evoked cultural change in three organizations, quantitative and qualitative data were collected from individuals at all employment levels in both merger partners within each organization. Results were that most individuals perceived that the merger had impacted significantly on them personally. There was, however, a perceived lack of congruence between the organizational cultures of merging partners, resulting in cultural clashes and significant changes to the organizations’ organizational cultures. More specifically, outcomes for both individuals and the subsequent acculturation following the mergers were related to the approach adopted to manage the merger process: incremental, immediate, or indifferent.

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Cultural issues in mergers and acquisitions. Companies today are combining in record numbers. Executives pursue mergers, acquisitions, and joint ventures as a means to create value by (1) acquiring technologies, products, and market access, (2) creating economies of scale, and (3) establishing global brand presence. There is an underlying belief that most markets can provide revenues to three large suppliers; when more than three exist the urge to merge is irresistible. 7. Put people with culture change knowledge and experience on the teams that define the key interfaces in the new organizational model. The organizational model defines how a merged entity will go to market and how it will integrate its back office functions. In a study of merger-evoked cultural change in three organizations, quantitative and qualitative data were collected from individuals at all employment levels in both merger partners within each organization. Results were that most individuals perceived that the merger had impacted significantly on them personally. There was, however, a perceived lack of congruence between the organizational cultures of merging partners, resulting in cultural clashes and significant changes to the organizations’ organizational cultures. More specifically, outcomes for both individuals and the subsequent acculturation following the mergers were related to the approach adopted to manage the merger process: incremental, immediate, or indifferent.

Keywords: culture, integration process, merger and acquisition, national culture, Hofstede 5 dimension, cultural integration, cultural learning. List of tables / figures / abbreviations. Tables Table 1: Value dimensions in mainstream literature. How GE capital integrate acquisitions. Figure 3: Time schedule for culture integration and change management as used by Philips. Figure 4: Summary of the culture and change management tools as used by Philips. Abbreviations. M&A = Merger and Acquisition. In the first three months of 2007, the global volume of mergers and acquisitions reached $1,130 billion. In 1999, cross-border M&A was about $1.4 trillion, approximately 40% of total acquisitions that year (Shimizu, Hitt, Vaidyanath & Pisano, 2004). On average, the acquiring companies in mergers with tight-loose differences saw their return on assets decrease by 0.6 percentage points three years after the merger, or $200 million in net income per year. Those with especially large cultural mismatches saw their yearly net income drop by over $600 million. Fortunately, when diagnosed early, the tight-loose clashes that crop up in mergers can be handled productively. To increase their chances of achieving cultural harmony, companies should do a few things. Prepare to negotiate culture. In addition to negotiating price and other financial terms, companies should ensure that they have a clear understanding of the cultural implications of the proposed merger. This includes understanding the values, beliefs, and behaviors of the target company. By doing so, companies can better anticipate potential cultural clashes and develop strategies to mitigate them. Establish a cultural integration team. A dedicated team of experts can help guide the merger process, ensuring that cultural considerations are given adequate attention. This team should include representatives from both companies to foster a sense of shared purpose and alignment. Develop a post-merger integration plan. This plan should outline specific strategies for integrating cultures, including approaches to communication, training, and employee involvement. Implement a cultural integration program. A comprehensive program should address both structural and behavioral changes, focusing on creating a new organizational identity that effectively combines the cultures of the merging companies. By taking these steps, companies can increase their chances of achieving cultural harmony and maximizing the value of their mergers and acquisitions.