

Culture clash

Merging two very different companies is a daunting job, but the right investment of time and effort will see it through. **By Amita Tandukar**

Champagne corks popped and the celebratory drinks flowed in the boardroom of the department store Salingers when the chairman clinched the takeover of his rival company, the trendy retailer Yuppy. But the chief operating officer of Salingers, Rick, was not convinced that this was the merger of the century.

The figures were impressive: paying \$600 million for 120 new warehouse-type stores in the up-and-coming suburbs of Australia's boom states of Queensland and Western Australia would balance the 150 established Salingers stores in the southern states. But the transformation to the new Salingers brand depended on combining Salingers' years of retail management experience with the marketing ideas of the Yuppy stores. The combined purchasing power of the group would be important but the

true value of knocking out Salingers' only rival was the strength of the new brand rising above the discount general merchandisers that had been eroding the company's profits in the past five years.

Shortly after the merger announcement, Rick was appointed to lead a team to draw up an integration plan. A survey examining organisational culture was a priority.

The first area of difference revealed by the survey was decision making. Salingers made decisions at the executive level and sent out decrees to junior managers. But Yuppy staff workshopped each big product and marketing decision in monthly store meetings. Any employee whose idea was adopted was rewarded, boosting innovation.

A second area of cultural difference was the method of executing the strategy. Salingers'

managers drew up lists of project tasks for each team and expected line managers to complete each one. Yuppy appointed a project team to communicate the wider objectives of a project, designate tasks and performance measures for each employee and report on progress during staff meetings.

The last difference was leadership style. Salingers relied on a cadre of older managers to train middle managers over many years in one team. Every Yuppy employee was given a mentor when they started, to guide their development over many years. The Yuppy chief executive boasted that he visited each store twice a year and had an intimate knowledge of the company's operations.

Rick was startled by the differences. How was he to bring two such divergent cultures together? How would he get managers from both companies to work together on the integration? How could he bring employees under a common system without stifling the much-needed injection of creative and innovative thinking? How could Rick judge how long he would need to complete the cultural change?

Anne Riches, change consultant

Would your company ever contemplate a merger or acquisition without undertaking financial due diligence? Of course not. Yet why do most mergers and acquisitions fail? The most common reasons are incompatible cultures, inability to manage the target company and inability to implement the change.

It is a pity that people due diligence was not carried out before this merger, because Rick will require the commitment of budget and dedicated resources that may not have been factored into the true costs and assumed benefits of the acquisition.

Rick needs to start a change-management process, to prepare both companies for change, plan and implement the changes and then reinforce the changes.

First Rick needs to be clear about the strategic intent of the merger. What will the successfully integrated organisation look like and deliver? Who are its customers? What is its value proposition? What is the brand after the merger? What are the milestones that need to be achieved and in what time?

With clarity on these issues, Rick and his change team (selected for their solid change-management expertise) can start identifying, planning and implementing the systems, processes and culture that will support this.

It is almost impossible to put a time frame on completing culture change. Clearly defined milestones and constant orientation to the strategic intent are crucial for the journey. A change in culture only happens when systems and processes support it and the leadership models it. It requires communication, congruency and commitment — with these, the merger of the century will have a chance. ●