Using culture to merge faster and more successfully – and avoid the reasons most M&A fail

Research shows most mergers do not deliver on promises, nearly half the CEOs are fired - and culture is a key factor

Most mergers fail, and cultural differences are the most cited reason. Surveys of senior executives found that 63% believed that notable differences in culture remain even after 'integration' is complete. All of this is dangerous for CEOs given that 42% of them left the company within two years of a merger, when planned benefits were not delivered (only 16% left after successful mergers).

Is this inevitable? We looked at a range of research into how to improve the outcomes of cultural integration. The most frequent problems are that cultural factors are not being addressed until too late, and actions taken are not quick enough. This need not be the case. There are four ways to improve cultural integration and so merge faster and more successfully. These are:

1. ***Focus on the market, customer and delivery, over cost-cutting:*** most mergers achieve their cost-savings targets. The failures relate to sales, customer relations and delivery. To minimise this danger:
   - *Separate the running of the business from the management of the integration:* ensuring business leaders stay visibly focused on the market
   - *Identify the differences in cultural approaches for customers, as quickly as possible:* look at the two sales and marketing teams and how they work, their assumptions and behaviour. Agree the culture you need for the business and ensure that implementation is a priority.
2. ***Plan the culture side of the integration very early and act fast:*** culture is only included in 27% of episodes of due diligence. Acting early and fast makes a real difference, as culture starts to be changed from the moment the merger is announced (it has a destabilising effect and people start behaving differently). Opportunities for cementing good and bad behaviours come thick and fast in the first few months. So start assessing culture early on:
   - *Arms-length assessment of targets*: there are now fast techniques which enable a sophisticated initial look at risks and opportunities to guide early conversations and due diligence
   - *Full use of due diligence*: use the “clean team” to undertake culture surveys among senior managers, and identify important differences early
   - *Put culture-related actions in the first 100 days plan*: the early actions of the new leadership will signal and shape the new culture.
3. ***The new culture should enable the business model – so clarity and understanding about how value will be created is an important early step:*** articulate the business rationale of the deal, and how value will be created in the merged organisation. How will this be different from both legacy organisations? Make these the main messages in early communication.
4. ***Understand and manage the different change dynamics of the two entities:*** some continually adapt, others are less responsive. Take two actions early:
   - Discuss and develop a common approach to change across the business
   - Use the expectation of change that comes with a merger to improve speed and flexibility.

And six months in is not too late to start: Tackling organisational culture is best done early. However, the evidence is that even six months into a merger, these actions will accelerate merger success.