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Organization Development

Mergers and Organizational Culture

Mergers affect organizational culture. In regard to mergers in the corporate world, Deal and Kennedy suggest that the impact is seen in three ways:

1. What they call "the over-your-shoulder effect" –
2. The "winners-and-losers effect"
3. And the "cultural isolation effect"

Each of these effects is both an opportunity for organizational learning and personal development, as well as, a source of resistance and a drawing of energy from mission.

Do we see these effects in non-profit, business and church mergers?

The over-your-shoulder effect

This is the anxiety people experience as they wonder about the effect the merger will have on their position in the organization, e.g., uncertainty about the degree of influence one will have in the new situation -- Who will be on the board? Who will continue to be employed? Will I be respected and listened to? Will my friends stay?, etc. In a business when mergers take place there is usually the assumption that increased size will bring greater effectiveness. Usually employees will be terminated to reduce costs and increase efficiency In the non-profit the assumption is that we merge to increase the total number of people we serve and to decrease redundant functions; and in so doing to increase our capacity for mission and survival. There are usually staff cuts and changes in leadership positions. As changes begin to take place (e.g., some people do decide to leave the organization or not move to a new location, familiar staff are "retired" or fired, awkward power sharing arrangements are attempted, etc.) – the anxiety builds.

Winners and Losers

While leaders may attempt to ease or cover it with comforting words or sentimentality, what most people experience is that one organization has "won" and the other has "lost". There will be the obvious issues of position and status, which mangers are maintained what locations are kept; there will also be the question of organizational culture. After several years the culture of the "winners" takes hold.

The Cultural Isolation Effect

The cultural ways and assumptions that come into play as a result of a merger will vary from one case to another. Even if there is a high degree of cultural alignment in many areas, there is likely to be tension in areas with less alignment. So, for example, if the merging organizations have leaders that come from the same class and professional background, and share many similarities in personal style; they may find that they collide over approaches to decision making or how informally people dress at organizational gatherings.

Some Uncomfortable Patterns

1. Mergers frequently set goals that will not be achieved but the illusion is comforting. In the corporate world there is a widespread assumption that at least half of the mergers fail to achieve the goals that brought them to consider merger in the first place. I'd guess that that assumption might hold in non-profit and religious systems.
2. There is a sense in which mergers are often about transferring the assets of one organization to another without acknowledging it.
3. Within a few years one of the organizations has "won" and the other has "lost" – power, quality of work life issues, members that stay in the merged organization, etc.
4. Mergers can result in lost members/employees and stagnation.
5. Poorly managed mergers can result in a merged organization with an organizational culture marked by denial, mistrust, illusion and a fear/blame cycle.

Intervention Objectives

Possible Objectives of the Merger Process –

1. Clarify and maximize the goals of merger, e.g., become institutionally stronger, increased size and financial resources while decreasing building and administrative costs; increased productivity, more energy and resources available for mission and vision; making use of the strengths of each party; gain synergy that would nor exist separately; etc.

2. Explore the options available to the organization, including options other than merger, and the choices within merger

3. Increase the ability of leaders for building mutual trust and for managing disagreement, tension, and conflict within and between the merging parties.

4. Develop ways of being and working as a merged organization that appear to have the best chance of being successful (i.e., success in facilitating and supporting the primary task of the organization). Set it up for success! If it is successful and sustained a new common organizational culture will evolve; if it is not successful there will be conflict and/or stagnation

and/or decline.

5. Begin the process of getting the merged organization focused on and competent for its on-going development.

Intervention Strategy

Interventions need to be made a various levels in the organization and over time.

1. Total System
2. With sub groups, e.g., similar departments, departments that will be interdependent in the merged organization, etc.
3. Before the merger
4. In the first years

This can be carried out in a standard organization development process of planned change with some special attention given to an exploration of the cultures of each of the merging organizations.

The merger process might include the following elements:

Pre-merger

- Exploration of options other than merger and within merger;
- Assessments of organizational cultures and the place of each organization in the their field and the community; work at understanding the deep and underlying assumptions in each about participation, decision making, leadership, etc.
- building trust within each existing organization and between the organizations. Also with organizations that are served by or vendors of those merging;
- developing clear and "owned" statements of mission, primary task, core values; and ways of working as an organization that are directed at success in the mission and primary task;
- exploration of possible staffing patterns;
- Identify the best of the processes, structures and climate of each of the organization; decide to use the best, develop something new from combining the ways of each, or create a new and better way.
- Identify and begin to develop the leadership competencies that will be needed in the integrated organization

Integration Team

- Have an integration team with responsibility that includes participation in all pre-merger work, the designing of the integration – develop action plans; careful exploration of and planning for likely barriers to success, look at possible resistance and "learning anxiety"

issues, etc.

Implementation

- Assess decisions being made about the merger in terms of the statements of mission/primary task and the culture you are trying to create
- Designing the integration – integration team and others
- Implementing the merger – celebrate success as you go along; be adaptable, refine, innovate, and revise as you go along.

Post Merger

- Post merger monitoring – assessments of emerging results; additional interventions to enhance results; refine and revise any aspect of the merger based on learning from the experience as it unfolds; etc.

The process of merger seeks an outcome in which there is a high degree of internal commitment to and collaboration in the newly merged organization. To a large extent that commitment will be built on:

1. How leaders come to an acceptance of people, merger goals and the merger process itself
2. The openness of communication and information flow – keep everyone informed; systematically gather ideas and feedback; over-communicate in all directions; provide ways for open dialogue in small group settings about ideas, fears, hopes and anxieties; deal with rumors openly and quickly; no secret meetings.
3. The setting of a goals that are based on free choice

The consultant needs to work with all parties to assist them in gaining the best results in this process.

Examples of Actions that May Help in a Merger Process:

1. The stronger party in the merger makes a decision to change in the direction of the other organization.

Two humorous, yet strategic examples -- many of us noticed that in the Time Warner – AOL merger when the two CEO's came together to make the announcement each was dressed in a manner that reflected the norms of the other's company. Deal and Kennedy report a similar event when IBM acquired Lotus in 1995. The meeting was between IBM senior vice president John Thompson and a group of Lotus senior managers. "In preparing for the meeting, the Lotus crew had donned conservative suits and ties they thought were expected in the traditionally buttoned-down IBM. They were shocked when Thompson, trying to play to the cultural dictates of Lotus, showed up for the meeting in a

T-shirt and jeans."

While the attempt to be sensitive was probably appreciated the more important issue may have been strategic. IBM wanted Lotus to maintain parts of its culture as a way of protecting the assets IBM sought in the merger. There was a lot for IBM to lose if Lotus technical people found themselves too alienated in the merger process and left for other positions. Edgar Schein reports just that scene in another merger. The larger company joins with a smaller firm with a significant number of engineers with skills the larger company needed. Within a few years most of those engineers had left for other jobs. They simply did not feel comfortable in the new setting.

2. Identify the healthiest subcultures in each organization and use them in the merger process. Draw on them for new leadership. Find ways to increase their influence in the merged organization.

3. Avoid "BS" – For example, don't tell people that this is a "new organization", it is in fact a merged organization and will have issues and dynamics that significantly differ from a new organization; don't tell the weaker party that this is a merger of equals – they will not believe you and you will damage your credibility and therefore trust;

4. Watch out for the tendency to seek harmony in a manner that avoids areas of tension. You may end up with a merged organization that has such a low level of integration that it is inefficient, ineffective and frustrating to be part of.

You want to allow for as much diversity as possible that shows respect for the identity and strengths of the merging organization. You also want to set this up for integration and harmony in the long run.

Some areas in which the creation of a common approach may help include:

- how the merged organization will by "marketed"; this might include considering coming up with a new name for the organization rather than using the name of just one or even both of the merging organization

- titles of officers and groups; consider coming up with new titles for at least some positions and groups.

5. Explore the cultures of each organization. Look at how each understands and expresses:

- Mission, primary task, goals
- The means and process to accomplish the mission, primary task, etc.
- How they measure success
- Methods for feedback and correction

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