Cultural Intervention during M&A and Major Organizational Changes

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Speakers

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Ake Ayawongs

Ake Ayawongs is a Principal and Head of Mercer's Mergers & Acquisitions Consulting Services in Asia, Middle East, Turkey and Africa. His focus is in advising organizations and executive teams on the human capital issues resulting from business transformations and M&A from pre-deal to post-merger integration stages.

He is a frequent speaker on M&A, culture integration, and leadership. He is a Mercer Certified Leadership Faculty in Asia. Ake is based in Bangkok.

Experience

Ake has held business leadership positions at Mercer based out of Singapore and Thailand.

He has advised on multiple in-country and cross-border M&A transactions on HR due diligence, post-merger integration management, leadership alignment, organization restructuring, workforce planning, talent retention, culture integration, and change management in the energy, banking, insurance, retail, and professional service sectors in Singapore, Thailand, Malaysia, Indonesia, the Philippines, Australia, France, and the U.S.

Prior to that, Ake was a Consulting Manager of a boutique strategy consulting firm where he led strategy, marketing, organization restructuring and change, and operations improvement assignments. Prior to that, he served as an investment analyst at an investment promotion agency and a Consultant at a leading global consulting firm.

Education

Ake holds a Master of Engineering from the University of New South Wales (AUS), a M&A Certificate from the Wharton School, University of Pennsylvania (USA). He is a Doctoral candidate at the Manchester Business School, University of Manchester (UK). His doctoral research is on culture integration in M&A.

Karen Bundy

Karen Bundy is a Mercer Principal and a Cultural Integration consultant in the firm's Mergers & Acquisitions business. She works with clients in the context of M&A transactions to assess culture, anticipate integration challenges, and align business drivers and behaviors to achieve desired outcomes.

Experience

Karen has over 13 years of experience with Mercer, consulting to clients across industry segments on Mercer's holistic approach to rewards, providing strategic guidance – from business and cultural alignment, key stakeholder engagement, and decision making to communications, administration and governance - on the various reward components.

Education

Karen has achieved her Certified Employee Benefit Specialist (CEBS) designation. She holds a bachelor's degree in Mathematics and Spanish from the University of Kansas and a Masters in Business Administration (MBA) from the University of Chicago Booth School of Business with concentrations in Strategic Management, Human Resource Management, Management & Organizational Behavior, and Accounting.

M&A Round Table: Cultural Integration
Agenda

- Introductions and objectives (5 min)

- Highlights from recent global research; including reflection on culture methodology, tools, and concepts (55 min)

- Appendix: Sample culture assessment outputs

INTRODUCTIONS AND OBJECTIVES

Introductions and Objectives
Cultural integration: From understanding to action

- We will
  - Provide highlights from our upcoming research article on cultural integration
  - A brief refresher on our culture methodology and tools

- In order to
  - Help our clients more readily include culture in leadership discussions and transaction related activities
  - Show you how to highlight the value of addressing culture in deals and to how to move from understanding to action -- accelerating the integration process and enabling deal value capture

PAVING THE WAY FOR DEAL SUCCESS

Ensuring a smooth integration is the top reason why deal-making organizations believe it is important to address culture considerations. But talent retention also ranks high on the list.

TOP REASONS FOR ADDRESSING CULTURE IN DEALS

ALLOW FOR A SMOOTH INTEGRATION — 92%

RETAIN CRITICAL TALENT — 78%

ENSURE ORGANIZATIONAL EFFECTIVENESS — 70%

ENSURE TIMELY ACHIEVEMENT OF DEAL SYNERGIES — 55%

DRIVE OPERATIONAL EFFICIENCIES — 52%

Source: Mercer Culture and Change Intervention in M&A Survey, 2013

HIGHLIGHTS FROM RECENT GLOBAL RESEARCH
INCLUDING REFLECTION ON CULTURE METHODOLOGY, TOOLS AND CONCEPTS

Culture in M&A
According to an Intralinks survey of 160 senior M&A practitioners, corporate culture is the most important factor leading to deal success

Discipline and focus prevail

Category	Percentage
Corporate culture	59%
Customer relationship management	39%
Human resources	37%
IT systems	29%
Regulatory compliance	27%

■ Percentage of respondents
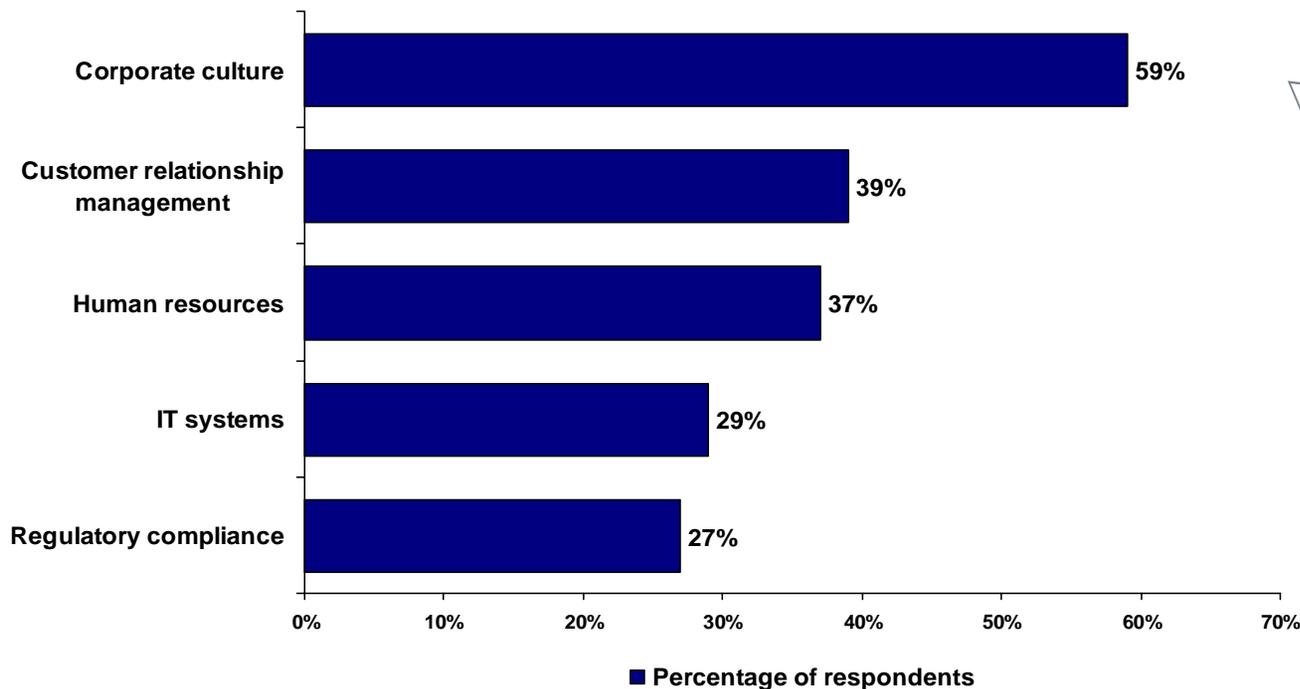
"We will address culture if and when it becomes a **barrier** to the organization's ability to **accomplish its goals**." Vice President of Human Resources; Large, National, Telecommunications Company; Source: Mercer Culture and Change Intervention in M&A Survey, 2013

A Latin America based CEO put it this way: "We need a unified corporate culture to make the strategy as whole as the process."

Source: INTRALINKS, Global M&A Survey, An outlook on global M&A activity, December 2011

When To Address Culture in a Transaction

Addressing culture early on is critical to ensuring a focused integration and the timely capture of expected deal synergies

- It is important to address culture early

- Publically available information is rich with data to support cultural inferences

- There are more than likely non-negotiable cultural attributes on both sides of the transaction; it is important to know what those are

"Culture is important to take into account when **identifying a target,** in the **due diligence** phase AND in the **integration** phase." Jacoline Van Blokland – DSM; Source: Mercer Culture and Change Intervention in M&A Survey, 2013

Ensure *deal synergies* are achievable

By defining the *business context* of the deal

And by understanding *organizational fit* and *national differences*

Revenue synergies
Direct cost synergies
Overhead cost synergies
Balance sheet synergies

Environment
Strategy
Actions
Barriers
Winning

Leadership
Rewards and Recognition
Workforce
Performance management and engagement
Communication
National and Business Culture

Addressing Culture Early in a Transaction
National Fit (sample)
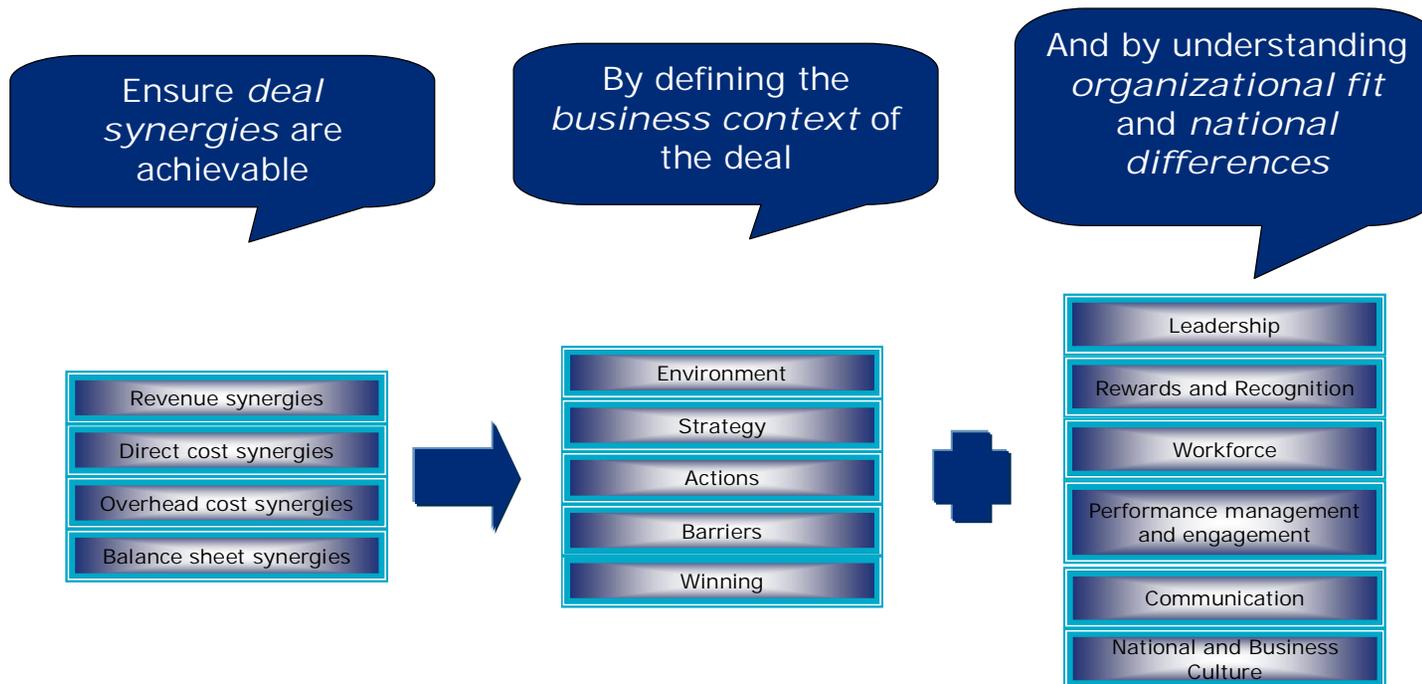
While we can't change national cultures, understanding differences is critical to getting started on the right foot
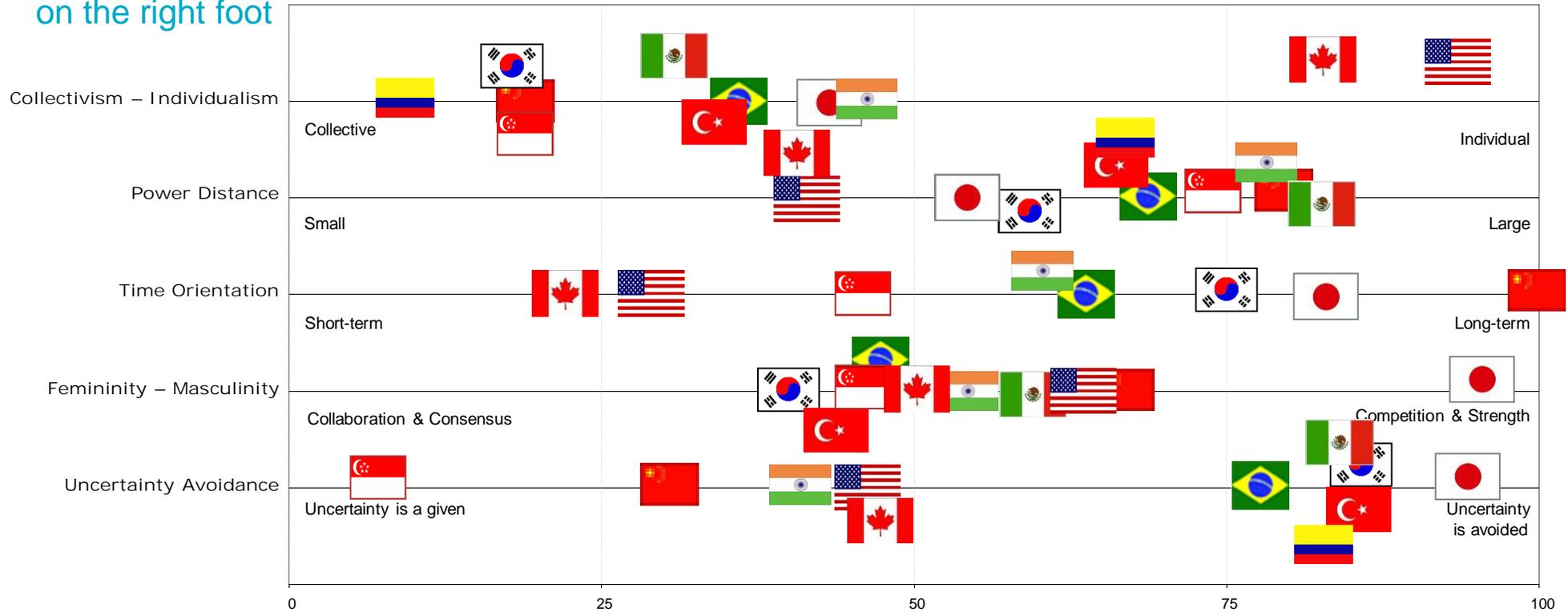
	Collectivism – Individualism	Power Distance	Time Orientation	Femininity – Masculinity	Uncertainty Avoidance
Canada	80	39	23	52	48
US	91	40	29	62	46
Brazil	38	69	65	49	76
China	20	80	118	66	30
Colombia	13	67		64	80
India	48	77	61	56	40
Japan	46	54	80	95	92
Mexico	30	81		60	82
Singapore	20	74	48	48	8
South Korea	18	60	75	39	85
Turkey	37	66		45	85

10

Addressing Culture Early in a Transaction

Key deal considerations ascertained from understanding organizational fit can help inform deal strategy formulation and diligence priorities

Component	Component Description
Leadership	• Characterizes the company's leadership composition, management philosophy, experience and effectiveness of leaders, and attitude of leadership towards the deal.
Rewards & Recognition	• Characterizes how employees are compensated (including levels of pay & components of pay), performance measurements, and employee recognition.
Workforce	• Characterizes the company's work force structure, decision making processes, and non-executive talent (i.e. broad-based employees).
Performance Management	• Characterizes the elements of performance that drive performance ratings, the degree to which pay is differentiated based on performance, and current levels of employee engagement (including the impact of the deal on engagement).
Communication	• Characterizes the flow of critical information within an organization, including communication to employees regarding the deal.
Espoused/ Expressed Culture	• Characterizes an organization's culture including its vision, values, mission, community involvement and workplace environment.

Formulating a Deal Strategy

Understanding cultural differences early on, not only can provide insights no matter what the anticipated level of assimilation is, but can also help determine the right level of assimilation at the right time

- Apply preliminary understanding of a target's culture to the formulation of a deal thesis and integration strategy

- Cultural understanding impacts the degree, depth and timing of integration activities

- It is important to ensure common perspectives among leaders, even if the entity will remain stand alone or loosely coupled

"As we dug deeper into the **cultural differences** of our two organizations, we came to the conclusion that **our deal strategy needed to change to a longer time frame** before integration, leaving the target organization loosely coupled within our organization's framework for a period of time" Japanese-Canadian inbound transaction – Anonymous; Source: Mercer Culture and Change Intervention in M&A Survey, 2013

Coupled

Loosely Coupled

Organizationally Integrated

Separate Holding

I

A

Fully Integrated

"Investment" model

"Assimilation" model
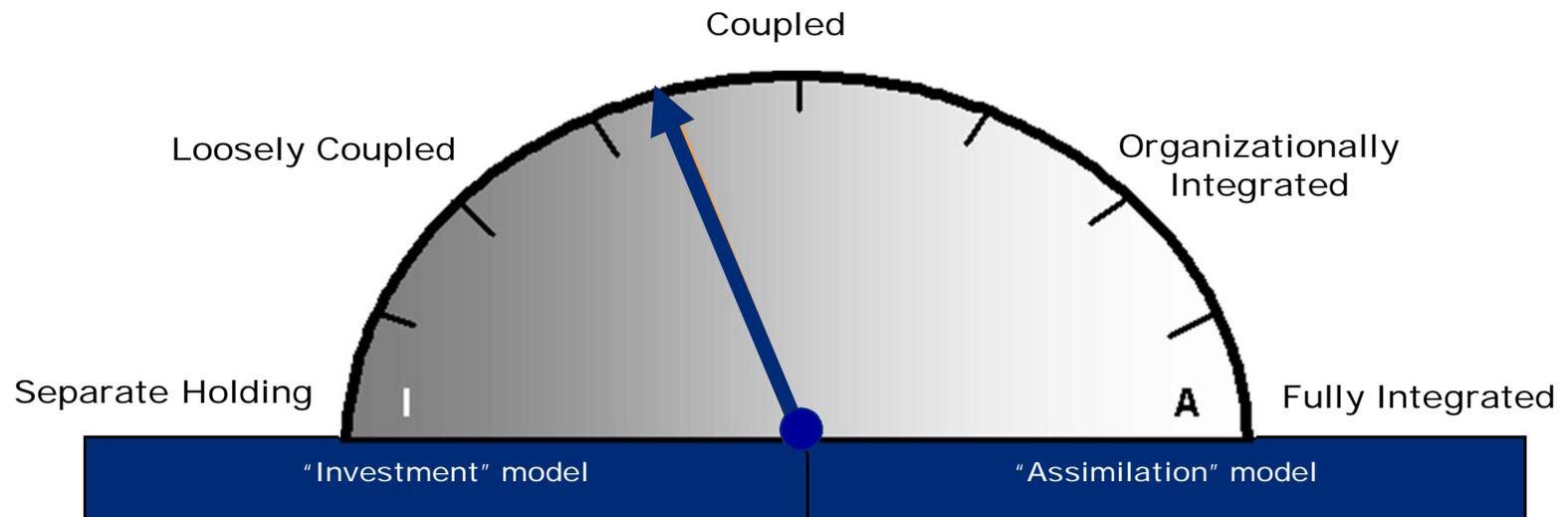
Tools to Better Understand Cultural Differences

There are many tools out there to better understand cultural differences, the key is finding the tools that are right for your organization and the deal context

- Conduct executive interviews and surveys with both the acquiring and target organization's leaders

- Invest time to analyze the labor flows of the target organization

- Once announced, further engage the leaders of the workforce through on-line surveying

European organization's are **ahead** of the curve on looking at **HRIS data** as part of their culture analysis

MERCER TOOLS	ACTIVITY	OUTPUT
Executive Culture Assessment	• 42-item survey, online/paper of key leaders • Current vs. ideal culture	• Directional view from key leaders • Identify areas of alignment and gaps
Executive Interviews	• One on one conversations with leaders • Current vs. Ideal culture	• Supplementary directional view • Identify areas of alignment and gaps
Human Capital Scan™	• Online survey • Current people practices	• Identify workforce challenges • Understand deal implications
Human Capital Analytics	• Internal labor market mapping • Basic HRIS data analysis	• Support or refute "say" with "do" evidence • Understand labor flow behaviors

Tools to Better Understand Cultural Differences
Using Mercer's Internal Labor Market map (http://www.mercer.com/ilmtool)
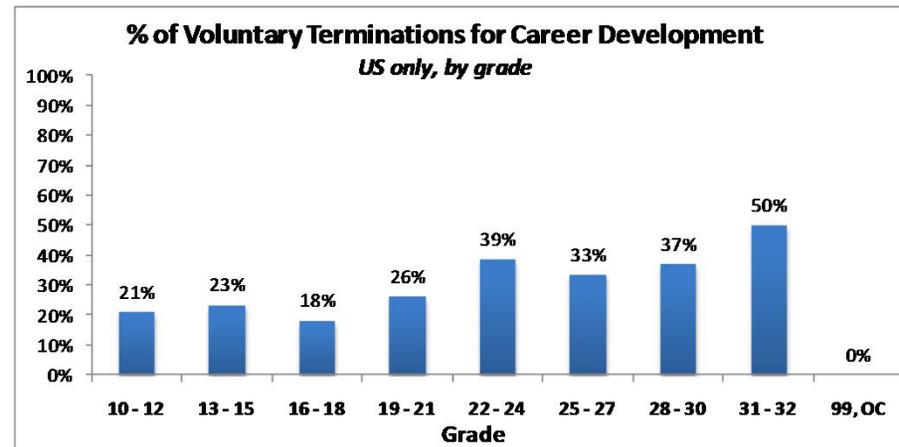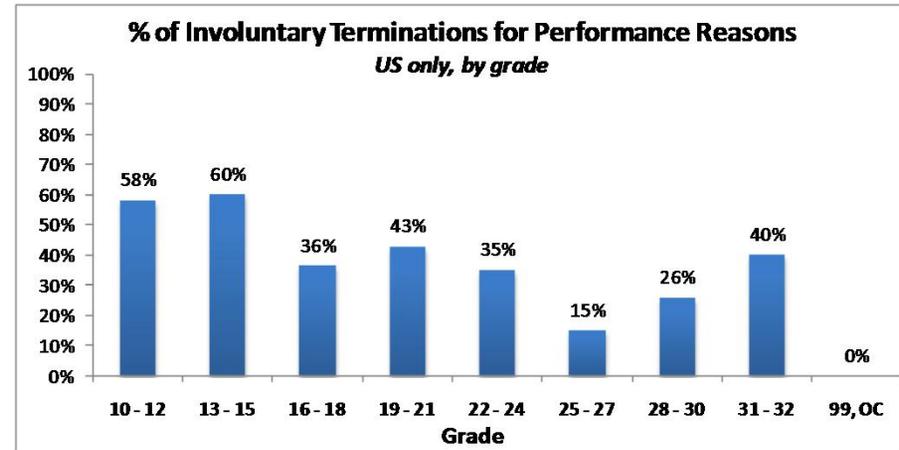
In this particular case, we used the client's **HRIS data** to infer **whether or not** the organization's culture was in fact **performance based culture** where key employees were retained to **grow and develop**

October 31, 2013

Effective Drivers of a Successful Organization
There is a mis-match between what organizations do to achieve desired synergies and what organizations are doing that is most effective in driving cultural integration

- Applying the rigor of the cultural assessment process is critical to determining the most effective drivers for a particular client and deal situation

DRIVING TO DEAL RESULTS

When asked about the drivers used to achieve synergies in a recent deal, respondents to Mercer's survey indicated a slight difference between the drivers that were most frequently implemented and the drivers that were considered most effective in producing desired results.

DRIVERS MOST FREQUENTLY IMPLEMENTED

- Manager and new employee onboarding activities
- Alignment of compensation policy and systems
- Strategic organizational change communication
- Leadership assessment

DRIVERS CONSIDERED MOST EFFECTIVE

- Leadership assessment
- Manager and new employee onboarding activities
- Alignment of compensation policy and systems

Source: Mercer Culture and Change Intervention in M&A Survey, 2013

Engaging Employees and Measuring Change

As an organization moves through integration planning into the first 30, 90, and 120 days and throughout integration, it is important to engage employees and measure change

- Engage the employees at the target through employee focus groups of target populations or employee surveys

- By measuring employees' perspective on the current state culture, an organization can better judge the distance it has to go to achieve the desired behaviors and outcomes; as well as better understand the gaps between the points of view of leaders and the workforce

- Similarly, organization's often use pulse check surveys to measure progress of the integration

Tools and Sample Outputs
Sample Pulse Check survey
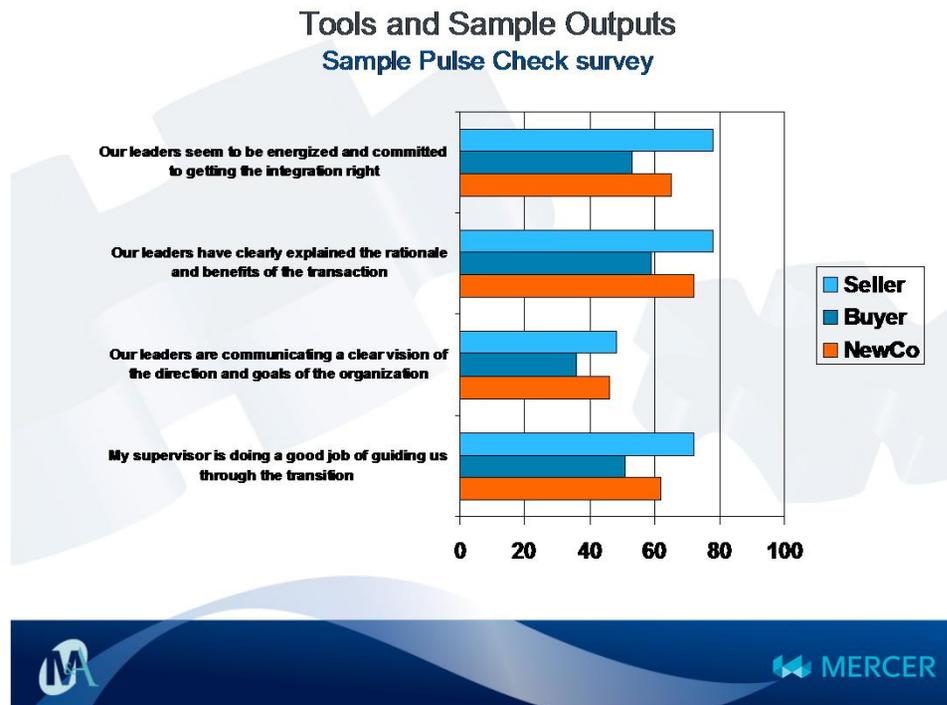
Measuring Cultural Change and Related Deal Synergy Capture

Organization's may also want to consider creating a dashboard or scorecard to measure progress through additional metrics such as specific deal synergy desired outcomes

			Impacted Synergies										
			Products to market	Customer retention	Customer acquisition	Involuntary turnover for performance	Voluntary turnover for career development	Voluntary turnover	Performance rating	Employee engagement survey scores	Profitability	Revenue	Total Increase in Synergies
Current State											$ 450,000,000	$ 890,000,000	
Impact on Revenue			4%	4%	3%	-2%	-3%	-2%	0.50%	NA	NA	NA	
Impact on Profitability			NA	NA	NA	NA	NA	NA	0.50%	0.50%	NA	NA	
Driver/Action	Cost	Feasibility											
Leadership													
Role model	$ 50,000	Medium	0.20%	0.00%	0.00%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.023%	$ 213,700
Feedback	$ 700,000	Low	0.30%	0.00%	0.00%	-0.30%	-0.30%	-0.30%	0.30%	0.30%	0.003%	0.035%	$ 320,550
Leadership Development	$ 300,000	Low	0.50%	0.00%	0.00%	-0.50%	-0.50%	-0.50%	0.50%	0.50%	0.005%	0.058%	$ 534,250
Rewards & Recognition		Low											
Recognition systems	$ 50,000	Medium	0.20%	0.00%	0.00%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.023%	$ 213,700
Incentive compensation	$ -	High	0.40%	0.00%	0.00%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.031%	$ 284,900
Manager training	$ 100,000	Low	0.00%	0.00%	0.00%	-0.50%	-0.50%	-0.50%	0.50%	0.50%	0.005%	0.038%	$ 356,250
Communication		Low											
Current state	$ 10,000	High	0.00%	0.00%	0.20%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.021%	$ 195,900
Strategy	$ -	High	0.00%	0.00%	0.20%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.021%	$ 195,900
Guidelines/ principles	$ -	High	0.00%	0.00%	0.20%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.021%	$ 195,900
Customer Scorecard		High											
Outside-In/R&D Field Travel	$ 25,000	High	0.00%	0.30%	0.30%	-0.30%	-0.30%	-0.30%	0.30%	0.30%	0.003%	0.044%	$ 400,650
KPI	$ 10,000	High	0.00%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.008%	$ 71,200
Scorecard	$ 10,000	Medium	0.00%	0.50%	0.20%	-0.20%	-0.20%	-0.20%	0.20%	0.20%	0.002%	0.041%	$ 373,900
Process Improvement		Medium											
Strategy	$ 500,000	Low	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.000%	$ -
Pilots	$ -	High	0.50%	0.00%	0.00%	0.00%	0.00%	-1.50%	1.50%	1.50%	0.015%	0.058%	$ 579,250
Customer intelligence	$ 50,000	Medium	0.20%	0.00%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.000%	0.023%	$ 204,700
Total	$ (1,805,000)										0.045%	0.443%	$ 4,140,750

Highlights From Recent Global Research
How to realize deal synergies sooner

Business Context Development
Leaders work together to establish guiding principles, prioritize issues, and define key people imperatives

Cultural Alignment Workshop
Leaders leverage executive input and analytics to align desired behaviors and determine which investments in the workforce and HR programs will drive deal value

High Level Road Map for Implementation
A high level road map that outlines actions, accountabilities, and measures of success

Engage leadership early and often to ensure success

Use data and analytics to move along the continuum from "I think" to "I know" to make certain appropriate actions are taken

Develop a custom portfolio of solutions to drive changes in behaviors that align with the needs of the future organization

Create a clear path to move from understanding to actions

"You need to have the **discipline** to **start early**, get the businesses to take **ownership** (position from the businesses' point of view and make it second nature). Be very specific about interventions by engaging leaders to determine the desired behaviors to achieve our new integrated operating model. Move forward by working with key talent in each of the businesses to put in place **relevant and timely drivers** of change. RBC Caribbean has seen a shift to a more open environment, and, in combination with operational **improvements**, improved customer service survey results in key areas."

Amos Herai, RBC Caribbean; Source: Mercer Culture and Change Intervention in M&A Survey, 2013

Professional Development Session on Culture
Wrap-up

Tools you can use now:

- Ask culture questions during deal process scoping
  - Have you addressed culture in previous deals?
  - Do you have a baseline of your own culture?
  - What do you know about the target's culture?

- Use the Business Context Document to confirm strategy, winning, and barriers throughout the project

- Provide your leaders with National culture data when a cross-border transaction is considered

- Build an Organizational Fit Analysis into early-stage due diligence process and budget

- Incorporate culture questions into your client and target interviews

- Consider using available HRIS data to move from "I think" to "I know" as it relates to workforce behaviors

Questions & Answers session

Questions asked during the webcast

Questions from the audience submitted before and during the webcast	Answers from the speakers
How does culture play in a major organizational change? What tools one can use to effectively manage org changes from both process and cultural perspectives?	On-line culture surveys, engagement surveys, focus groups, leadership interviews, facilitated workshops...are all good tools to understand differences, desired future state and required change, how to get there
What could be effective KPIs [key performance indicators] for cultural integration in PMI?	Effective KPIs should be determined by the desired deal synergies; please reference page 18 (slide 17) for an example of how the effectiveness of change drivers were measured for a Mercer client who acquired another large organization
How can one handle cultural diversity between two organizations coming together ?	First determine non-negotiable cultural attributes for your own organization and then seek to understand key differences between how your organization gets work done and how the organization you are looking to merge with gets work done and how that drives its current culture and success; then engage leaders in a facilitated discussion to determine the desired future state and how to get there
Flexible Benefits, total reward strategy	Flexible benefits and total rewards strategy are just one potential driver of an organization's culture. Make the link between this driver and how your work force behaves; and ultimately the business results
How can we measure the results of the change management projects?	In addition to KPIs, as outlined above, Mercer also recommends conducting a "Pulse Check" survey of key workforce segments
How to successfully retain employees after M&A	Addressing cultural similarities and differences is key to employee retention; similarly the process to understand those differences can be used as an engagement tool, i.e. employee surveys and focus groups

Questions asked during the webcast

Questions from the audience submitted before and during the webcast	Answers from the speakers
There are many aspects to culture - some obvious and some very subtle. How do we identify the areas that are likely to pose problems in integration?	Using a non-invasive, confidential tool, such as Mercer's Executive Culture Assessment on-line survey, followed by a facilitated leadership workshop with both parties present can help surface the more subtle aspects of cultural differences
How do I ensure that the employee motivation and transparency is maintained in these situations and at the same time less of negative grapevine in the organisation?	Develop a communication strategy at the outset of the transaction; ensure leaders have the competencies and skills required to deliver the appropriate messages throughout the organization; and engage employees through on-line surveys and/or focus groups
What if several companies merge into one to exist as subsidiaries, should one follow the other but the other still use their own compensation system and so on?	The extent to which subsidiaries will have in place the same drivers, i.e. the same compensation system, is dependent on the desired future state of that organization; it is possible that multiple subsidiaries will have different compensation systems, especially if they are looking to attract a different type of work force or drive different performance outcomes (i.e. sales versus productivity)
Where is national culture data available for different countries?	http://geert-hofstede.com/countries.html
Do you have advice for a business that is being separated from a bigger division?	When an organization is divested or separated from a bigger division, it is even more critical for that organization to understand its current culture and align around its desired future state; knowing where it wants to go from a cultural perspective, can help leaders make decisions around specific drivers; i.e. whether or not to use the same systems as the parent company or implement something new. Drivers – Behaviours - Outcomes

Questions asked during the webcast

Questions from the audience submitted before and during the webcast	Answers from the speakers
I'd like to understand the table on page 18 (slide 17) a little more. what is meant by the column entitled cost and how have the values in the last column been calculated and what do they indicate?	The cost column indicates the cost of implementing the driver (i.e. cost of a leadership development program). The total synergies were based on the profitability and revenue of the newly combined organization. We worked with the leaders of the various business units to get their buy-in on impact to each of the synergies if we were to implement the drivers.
There is a myth in M and A practices, especially in Asia, where an acquisition of company can caused a gradual channeling of main core business out of the acquired company, how do we manage this in the area of due diligence. Is culture able to manage this?	Addressing cultural similarities and differences and understanding how the target gets work done, can help manage the tendency to diminish the core capabilities of the target during integration. By knowing what it is about the target's culture and how it gets work done that has driven its success to date, the acquirer can make better integration decisions so as not to destroy those value drivers. Similarly, if the acquirer knows what its non-negotiables are (i.e. no matter what, the target will have to follow our compliance procedures), then it can anticipate whether not any synergies may be lost (in this case, we may lose some key talent that is valued for his or her tendency to work outside of the boundaries). We recently worked with two organizations that went through the culture assessment process, including a leader alignment workshop, during due diligence. As a result, several issues were raised that the leaders were not able to come to an agreement on, as they each believed how they were doing things was critical to getting to the future state, and decided to terminate the transaction.
Some examples on successful M&A's. What did they do right?	Engaged leaders from both organizations early in the process, before integration planning began.

APPENDIX
SAMPLE CULTURE ASSESSMENT OUTPUTS

Cultural Integration Methodology
Sample diagnostic tools

TOOLS	ACTIVITY	OUTPUT
Business Context Document	• Draft in planning meeting • Supplement with interview findings	• Ensure share view of the business case • Align on expected synergies
Organizational Fit Analysis	• Noninvasive internet search • Pre-deal, before access to target	• Understand target's culture • Surface issues, test "fit"
Executive Culture Assessment	• 42-item survey, online/paper of key leaders • Current vs. ideal culture	• Directional view from key leaders • Identify areas of alignment and gaps
Executive Interviews	• One-on -one conversations with leaders • Current vs. Ideal culture	• Additional context and anecdotal data • Identify areas of alignment and gaps
Human Capital Scan™	• Online survey of first line management • Current people practices	• Identify workforce challenges and drivers of behavior • Understand deal implications
Human Capital Analytics	• Internal labor market mapping • Basic HRIS data analysis	• Support or refute "say" with "do" evidence • Understand labor flow behaviors
Focus Groups	• 3-4 employee/leader focus group sessions • 10-15 participants each	• Critical employee or leader group feedback • Key talent engagement
Employee culture survey	• 50-60 items, six dimensions • Online, 100 or 100,000 EEs	• Perceptions of key EE groups • Identify gaps with executive views
Pulse check survey	• Quick 20-item online survey • Integration progress check	• Test traction of integration • Identify issues, areas to reinforce

Cultural Integration Methodology – Sample Output
Business Context Document

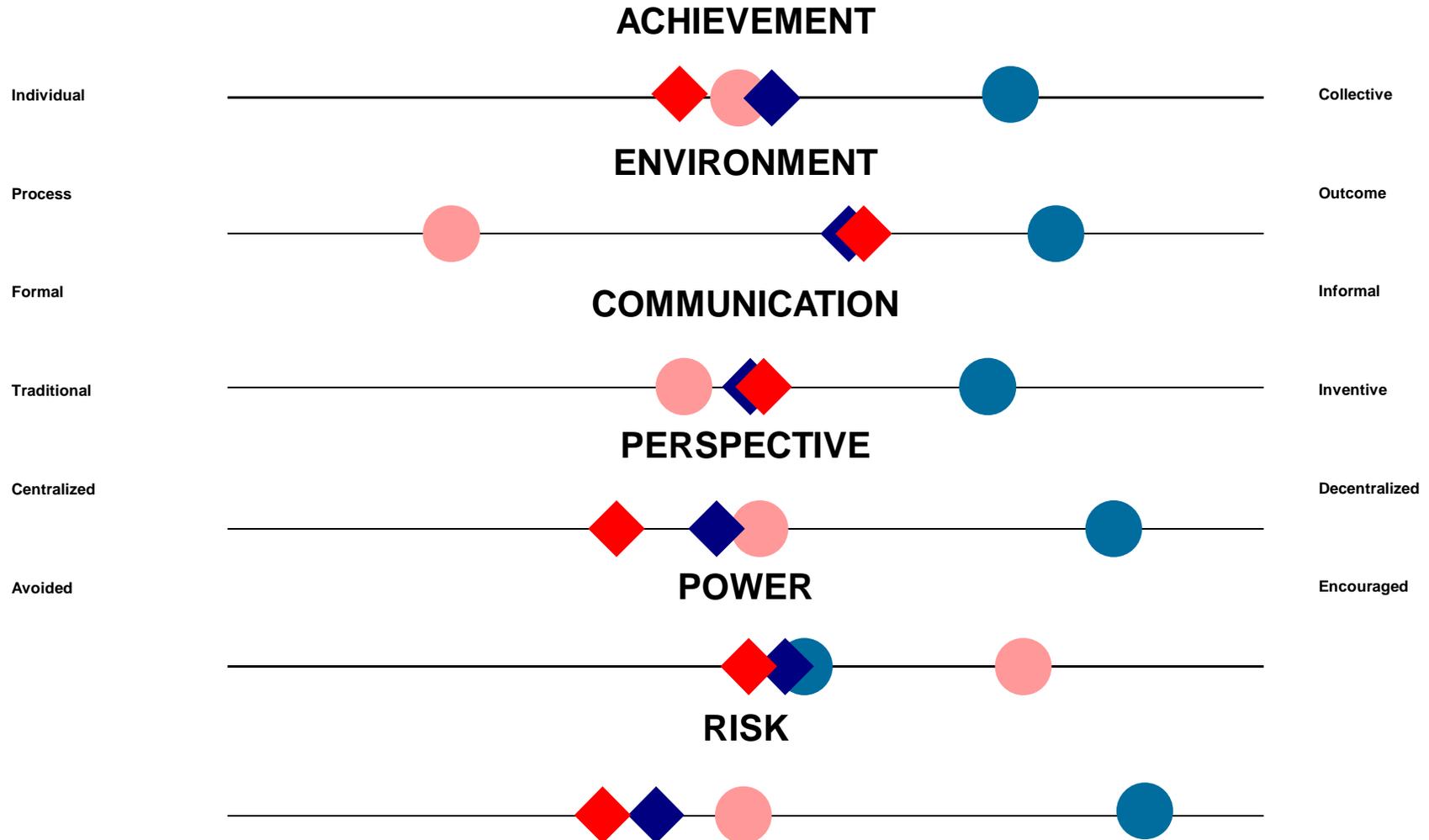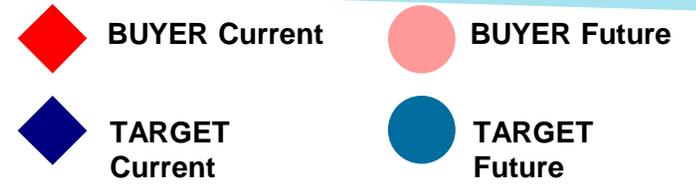| ENVIRONMENT	STRATEGY	ACTIONS	"WINNING"	BARRIERS
BUYER's technologies address three important medical markets: blood and plasma component collection, the surgical suite, and hospital transfusion services	Integrate TARGET assets including a leading filter technology and manufacturing capability, a broad portfolio of manual collection and processing products, a strong and experienced employee base and relationships with major authorities and customers	Develop robust onboarding support – now and ongoing	Maintained revenue stream of businesses being acquired	**Industrial focus versus medical focus – incoming employees will want to know what this means for them**
Within the blood collection business, there is some overlap with TARGET		Understand systems and capabilities	Remained at least neutral in fiscal 2013 and accretive in fiscal 2014 and beyond	**Lack of TARGET senior leadership, integrating two to three layers down – will there be a voice for them?**
Through the acquisition, BUYER will expand the employee population (1,300 employees) and geographical coverage, including manufacturing facilities in Covina, California; Tijuana, Mexico; and Ascoli, Italy and a portion of TARGET assets in Fajardo, Puerto Rico	Expand customer base - 15% market share in whole blood market	Ensure customer outreach	Maintained customer contacts	**Losing infrastructure support – will we miss something in getting up quickly?**
Between the two organizations, there are synergies in customer approach – value stream mapping/impact consulting	In addition to the unique filter technology to support an end to end portfolio, leverage TARGET's unique skills as they relate to the understanding of fluid movement	Leverage extended shelf life capability recently acquired	Improved on TARGET's current growth of 2-4%	**Managing different expectations around investments**
There is trend in the marketplace of adding value through solution, not just product – a combined portfolio creates a win-win for company and customers; competitors have not gotten here yet	Capitalize on automation in high-speed manufacturing, continuous improvement to enhance current capabilities	Address gaps in current BUYER cultures and TARGET culture to ensure smooth integration	Accelerated integration and improved odds of hitting financial objectives	**Impact of acquisition on reputation in the marketplace**
Manual whole blood collection is a $1.2 billion global market	Develop a first whole blood automation package over the next several years	Create alignment around future state organizational culture to capture deal synergies sooner	Engaged leaders	**3 major manufacturing facilities with no executive level presence**
			Positive executive feedback	**In some locations (i.e. PR), employees will continue to share resources and interact with TARGET employees**
				Limited collaboration by TARGET today

Cultural Integration Methodology – Sample Output
Organization Fit Analysis Summary

Fit Component	Deal Inhibitors	Deal Facilitators
Leadership	• Executives with employment contract obligations may be economically incented to leave post-acquisition • XYZ's leadership style contrasts sharply with that of ABC's • Loyalty to XYZ CEO could result in attrition if CEO is not retained	• Appears as though only the CEO is impacted by a CIC agreement • XYZ and ABC's direct and transparent leadership style
Rewards & Recognition	• Pay inequity between XYZ and ABC executives may lead to engagement issues • Pay and benefit inequity may result in additional cost to ABC to rationalize the new organization	• Opportunity for pay increase for XYZ employees may prove to be a good retention tool
Work Force	• XYZ's decentralized work force model may not lend itself to expected synergies around global expansion • ABC's rigid processes and procedures may stifle innovation and creativity and lead to attrition • XYZ's informal approach to cross-functional collaboration at the account level will clash with ABC's more enterprise-level approach and result in decreased productivity • Positions' roles and responsibilities are much more rigidly defined at ABC; the adoption of ABC's more rigid position model may hinder XYZ's employees ability to effectively complete their jobs	• ABC's virtual workforce model allows for additional career growth and can be positioned as an advantage for the diverse, driven workforces of both organizations • ABC's processes and procedures can be leveraged to take more calculated risks and ensure efficiencies • Integrating XYZ's informal, collaborative approach at the account level with ABC's global network and capabilities, along with process driven nature, will not only ensure productivity is not lost but will facilitate revenue growth and market expansion • ABC can leverage its Employee Value Proposition (EVP) to enable XYZ to achieve its hiring goals
Performance Management & Engagement	• Applying additional structure, discipline, and processes' to XYZ may severely restrict employees' ability to effectively and efficiently do their jobs, thus negatively affecting employee engagement, productivity and retention	• ABC can carefully contemplate the effects of applying additional structure, discipline and processes on XYZ employee engagement and leverage and position those capabilities to achieve the best of both worlds
Communication	• Both organizations need to focus on communication down through the organization as this is critical to reducing employee anxiety	• Both organizations promote direct and transparent communication
Espoused/ Expressed Culture	• XYZ's casual dress code is believed to foster the creativity and innovation it needs to be successful • ABC's business casual environment may be stifling and lead to attrition • Each organizations' tendency to "go against the grain" is likely to cause some difficulty in implementing ABC's non-negotiables	• Both organizations are passionate about being on the forefront of the industry and providing best in class innovation • The leadership of ABC and the culture of XYZ both promote work/life balance • Both organizations employees thrive off being different, the employees should be well-positioned to join together

Cultural Integration Methodology
Sample similarities & differences

BUYER   TARGET

Passionate and Challenged

Financially Successful

Business Transparency

US Orientation

Hard Working, Confident and Committed

Cultural Integration Methodology
Sample similarities & differences

BUYER

TARGET

Currently operates in silos but systems going into place to facilitate cross-business collaboration	**Organizational Structure**	Vertically integrated; agile with limited bureaucracy
"Fear" of taking risks and the repercussions of mistakes; lack of confidence ideas will be considered	**Risk Taking**	Open to risk within the context of roles; hold people accountable
Inclusive; several parties required to make decisions	**Decision Making**	Make decisions commensurate with responsibility and scope
Financial discipline; recent efforts to focus organization on customer service	**Customer Relationships**	Partnership with customers; Customer service and customer engagement
Rely on acquisitions for innovation; "buy" external talent	**Responsiveness and Innovation**	Customers involved in product development; long tenure; knowledge of business

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