Cultural Integration – Usually a Difficult Goal to Accomplish

Part 3: Keeping Newly Merged Leadership Teams Healthy Requires Awareness

Mergers that require the integration of business operations usually involve the merger of leadership teams. Typically, a determination is made relative to the leaders who will be immediately "retired," and those who are essential to the business operation of the merged company. Sometimes one or more new leaders with a specific expertise are introduced who were not previously affiliated with either the acquiring company or the target company. It is not uncommon for existing leaders to take on different (expanded or diminished) roles than previously held. There are also situations in which historical leaders who have successfully grown the target company are retained on a temporary basis to support the integration process. Each of the leaders on the newly merged leadership team is perceived to bring an essential perspective, leadership experience, and skill set to the team that will be valuable in executing the merged company's business strategy. However, each also brings to the table a preferred leadership style, a cultural perspective, a competitive nature, and, in most cases, a healthy dose of testosterone. This sets the stage for two kinds of conflict among members of the leadership team. One type of conflict is healthy. The other is not. An essential first step in post-deal integration is raising the awareness of the leadership team relative to the risks involved with the integration process – beginning with the potential for conflict among its members.

Unhealthy conflict occurs when power brokers perceive the merger or acquisition as a new opportunity to develop or enhance relationships that could alter influence and authority. It results in competitive relationships that are grounded in self-interest and not in the successful execution of the business strategy. Healthy conflict occurs when each member of the leadership team candidly verbalizes a perspective that is based on the skills and experience that s/he is uniquely qualified to provide and that contributes to a decision that takes into account all of the advantages and disadvantages of the decision at hand. A successful integration strategy discourages unhealthy conflict among members of the merged company's leadership team and encourages healthy conflict.

One way to stem the adverse consequences of unhealthy competition is to make determinations quickly about the roles and responsibilities of members of the leadership team. The sooner these decisions are made, the less speculation about the possibility of influencing future decisions and the sooner executives will settle into their new roles. Encouraging healthy conflict can be more difficult. Speaking truth to power is never easy even under the best circumstances when a trusting relationship exists. It becomes especially difficult to do when there is not a longstanding relationship and the response to the feedback may be perceived to have career-limiting consequences. The leadership style of the CEO is also a contributing factor. If the CEO invites candid feedback, the chances of receiving it are enhanced. If it is apparent that the CEO has a "command and control" orientation, members of the leadership team are likely to "salute the flag" since that is the expected behavior. M&A experts point out that candor and objectivity are so important in the decision-making process that it may be necessary for the CEO to assign members of the leadership team to research and advocate opposing points of view to ensure that leadership decisions are based on effective strategy execution and not on deference to the CEO.

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