Culture of Destruction

Volume 6 Number 13—July 10, 2017

Mergers may not be accretive.[i] Executives begin the merger/acquisition process with expectations that shareholder value will be increased. Investment bankers develop financial models indicating that this will be the case. So why then do so many fail to return the expected value?

There are many reasons mergers fail and it is beyond the scope of this blog to address this voluminous subject. However, in the writer's personal experience one issue has thrice torpedoed management's expectations and diluted equity of the acquirers.

Organizational culture has been commented about extensively and is the source of pride and other values to the firm and even entire industry sectors. However, there can be an evil twin.

Who's in Charge?

When two different organizations join as one, cultural difference must be addressed and any issues mitigated. Often 'employees' of the acquiring company act as if they are 'in charge.' Peers and even subordinates can act as if they are the *owners* of the new group.

If such an attitude is allowed to persist a corrosive environment ensues. One IT enterprise (now acquired by an even larger fish) allowed two cultures to persist for years. So called, REAL employees were part of the parent company. Personnel of new acquired organizations were referred to as TRANSITIONED employees.

These labels started in the HR department during the initial briefing process. As one might expect, the loyalties from transitioned individuals often never materialized. Significant brain drain can often result especially in an organization such as this one whose personnel had highly transferable skills. In this case hundreds of skilled individuals left the acquiring firm during the early months. Dilutive?

Merger of Equals

In another case two geophysical firms were acquired by a larger service company for the purpose of creating a new division. Reasonably successful on their own, it was hoped (hope is not a strategy) that one strong competitor would emerge. This was during a period of industry consolidation, so these expectations were common across the sector.

However, while combined in name only, the two former competitors continued to behave as if they still were. Individuals and even departments were allowed to conduct themselves in this manner for years.

This behavior went so far as to include individuals' desks arrangement such that people from the other firm did not have to engage in daily activities with the other. Clearly, two cultures remained and the newer stronger competitor never materialized.

Later during an industry downturn, this division was sold at a fire sale price. The new acquirer was mostly interested in eliminating a competitor so equipment was retired and individuals laid off.

This lose-lose scenario accomplished nothing. Not for the company and certainly not for the individuals. Dilutive?

Merger of Un-Equals

In our final tale, a small software firm was acquired by a much larger industrial firm. Physically located in another region from the acquirer's multiple locations, the software firm's management team struggled to be part of the organizations leadership team.

Over time misunderstandings on the part of both developed. Moreover, the new software division was significantly smaller than any other division the acquiring company. Perception by many was that the software company was 'not carrying its weight.'

Too late, efforts to address issues failed. This division was liquidated and its personnel hired by software divisions of several of the industrial firm's competitors. In this case; however, lessons learned resulted in a much more successful acquisition of another software firm later.

In this pundit's opinion, there were two cultural culprits at play. Both firms saw themselves as superior. The software company because of it leading edge products.

The industrial firm because of its size and the fact that much of the leadership team had been together for years. Moreover, the new interlopers were never fully accepted and the gatecrashers did not really want to be a full member of the overall team either.

The resulting acidic environment had to result in the end game described herein. Once again, neither the firm or the individual corporate officers and employees benefited. Dilutive?

The Moral of These Stories

We have previously commented on the **R**elationships, **B**ehaviors and **C**onditions (RBC) model and its role in cultural analysis.[ii] As shown in these mini case studies, conditions were permitted that allowed poor behaviors to continue. The resulting destructive relationships were predictable.

Some will say in hindsight these points are easy to recognize. However, this pundit believes that the RBC model has certain predictable capability that enable management to adjust behaviors and or conditions and change the outcome.[iii]

Sadly, there are probably many similar and perhaps even more destructive examples of cultural malfeasance. Nevertheless, there is no need for a culture of destruction to exist. Furthermore, it certainly is managerial misfeasance if it is allowed to continue once it's been uncovered.

Are You Sure There are Not Destructive Elements in Your Organizational Culture?

Additional details are available from the author.

About the Author

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End Notes

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[i] Shemwell, Scott M. (2011). Can SARBOX Add Shareholder Value? Essays on Business and Information II: *Maximizing Business Performance*. (pp.81-82). New York: Xlibris.

[ii] _______ (2011, January). The Blast Heard Around the World. Petroleum Africa Magazine. pp. 32-35.

[iii] _______ (2015). Structural Dynamics: Foundation of Next Generation Management Science. Houston: RRI Publications. http://www.amazon.com/Structural-Dynamics-Foundation-Generation-Management-ebook/dp/B00U0JKMT0