

# Governing Energy

## Preserving Your Culture

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The upstream sector is in an era of consolidation, a typical response to the down cycle. While every sector has an ongoing merger, acquisition and divestiture component of its strategy large mega-mergers are rarer.

Recent mega-acquisitions include: Halliburton's intent to acquire Baker Hughes (\$35 billion), Schlumberger's bid for Cameron (\$15 billion), Shell—BG (\$72 billion) as well as others.<sup>i</sup> Doubtless, this trend will continue.<sup>ii</sup> What if anything will these mergers mean to the inherent competitive advantage provided by an organization's culture?<sup>iii</sup>

Acculturation is the process by which extended inter-cultural exposure changes the original culture of one or more of the interacting cultures.<sup>iv</sup> This can happen to an organization as it expands internationally or even when its demographics change as a result of new entrants into the workforce, i.e. Millennials replacing Baby Boomers.<sup>v</sup>

One can expect that the collision of cultures resulting from a mega-merger will result in a new organizational culture for the new entity. There is anecdotal evidence that this has happened before. Indeed as of this writing the migration to Europe from the Middle East is fueling concerns regarding the future of the culture of those countries.<sup>vi</sup> Perhaps a future doctoral student will test this hypothesis.

The industry is also in the midst of its own cultural revolution; that transformation to one of a Culture of Safety. Moreover, we have made the case before that the sector is actually composed of thousands of Cultures of Safety—one for each organization.<sup>vii</sup>

The industry, regulators and society are well advised to ask the hard question. Will the new resulting culture from mega-mergers assure a high level Culture of Safety is maintained?

The energy and other sectors have undergone significant M&A activities for generations. It is a staple of Wall Street and one can argue it is largely successful process in the long term.

Some believe, including this observer that many of these transactions are dilutive to the acquiring firm. However, there is no reason to believe that this pattern will change in the current market. Weaker firms often need an economic lifeline and the acquiring firms offer sustainability (and jobs).

Management, the Market, Regulators and Society are all constituent parties in this dialogue. The resulting NEW CULTURE will drive the economic behavior of that firm and to the extent it is a major economic actor, the industry as well.

## **How is your organization assuring its Cultural Competitive Advantage is Assured?**

### **About the Author**

Dr. [Scott M. Shemwell](#) has over 30 years technical and executive management experience primarily in the energy sector. He is the author of five books and has written extensively about the field of operations management. Shemwell is the Managing Director of The Rapid Response Institute, a firm that focuses on providing its customers with solutions enabling operations excellence and regulatory compliance management. He has studied cultural interactions for more than 30 years--his dissertation; *Cross Cultural Negotiations Between Japanese and American Businessmen: A Systems Analysis (Exploratory Study)* is an early peer reviewed manuscript addressing the systemic structure of social relationships.

### **End Notes**

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<sup>i</sup> <http://www.oilandgasinvestor.com/acquisitions-divestitures-mergers-acquisitions>

<sup>ii</sup> <http://www.ogfi.com/articles/print/volume-12/issue-5/features/trends-in-upstream-m-a.html>

<sup>iii</sup> <http://www.forbes.com/sites/georgebradt/2012/02/08/corporate-culture-the-only-truly-sustainable-competitive-advantage/>

<sup>iv</sup> Shemwell, Scott M. (1996). *Cross Cultural Negotiations between Japanese and American Businessmen: A Systems Analysis, (Exploratory Study)*. Unpublished doctoral dissertation, Nova Southeastern University, Ft. Lauderdale. pp. 54, 55.

<sup>v</sup> \_\_\_\_\_ (2014). *Governing Energy: Organizational Governance—Issues of the 21<sup>st</sup> Century* 2012-2013 Edition. Houston: RRI Publications. pp. 82, 83 <http://www.amazon.com/dp/B00NB8C91Q>

<sup>vi</sup> <http://www.socialeurope.eu/2015/06/five-reasons-why-migration-into-europe-is-a-problem-with-no-solution/>

<sup>vii</sup> Shemwell, Scott M. (2015, April 7). How Can Humans Effectively Manage Increasingly Complex Systems? *Deep Space Deep Ocean: Aramco Technology and Operational Excellence Forum*. The Woodlands.