

# Mergers with the benefit of hindsight

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2 | Culture

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### OVERVIEW

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#### How important is culture and is it a barrier to success?

Culture is easy to sense and hard to measure. Cultural measures are often dependent on employee surveys and questionnaires and are not always reliable. Culture is a combination of factors that create the work environment, but what does culture mean? Every firm inevitably told me that they have a collegiate culture, but whilst that is nice to say, it is not reality. We have first-hand experience of working with two firms who both said this. The reality was very different because their decision-making style was fundamentally different. One was in fact very collegiate, so no decisions were made and the other was a benevolent dictatorship, so the merger integration was not working. We had to work with them to identify a set of objectives and a vision for the new firm to buy into.

We have encountered democracies, autocracies, hierarchies and meritocracies. Each has its place and needs to be recognised to get the best out of individuals. The certainty in a merger is the need to collaborate to ensure integration is effective, to form new teams, to cross sell and ultimately to deliver the promised vision of the merged firm both internally and externally. In a newly merged firm, you must decide what makes your culture distinctive. What is it that partners value in that culture, how do staff connect to it and how will it benefit clients? It is likely that the new vision for the merged entity will find a change in culture.

For people to embrace that culture you must ensure that you help them share the vision of what you want it to be.

#### Client quotes

“Cultural fit is important, but what predicts success most is the rate at which employees adapt as organisational culture changes over time. The best cultures encourage diversity to drive innovation but are anchored in shared core beliefs.”

**Harvard Business review**

“Cultural fit was the number one priority. We went more by instinct and gut feel and the spirit in which discussions were conducted. It’s hard to know what your culture is.”

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### POINTS OF INTEREST

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- The majority of firms we interviewed had culture as their number one priority and the hardest to objectively assess. There are numerous articles as to why there must be a cultural match, or the merger will fail. The reality is that culture is a soft concept, and it is hard to recognise what your own culture is.
- Often outsiders have a better insight because cultural givens are not implicit to them, which is why a project director can be helpful. Leaders on both sides often fail to recognise what they actually have in terms of culture, but they have a perception of what they have.
- There is no such thing as a perfect match, you just have to be as well matched as you possibly can be.
- If there is an underlying purpose and vision cultural differences can be dealt with.
- Firms were happy to say they had no cultural measures at all that they had a superficial approach rather than a forensic test of any kind, they had dinners and spoke and found that they had a lot in common was the general measure for culture.
- There is no doubt amongst those interviewed for the report that there must be an understanding of the cultural styles in play. This was highlighted in the ways decisions were made.
- Integration needs quick decisions and decisive thoughts. Different cultural styles were acknowledged in slowing down decisions and making it difficult to implement them. Difficulties will arise if you cannot implement new strategies.

#### Client quotes

“When you first meet, people are charm itself. Then you merge and their true colours show. People who were acquired referred to us as ‘that lot.’”

“Culture is important and if it doesn’t align there is a real struggle. You have to be aware that if you are acquiring a smaller firm that they will tell you what you want to hear because they need to merge to survive.”

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### POINTS OF INTEREST

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- Cultural differences were highlighted in how decisions were communicated to staff. We were told that the autocratic style one firm meant that they did not engage with their staff which, caused resentment which in turn caused morale issues. The other firm had a more consultative approach; staff knew that at each stage they were informed of what was happening and the process was transparent.
- It is not the time to procrastinate when some staff will inevitably know that they will not be part of the merged firm moving forward.
- Leadership style varies, dictatorial or consultative, clear, or diffuse? A shift in style can lead to a loss of staff who do not like change. If you lose top talent, it will undermine value in the integration when your intellectual capital is drained.
- How do your people work together? Is your structure formal and defined or more informal? Merged firms have to interface between functions. If those interfaces are inconsistent processes break down. What are your beliefs regarding success? Do you have a focus on your “stars” or on teamwork? This can lead to a breakdown in getting work done. If a team must integrate stars whose notion of success is individual performance, then the team will feel a lack of support for getting the job done.

#### Client quotes

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“Culture is key for all. Egos on legs do not work for us, of course all decent lawyers have a bit of an ego, but we have a strict no dick head policy, we like nice people.”

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“You can tell a lot about a firm from their receptionists. You know within seconds what the firm is like by their attitude. If all they do is moan when you ask them how they are, you know the firm don’t care about their staff.”

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“Whilst culture is important it can be different as long as there is an underlying purpose and vision that is very important.”

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### KEY HINDSIGHT

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- Recognise the differences and stop culture from undermining the desired goals of the merger because you have a real chance to create a desired culture in a newly merged firm.
- You can give the newly merged firms a vision of the new firm and encourage behaviours so the best of the culture of both firms is enhanced.
- You may have been to the same schools and universities but do not assume that will ensure that everything is fine. It is a starting point to build on.
- Firms do not transform, people do.

#### Client key hindsight

“If we had measured the culture, we would never have gone ahead. We made it work.”

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## Contact us

If Jonson Beaumont Core can help you with any stage of the project plan pre- or post-merger or you would like to discuss the recruitment of new operation directors, please contact us.

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