



**Deloitte M&A Views podcast:
The potential (and pitfalls) of cultural change in M&A (part two)**

Transcript

Greg: Welcome to Deloitte M&A Views, a Deloitte podcast series exploring the latest trends and topics in mergers and acquisitions. I'm Greg Jarrett, today the second in our two part series on the integration of corporate cultures in mergers and acquisitions. Joining us today are Deloitte Consulting principals [Sarah Hindley](#) and [Kevin Knowles](#).

Greg: Now whether we are talking capital "C" culture or this subculture, you clearly believe it can indeed be shaped. But I'm guessing it is a matter of knowing how much and how quickly. And that's the question, what are reasonable goals when it comes to shaping cultures, both on timelines and as far as actually getting the two different organizations completely together. Kevin?

Kevin: Well take for example you have cultures... It's not an issue that's owned by HR, it's not an issue that's owned by any individual. It is an issue of the business and of the leadership of the business or where you have advocacy of a CEO and an executive team to take responsibility for an organization's culture. I think that is a place where you can identify very reasonable results, very tangible results and you can identify a meaningful transition and shifts in culture over very discrete and purposeful timelines. What's reasonable in terms of results, is leaders who own and advocate a tone and a direction for culture in an organization and do so in an aligned fashion, and do so with purpose and enthusiasm that is infectious.

Greg: Sarah and Kevin, let's shift the discussion just a bit and talk about the actual ability to know the culture of a target acquisition. Is that even possible?

Sarah: I believe it is possible. In our view and the view of many of our clients, those who have done culture work upfront early on have really given themselves an advantage. If they look at the culture pre-day one, you can get some great insights from bringing the integration planning teams together and understand how they are working and be able to then influence your

communications in the execution post-day one. So looking at how decision-making is made, risk taking, how compliant they are and other inherent business organizational systems, that when you bring those two cultures together and ultimately when you're outside of a culture, it's much easier to observe the behaviors of another organization versus you being in your organization because that's just the way things are done around here.

Greg: And Kevin?

Kevin: Yeah, that's right. I think speed is the name of the game here in many ways. We're in a time where bad news, good news, any news is instant news and we'll say often that, an organization's culture is the reflection of its employment brand, it's transparent. You may refer to some research that... There's research out there around the naked organization and when we are in an M&A environment and the speed of a transaction is so aggressive, the elements of an organization's culture, whether the target or whether the acquirer, are just on steroids and so visible, both the strengths and the weaknesses and the key differentiators.

Greg: Do you have an example you can give me, Kevin?

Kevin: Well, going back to the world of 2015, the summer of divestitures, we worked with one of the larger technology companies, one of the many who spent the summer spinning off some of its core assets. And this particular one, one of the things that I thought was so inspiring for me as somebody watching this organization go through transition was, the CEO made a personal commitment to his team that the culture of their business was his utmost priority, and his personal commitment to drive change and his personal commitment to serve and support his leadership team around the topic of culture in a high-performing organization was the top of his agenda.

Greg: Perhaps in these days, in 2016, when people are thinking about a difficult cultural integration, they are thinking about the low tech company that has been around for decades doing transactions, and the high tech company that had a start up with Kickstarter and some angel investors that's doing transactions the new way. They don't have the customer base, they don't have the infrastructure, but they do have all the perks. They have somebody dropping off their dry cleaning every day for them, serving gourmet meals three or four times a day, and a place to take care of the kids. They need the help. Kevin, is there a methodology for doing this kind of cultural integration?

Kevin: That's a great example of the environment that we've seen over the past couple of years. We see it strongly today, and we will continue to see it probably for the next five years.

Greg: Sarah, is there an easy integration of the example that I gave?

Sarah: I don't know that I'd call it an easy integration. I agree with Kevin and I would say that identifying those cultural attributes that make a successful company. So, if you're the acquiring company, you want to understand what is making that small tech company successful. And if it is an innovative environment where creative ideas are fostered openly, you want to make sure you don't throw the baby out with the bath water. And maybe that is where you want to take your larger, the acquiring company, where you want to take that organization and therefore, how do you leverage those cultural attributes within your own organization. So, really, it's making sure that you don't strangle what you're just buying and you let that organization keep those

pieces that really are, to Kevin's point, unique to making them successful.

Greg: I'm Greg Jarrett and thanks for listening to Deloitte M&A Views, sponsored by [Deloitte's M&A Institute](#). We release a new podcast once a month, and if you subscribe, you won't miss a single one. To stay connected and receive more information on [Deloitte M&A service offerings](#), visit www.deloitte.com/us/masubscribe and follow us on [twitter @DeloitteMnA](#). Until next time!

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