

**Cultural Integration Process - An Organisation Development Intervention: Experiences
and Options for Organisational Change**

By

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Abstract

Cultural integration is a form of cultural exchange in which one group assumes the beliefs, practices and rituals of another group without sacrificing the characteristics of its own culture. The paper describes a learning experience as an internal change agent to address the concerns of change, intergeneration gap, gender and many other cultural gaps between new and old boys' schools of thought in running a work system. The series of innovative ideas and work realignment to build a new work culture set multiple challenges as a change agent.

The organization with a growing demand in a competitive economy was already on high growth path. People were under pressure to deliver and follow dead line and accept the changes of technology and the market reality. *It is theoretically understood that key to successful integration is dropping one's ego and keeping the personal agenda aside and focusing on the higher goal for achieving organizational success. In any organization, teams who are working together can only evolve and achieve objectives together when they understand each other's values and respect the same.*

Our team, as internal change facilitators, redefined several hypothesis and assumptions in the backdrop of central objectives of bringing cultural integration of several companies merging into one large corporate work culture and system. We kept toying several options and alternative with lapses and constraints in a hazy ambience. The outcome was thrilling, yet it has new challenges. The journey is not yet over...

Introduction

Cultural integration is a form of cultural exchange in which one group assumes the beliefs, practices, and rituals of another group without sacrificing the characteristics of its own culture. The paper describes a learning experience as an internal change agent to address concerns of change, intergeneration gap, gender, and many other cultural gaps between new and old schools of thought in a running work system.

The series of ideas and work realignment processes undertaken by us has been an interesting experience. This paper reflects my experiences and insights, of being an internal change facilitator to help build a new work culture in an evolving Organisation. I have also shared the conceptual overtones and meaning of various interventions at different points of my work life. Forces of cultural integration in the Organisation are very critical, and determine our role realignment effort and appropriate use of human resources. My analysis is a blend of content and process reflective ingredient that would define why and how of cultural integration. Cultural integration assumes significance in building Organisational efficacy –particularly in mergers or a newly aligned work force in today’s changing economy. My insights from current and previous work background is also shared, and intended to provoke undercurrent of strategic OD intervention plan for ODI.

Generic Road Blocks to Cultural Integration

It is a well-known fact that in companies which are going through a merger and acquisition, the process of cultural integration is an increasingly important and crucial concern for all stakeholders. Several large companies undergoing merger & acquisition process have faced severe problems in cultural integration, leading to massive attrition or retrenchment post the merger. Majority of them do not decide how would they lead a balanced and optimally self-regulated work life.

I had the opportunity of knowing a well-known logistics company in India that was taken over by another well-known global player in the same sector. The two companies had different attributes; the size & texture of their workforce, financials, size of the business were all different.

The Overseas global player (the acquiring company), who acquired the Indian company, had more resources, a better brand position and a strong operations system, along with a well-designed delivery system.

The Indian logistics company (the acquired company) had been a strong contender for some time, and had a bigger share in the domestic market. An incorrectly executed expansion strategy however hit them hard in the global market. The Indian player had poor systems, technology, and delivery operating processes.

After the acquisition, an Organisational diagnostic exercise was to be conducted, and the following postulates were examined for determining exploratory intervention.

Postulate 1

Experiences revealed that in a cross-cultural relationship process, many Organisations would face visible conflict of Ethnocentrism reflecting evidence of larger cultural group's showing sense of superiority over the others

Postulate 2

In merger & acquisitions between foreign and Indian entities, inherent cultural differences and differences in mind set and belief systems of old versus new work team make it challenging for them to work together as an integrated work force

Postulate 3

The physical setting (office space, sitting structure etc.) and its manifestation would also be a stumbling block, and indicates that hidden cultural conflict is brewing within the Organisations

Postulate 4

Nature of activities, gossip, sports, tea, and lunch breaks and group enjoying that space would be powerful indicators for showing cultural conflict unaddressed and unattended

Above four postulates were addressed intermittently not in a chronological order. Series of concurrent interventions were planned by a local consulting group - IDMAT (where I was indirectly connected). The international corporate team chose not to interfere with the cultural strength of acquired JV team.

It was obvious that in this merger between the foreign globally well-known logistics company and the company it acquired (a large ailing Indian logistics company), 'ethnocentrism' would be one of the most critical concerns.

Ethnocentric belief was found to be a serious central block to integration in the Organisation. Big brother (foreign owned) company played soft since Indian company had a better domestic base. 'Rumour mill' had begun operating and conflict was on the surface.

Diagnosis revealed that the ailing Indian company had a major loss in foreign land due to their sudden (and incorrectly executed) expansion strategy beyond India. To save themselves from financial crisis, they chose to merge with the foreign buyer.

Big brother was already active in India and was expanding in depth and width across India over a decade. With the economy unfolding and with aspirations to expand and scale up, and with the big brother having the resources to acquire, they made quiet moves leading to the acquisition. Challenges emerged on handling human resources and on market size. The international corporate body in its wisdom, chose not to meddle with Indian strength of its newly acquired junior brother. This is where Organisation diagnosis and its intervention played a major part.

The following challenges were the main blocks for cultural Integration under ethnocentric belief set.

- *Challenge of deepening feeling and mindset amongst BB (big brother) team -as part of large MNC spread in 72 countries*

- *Belief of superiority as buyers; buyer's team ruling the roost and spoilt Indian company (junior brother -JB)*
- *Unwilling to yield on several issues of market strategy that BB had adopted in last 10 years as against style of JB that had definite grip in Indian market largely in Northern part*
- *Exposure and orientation of professionalism amongst BB team was thought be much higher than JB team*

The following OD interventions made a critical difference to the cultural integration process. Conflicts continued, but the consulting group that was I was connected with insisted on following a change process leading to an interesting process integration.

1. Critical Decision-Making Roles Near Seat of Power:

The corporate office of the foreign buyer company was based in Mumbai, but it chose to shift its headquarters to Delhi since the Indian firm had deep market penetration in north India. Operations head of the MNC company relocated to Delhi since Delhi had better government linkage and vendors network. The first critical intervention was to shift the decision making centre from Mumbai to Delhi, closer to the power seat.

2. Enabling and Empowering the Junior Partner for Building Unified Growth Strategy

Early inputs revealed that the CMD expatriate could not deal with the change process as he was fully settled in Mumbai. He had already set in motion a plan to cut the size of key players in the newly acquired Indian company. But it was not an easy affair. The challenge was to ensure existing market base is not lost, and at the same time capitalise on the strength of Junior Indian entity. The power tussle was obvious at the top level. The Organisation was facing serious barriers to the cultural integration process.

The need was to make people from both major cultural groups & subgroups aware of realise that “ethnocentric or parochial attitude” would block the pace of our collective goal and inhibit our common growth strategy. The word OD was not used as strategic design, however, every step taken up was a great learning to address the concerns of cultural dominance with a focus on building multi-culturalism for a common growth strategy.

3. Key Leaders and CMD chosen from competency frame (not from cultural dominance frame)

CMD from JB (who had known Indian market so well, and had dreamt of expanding until the company was sold off), was given the key role. Expatriate from foreign company was asked to move back to his country of origin. This made a huge difference. It gave a clear signal that merit would prevail in choosing the right leadership role. From an OD point of view, it also added fuel to the fire while building the integration process.

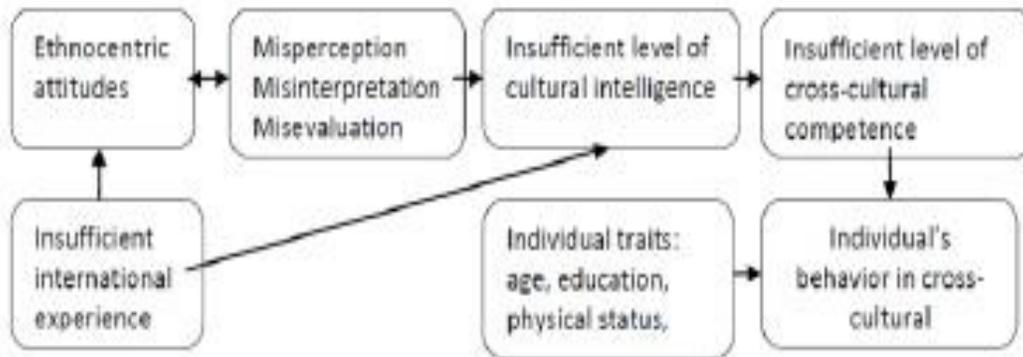
Reducing the Psychic Distance

A cultural workshop was designed as an OD intervention to reduce the psychic distance amongst key players, and to encourage acceptance of mutual strengths. A sports team was created, series of games and cultural events were planned every quarter as a seasonal break out, enabling staff to know and accept each other better.

The above postulates addressed the strategic concerns of the new company dealing with a stronger Indian base because of the acquisition. However, problems had increased multi-fold due to a new set of cultural contradictions and various structural issues. The clarity of strategic focus as defined by the in house team immediately after the new incarnation defined a few critical actions as stated above. Following concerns were top of mind for the acquiring company:

1. From Chaos to Clarity -Retaining the best at the top
2. Conflict between Indian and foreign leadership at the top
3. Unclear mission of the new CMD and vision of the emerging brand
4. Fear of losing or retaining competent staff of both companies
5. Addressing loyalty and belonging of both companies under new leadership

6. Creating conducive social ambience to work together under new command of operations
7. No compromise on delivery schedule and ongoing business of both stakeholders (Indian and foreign company)



It was interesting to watch the transformation process through powerful OD interventions facilitated by external consulting team. JB staff, the Indian company workforce, felt elated that their old CMD was chosen to be the country head of new brand leadership of foreign company. He was made the CMD and was fully empowered to retain and retrench whomsoever he wanted under new leadership command. The CMDs second in command, was chosen from the Chief operating officers of foreign company, and empowered to choose his team and report to new CMD as Director Operations. The Organisation moved from “*chaos to clarity*” of command, and it could secure the loyalty of the few other Directors by retaining a few, and where that was not possible, ask a few to walk away with golden hand shake. Real impact of cultural integration paid dividends within a period of just 1.5 years - proving it was a well-planned *‘effort beyond desk hours’*.

Postulate 5 *Social and cultural integrative ambience is the best playground for the team to address cultural diversity and bring cohesiveness and work together towards excellence.*

Sports team and cultural groups were created on several selective holidays for friendly games and other get-together on social occasions. Employees of both companies were blended and placed in groups to play in a team based on their talent of game like cricket, football, and volleyball. Tournaments & competitions were arranged at an outstation camp, and the mission

blended work and play. The Action plan was a well thought, with the intervention of internal change leaders who had exposure to ODI and a clear path to the cultural integration process. The company did not do well in the first year, but truly took off the ground with the new identity and newly acquired brand image I the second year. Of course, some staff used this time of chaos for their smooth exit.

Concurrent Experience: Learning and Doing

Another interesting illustration is of my current company (which I would keep confidential due to sensitivity), where I am part of the HR team. I joined this company when it was on the threshold of its intent of expansion. It was however soon acquired by a big brother company (a multinational UK based company). I was aware that my role would be enriched and expanded as a result of this acquisition. The HR team was prepared to deal with potential cultural integration issues, and willing to apply OD techniques.

Method of investigation was geared to rapid assessment technique, supported by participant observation mode, with some participants being part of the internal change facilitation team. The company was more focused on research and survey functions, therefore, content of the role was more critical and important for the management than the process of realignment. The objective was to narrow down the perspectives of old and new entrants to the Organisation over the years, and enhance cultural integration to improve the productivity of the Organisation. Those who had joined earlier would feel strongly rooted and appeared unwilling to change their working styles. The senior and ageing team had an altogether different notion about the new younger breed of researchers and functionaries. Experienced researchers had an edge over the younger team – they had better knowledge and experience, coupled with a greater intuitive ability. The younger team were however more handy with being quick (speed), ability to deliver to deadlines and use of modern software to improve productivity / drive innovation. The Organisation was at crossroads – it couldn't ignore one at the cost of the other. We had a crucial role to play, where both process, content and structural aspects had assumed critical significance in our strategic ODI design.

Conceptual Provocation and Underlying Assumptions

It is evident from reviews of work done that more than 50% of mergers have failed across the world not only because of the content and process of job roles, but also due to the vision of evolving company remaining unaddressed. It has generally been felt that the reasons for the high failure rates, particularly in Indian Organisations, are conspicuous due to our imbalanced focus on business and financial conditions instead of the human factors. Content focus drives the top team to address profitability and business obsession with content of job description of old and new role holder. The group company had very clear agenda to build the given company to new heights. Executive Committees often do not put enough attention on core values, beliefs, and attitudes. The purpose of this paper is to gain a deeper understanding of the importance of the cultural integration process during our efforts to bring merger and role realignment process between old and new umbrella company. In addition, our effort has also been to narrow the gap between old and young staff team, thereby accelerating the cultural integration process. Field force analysis revealed that we had series of negative forces that are critical, and have to be addressed as part of the cultural integration process.

Entry level blocks Before the acquisition finishes, a sub set of employees from the company getting acquired typically have a habit of starting rumor mills – based on several assumptions around leadership retrenchment, removal of employees etc.

- **Differential Perception of Vision of the new umbrella company** - the gap between perception of the employees of the two companies
- **Resistance to new structure**
- Building silos of different subgroup
- Whispers and stories mar the pace of integration
- Perceived power play; improper leadership distribution

One of the major road blocks in any integration is a sense of insecurity in the staff, who are concerned about what will happen to them, their role and their future. The management had a good sense on the pulse of the staff, and therefore a few key strategies were defined with a planned intervention to address this.

Action Plan Defined for ODI

In both the instances, our focus was laying down a clear action plan and strategic steps to move ahead. Through continuous dialogue with several stakeholders, perceptual observations were recorded by conducting workshops. Trainings were planned to assess the skill gaps of key line units, to help bring the mutual strengths of staff technical competence across the two Organisations. While technical competence was key, our hidden objective was to find out how people look at each other and what they expect from each other to move collectively forward into the future.

- 1. Focus group discussion** – It was important for the HR team and leaders to create sub groups of managers and create discussions points. This was done to allay staff fears and provide clear answers where possible, so that there is enough clarity around the whole process
- 2. Town halls by the leader** – This is an important tool as it helps in making the leaders more approachable and to indicate that the leaders are keen to share information
- 3. It is important to set the tone right.** Communicate the right message, at the right time, to right team in the right way
- 4. Setting priority** – Setting out a 3-4 months communication plan was a critical role for the HR leaders and business heads. The plan addressed key questions such as - How sensitive are you to the team and to your floor? Are you listening enough?
- 5. The employee survey feedback** collected during the year gave the HR and OD community a good sense for how staff handled the change. If the score reaches a mid-point, one has done a decent job.



Regardless of the reason to merge, there is always a question of power distribution in the new company. One term that has been used for mergers that take place between two companies that are similar in size, defined mainly in terms of production, sales, revenue, and market value, is mergers of equals. When it comes to value contribution, a strict definition of a merger of equals is one where there is a completely equal exchange of stocks between the two merging firms and where the board of the merged Organisation has members from both companies. The equal merger aims for clear expectations and strict equality in all aspects of the process. For example, management must be redesigned to make it representative of both former companies. In such a situation, there must be a special focus on cultural integration. Lack of clarity on who is in charge of various aspects of the merger integration process, and arguments about who should give up what, can make Organisational integration in mergers of equals difficult - but makes them nonetheless interesting to examine.

The model above signifies that cultural integration largely depends on cultural intelligence which is inclusive of skills, strategy, knowledge, and drive. The four pillars have sub sets where it governs the way an Organisation must behave. In my experience, it is the amalgamation of the four pillars that will make any integration successful.

Lessons Learnt –And Meaning of Cultural Integration

An Organisation with research domain funded by several corporate patrons from the manufacturing and services sector places a high demand on the Organisation. Demand was already on the rise in a competitive economy. People were under pressure to deliver and adhere to deadlines, avoid slippages and embrace technological changes and new competitive market realities. *It is theoretically understood that Key to successful integration is dropping one's ego's and keeping the personal agenda aside and looking at higher goal for achieving Organisational success. In any Organisations the teams who are working together can only evolve and achieve objectives together when they understand each other's values and respect the same.*

Research has clearly established that less than 50% of mergers and Organisational integration are expected to be successful - due to factors related to strategic, financial, and operational aspects. A problem is that many firms appear to overestimate the potential benefits of a merger. Issues like communication failures, hostile mentalities towards members from the partner company, lack of commitment, lowered productivity, struggles for power and loss of important staff members are often faced by merging companies. It has been argued, that one reason for the high failure rate, is that most mergers are too focused on business and financial conditions instead of the human factors. When different Organisational cultures merge, people are forced to understand each other and to change their attitudes and ways of behaving. When a merger or acquisition unexpectedly heads south, the costs are painfully clear. Morale drops. Synergies fail to materialize. Key people - those you planned to keep - start heading for the exits. But what's really going on? Why is the system suddenly failing?

A likely cause of the trouble is culture clash. In lot of surveys of executives who have managed through mergers, that was the No. 1 reason for a deal's failure to achieve the promised value. In a culture clash, the companies' fundamental ways of working are so different and so easily misinterpreted that people feel frustrated and anxious, leading to demoralization and defections. Productivity flags, and no one seems to know how to fix it. End of the day everyone is bothered about business and its profit. We all know there will be someone who will be bothered about

clients; As they are the people who believe that **Happy people are the only key for making happy clients.**

Integration teams have well-developed toolkits for managing the financial and operational aspects of a deal; they track results closely and they hold executives accountable for hitting their targets on schedule. Integrating two disparate cultures, by contrast, typically seems “soft”—both difficult to measure and almost impossible to manage directly. Thus, few Organisations apply the same rigor to managing and steering cultural integration that they apply to a conventional, hard-dollar synergy. No one is on point; no one is accountable. Senior leaders can find themselves in the uncomfortable position of watching the problem unfold without knowing what to do about it.

The most experienced acquirers, however, have developed a set of practical, effective tools for facilitating cultural integration. Using these tools, leaders can manage and measure the difficult task of persuading people to adapt their beliefs and behaviors, thereby increasing chances to integrate better.

First step was to set the cultural integration agenda – a company’s culture is all the shared values, beliefs and behaviors that determine how people do things in an Organisation. Three key elements in combination define the culture:

- The behavioral norms exhibited by everyone from senior leaders to frontline employees
- The critical capabilities and decisions about where and how to compete, as defined by the company’s strategy
- The operating model of the company—the structure, accountabilities, governance mechanisms and ways of working that make up the blueprint for how work gets done

To integrate two cultures, we must first define the cultural objective in broad terms. This is invariably a job for the chief executive—and the CEO must be willing to sustain his or her commitment until the objective is realized. Integrating cultures is worth a million - it merits and requires involvement at the top.

Setting the cultural agenda necessarily involves hard choices. What is the culture you want to see emerge from the combination of the two Organisations? An acquirer can assimilate the acquired company, or it can create a blend of cultures. In some cases, it can even use the merger to import the acquiree's culture into its own Organisation. Your focus and your objectives naturally depend on where the deal's greatest value lies. If cross-selling product lines is key to the merger's success, for example, integrating the salesforce culture will be essential.

Defining the Culture we are Trying to Build

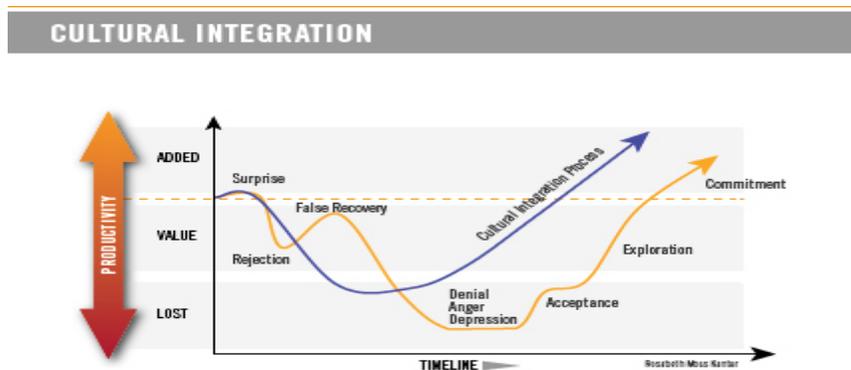
Setting the agenda and diagnosing the gaps create the context for action. The senior team then has two jobs. One is to determine the critical gaps to close. The second is to create a detailed picture of the future culture. This is the point where "culture" must be defined not just with themes or adjectives, but with behaviors, and with the measures and incentives that will be used to encourage those behaviors. Perhaps the acquired company's managers typically made critical decisions through consensus, and must now adopt a different decision style. Perhaps unit heads were in the habit of squirreling away their top talent, and must now learn to work within an enterprise-wide talent bank. The need to define behaviors extends throughout the Organisation.

Then comes the difficult work of co-creating the new culture. The most powerful tool for this job is intent workshops. People in the Organisation get together to build a vision of how they will behave collectively and what they will achieve. For example, the teams must imagine the task of integrating two disparate market research Organisations. During the diagnostic phase, the new head of research team for the combined company and the regional managers participated in ride-alongs with research representatives from both Organisations. They watched how the salespeople interacted and how they made real-time decisions on the field, and they gathered data about the results. In intent workshops, they then help sales managers name the specific sets of behaviors they want to see in the future, along with the processes and incentives that will encourage these behaviors. They discuss how those behaviors will generate value.

Finally, Develop a Culture-Change Plan— then Sustain and Measure Progress

In my opinion, it is only through consistent efforts and intervention that any change can be successful. The plan to develop that culture must focus on key groups of employees, such as the key staff. Beginning with a diagnosis of differences, the company can define behaviors it wants to see. For example, the company might decide that, as part of a customer-centric culture, it wants its employees to address their prime customer in a different way or offer them something new. One has to live this through at all levels. These might be just 2 of 30 or so critical behaviors that make up the new customer-centric approach. The company then defines the antecedents and consequences that will foster such behaviors. These might include a robust training program that identifies, describes and trains for these 30 behaviors; a zero-tolerance policy for treating customers poorly; and a promotion and compensation regime that highlights the successes and increases the pay of people who exhibit the new behaviors.

Options, Experiment, and Outcome



Our team as internal change facilitators redefined several hypothesis and assumptions in the backdrop of central objectives of bringing cultural integration of several companies merging in to one large corporate work culture and system. We toyed with several options and alternatives with lapses and constraints in a hazy ambience of our defined approach “how to move forward and address the road blocks ahead”. The outcome was thrilling, yet it has new challenges of role

and role isolation of few as against role centrality of others. The outcome has been rewarding learning, but the journey is not over yet as internal change agents in large and new work culture system in emerging order of cultural identity.

Employees always watch for signals from the top of the Organisation, because they know that those signals will guide their own managers. If the signs are positive - if the senior team seems truly committed to building a culture that excites employees about the future - then the new tools of cultural integration will help pave the way to deal success. I am yet in the process of rediscovering with trial and error, whether as an internal change leader, I am equipped with adequate cultural intelligence to diagnose right intervention with ODI skill.