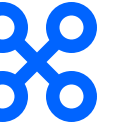


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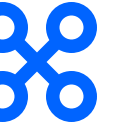
Cultural integration in M&As:

LEARNINGS AND BEST PRACTICES FROM AND FOR LEADERS



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Foreword

At Co-founders, we began researching company culture systematically already several years ago. In 2023, we published our [first report on the critical role of company culture](#) in the successful implementation of business strategies.

Our research consistently revealed that a healthy company culture is regarded by leaders as essential for business success, especially during periods of change.

A key finding from our interviews last year was the significant challenge posed by company culture integration and development in the context of mergers and acquisitions (M&As). Leaders frequently lack established tools and methods for addressing cultural aspects, from the due diligence phase through to long-term post-M&A integration.

This realization led us to undertake this study, which goes beyond merely reporting on the status quo. It is intended to serve as a practical playbook and a checklist of aspects to consider in an M&A. This document offers real-world cases and best practices that leaders can apply throughout the complex process of ensuring a successful merger or acquisition—not just from a legal and financial standpoint, but also from a people and culture perspective.

For this study, we interviewed 11 seasoned business leaders and experts who drew on their entire careers, sharing insights from M&A cases beyond their current roles. To maintain confidentiality, we have anonymized the presented cases, focusing instead on the key learnings and best practices that emerged as the most valuable takeaways.

We believe in the power of collective knowledge-sharing and hope this document will serve as a valuable resource for leaders as they navigate the complexities of business integration.

On this note, we wish to extend a warm Thank You to all of the forward-thinking leaders who have participated in this research, sharing with us their experience and wisdom.

You can never be certain in advance that a merger or acquisition will be profitable, but you can be aware of the psychological factors that influence people's choices and actions and consider them when mitigating risks and maximizing opportunities.

Sincerely,

Ia Adlercreutz, CEO, Co-founders Oy

Alexandra Monsi, Senior Strategist, Brand and Culture, Co-founders Oy



Mergers and acquisitions (M&As) are powerful strategic tools that organizations utilize to achieve growth, diversify their portfolios, and enhance competitive advantage. However, the process of merging two distinct entities often presents a formidable challenge: cultural integration. The success of an M&A is not solely determined by financial synergies and operational efficiencies but is profoundly influenced by the ability to blend and harmonize different organizational cultures.

This report delves into the intricate dynamics of cultural integration in the context of M&As, drawing from a wealth of real-world experiences and case studies collected from in-depth interviews with 11 business leaders. The names of the companies involved in the cases will be kept anonymous for privacy reasons, while we focus on exploring the pivotal role that culture plays in shaping the outcomes of mergers and acquisitions, highlighting both the opportunities and obstacles that arise when distinct corporate cultures converge.

Through detailed analysis and insights, this document aims to provide a comprehensive understanding of the critical factors that influence cultural integration. It examines the importance of cultural due diligence, the strategies employed to bridge cultural gaps, and the leadership practices that facilitate a smooth transition. By shedding light on these aspects, the report underscores the necessity of a well-orchestrated cultural integration plan and the impact this has on the long-term success of M&As.

In the following sections, we will navigate through various case studies, illustrating the diverse approaches and outcomes of cultural integration efforts. From large-scale mergers involving thousands of employees to

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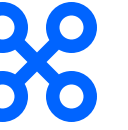


smaller acquisitions with unique cultural identities, each example offers valuable lessons and best practices. Additionally, we will explore the tools and techniques that have proven effective in managing cultural integration, providing a practical guide for leaders and managers embarking on this complex journey.

Throughout our exploration of cultural integration in M&As, it becomes evident that the true essence of a successful merger lies in the ability to blend not just businesses, but people, values, and cultures. This report serves as a testament to the profound impact of culture in the realm of corporate mergers and acquisitions, offering leaders a roadmap for navigating the cultural complexities that accompany these transformative endeavors.

Based on my experience, the culture in M&As is under-appreciated. Culture assessments help you make the right decisions. Sometimes you need to pull out of some transactions because you find red flags during the assessment: the cultures don't fit together, there's a values mis-match, or challenging aspects in the governance.

– TURKKA KUUSISTO, CEO, FINNAIR



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CASE STUDIES AND EXAMPLES

CASE STUDY 1: LARGE-SCALE MERGER OF EQUALS

Overview: This case involves a significant merger between two companies, resulting in a combined workforce of approximately 65,000 employees after initial staff reductions.

The merger was characterized by the joining of two competitors with complementary business areas.

Cultural Integration Approach:

- **Due Diligence Phase:** Cultural aspects were included in the due diligence phase, though not emphasized strongly.
- **Post-Merger Integration (PMI):** A dedicated cultural stream was developed to define the desired company culture, identify cultural heritage in both companies, and set a target state for the new organization.
- **Illustrative Tools:** Visual metaphors were used to represent the different cultures of the merging companies.

Challenges:

- **Political Obstacles:** The need for a merger of equals led to an initial period of pampering, resulting in inefficiencies and reluctance to make radical adjustments early enough.
- **External Pressures:** Competitive pressures from the industry demanded more aggressive changes than were initially implemented.

**Outcomes:**

Mixed Success: While integration efforts at the headquarters level were well executed, they were not representative of all functions and locations, leading to varying degrees of success across the organization.

CASE STUDY 2: MID-SIZED ACQUISITION WITH FULL INTEGRATION

Overview: This case involves the acquisition of a mid-sized company by a larger organization. The acquiring company's approach was to fully integrate the target into its existing structures and ways of working.

Cultural Integration Approach:

- **Holistic Integration Philosophy:** The acquiring company's philosophy was to fuse the target company's operations, departments, and structures into its own, rather than allowing the target to operate independently.

Challenges:

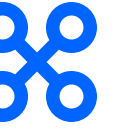
- **Rapid Change:** The full integration approach led to a faster transformation of the target company's landscape, which posed significant adjustment challenges for the employees.

Outcomes:

- **Swift Integration:** The target company quickly adapted to the new structures, but the rapid pace of change created some initial turbulence.

One single
dominant person
can influence the
culture and spirit
to a large degree.

— KAI KONOLA, CEO, HALTON GROUP



CASE STUDY 3: SMALL TO MID-SIZED ACQUISITIONS WITH AUTONOMOUS OPERATIONS

Overview: This case involves multiple acquisitions by a large company, ranging from small teams to mid-sized organizations. The acquiring company preferred to allow the acquired entities to operate autonomously.

Cultural Integration Approach:

- **Autonomy:** The acquiring company's strategy was to maintain the acquired companies' brands and operations, providing resources and support while fostering an entrepreneurial spirit within the larger organization.
- **Leadership Role:** A key individual from the acquiring company was assigned to bridge the cultures and ensure alignment with the parent company's values.

Challenges:

- **Variations in Practices:** The autonomy granted to the acquired companies led to variations in branding, IT systems, and culture, which required careful management to ensure coherence.

Outcomes:

- **Successful Integration:** The acquired companies continued to thrive under their own brands, with the parent company leveraging their strengths to scale operations globally. In some isolated cases, leadership styles clashed with the parent company values but the resulting high employee turnover was phased out once the leader was replaced.

CASE STUDY 4: ACQUISITION WITH FOCUS ON SYNERGIES AND FINANCIALS

Overview: This case involves the acquisition of a smaller business by a larger organization. The primary focus was on achieving synergies and financial efficiencies.

Cultural Integration Approach:

- **Financial Focus:** The acquiring company prioritized financial synergies and operational efficiencies, with less emphasis on cultural integration during the initial phases.

Challenges:

- **Cultural Neglect:** The lack of focus on cultural integration led to prolonged challenges in aligning the acquired company's culture with the parent company's values.

Outcomes:

- **Delayed Integration:** The cultural integration lagged behind financial and operational integration, causing friction and delays in achieving full alignment.



CASE STUDY 5: CROSS-NATIONAL ACQUISITION WITH CULTURAL SENSITIVITY

Overview: This case involves the acquisition of a company from a different country, with significant cultural differences between the acquiring and target organizations.

Cultural Integration Approach:

- **Cultural Sensitivity:** The acquiring company recognized the importance of understanding and respecting national cultural differences. Efforts were made to employ cultural training and awareness into the integration process.

Challenges:

- **National Cultural Differences:** The differences in national culture presented challenges in aligning work practices and employee expectations.

Outcomes:

- **Enhanced Understanding:** Through targeted cultural training and ongoing dialogue, the acquiring company successfully navigated the cultural differences, fostering a more cohesive and inclusive work environment.

Culture is what keeps people together. The speed of cultural alignment is crucial – you can't afford to wait years for the integration to happen by itself. If people don't feel like they are part of the same team, it is very hard to get anything done.

– MINNA AILA, EXECUTIVE VICE PRESIDENT, KONECRANES



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TOOLS AND METHODS FOR A SMOOTH INTEGRATION

Based on the learnings from these diverse cases, we outline below several cultural assessment tools and methods that can be used to gauge and manage cultural integration during mergers and acquisitions. Here are the key tools and techniques mentioned by the interviewees:

1. CULTURAL DUE DILIGENCE

Structured Cultural Assessments:

- Use of specific tools and frameworks to evaluate the cultural attributes of the target company during the due diligence phase.
- Identification of potential cultural clashes and areas requiring immediate attention post-merger.

Expert Consultations:

- External consultants to conduct cultural assessments and provide insights.
- Workshops facilitated by experts to surface and address cultural issues.
- Integration scenarios handbook that helps leaders identify the best approach to each M&A case.

2. SURVEYS AND PULSE CHECKS

Employee Engagement Surveys:

- Regular surveys are conducted to understand employee sentiment and engagement levels.



- These surveys help identify areas of concern and measure the impact of cultural integration efforts.

Pulse Surveys:

- Shorter, more frequent surveys to quickly gauge the mood and opinions of employees.
- Used to monitor ongoing integration efforts and make timely adjustments.

3. DIRECT INTERACTIONS AND OBSERVATIONS**Management Presentations and Interactions:**

- Interactions with the management team during the due diligence process to get a sense of the company's culture.
- Important for understanding the human dynamics and potential cultural fit.

On-site Visits and Informal Interactions:

- Visits to acquired company sites to observe the work environment and interact with employees.
- Informal interactions, such as lunches and casual conversations, to build rapport and understand cultural nuances.
- Remote work can present a significant challenge in the efforts to integrate, which is why it is important that leaders invest in and prioritize in-person meetings.

I think that we should have some kind of culture assessment toolbox at our disposal that we would systematically use.

— CHRISTOPH VITZTHUM, CEO, FAZER



4. WORKSHOPS AND TRAINING SESSIONS

Integration Workshops:

- Workshops focused on aligning values and behaviors between the merging companies.
- Practical sessions to discuss and facilitate shared values and cultural practices.

Leadership Training:

- Training for line managers and leaders on how to manage cultural integration effectively.
- Emphasis on empathy, communication, and leading by example across the organization..

5. RECOGNITION AND REWARD SYSTEMS

Recognition Programs:

- Programs to recognize and reward behaviors that align with the desired company culture.
- Use of awards, diplomas, and other forms of recognition to reinforce cultural values.

Performance Management:

- Integration of cultural metrics into performance management systems.
- Setting KPIs related to cultural integration and tracking progress over time.

We can run fast in some areas or countries, but in others we have to walk baby steps. It is important that we clearly understand why the development pace is different – the root cause for this is often found in the previous culture of the acquired company.

– JUHA RUOTSALAINEN, CEO, VEHO



6. COMMUNICATION CHANNELS

Open Communication Channels:

- Establishing channels for open communication, such as town hall meetings and Q&A sessions.
- Ensuring that employees have platforms to voice their concerns and receive updates on integration progress.

Cultural Cornerstones:

- Defining and communicating the core cultural values and principles that guide the newly-formed organization.
- Regularly reinforcing these cornerstones through internal communications and leadership messages.

7. CULTURAL MENTORSHIP AND PAIRING

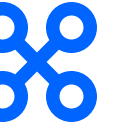
Cross-Mentoring Programs:

- Pairing individuals from different companies to facilitate knowledge exchange and cultural alignment.
- Mentorship programs to help employees navigate the new cultural landscape and build connections in the wider company network.

These tools and techniques collectively help in assessing, managing, and integrating cultures during M&As, ensuring a smoother transition and better alignment between merging entities.

In every acquisition you have to take into account that the employees of the acquired company never applied for a job at the new parent company. As a leader you should be mindful of this, and make efforts to inspire and motivate them to work towards common goals.

– TUOMO HAUKKOVAARA, PARTNER AND BOARD MEMBER, BOARDMAN OY



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LEADERSHIP BEST PRACTICES

Leaders play a crucial role in the cultural integration process during mergers and acquisitions. Here are some of the key aspects to take into account in terms of leadership training and best practices:

1. IMPORTANCE OF LEADERSHIP IN CULTURAL INTEGRATION

- **Setting the Tone:** Leaders set the tone for the entire organization. Their attitudes and behaviors significantly influence how cultural integration is perceived and implemented.
- **Role Models:** Leaders serve as role models for the desired cultural behaviors. Their commitment to cultural integration can inspire and motivate employees to embrace the new culture.

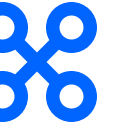
2. KEY COMPONENTS OF LEADERSHIP TRAINING

Understanding Cultural Differences:

- Training programs help leaders understand the cultural differences between the merging entities.
- Emphasis on recognizing and respecting these differences to foster a more inclusive environment.

Communication Skills:

- Effective communication is critical during the integration process. Leaders are trained to communicate clearly, transparently, and empathetically.
- Techniques for addressing employee concerns, providing regular updates,



and reinforcing cultural values are covered.

Change Management:

- Leaders are equipped with change management skills to guide their teams through the transition.
- Training includes strategies for managing resistance, building trust, and maintaining morale during the integration phase.

Conflict Resolution:

- Training on conflict resolution helps leaders address and resolve cultural clashes and misunderstandings.
- Leaders learn to mediate disputes and find common ground to ensure a harmonious work environment.

3. PRACTICAL TOOLS AND TECHNIQUES

Toolboxes for Cultural Integration:

- Leaders are provided with practical toolboxes that include specific actions, checklists, and frameworks for cultural integration.
- These toolboxes help leaders implement integration strategies effectively and consistently across the organization.

Workshops and Interactive Sessions:

- Leadership training often includes workshops and interactive sessions where leaders can practice and refine their skills.
- Role-playing scenarios and case studies are used to simulate real-life

situations and develop practical solutions.

4. ONGOING SUPPORT AND DEVELOPMENT

Continuous Learning:

- Cultural integration is an ongoing process, and leadership training is not a one-time event. Continuous learning opportunities are provided to keep leaders updated on best practices and new challenges.

Mentorship and Coaching:

- Leaders receive mentorship and coaching to support them in their roles. Experienced mentors provide guidance and feedback to help leaders navigate complex cultural dynamics.

5. IMPACT ON ORGANIZATIONAL CULTURE

Alignment with Organizational Values:

- Leadership training ensures that leaders are aligned with the organization's core values and mission. This alignment is crucial for maintaining a cohesive culture across the merged entity.

Building Trust and Engagement:

- Effective leadership fosters trust and engagement among employees. Leaders who are trained to handle cultural integration well can build stronger, more cohesive teams.



6. CHALLENGES AND BEST PRACTICES

Challenges:

- Resistance to change, differing national cultures, and misalignment between top management and broader organization are common challenges.
- Leaders need to be prepared to address these challenges proactively.

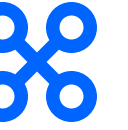
Best Practices:

- Early involvement of leaders in the integration process.
- Regular training and development programs.
- Active engagement with employees to understand their concerns and provide support.

In a nutshell, leadership training is essential for successful cultural integration in M&As. It equips leaders with the necessary skills and tools to manage cultural differences, communicate effectively, and lead their teams through the transition, ultimately fostering a cohesive and productive organizational culture.

According to research, integration planning is one of the key success factors in M&As. The earlier it starts, the better it is – early planning helps during the first weeks and months. Enlightened leaders appoint integration managers early on to steer this process.

– SATU TEERIKANAGAS, PROFESSOR OF MANAGEMENT
AND ORGANIZATION, UNIVERSITY OF TURKU



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CONCLUSION

Navigating the complex landscape of mergers and acquisitions requires more than financial acumen and strategic foresight – it demands a deep understanding and meticulous management of cultural integration. As we have explored throughout this report, the convergence of distinct organizational cultures can be both a formidable challenge and a unique opportunity for growth and innovation.

The case studies and examples presented highlight the diverse approaches to cultural integration, from large-scale mergers to more nuanced acquisitions across different markets. Each scenario underscores the critical role that culture plays in determining the success or failure of M&As. Whether it is the comprehensive cultural stream developed post-merger, the emphasis on maintaining core values, or the strategic use of cross-mentoring programs, the lessons learned are invaluable.

Leadership emerges as a pivotal factor in guiding cultural integration. Effective leaders set the tone, model desired behaviors, and foster an environment of trust and open communication. Their ability to navigate cultural differences, manage resistance, and align teams with the new organizational vision is essential for a seamless transition.

The tools and techniques discussed, including cultural assessments, workshops, recognition programs, and continuous feedback mechanisms, provide a robust framework for managing cultural integration. These tools help identify potential cultural clashes, facilitate open dialogue, and ensure that the integration process is both inclusive and adaptive.

Ultimately, the success of cultural integration in M&As hinges on a long-term



commitment to nurturing and evolving the new organizational culture. It is not a onetime project but an ongoing journey that requires sustained effort, empathy, and strategic oversight. By prioritizing cultural integration and leveraging the insights and best practices outlined in this report, organizations can create a cohesive and resilient culture that drives long-term success.

In conclusion, the true essence of a successful merger lies in the harmonious blending of people, values, and cultures. By embracing the complexities of cultural integration and fostering a collaborative and inclusive environment, organizations can unlock the full potential of their mergers and acquisitions, paving the way for sustained growth and innovation.

What I have noticed is that it is useless to sell a solution if people don't understand or agree what the problem is. So first you have to spend a lot of time, maybe 80% of the time, to explain what's the problem.

— JUHO LIPSANEN, INVESTOR AND BOARD MEMBER

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Founder, CEO,
Co-founders Oy

LIST OF LEADERS AND EXPERTS INTERVIEWED:

- **Minna Aila**, Executive Vice President, Corporate Affairs & Brand at Konecranes
- **Tuomo Haukkovaara**, Partner and Board Member, Boardman Oy
- **Tapani Kiiski**, International business executive, Board member and Chairman
- **Kai Konola**, CEO, Halton
- **Turkka Kuusisto**, CEO, Finnair
- **Juho Lipsanen**, Investor and Board member
- **Samuli Niiranen**, CEO, Mylab
- **Juha Ruotsalainen**, CEO, Veho
- **Tarja Takko**, Founder & CEO, Takko Advisory
- **Satu Teerikanagas**, Professor of Management and Organization, University of Turku
- **Christoph Vitzthum**, CEO, Fazer

ABOUT CO-FOUNDERS

At Co-founders, we help businesses accelerate or mediate change by providing tools and best practices to lead and develop company culture.

We believe that leaders play a key role in culture development. This is why we work primarily with Boards, CEOs, Heads of HR, Culture, and Brand.

We see brand and culture as two sides of the same coin, and we are the first Nordic consultancy to help companies develop them together.

www.co-founders.com

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