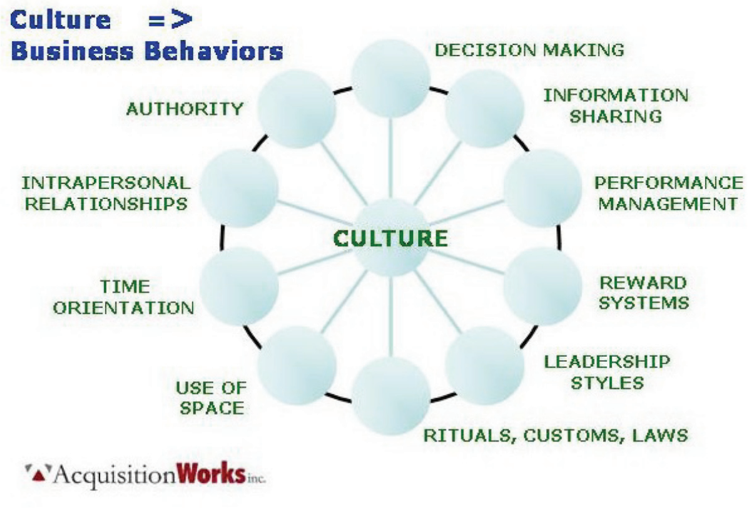

Remember: Each acquired company gets purchased because an acquirer perceives that it has some unique value. Changing its culture is likely to affect its ability to execute on that unique value proposition. Sometimes the transformation of an acquired company's culture is necessary. But it should be done rarely, and carefully. Trying to subsume one culture within another not only has strategic ramifications, but it can also contribute to employees' feeling of identity loss and can generate high employee turnover. Changing a culture is, in fact, very difficult to do. Frequently, executives underestimate the time and resources that such an effort requires.

Culture as a Scapegoat

To be sure cultural differences can often cause inefficiencies. But those differences too often get blamed when acquisitions fail. One reason, perhaps, is that the "culture" excuse provides sufficient cover for an executive on the firing line, since everyone recognizes that culture is hard to change.

Yet culture incongruence is seldom the real reason why an acquisition fails. In fact, cross-border relationships have brought all sorts of successful products to market. More often, in our experience, failure results from one or more of the following circumstances:

- Acquired employees do not share the goals of the acquired company
- People from the acquirer are not listening to acquired employees
- The acquirer has failed to re-engage the acquired workforce

When your middle managers tell you that your acquired workforce "lacks the right culture," be suspicious and find out if one of these reasons is actually at the root of the problem. A proper diagnosis of that problem will help you take the right remedial action.

Key Performance Metrics

How do you know when a post-acquisition integration is on track? What are the key metrics? A good first step is to maintain a project management list that includes the acquired unit's responsibilities for both its strategic deliverables and its integration projects. Determine the priority of each project by gauging its connection to the strategic objectives of the acquisition.

Next, establish timetables of all projects, and monitor them on a regular basis. Since acquisitions usually involve unplanned-for or uncoordinated projects, be open to resetting expectations about deliverables. Put all projects on the table, review the total workload against a clear set of priorities, and establish realistic milestones. If necessary, revise the timetable for those milestones. Insisting on unrealistic project schedules leads to fatigue and, eventually, to employee turnover. Excessive slippage in these milestones can indicate of lack of commitment. But it can also indicate an overburdened, overly compliant acquired workforce.

Retention rates can also be an indicator of morale and commitment. Identify key employees and track their retention rates. It's a good idea to focus on key employees, since whether they stay or go will generally have a long-term effect on the remaining population. Exit interviews, done in depth, can also provide information about the real reasons why key people leave.

Finally, simply asking acquired employees how things are going, if done in the right way, can prove to be quite enlightening. There is a tendency for acquired employees to be a bit timid. As discussed