"Delivering the Secret Sauce": Culture and Identity in a Corporate Merger

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This case study explores work around a merger designed to bring together two firms of different scale, history, and identity in the hospitality industry -- a large global conglomerate purchasing a small American boutique brand – while keeping the boutique company's customer- and design-centric culture. It looks at mergers as salient situations for surfacing issues around organizational culture, as companies often come together across multiple differences and brings culture to the surface. CFAR, a management consulting firm, was brought in to understand the cultural differences and challenges the merger created, and help build bridges between the two companies to sustain the boutique's culture in the service of business performance and growth.

INTRODUCTION: WORKING WITH CULTURE AS A STRATEGIC ASSSET

From the moment I arrived for our first full-day meeting at Boutique Hospitality, I knew I was overdressed. As much as I tried to emulate the designer jeans and stylish shirts, casually untucked, worn by staff in this Northwest Coast-based company, I knew I was a bit too old and stodgy to even give this look the necessary effort, let alone pull it off. Conversely, when I had visited their parent company, International Conglomerate the previous week, I showed up a bit underdressed—though even in my best suit I would struggle to keep up with the bespoke suits donned by these global executives. Culture was front and center in the merger of these two companies; in fact, culture was, in large part, the rationale for it, as the conglomerate purchased the boutique brand for mostly intangible assets. Our work, described here, focused on helping the two companies navigate the cultural dimensions of this merger, while keeping intact some of these key intangible assets. Given all this attention to culture, an ethnographic stance for working on this project—mediating between two very distinct corporate cultures—might have required if not a new wardrobe at least the conceit of looking equally uncomfortable in both of these cultural worlds.

Tensions bubbled up the night before the meeting as people arrived at the hotel. Organizers scheduled a common dinner for team members from both companies, but only a minority of people attended, with many opting to go out with friends and colleagues from their own company. One cross-company group decided to go out dancing together, but after action reports were not encouraging. News came back that Boutique's members felt that their corporate counterparts were trying too hard by "dressing down" to be as cool, coming off to them as inauthentic. Conglomerate experienced their colleagues as snooty and standoffish, the cool kids who looked down on others. Clearly, cultural challenges spanned several domains here.

This paper explores work around a merger designed to bring together two firms of different scale, history, and identity in the hospitality industry. In this case, a large global company with multiple brands (Conglomerate) purchased a small American entrepreneurial firm (Boutique) with the explicit goal of keeping what the acquiring company's leadership saw as the boutique company's customer- and design-centric culture—its "secret sauce"—a term that the two companies often used, though with differing degrees of irony. Mergers are salient situations for surfacing issues around organizational culture, as companies often come together across multiple differences: brand, nationality, work identities, language, scale, leadership, collaborative styles, etc. And difference brings culture to the surface. The literature on mergers (Appelbaum, Shapiro and Roberts 2013, Doherty, Engert, and West 2016) argues that, in most cases, integrations fail to achieve both their business and organization goals, and rarely preserve the smaller organization's culture, even when they aspire to do just that. The larger entity typically swallows up the smaller organization's identity, with other predictable effects— erosion in morale, reorganizations, talent leaving from the acquired company, and knowledge legacies quickly eroding. In this case, Conglomerate purchased Boutique with the express desire to capture, maintain, and spread elements of Boutique's ways of working, and to preserve the boutique company's customer-friendly style and its informal, West Coast culture. The goal of the merger was to preserve all of this while achieving enough operational integration to both make the merger a business success and to "scale" Boutique globally.

At a higher level, this paper addresses the growing relevance and attention to "culture" in the work of organizations and in our clients' experience. It seems that this is increasingly culture's moment, as a review of the business literature marks an amplified awareness of the importance of culture in the workplace. For CFAR, culture shows up in the settings where we work as both a barrier to and an enabler of progress, collaboration, and performance. Organizations increasingly report on their cultural challenges, wanting to "work on their culture," struggling with a toxic culture or unit, or getting stuck around a strategic change in which culture presents a critical barrier. At the same time, culture exists as a kind of black box for organizations who recognize they have cultural challenges yet have difficulty defining the source of these challenges or how to make them concrete and accessible to a meaningful intervention. Watkins (2013) writes about culture's elusiveness: "While there is universal agreement that (1) it exists, and (2) that it plays a crucial role in shaping behavior in organizations, there is little consensus on what organizational culture actually is, never mind how it influences behavior and whether it is something leaders can change." Our experience supports this elusiveness. Organizations know culture is important, but have varying definitions of what it is and how to work on it. So, the culture concept, from the perspective of an organizational anthropologist, raises some interesting questions: How does an awareness of culture on the part of our clients change our relevant definitions and focus of this concept and its utility? How can organizational anthropologists and ethnographers use or adapt their tools to be effective in these situations and to align with the understandings of culture on the part of our clients and collaborators? And how can consultants best bring culture to the surface as a tangible set of assets to work with in the service of our clients, without reifying the term?

PRESENTING SITUATION

A few months after the merger between the two companies was announced, the "post-merger integration" work transitioned from the direction of a cross-company Steering Committee ("SteerCo"), which had reached some agreements about the timing and final structure for the integration—the “end state”--to a set of cross-company functional workstreams, which developed fairly detailed implementation plans. The leadership’s aspirations to maintain a level of autonomy for Boutique created some real challenges for the merger work, where a simple unification of companies would have been easier to achieve. Clearly these companies organizational histories shaped this culture divide: Conglmoerate is an older, British-based company with an international work force. Boutique was born of an entrepreneurial, start-up culture, and its employees appreciate its Northwest Coast, edgy style. The employees of these companies are attracted to these legacies and the different pathways of identity and career development they offer. The complex merger apparatus labored under a lot of pressure and scrutiny, much of which feel on the shoulders of the two companies’ HR departments.

A scene from one of the workstream meetings illustrates how culture surfaced in this work. Middle managers from the two companies came together from cities across the US for two days of meetings focused on the back-end systems that the smaller firm would adopt to take advantage of the larger firm’s information services. While fairly technical, the adoption of one system by another company involves a lot of cultural—or what Eric Trist would call “socio-technical”—system focus, negotiation, and collaboration (Trist & Bamforth 1951). How willing would the boutique firm’s managers be to give up what they saw as the flexibility and customization wired into their current work systems? How would they collaborate with the conglomerate’s larger IT staff to get help when they need it and still interact with their customers in the way they wanted to? And who would get to make which decisions about how much to tailor the system for the boutique firm?

The workstream members grappled with these kinds of processes and questions for several months. While they started with a spirit of openness and collaboration, the integration work dragged on over many months, taxing team members from both companies to work out complicated organizational and technical details, and exacerbating tensions over different ways of working across the companies. Some clear differences started to surface around some key behaviors and issues.

Although the merger was well resourced with both integration support and staff, the process got bogged down by operational and cultural challenges. Middle managers tasked with driving the integration grew frustrated and resentful of their counterparts, lacking clarity around the “end state” for the merger. The integrated leadership team also grew irritated with slow progress, entering a state some termed “integration fatigue.” Company-wide formal communication was perceived as late in coming and vague on the details. Frankly, the merger was struggling on a number of different dimensions, and leadership was aware enough about it to feel that they had to fix the problem. However, while they wanted to solve this integration problem, they also did not want to get further pulled away from running their current businesses.

CONTRACTING AND LAUNCHING THE WORK

CFAR was referred in to their request for proposal by another consultant colleague as a “culture agency.” We developed a proposal for the merged company’s Post-Merger Integration Team, were pleased to respond, and were awarded the work after a few revisions and conversations.

As a small boutique management consulting firm with both its own distinctive culture and a proficiency for joining in the world of our clients by taking an ethnographic stance, CFAR should be well positioned to put ethnography to work in our consulting engagements. CFAR is a private firm that works on challenges in strategy, culture, and change across industries, with much of our work in mission-driven sectors like healthcare, higher education, research organizations, and family businesses. CFAR was born inside the Wharton School of Business at the University of Pennsylvania, and is itself a merger of multiple organizations and identities—organizational systems theory with management behavior, practitioners with academics, MBAs with social scientists. CFAR has a strong representation of social scientists among our senior consultants, including a folklorist, two anthropologists, and a behavioral economist. The firm has developed an approach to change that puts culture at the center. I myself have traversed multiple worlds in my career—university professor and academic ethnographer, documentary filmmaker, organizational consultant, and now partner in this firm where this diverse set of skills is helpful.

Although we have three trained ethnographers among our ranks, it has taken us a while to feature our culture work as a key part of our offerings. Perhaps our deep roots in psychodynamic approaches to organizational work or our own business school legacy held us back from highlighting our ethnographic work, or a feeling that the market wasn't ready. Our work on change is founded on an ethnographic sensibility and understanding of organizational cultures and how to intervene in them. But it is only in the last few years that we have developed a method to our culture work—and are now starting to more explicitly feature it as we talk to clients.

CFAR entered the picture as the merging companies sought external support to address the cultural barriers hindering successful integration. As noted, our firm was referred in as a "culture agency" (a term we had not used in the past, though were intrigued to be identified as such) and as a "boutique" consulting firm that could understand the smaller partner's needs, assets, and interests better than a large consulting partner. We submitted a proposal to help understand where cultural differences were getting in the way of integration and collaboration, and to develop recommendations for how to negotiate those differences and help accelerate the merger work.

METHODS

The work in this initial phase focused on both diagnosing and understanding where culture was getting in the way of integration progress and where bridges need to build, and in making these cultural challenges both visible to company leadership and concrete enough to work on at the manager level. We did this through collecting a mix of qualitative and quantitative data – what we often think of as "the hard and the soft." The culture work focused on functional workstreams set up as part of the post-merger integration work. Our diagnostic phase of the work used a few methods:

- **Open-ended interviews with stakeholders focused on culture and collaboration.** These proved to be quite revealing of both different company attitudes across the merger and of different theories about whether and how culture might be getting in the way of the successful integration.

- **Ethnographic observations in client settings.** These were done both explicitly and tacitly, as it would have been hard to justify too much time spent in mere observational mode. We were able to sit in on a few meetings to learn more about how the workstreams were progressing; that and being around for face to face interviews allowed us some observational insight.
- **A survey of roughly 100 employees at multiple levels of the organization involved in the integration work.** This proprietary tool, called the "Know, Feel, Do"™ survey, was developed by colleagues of ours at MG Strategy. It uses both quantitative measures and open-ended responses to gauge several factors: the level of knowledge employees had about the integration, how and what employees felt about the merger, and how well respondents were assuming specific behaviors they felt were needed to constructively lead the organizations through the merger.

CULTURAL OBSERVATIONS – WHAT WAS GETTING IN THE WAY

The diagnostic phase generated a series of observations of where culture was hindering integration progress, as well as issues that needed to be addressed to keep the merger on track. Some of these issues included:

- **Use of collaboration tools, like meeting agendas and slide decks.** Boutique tended not to use these tools, while Conglomerate drove their work through them. Conglomerate felt that their Boutique counterparts were showing up unprepared for meetings, and that meetings were therefore unstructured and unproductive. Boutique, stretched too thin given their smaller staff, felt put upon by the level of preparation that Conglomerate required. In the context of collaboration at the workstream level, these differences fomented resentment, unproductive discussions, and slowed-down work flow. Aspersions were cast about varying levels of professionalism and bureaucracy, differences that eroded trust and took away from the pleasures of working together.
- **Decision-making.** Boutique's flat organization structure enables rapid decisions often made informally, in the hallways or by phone; Conglomerate has more layers to weigh in for approvals and more people to check with, thus slowing down decision-making. When the organizations had to obtain approvals from superiors for agreements and proposed plans, these differences in decision-making caused frustration based on mismatched expectations. The larger question of who was ultimately in charge loomed over a lot of this work. Even though there had been some agreement at the top levels of the company that Boutique would be able to maintain much of its autonomy, for many at Boutique, it felt like Conglomerate managers were still calling the shots and driving the work. At the same time, Conglomerate managers resented the mandate allowing Boutique to keep most of its ways of working—its "secret sauce"—in large part because, in previous mergers, Conglomerate had required its new subsidiaries to fit into Conglomerate's systems and reporting structures.
- **Lack of clarity around titles and roles.** At Conglomerate, functions were divided between staff with laddered titles and clear reporting relationships. Boutique is a

much flatter organization, where one person might have multiple functions but a loftier-sounding title than their Conglomerate counterpart. Status and workload got confounded through these differences, and Conglomerate felt that their Boutique counterparts had less experience but more comparative status than deserved.

- **Different organizational structures.** Conglomerate is a publicly-owned, highly collaborative company that operates in a global functional matrix. Boutique is a small regional company with a flat, if siloed, structure, shifting from a private to a public company. Conglomerate works through multi-leveled decision-making with layers of accountability; as such, its decisions are consensus-driven. Boutique values being nimble, informal, and flexible, but also a bit hierarchical. This last point was a bit counterintuitive, as one might expect the laidback, informal nature of Boutique to create a less hierarchical decision-making culture when, in fact, Boutique's entrepreneurial roots rested in strong leadership and centralized decision-making. Conglomerate's corporate culture "required" many people across the company to provide input and feel "they can buy in to" large decisions that needed to get made. The lack of clarity about how functional divisions will operate in this merged future burdened the process:

> Clarity on what that means for each function and roadmap to an end state with clear timing; why are we all better together? How will Boutique help make Conglomerate brands stronger (vs. Conglomerate helping Boutique). (Survey response)

- **Planning versus spontaneity.** Conglomerate tends towards being scripted, planned, and predictable. Boutique is more spontaneous, and values working through intuition and informality. Feelings of loss grew on the part of Boutique staff as they realized that they needed to trade off autonomy in this new system. The boundaries around autonomy were one of the most salient issues to navigate in this merger. One open-ended comment from the survey made this clear:

> There remain some behaviors from Conglomerate staff that have eroded my trust and respect for them. Even recently, my Conglomerate peers have been told that they are getting way too involved in my business and that their behavior towards me on a conference call was unacceptable.

- **Unequal stakes in the future.** Boutique's managers were unclear of their future prospects in this dynamic situation while Conglomerate staff saw multiple opportunities for personal growth.
- **Privileging one company's culture?** Ultimately, there was a sense that the attention paid to culture needed clarification, and a bit of culture envy at play.

> I'd like to hear more about how culture works in practice for Boutique. We hear about the secret sauce and I think there is some envy or unfavorable comparison from Conglomerate folks about the fun of the Boutique brand. However - I also don't think we're too far apart - it might be the way we go about it. I'd love to hear examples of how Boutique culture works in practice - how we hire, how we manage people, how we sign deals, how we deal with owners, how we work as a company. The differences will help us find ways to align and work better together and find commonalities in the longer term.

This data, when presented to the leadership group, served as a real wake-up call. Although in our view the qualitative data was particularly rich, the quantitative data really seized leadership's attention. This was surprising from a methodology perspective. As an ethnographer trained to both embrace the power of textured fieldwork data and to question the kind of high level, quantitative survey data our work often gets compared to, I felt a little skeptical about the numbers, and also a little wounded to see that they carried such power for the company leadership. Yet there it was—confidence intervals, baselines, trends, cross company comparisons—all had the power of concreteness in their eyes, and ended up getting their attention, though the qualitative data, particularly the open-ended responses to the surveys, were also salient in their eyes. That is, they took both quantitative and qualitative data seriously, but fixated more on the numbers as an index for where they were struggling and where they could potentially measure change.

For instance, the quantitative data points most salient in the study included the following results from the survey comparing Conglomerate versus Boutique scores:

Survey Item	**Gap between Conglomerate and Boutique**
I feel invested in a future here for myself	1.06 out of 5
I feel equipped (tools, information, etc.) to reach the desired end state	1.03 out of 5
I can leverage Conglomerate (infrastructure, tools, processes) to fuel Boutique's growth	.96 out of 5
I can use a common language between Conglomerate / Boutique	.99 out of 5
I am proud to be part of a larger Conglomerate / Boutique team that wins together	.91 out of 5

These differences were stark indicators of the integration gaps between the two companies.

Taken together, the combined quantitative and qualitative analytical report signaled clearly that the integration had more problems than the leadership had thought or had been willing to admit. Executive leaders thought that middle managers were bearing up with the integration process, but now had to face the fact that these obstacles were having a significant impact on business. After a few rounds of digesting this data with various groups, it was clear that an intervention was needed. We began working with the integration team to plan and develop a series of workshops on culture, ways of working, and leading change – the topic areas that they felt were most needed to get the groups aligned. These would be rolled out to the workgroups through a series of meetings that kept getting reformulated and rethought.

AND THEN THE INTEGRATION PROCESS STOPPED

After getting very close to merging the two organizations, executive leadership realized that the owners of the franchise facilities were not ready to go forward with the new management contracts, delaying critical agreements that would be the foundation for the integration. And so, after months of negotiation, they put the integration work—and our consulting project—on hold for the better part of a year. This was dispiriting to the organization and to the people involved in the workstreams, but leadership felt they had no choice. The workstreams were put on hiatus in the late Fall of 2016. After spending six months on this project last year, during which time we were able to clarify not only the ways in which cultural differences were holding back the merger, but also the practices needed to enable more effective collaboration, without sacrificing the distinctive identities of either company, our work was on hold.

RECASTING THE PROJECT UNDER NEEW CONDITIONS

Then early this year, the workstreams were re-engaged to move forward even if the fuller integration would not go forward. And in late spring, leadership decided to restart the culture interventions, and they asked CFAR to reengage with them. We have now co-developed a series of interventions in the form of workshops on culture and ways of working that we are now set to either deliver with the HR team or to work more in the background to support them delivering. These workshops, tailored to specific workstreams within the integration process, are designed to meet the teams where they are in their collaboration across companies, while also developing processes for having more productive conversations and tools to help them get unstuck in collaborating. At the same time, the workshops, rather than getting in the way of helping people get their work done, needed to be embedded in that work—a challenge in itself. The workshops will have some mix of three areas of focus tied to specific desired outcomes:

- **Ways of working.** Here the focus is on organization design -- the "end state" operating model, organizational structures, and decisions rights. Our HR colleagues see this as related to but distinct from the work on culture—in our view these are more tightly integrated. HR is taking the lead in developing these interventions, with our support, with the goal of clarifying for staff from both companies the operating model they are working towards and helping them negotiate protocols for decision-making going forward.
- **Work on culture.** The work here focuses on developing agreements about how the two entities will collaborate, how they each will "show up" in relation to each other, and norms for working together that are respectful of differences without collapsing them. We will use a negotiation-based process to frame this work, with each company articulating cultural requests of the other – what they need the other group to do to better enable their collaboration -- then negotiating together how these requests can best be addressed and satisfied.
- **Leading change.** Conglomerate is more in the lead here, with CFAR's support, as they have already articulated frameworks for how managers should act as leaders in shaping change, how they should communicate, and the behaviors that will support this change.
- **Stakeholder management.** In addition to the focus of the work to be delivered in the workshops themselves, we are helping both companies think about a fairly extensive stakeholder management plan. Given the bureaucratic nature of Conglomerate, and the sensitivity of change on the part of Boutique, much attention will need to be paid to getting support and buy-in from the right people in the right sequence. Many individuals will need to be involved at some level, with some care given to addressing their input.

INSIGHTS

The work has generated the following set of insights thus far:

CFAR learned a lot through this work on culture; about using relevant data, how to do diagnostic work in these merger settings, the framing of cultural issues to make them salient and concrete enough to get leadership's attention, and productive ways to work on culture in the service of organizational improvement. CFAR's working definition of culture—"an organization's agreements, behaviors, and systems for getting work done" (CFAR 2017)—provided a constructive bridge between an academic definition of organizational culture and one that is more practical and accessible for the members of the companies with whom we work.

- **It is critical to understand what, in the client's world, counts as "culture," and how to make it concrete enough to work on.** Organizations already have their own definitions – eiother explicit or implcit -- of the terrain in which we are working and those definitions may differ from ours. We may be able to influence those definitions, but probably only so much, so may be best joining with them and doing our best to make them accessible to real work.
- **We need to pay attention to what counts as data for the client's culture.** In this case, both quantitative and qualitative data mattered, though with the leadership group the quantitative had a concreteness that really got their attrention. Leadership was particularly interested in metrics that they could use as a baseline both to compare themselves against (hard to do here) and to try to make progress against.
- **To get traction for working on culture, it is critical to tie cultural issues to business performance.** In a large global company like Conglomerate, a focus on culture itself is not motivating enough to get the attention and resources necessary to work on the problem. Only when tied to speed of performance, retention of managers, and, ultimately, impact on the customer, will the culture issue get its deserved focus.

Overall, our challenge is to make a difference by making culture visible and concrete enough to do something about, tying culture to business performance and peoples' engagement at work, and focusing on strengths and opportunities. As consultants, bridging academic and organizational identities ourselves can make us more effective in our work in this cultural moment—**our own version of a "secret sauce."**

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