Cultural Fit Is Everything: The Key to Acquisition Success

Over my many years in the business, I have participated in quite a number of acquisitions, both as the acquirer and the acquired. The acquisitions I have been involved with have all been in the industrial sector, business to business, in both the manufacturing and distribution areas ranging from $500,000 to $2 billion in size. In each, my experiences have been very different — some good and some not so good. When I reflect back on why the differences, it boils down to one thing in my opinion: Cultural Fit. Cultural fit in an acquisition is the determining factor as to whether it will be a good or bad melding of two independent entities. If the cultural fit is not present, move on immediately, as your chances for success have already been limited. Let me explain why I feel so strongly about cultural fit.

Management Core Values Alignment

One of the first things that I look for when involved in an acquisition are the core values held by each company’s management group. This is a key indicator at the onset as to whether or not there will be “spiritual alignment” between the two teams. Companies that do not share the common core values at the management level will always have difficulties making the acquisition a success. For example, if the acquiring company has a core value of “sustainability” or being “green,” you would not expect the potential acquisition to have a history of being fined by the EPA for polluting the stream behind their facility.

Another example that I’ve seen numerous times is the core value differences from companies that operate in different parts of the world. Cultures in Asia, for example, are much different than those in the USA. It doesn’t mean they are bad, just different. Understanding these cultural differences early in the process is critical to the future success of the acquisition.

However, if you have a cultural fit of core values centered around fair and ethical behavior and business practices, inclusiveness and acceptance of diversity in the workplace, and clear goals and expectations – the cultural fit is usually easily established, respected, and revered.

There Will Be Changes

The one thing that irritates me most is when I hear someone say, “There won’t be any changes once we acquire you, everything will be just the same!” I have heard this time and time again, just to get the deal done. Tell the truth…so you don’t create unrealistic expectations and hard feelings. Of course there will be changes!

Not all changes are bad though, and in many cases, the seller is looking for changes to their business that they cannot provide for one reason or another. For example, many smaller companies reach a point where the owner is ready to retire, but doesn’t have a solid succession plan in place. In most of these cases, taking care of the employees is paramount and selling the business is the best answer. Once acquired, the new owner will likely install a new leader and change occurs. If the right leader is chosen, this is a positive change. If not, chaos is certain and the acquisition will underperform对未来的影响。

As I’ve told companies along the way, change will happen. Accept the change and make the most of it. From time to time, there will be changes that are not acceptable and worth fighting for, but my recommendation is to choose your battles for change wisely…no matter if you are the acquirer or the acquired. A wrong decision can create a cultural misalignment, and remember…cultural fit is everything!

Agree on Expectations and Hold Both Sides Accountable

It is important before the deal is done, that both sides agree on the expectations of bringing the two companies together. Too often, the acquiring company has expectations and the deal is predicated on the acquired company achieving goals that are unrealistic or uninformative. It is imperative to the acquisition’s success that both companies understand what is expected in the way of changes, timing of events, performance metrics post-acquisition, and future objectives. If there is not clarity on these issues, expectations will be missed and cultural fit will once again be questioned and potentially damaged.

Remove Detractors and Roadblocks Early

As is typical with most acquisitions, not everyone gets onboard or sees the benefit of the acquisition. I call these people “detractors or roadblocks.” Preferably, these people are identified before the deal is done and not part of the acquisition. They were likely roadblocks in the company already and everyone knows who they are. The worst thing you can do is to allow these individuals to remain in the business post-acquisition. They will fight change and progress at every step, doing their best to drive a wedge between “them and us!” I have found it best to eliminate them early and in almost every case, the rest of the management team will applaud your quick actions. Don’t hesitate!

Celebrate the Milestones and Enjoy the Wins

Finally, acquisitions aren’t easy. They can be very stressful on those being acquired due to the unknowns ahead, and equally as stressful on those acquiring a new business with certain expectations of success. Identify early what the milestones to a successful acquisition are with the new management team. Measure frequently the accomplishments of the team. And finally, celebrate the wins together!

Following these simple steps will assure that a Cultural Fit exists, is appreciated by all, and will lead to many years of success for the newly acquired business and the acquiring company that see acquisitions as a growth strategy worth investing in.