

# Case Incident 1

## Mergers Don't Always Lead to Culture Clash

A lot of mergers lead to culture clashes and, ultimately, failure. So in 2005 when banking giant Bank of America (BOA) announced its \$35 billion acquisition of credit card giant MBNA, many thought that in a few years this merger would join the heap of those done in by cultural differences.

MBNA's culture was characterized by a free-wheeling, entrepreneurial spirit that was also quite secretive. MBNA employees also were accustomed to the high life. Their corporate headquarters in Wilmington, Delaware, could be described as lavish, and employees throughout the company enjoyed high salaries and generous perks—from the private golf course at its headquarters to its fleet of corporate jets and private yachts.

Bank of America, in contrast, grew by thrift. It was a low-cost, no-nonsense operation. Unlike MBNA, it believed that size and smarts were more important than speed. It was an acquisition machine that some likened to *Star Trek's* relentless Borg collective.

In short, the cultures in the two companies were very, very different.

Although these cultural differences seemed a recipe for disaster, it appears, judging from the reactions of BOA and MBNA employees, that the merger has worked. How can this be?

BOA had the foresight to know which MBNA practices to attempt to change and which to keep in place. Especially critical was BOA's appreciation and respect for MBNA's culture. "On Day 1, I was directed that this was not like the ones you are used to," said Clifford Skelton, who had helped manage BOA's acquisition of FleetBoston Financial before moving on to MBNA.

To try to manage the cultural transition, executives of both companies began by comparing thousands of practices covering everything from hiring to call-center operations. In many cases, BOA chose to keep MBNA's cultural practices in place.

In other cases, BOA did impose its will on MBNA. For example, because MBNA's pay rates were well above market, many MBNA managers were forced to swallow a steep pay cut. Some MBNA employees left, but most remained. In other cases, the cultures co-adapted. For example, MBNA's dress code was much more formal than BOA's business-casual approach. In the end, a hybrid code was adopted, where business suits were expected in the credit card division's corporate offices and in front of clients, but business casual was the norm otherwise.

While most believe the merger has been successful, there are tensions. Some BOA managers see MBNA managers as arrogant and autocratic. Some MBNA managers see their BOA counterparts as bureaucratic.

What about those famous MBNA perks? As you might have guessed, most have disappeared. All but one of the corporate jets is gone. The golf course was donated to the state of Delaware. Gone, too, are most of the works of art that hung in MBNA's

corporate offices.

Of course, BOA made another, more recent and much larger acquisition: Merrill Lynch. Whether the BOA–Merrill merger proves a success is still too early to tell.

### Questions

1. In what ways were the cultures of Bank of America and MBNA incompatible?  
**Answer:** Dress code, freewheeling vs. conservative, lavish versus frugal. Large bank on the west coast versus an east coast bank makes a difference in the way business is conducted too.
2. Why do you think their cultures appeared to mesh rather than clash?  
**Answer:** The cultural difference seemed to be evaluated before the deal was consummated. Often, the culture is not considered and these mergers are usually disastrous. In addition, when the companies have complementary services the mergers are more effective. There were also some compromises made when the new combined culture was being formed.
3. Do you think culture is important to the success of a merger/acquisition? Why or why not?  
**Answer:** Culture is critical to the success or failure of a merger. Careful deliberation and communication of the organization's culture will preclude many problems later.
4. How much of the smooth transition, if any, do you think comes from both companies glossing over real differences in an effort to make the merger work?  
**Answer:** There has to be some negotiation and give and take in a merger so both sides can work efficiently as a new team. Both companies have to keep the overarching goals of the newly formed organization in place for the merger to happen quickly and efficiently.

Sources: Based on E. Dash, "A Clash of Cultures, Averted," *New York Times* (February 20, 2007), pp. B1, B3; L. Moyer, "Bank of America Lewis Must Wait on His Fate," *Forbes* (April 29, 2009), [www.forbes.com](http://www.forbes.com).

## Case Incident 2

### Google and P&G Swap Employees

The cultures of Google and Procter & Gamble (P&G) could not be more different. P&G is notoriously controlled, disciplined, scalable, and rigid—so much so that employees call themselves “Proctoids.” Google is just as famous for its laid-back, unstandardized, free-flowing culture.

So what would cause these two large, successful examples of strong—yet dissimilar—corporate culture decide to socialize one another’s employees? One reason clearly is marketing: P&G sees more of its future marketing efforts occurring online, and Google, of course, is an ideal fit for that strategy. Google, for its part, sees P&G as the ultimate “heavy hitter” buyer for its ad space (P&G is the biggest advertiser in the world).

However, it also seems clear this is about more than marketing. After all, P&G and Google do business with plenty of organizations with which they don’t swap employees. Both companies believe that by exposing key managers to a culture that emphasizes innovation, but in a wholly different way, they can push their own innovation even further.

Sometimes we learn the most from the ways in which we are different, and that’s certainly the case here. In one of the early employee swaps, Denise Chudy, a Google sales team leader, stunned P&G managers with recent data indicating online search for the word *coupons* was up 50 percent in the past year. P&G staffers see themselves as members of one of the world’s most innovative and data driven organizations, famous for tracking consumer preferences, product use, and buying behavior. They are not easily stunned. To enter Google’s own universe was a humbling, and challenging, learning experience.

Google’s swapped employees are learning something, too. When poring over decades of marketing materials on P&G’s Tide detergent and the firm’s allegiance to bright orange packaging, Google employee Jen Bradburn wrote, “It’s a help to know not to mess with the orange too much.”

Differences, of course, are still apparent. When one P&G manager showed Google employees a 1954 ad for Tide, he proudly noted, “That’s when you reached 70 percent to 80 percent of your audience with television.” The Google team laughed in astonishment.

#### Questions

1. Do you think the employee swap between Google and P&G is a good idea for all companies? Why or why not? Why do so few companies do this?

**Answer:** It may not be an appropriate effort for all companies, but companies that would benefit from broader market perspectives could find the exchange very beneficial. In all likelihood, more companies do not do this because of pervasive feelings of paranoia among managers. In addition, current economic conditions likely make executives reluctant to take a chance on moving essential

employees around during so much uncertainty.

2. One of the reasons P&G and Google agreed to the swap was to transmit the best aspects of the other company's culture to their own. Drawing from this chapter, describe how culture might be transmitted in such swaps.

**Answer:** Upon returning from the exchange, the company and participating employees should develop a program to educate the remaining employees about the positive cultural aspects the company wishes to incorporate into its culture. Such programs include the development of:

- a. Stories
    - i. Narrative of events about the organization's founders, rule breaking, relocation of employees, past mistakes, etc. Serve as anchors for the present and legitimize current practices.
  - b. Rituals
    - i. Repetitive sequences of activities that express and reinforce the key values of the organization
  - c. Material Symbols
    - i. Layout of corporation headquarters, types of automobile top executives are given, aircraft, size of offices, executive perks, etc.
  - d. Language
    - i. Organizations develop unique terms related to its business. When jargon has been assimilated, it acts as a common denominator that unites members of a given culture or subculture.
3. Which culture—Google's or P&G's—do you think would fit you best? Why?  
**Answer:** The students' answers to this question will vary widely depending on the individual's characteristics.
  4. Would you enjoy an employee swap with a company with a very different culture? Why or why not?  
**Answer:** Again an answer that will depend on students' attitudes and opinions. But a good discussion should occur as students open up to their personal preferences.

Sources: Based on E. Byron, "A New Odd Couple: Google, P&G Swap Workers to Spur Innovation," *Wall Street Journal* (November 19, 2008), pp. A1, A18; A. G. Lafley, "P&G's Innovation Culture," *strategy\_business* (August 28, 2008), pp. 1–7; and "P&G, Google Swap Workers for Research," *Silicon Valley/San Jose Business Journal* (November 20, 2008), [www.bizjournals.com/sanjose](http://www.bizjournals.com/sanjose).

# Instructor's Choice

## Applying the Concepts

In the land of tech gadgets it is literally a “here today, gone tomorrow” philosophy that drives the market space. Such was almost the case for TiVo. TiVo allows a viewer to capture a digital recording and replay it at a later time. It was a great invention for a while. However, technology seemed to pass TiVo while it was on slow play. Today, TiVo seems old hat with more modern advances brought about by Apple Computers (iPod) and others. To its credit the management at TiVo has not given up. Instead TiVo guru Arthur van Hoff developed Dr. Strangeberry software that allows the TiVo user to grade digital content from the Internet and transfer it to a TV or an array of other devices. Today, TiVo devices can only do their recording and time-shifting on programs piped in from standard cable or satellite feeds. Dr. Strangeberry will change all this and in the process will give TiVo time to get its digital act together.

- Using a search engine of your own choosing, visit the TiVo Web site at [www.tivo.com](http://www.tivo.com). Based on what you find at the Web site, what can you tell about new developments at TiVo? What can you learn about Dr. Strangeberry?
- Based on what you found on the TiVo Web site or through some other investigation, what does TiVo need to do organizationally to keep its company from reaching obsolescence?
- If you were the CEO of TiVo, what cultural changes would you attempt to encourage? Explain and comment on why you would make the changes.

### **Instructor Discussion**

Many of the students will know about TiVo but most will not own one. Therein lies some of TiVo's problem. For additional information on TiVo and its challenges, read “Saving TiVo” by Kim Girard in *Business2.0*, September 2004, pp. 92–100. Students will discover that TiVo needs to do a refit on their organizational structure and culture. The company had a great idea, pursued the idea, and in the process stopped innovating. Soon other companies past them by. Without the advent of the Dr. Strangeberry software, most experts believe TiVo would already be gone. If many in the class have not heard of TiVo, it might be easiest to explain via brochures that can be obtained in any electronics retailer such as Circuit City or Best Buy. Have students discuss alternative cultures that might spur innovation and adaptation at TiVo.



## EXPLORING OB TOPICS ON THE WORLD WIDE WEB

Search Engines are our navigational tool to explore the WWW. Some commonly used search engines are:

[www.goto.com](http://www.goto.com)  
[www.lycos.com](http://www.lycos.com)

[www.google.com](http://www.google.com)  
[www.hotbot.com](http://www.hotbot.com)

[www.excite.com](http://www.excite.com)  
[www.bing.com](http://www.bing.com)

1. What do you think it would be like working for the “Happiest Place on Earth?” Of course, it is Disney Land! Disney is huge—so much more than theme parks. Go to: <http://disney.go.com/disneycareers/index.html> to get a flavor of what their corporate culture might be like. Click on the links found at the bottom of the page. One even references culture—but it is not necessarily referring to corporate culture. Be prepared to talk about what you learned about the Disney corporation in class.
2. How does a change agent go about changing the corporate culture? The task, no doubt, is never easy, but the following Web site offers a process to follow at: <http://www.lynco.com/culchange.html>. Read through the article and try to think of a time when an organization you were involved with underwent change. Take the steps outlined in the article and apply them to your experience. Write a brief commentary on how each step would apply to your situation. Bring it to class and be prepared to discuss your case.
3. How does one differentiate between a strong and a weak culture? The Denison Organizational Culture Survey can be found at: <http://www.denisonconsulting.com/dc/Default.aspx?tabid=40>. It is an internal tool used by organizations. The page provides information about the survey and a model of strong vs. weak organizational cultures. Write a paragraph or two on how you think this information might be helpful to organizations.
4. Career Bliss. Really? Go to: <http://www.spiritualityofwork.com/organization.html> to learn more about Spirituality at Work. While there take the “10 Steps to Career Bliss” survey and see what results you obtain. Also on the page is a list of benefits to employers who incorporate spirituality principles into the corporate culture. Write a short paper on the concept of Spirituality at Work. What do you think managers have to gain? Employees? Is there a downside? Use ideas from the Web site as a start for organizing your paper. Bring it to class for further discussion.
5. Becoming a more customer-responsive organization can be a difficult culture change. Learn how CRHC did it at: [http://www.cio.com/article/30287/Project\\_Management\\_Helps\\_IT\\_Group\\_Grow\\_More\\_User\\_Friendly](http://www.cio.com/article/30287/Project_Management_Helps_IT_Group_Grow_More_User_Friendly). The organization featured in this article demonstrates how difficult the process can be, but also how rewarding the changes eventually can be. Look at the model of key variables to creating a more customer responsive corporate culture found in the text. In the article, find examples of those variables as CRHC underwent the change process and list. Bring it to class for further discussion.