How mergers affect cultural issues and behavior in organizations

Corporate mergers are frequently advertised as exciting opportunities for two companies to come together and merge their talent pools and resources. When advertising the potential financial windfall of such unions, the people behind the mergers promise increased opportunities and benefits to both employees and consumers. In real life, however, mergers are only successful in a number of very small cases. According to one study, more than three quarters of all mergers start to lose their value on the stock market within the first two years of merging. Mergers fail mostly due to organizational behavior and organizational culture issues that result from such unions. This paper will discuss organizational behavior and culture issues that result from mergers along with probable solutions to these issues. In addition, a slew of recommendations will also be provided for the merger to proceed as smoothly as possible.

Selection of companies

The main company selected for this assignment is the American technological giant, Google Inc. The foreign company selected is the Chinese technological conglomerate Huawie which has been expanding its overseas business significantly in the last five years. The assignment will assume that Google and Huawei merge together to form a large tech conglomerate.

Organizational behavior issues related to mergers

Since the two companies are from completely different regional backgrounds, a slew of issues are likely to plague their union if they decide to merge together in the foreseeable future. One of the most pressing issues in this regard is likely to be communication challenges. The companies involved in merger negotiationsoften fail to notify their employees of the impending mergers due to a variety of diverse reasons (Trimnell et al., 2001). While the top management of the companies are themselves uncertain of the potential short term and long term effects of the merger, it is the fear of imparting confusion within their employees that really prevents these companies from notifying their workers. Companies fear that notifying the employees beforehand would imbue confusion and rumors within their worker base. This confusion and uncertainty may then inadvertently harm company financials and may even negatively affect the negotiations of the merger.

This failure to communicate the information of the impending merger may prompt employees to believe that they would be laid off after the merger. This is a plausible conclusion on the employees' part as laying off sizable portions of previous workforces after mergers is a norm in almost every industry. The employer's failure to communicate the information of the impending merger may also prompt the employees to believe that their roles and work positions would be shuffled after the merger and that they would be assigned to a division that they may not want to work in (Riad, 2005). A slew of other similar fears and rumors may throw the workforce in panic which may result in untoward damage to the company even before the merger is completed.

Another major challenge during mergers is ensuring employee retention. The employee attrition rate resulting from mergers is frequently high because mergers often cause uncertainty amongst the employees about the future of the organization that they have been a part of. This uncertainty stems partly from the organization's decision not to notify the employees about the merger and partly from the introduction of a slew of internal and external issues that the merger introduces into the company (Smeets, Ierulli, & Gibbs, 2016). Secondly, employees also leave due to confusion about job security and the effect that the merger might have on their financial security and credit rating. The confusion stemming from the merger forces the employees to ensure that the financial future of their families remains secure. This may prompt these employees to seek employment elsewhere which may not only cause a loss of talent to the company but would also result in confusion amongst the existing workforce.

A leadership gap that develops following the news of mergers also affects the work force in a negative way. If the fallout from a merger is not properly handled, employees may feel betrayed by the company and its leadership. Employees often end up feeling that they have not been treated equitably by the company which may result in significant disenfranchisement and distrust amongst the workforce. This then has the potential to affect the employees' mindset about working for the organization in the future (Harris, 2010). Employee trust is a highly important part of the corporate culture and damage to this trust often has far-reaching effects for both the employees and their parent company. The 1982 merger of KFC and Pepsi Corporation prompted mass resignations from KFC's middle level management as anxiety about the merger within the employees was not properly alleviated by the company's top management (Ebrahimpour, Zahed, Khaleghkhah, & Sepehri, 2011).. The radical shift of organizational culture resulting from the merger had made the employees uncomfortable which had prompted them to rethink their career paths. In order to maintain the financial security of their families, most of the management opted to leave. This threw the merged corporation in a chaos and the resulting uncertainty only subsided after several years had passed (Ebrahimpour, Zahed, Khaleghkhah, & Sepehri, 2011).

Evaluation of Organizational Culture

Organizational culture encompasses the entire work ethic of the work force in a particular organization. It not only includes the way employees conduct themselves while at work but also includes the workplace values and beliefs of the employees. Organizational culture streamlines and directs employee behavior in the workplace while simultaneously ensuring that employees conduct themselves according to the principles laid out by the company management.

Organizational Culture issues related to mergers

While mergers are frequently fast tracked to take advantage of the diverse business and financial opportunities that spring up in their wake, they often fail to take into account the implications of culture clash of the two organizations that are to be merged (Elstak, Bhatt, Van Riel, Pratt, & Berens, 2014). According to some estimates, disparities in organizational cultures of merged organization are responsible for the failure of more than thirty percent of all mergers (Smeets, Ierulli, & Gibbs, 2016). The people responsible for mergers often forget the human factor and instead focus their attention on the mechanics and financials of such a union. This is a significant mistake as employees are the most important component of any company and sidelining them causes a slew of organizational problems later on. In the case of this assignment, the merger of Google and Huawei is also bound to be highly difficult because of the completely dissimilar organizational cultures of the two organizations.

The fact that organizational culture embodies the ideals, paradigms and archetypes of an organization which then affects the behavior and attitudes of employees of an organization presents a problem (Trimnell et al., 2001). Employees do not and cannot change their organizational attitudes and behaviors on a whim as these attitudes and behaviors are the products of several years' worth of experience at their previous company. As merged organizations do not continue the organizational cultures of their predecessors, this presents a significant problem. The changes and transformations in employer-employee relations, management strategies and administrative divisions brought about by mergers therefore alienates and disturbs employees as such changes are completely at-odds with the practices that employees are used to (Ebrahimpour, Zahed, Khaleghkhah, & Sepehri, 2011). As a result, changes in previous managerial practices result in turmoil and disarray to the merged company.

In the case of this assignment, Google and Huawei will have difficulty merging due to the significant differences in their workplace culture. Google has always had a decentralized organizational culture with minimum managerial interference into the work of its employees. Huawei, on the other hand, is a state-owned company that has a strict managerial hierarchy and a stringent work ethic. The two organizational cultures could not be more different and as a result, there are bound to be significant difficulties when the two corporations merge into one.

Furthermore, cultural fall out can be widespread and far-reaching. There are fundamental differences in leadership style and decision making in every company. Some companies prefer to micromanage each detail and task while others believe in giving a relatively free-hand to their employees by believing their ability to deliver quality work. In addition, there could also be fundamental differences in employer-employee relationships. Some firms prefer an informal work environment where employers and employee work together free from hierarchal restraints and constraints (Ebrahimpour, Zahed, Khaleghkhah, & Sepehri, 2011). Other companies, particularly those of Asia, believe in a highly structured work environment where managers and employees do not intermingle.

This factor will also significantly affect the merger between Google and Huawei. Huawei, being a state owned corporation, operates under strict government control which means that its research and development budget is limited and controlled and it does not frequently invest in experimental technology in the hopes of innovating new products and services. Google, on the other hand, actually provides its employees a fixed amount of time to invest in technologies that may revolutionize the IT industry. Some of the results of this creative freedom include Gmail and Google drive which have not only transformed internet data transfer but also provided significant amounts of revenue to Google. Such different work environments would make it virtually impossible for the employees of both the companies to work together under a merger.

Another fundamental difference between Google and Huawei is in its employer-employee relations. Google is globally famous for providing unmatched and unparalleled benefits to employees such as high salaries, flexibility in working hours, allowances for new mothers and fathers and an insurance package that provides significant sums of money to the deceased employee's spouse and children for ten years. Huawei, on the other hand, is run by officials of the Communist Chinese government. This means that it provides its employees with middling pay, limited benefits and a less-than-adequate insurance package. Depending on whichever former company ends up running the merger, employees are bound to feel alienated by the policy that the merged company would adapt. If Huawei officials assume managerial control of the company after the merger, then the organizational culture is bound to become intolerable for former Google employees. This is because Google employees are used to working under significant creative freedom and this creative freedom would no longer be available to them under the merger. If Google managers run the merged company, then former Huawei employees would have a hard time adjusting into the new work environment as the concepts of flexible working hours, creative liberties and experimentation would be completely new to them. They would have significant difficulty in adjusting to the new work environment as these benefits and advantages were not available to them in their previous job. All in all, a merger of these two completely differently run companies would estrange employees and may cause them to ponder about seeking employment elsewhere.

Influence of organizational behavior on organizational culture

Organizational behavior refers to the impact that individuals, working groups and hierarchical structures have on human behavior within a company. Under the concept of organizational behavior, workplace attitudes and beliefs are linked to individual and collective thinking processes prevalent in the company. Since organizational culture refers to these behaviors and attitudes prevalent in the organization, the link between organizational behavior and organizational culture is clear and direct. A diagram illustrating the link between organizational behavior and organizational culture is illustrated below:

The diagram above illustrates that organizational culture directly contributes to the personal values, ethics, workplace attitudes and workplace expectations of an employee. Coupled with the societal culture and customs (which also contribute to organizational culture), these values then directly contribute in the formulation of organizational behavior. Since the core factors that contribute to both organizational behavior and culture are completely at-odds with each other in the case of Google and Huawei, both the behavior and culture of these two tech giants is completely different from each other. As a result, the merger will result in significant problems for the employees and managers of both the companies.

Solutions to above challenges

Communication challenges are often the first issue that arises in mergers. To prevent communication challenges from damaging the company, estranging the employees and dooming the prospect of the merger before it has even happened, it is important to keep the employees informed from the beginning. This means that the employees must know that the merger is going to occur immediately after serious negotiations start between the heads of the two companies for such a venture. In addition, the employees must also be kept updated regarding the status of merger negotiations through either direct or indirect means. Doing so would provide sufficient time to the employees to mentally prepare themselves for such a radical shift in the workings of their organization. Such a move would also alleviate their fears about the merger and their job security as they would be provided with sufficient time to think about the effects of the merger on themselves (Elstak, Bhatt, Van Riel, Pratt, & Berens, 2014). Sharing frequent updates about the potential merger would also increase employee trust in the company as it would show that the company values its employee enough to share confidential information with them in real time. This would prevent the onset of lack of trust amongst employees that is often a significant negative aspect of most mergers. The employees would then remain motivated and inspired.

In regards to the challenge of employee retention, a number of measures can be implemented to ensure that the employees’ trust in the organization remains consistent and does not waiver. To achieve this, the company needs to treat the employees properly and with respect. This can be done by holding meetings with employees of every department to not only alleviate their concerns regarding the merger but also to listen to their queries empathetically. Such an action would placate the employees’ misgivings regarding the merger and would prove to them that the company really cares about them. Such a move would forgo industry customs where companies frequently ignore the human factor of the impending merger (Riad, 2005). Secondly, employees are often concerned that they would be assigned to departments that do not appeal to them after the companies have been merged. To tackle this issue, these employees could be adjusted into the new company by taking into consideration their preferences in relation to their seniority. This would mean that employees who have spent more time in the company would get preferential treatment when being adjusted into the new company. Such an action would reward employee loyalty to the company. Employees represent a significant investment of the company and their retention is not only financially feasible for the merged company but also beneficial from a public relations perspective.

To deal with organizational culture differences within the companies to be merged, a number of steps can be implemented. To ascertain the differences in culture of the two companies, culture surveys can be conducted which would determine the prevalent work place attitudes in both organizations. Next, employees could be coached to help make their transition to a different work culture easier (Smeets, Ierulli, & Gibbs, 2016). This is not easy as employees seldom replace their values and beliefs in the long run. If employees are having difficulty in transitioning to the new work culture, then difficult decisions would need to be taken. One way forward would be to replace these employees with individuals who can fit into the new organizational structure more readily. Conversely, if the employee attrition rate increases due to cultural differences, then the merger should not move ahead. As more than three-quarters of all mergers fail due to cultural factors, this is a wise financial decision in hindsight.

Recommendations for the merger to succeed smoothly

Mergers represent a steep organizational and financial commitment and their potential success can be achieved through a number of diverse and unique factors. One of the most important factors to be considered in this regard is cultural similarities between the two organizations to be merged. The people in charge of the merger must ensure that the organizational cultures of both companies are at least similar. This would make the employees’ transition to the new company smooth which would contribute positively to the workings of the company. The probability of failure in a merger increases if the organizational cultures of the two companies are different. Secondly, valuable employees must be retained through the confusion of the merger. Experienced employees represent a tremendous human resource and losing them to mergers would affect the company highly negatively in the long run. Finally, efforts must also be made to ensure that employee satisfaction and trust within the company remains constant. All these factors can be tackled by practicing a constructive and supportive attitude on part of the merger management through extending due support and respect to the employees. Employees represent the most important cog in the workings of the company and a deft handling of this cog may increase the chances of success of the merger several fold.