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Culture in M&A: A four-part series on getting it right

Part 1

Why talk about culture – A strategic perspective for M&A leaders

In the complex world of mergers and acquisitions, culture is far more than a 'soft issue' - it's a potent strategic enabler or barrier to deal success. Culture fundamentally shapes how organisations operate, how leaders lead, and how people respond to change. Despite its critical importance, culture is often under-assessed and undervalued during the M&A process, leading to significant risks that can derail even the most promising deals.

For M&A leaders, proactively addressing culture isn't optional; it's essential for realising the full value of the deal. Here's why:

Culture drives organisational behaviour.

It influences how people work, communicate, make decisions, and solve problems.

Understanding this dynamic is essential when integrating teams post-deal.

A healthy culture fosters employee engagement, retention, and trust.

These are key drivers of post-merger productivity and stability. In contrast, cultural misalignment can lead to low morale, high attrition, and failed integration efforts.

Culture affects external perception.

It shapes how the newly formed organisation is viewed by customers, investors, and prospective talent, especially in terms of leadership style, innovation capacity, and employer brand.

Culture impacts change readiness.

A well-aligned culture reduces resistance to the strategic, structural, and system changes that often accompany an M&A deal. It enables leaders to gain faster alignment around the new organisation's direction and execution plans.

For M&A leaders, proactively addressing culture is not optional — **it's essential for realising the full value of the deal.**

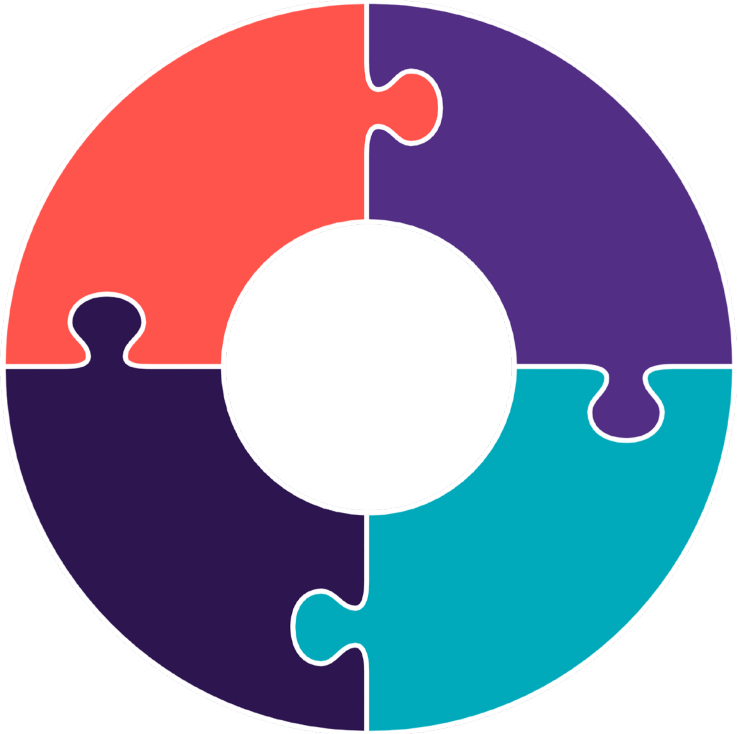
So, what is culture? Defining the indefinable

To truly grasp culture's impact in M&A, we first need a clear understanding of what it is.

Culture is a multifaceted concept that broadly refers to the shared patterns of behaviour, beliefs, values and social forms that characterise a group of people. It's essentially the 'way of life' that is learned and transmitted across generations within a society.

A widely accepted definition comes from cultural theorist Geert Hofstede, who defines culture as: "The collective programming of the mind that distinguishes the members of one group or category of people from others."

This definition underscores some important aspects:



Learned, not inherited

Culture is not something we are born with; it's acquired through socialisation, observation, and interaction with others in our social environment.

Shared

Culture is a collective phenomenon, encompassing what a significant proportion of a group's members share in terms of ideas, practices, and understandings.

Integrated and dynamic

Different elements of a culture are interconnected, and culture itself is constantly evolving, adapting, and changing over time.

Symbolic

Culture relies heavily on symbols (language, gestures, objects, rituals) that carry particular meanings recognised by those within the culture.

Distinguishing organisational culture from broader cultural influences

It's crucial to understand that 'culture' in M&A has two key layers:

Organisational culture

This refers to the specific values, beliefs, practices, and norms that define how a particular company operates internally. It's about its unique ways of working, communicating, and making decisions. This is the 'personality' of the company.

Broader cultural influences

This encompasses wider societal, national, regional, or industry-specific values and norms. These influences shape the people within an organisation and can significantly impact how two entities interact, particularly in cross-border or diverse-industry deals. While organisational culture is specific to a company, it's often an outgrowth of these broader cultural contexts.

Why people struggle to define their organisation culture

Despite its pervasive influence, many people struggle to articulate their organisation's culture. This isn't surprising, as organisational culture is largely intangible, complex, and experienced rather than explicitly articulated.

1. Culture is subjective.

Individuals experience it differently based on their roles, teams, or interactions with different leaders. For example, an employee's perception of an organisation's culture may vary significantly depending on whom they report to.

2. Culture is dynamic.

It evolves over time, especially during periods of leadership change, crisis, or rapid growth. What was considered 'the norm' yesterday may not hold true today – this phenomenon is often referred to as cultural drift.

3. Stated vs. lived values.

Stated values are what an organisation claims to stand for, while lived values are what actually guide behaviour and decisions day-to-day. In an M&A context, the stated values are what merging companies say they stand for, but lived values – how peopleactually behave – are what determine true cultural compatibility.

4. Lack of a common language.

Many people are unsure how to observe, describe, or assess culture. Without a structured framework, conversations about culture often remain vague or superficial.

How is culture relevant in an M&A?

Traditionally, the success of a merger or acquisition is measured by whether the deal achieves its strategic, financial, and operational objectives. However, decades of research consistently show that 70–90% of M&A deals fail to meet expectations. One of the most common and underestimated reasons is cultural misalignment.

Even when there is a strong strategic rationale and sound financial performance, cultural misfits can create significant friction – both pre-and post-deal. These issues are often not visible in the due diligence phase and only emerge during integration, when the two organisations must work as one.

Common cultural challenges observed in M&A deals

Employee resistance to change

Teams may reject the new strategy, structure, or identity, especially when they feel excluded from the process or fear losing their cultural identity.

Leadership conflict

Differing leadership styles and decision-making approaches can lead to tension at the top, affecting alignment and cohesion across the organisation.

High attrition and talent loss

Cultural disconnect often leads to key people leaving – especially when they feel the new environment doesn't reflect their values or working style.

Productivity decline

Employees distracted by uncertainty or dissatisfaction become less engaged, impacting performance and collaboration.

Customer dissatisfaction

When front-line staff are disengaged, service quality drops and customers feel the ripple effects, risking long-term loyalty and brand reputation.

Why M&A leaders must prioritise culture

Employee resistance to change: Teams may reject the new strategy, structure, or identity, especially when they feel excluded from the process or fear losing their cultural identity.

Final thoughts

Culture is not an abstract concept in M&A – it's a tangible force that can make or break your deal. By understanding its impact on organisational behaviour and recognising the interplay of specific organisational cultures with broader cultural influences, M&A leaders can begin to unlock real value. Proactive cultural consideration, rather than reactive problem solving, is the strategic imperative for successful integration.

Credits

About Grant Thornton / Roch Tay

Grant Thornton Singapore is a leading provider of audit, tax and advisory services. We are part of a global network of more than 76,000 people in 150 markets with a common goal — to help organisations realise their ambitions in any environment.

The global challenges facing businesses are unprecedented. That demands a different type of adviser. One willing to go beyond what's expected to deliver an experience that's more personal, agile and proactive. We apply strong technical guidance and breadth of experience to ensure that clients receive a truly unique experience. Whether you're growing in one market or many, looking to operate more effectively, managing risk and regulation, or realising stakeholder value, we have the assurance, tax and advisory services to meet your needs.

Roch Tay heads up the Deals Advisory practice in Grant Thornton Singapore. He has more than 25 years of experience in providing management, financial advisory and human resource consulting services to global and local corporations, as well as private equity houses. He is experienced in advising senior leaders on their organisation transformations, organisation culture re-alignments, people-related considerations in their acquisitions and divestitures, as well as their post-merger integrations strategy development, planning and execution.

References

Studies by Deloitte, PwC, and others consistently highlight that up to 70–80% of M&A failures are linked to cultural misalignment.

About ODE Consulting® Pte Ltd / Dr. Kavita Sethi

Established in 1996, ODE Consulting® is a Singapore-based boutique consultancy that partners with organizations in Singapore and globally to drive transformation and change, and embed culture through learning, coaching, and consulting. With a strong foundation in organizational development, ODE delivers customised solutions that align people and business strategies, enabling lasting impact.

Through Culture In The Workplace™ (www.cultureinworkplace.com), a Line of Business of ODE Consulting®, solutions in Cross-Cultural and Organisational Culture are offered to help clients manage cross-cultural diversity, build inclusive workplaces, and develop global leadership capabilities. ODE is the sole global licensee representing and applying Professor Geert Hofstede's body of research to workplace challenges.

Dr. Kavita Sethi, co-author of this series, is the Principal Consultant of ODE Consulting® and Global Master Certifier for Culture In The Workplace™. With over 40 years experience, her areas of specialisation include strategy, leadership, cross culture and the design & implementation of competency frameworks. She has designed and facilitated learning, coaching and consulting solutions for large multinationals and local conglomerates.

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