

M&A

Culture Assessment

Organization A

Organization B

February 25, 2020



INTRODUCTION & METHODOLOGY

Mergers are an enticing growth strategy for many executives and shareholders with goals of creating synergistic impacts, economies of scale and scope, and increased market span and power.

However, the stark reality is many mergers fail due to a lack of compatibility of merging firms. And, a growing body of literature suggests that organizational culture more than anything else determines the success of mergers.

Organizational culture guides the way individuals and groups in an organization behave—it includes the attitudes, behaviors, beliefs, experiences, vision, and values of the organization.

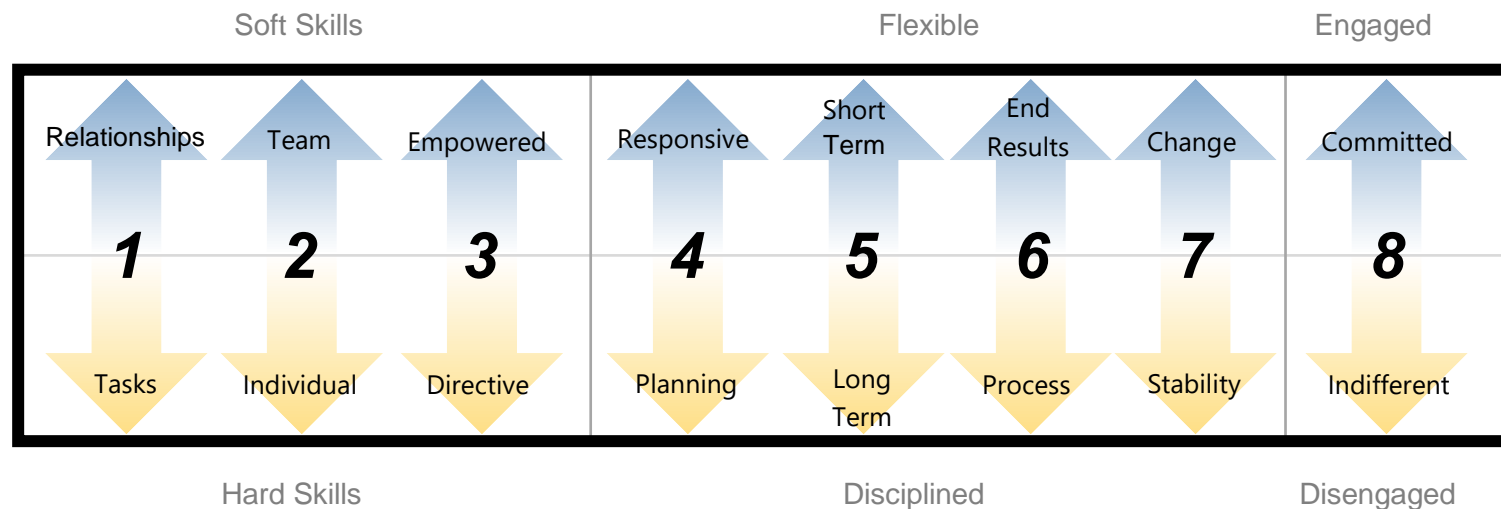
The challenge of post-merger integration rests in the behavioral differences between two organizations. When not fully understood, the behavioral differences have the potential to heighten frustrations and anxieties, which can hinder true integration.

The purpose of this report is to help reduce the risk, uncertainty, and anxiety associated with merging organizations.

By illuminating the organizational cultures of merging organizations, we can identify any similarities and differences that can help or hinder the post-merger integration. This report arms leaders and employees with the data, information, and intelligence to more thoughtfully approach the integration process and develop more effective strategies.

This report highlights the findings from a 60-item organizational culture assessment administered digitally to a sample of employees from each merging organization responding through an anonymized link over a 3-week period in November of 2019.

There are four key components of this report. They are: Strategic Focus Comparison, Change Readiness Assessment, Culture Illumination Maps, and Behavior Response Data.



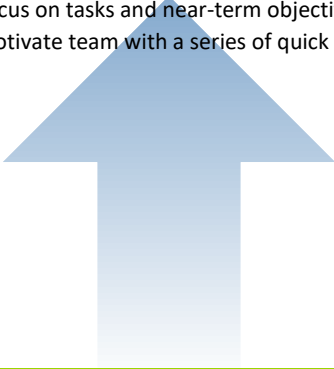
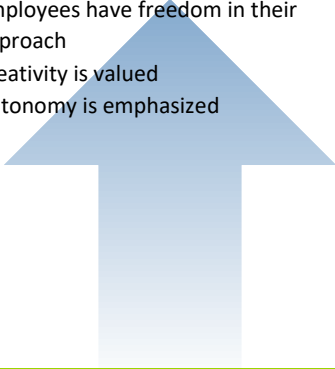
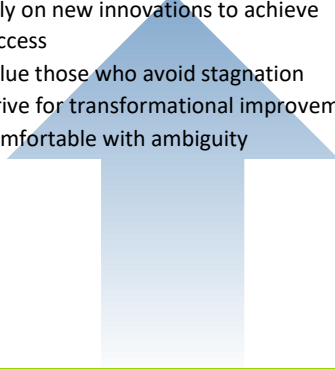
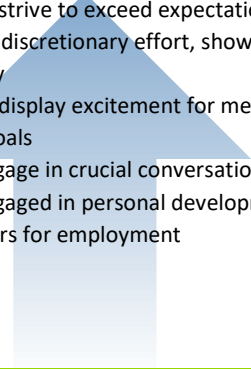
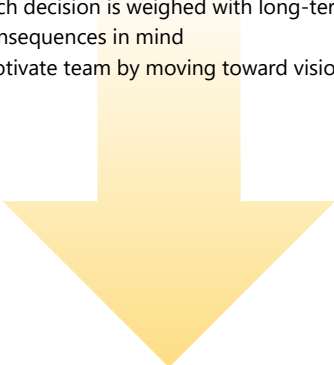

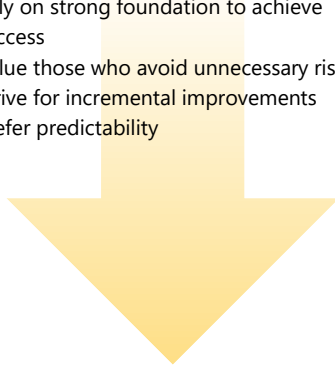
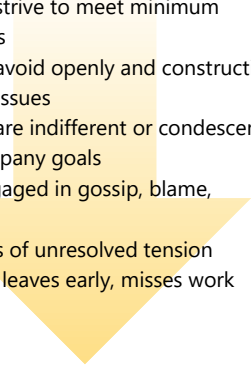
The Culture Illumination Maps quantify organizational culture based on eight dimensions. Each dimension is a continuum of opposite approaches to getting work done.

DIMENSIONS OF CULTURE

The Eight Dimensions of Culture gives you a behavioral snapshot of your culture using a series of continuums to describe how groups get work done. Each continuum is comprised of polar opposite approaches. Neither is better or worse, more or less they are both appropriate based upon the type of work a group must accomplish. Usually groups fall somewhere in the middle of the two extremes. Together, these dimensions provide a picture of the workplace culture experienced by groups within your organization. Following is a general description of behaviors associated with each dimension.

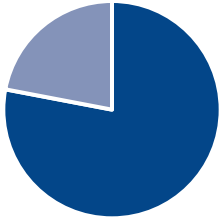
Dimension 1	Dimension 2	Dimension 3	Dimension 4
How you orient your work	How you organize your people	How decisions are made	How you approach problem solving
<p style="text-align: center;">Relationships</p> <ul style="list-style-type: none"> • Prioritize and value strong relationships • Pause to address interpersonal issues • Value people for their unique perspective • When assessing change, will focus on impact on others and feelings associated with change 	<p style="text-align: center;">Team</p> <ul style="list-style-type: none"> • Reward entire team for hitting a goal • Emphasize skill-sharing and cross-training • Approach problems through collaboration • Peer-to-peer performance feedback 	<p style="text-align: center;">Empowered</p> <ul style="list-style-type: none"> • Decision making is delegated to those closest to issue • Leaders coach employees to make better decisions • When faced with uncertainty, employees make a decision and discuss with leader later • Leader facilitates discussions resulting in team decisions • Decision making can be slower, but tends to have greater buy-in 	<p style="text-align: center;">Responsive</p> <ul style="list-style-type: none"> • We quickly jump to action • We value being able to adapt to anything • Make adjustments as the need arises
<p style="text-align: center;">Tasks</p> <ul style="list-style-type: none"> • Prioritize and value productivity & efficiency • Get right down to business • Reward people for what they do • When assessing change, will focus on impact on processes 	<p style="text-align: center;">Individual</p> <ul style="list-style-type: none"> • Track individual performance metrics • Clear divisions of labor • Approach problems through individual research and reflection • Leader-driven performance feedback 	<p style="text-align: center;">Directive</p> <ul style="list-style-type: none"> • Leaders make most decisions • Leaders override employees' decisions • When faced with uncertainty, employees won't make a decision without leader approval first • Leader asks for input, but ultimately makes the decision • Decision making can be quick, but is dependent on leader having availability and bandwidth 	<p style="text-align: center;">Planning</p> <ul style="list-style-type: none"> • We are methodical and detailed • We value being prepared for anything • Make adjustments at planned intervals

DIMENSIONS OF CULTURE

Dimension 5	Dimension 6	Dimension 7	Dimension 8
<p>What time horizon drives your actions</p>	<p>How you execute tasks</p>	<p>How you approach uncertainty</p>	<p>Engagement, morale and dedication</p>
<p>Short-Term</p> <ul style="list-style-type: none"> Focus on tasks and near-term objectives Motivate team with a series of quick wins 	<p>End Results</p> <ul style="list-style-type: none"> Employees have freedom in their approach Creativity is valued Autonomy is emphasized 	<p>Change</p> <ul style="list-style-type: none"> Rely on new innovations to achieve success Value those who avoid stagnation Strive for transformational improvements Comfortable with ambiguity 	<p>Committed</p> <ul style="list-style-type: none"> Employees strive to exceed expectations Teams give discretionary effort, show high productivity Employees display excitement for meeting company goals Actively engage in crucial conversations Actively engaged in personal development Refers others for employment 
<p>Long-Term</p> <ul style="list-style-type: none"> Each decision is weighed with long-term consequences in mind Motivate team by moving toward vision 	<p>Process</p> <ul style="list-style-type: none"> Follow set processes to deliver consistent outcomes Reliability is valued Compliance is emphasized 	<p>Stability</p> <ul style="list-style-type: none"> Rely on strong foundation to achieve success Value those who avoid unnecessary risks Strive for incremental improvements Prefer predictability 	<p>Indifferent</p> <ul style="list-style-type: none"> Employees strive to meet minimum expectations Employees avoid openly and constructively addressing issues Employees are indifferent or condescending toward company goals Actively engaged in gossip, blame, victimhood Exhibit signs of unresolved tension Arrives late, leaves early, misses work 

SURVEY DEMOGRAPHICS

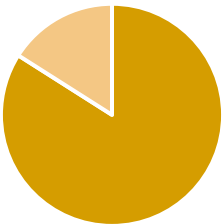
ORGANIZATION A



78% Completion Overall

Margin of Error:
+/- 3% at 95% confidence

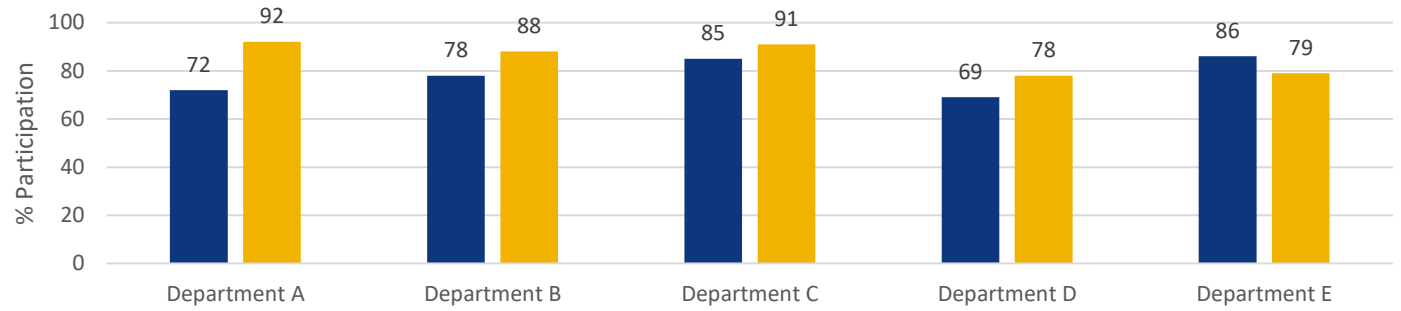
ORGANIZATION B



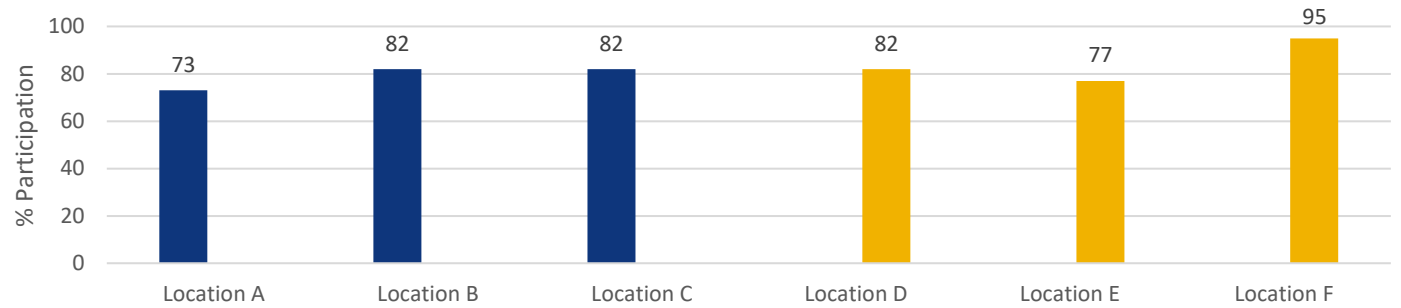
84% Completion Overall

Margin of Error:
+/- 2% at 95% confidence

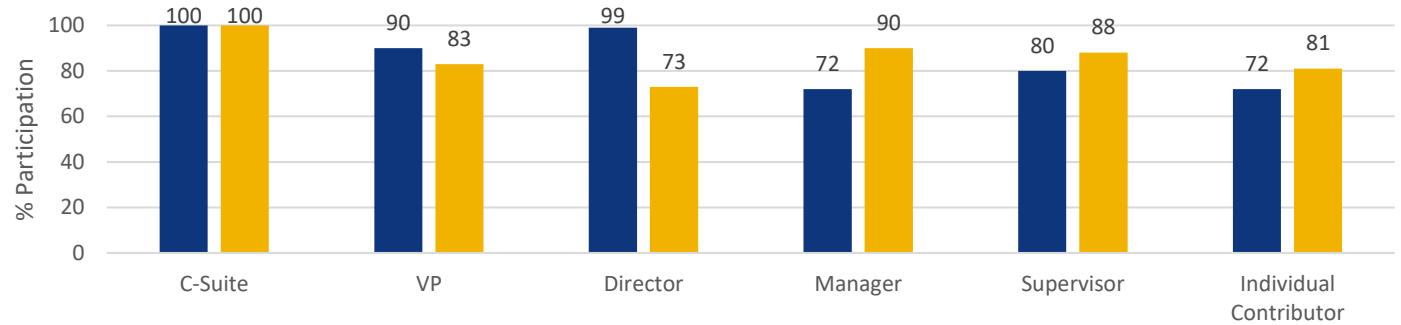
Department



Location



Role



EXECUTIVE SUMMARY

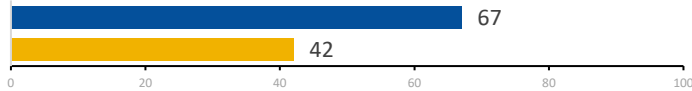
This page provides a brief comparison between Org A's and Org B's results.

1. Innovation
2. Speed
3. Cost

1. Service
2. Cost
3. Speed

Strategic Focus

Strategic Focus highlights key philosophical and value differences regarding how companies go-to-market. Org A's primary focus is Innovation while Org B's is Service. However, both share Speed and Cost within their top three focuses.



Change Readiness

Org A scored 25% higher in Change Readiness than Org B.

Culture Illumination

There are some differences between Org A and Org B that require attention, and if unaddressed would increase the risk of integration.

Risky Business—Merging organizations may have seen value in capitalizing on each other's perceived strengths, but often fail to consider their cultural compatibility beforehand. Fault lines often erupt in mergers. When different organizational cultures merge, there is a good chance they will clash.

By illuminating similarities and differences, merging organizations can draft more effective integration strategies and action plans.

Hard Skills v Soft Skills

Org A tends to be task-centric | Org B tends to be relationship-centric.

Org A tends to be individual-centric | Org B tends to be team-centric

Both Org A and Org B tend to balance between directive and empowered

Disciplined v Flexibility

Both Orgs tend to have a slightly more responsive than planning orientation

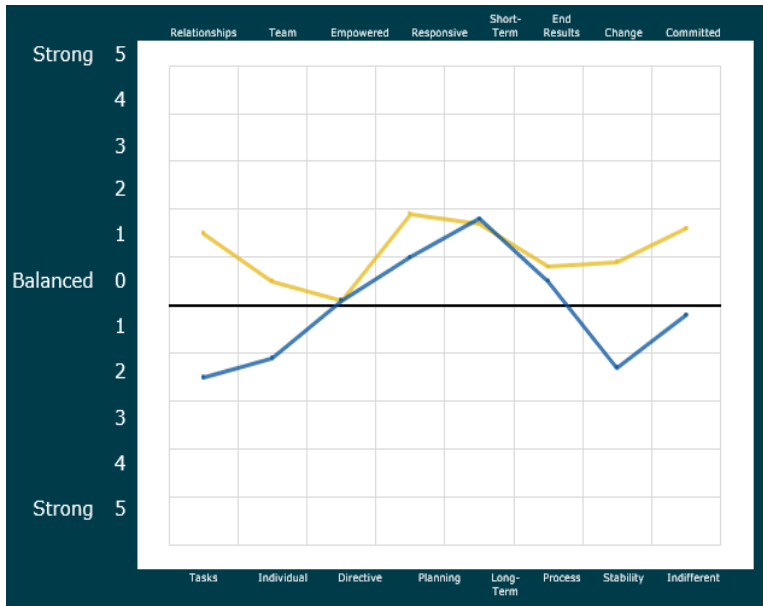
Both Orgs tend to have a slightly more short-term than long-term orientation

Both Orgs tend to be slightly more concerned with results than process

Org A tends to be stability-centric | Org B tends to be change-centric

Committed v Indifferent

Org A tends to be indifferent | Org B tends to be committed



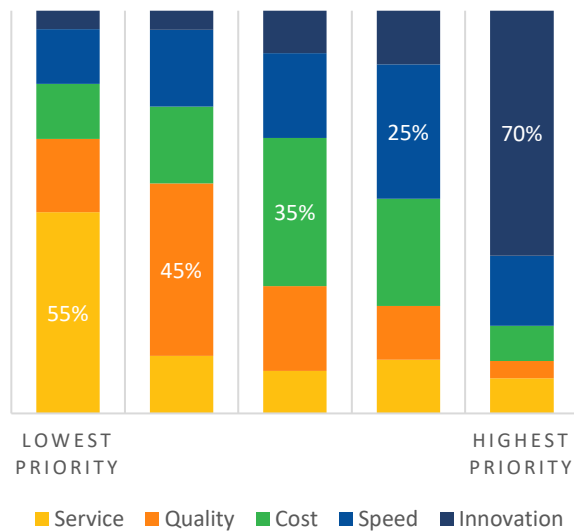
STRATEGIC FOCUS

Strategic Focus ranks each organization's differentiating factors for achieving success. Gaps in how two companies prioritize these factors highlights differences in identity and business philosophy.

ORGANIZATION A

Rank Order

Highest Priority First

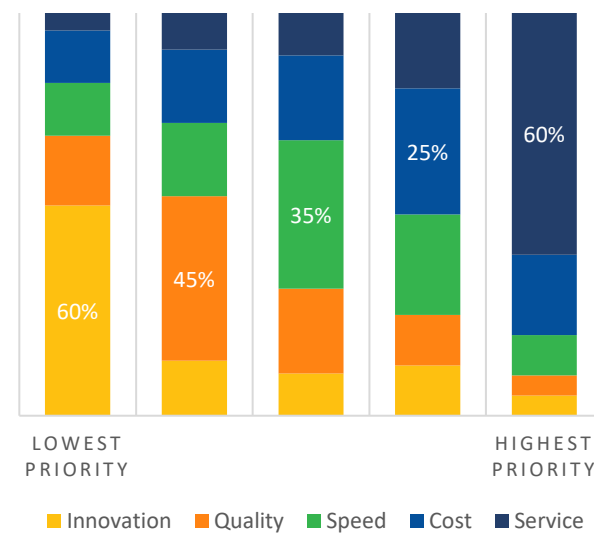


1. Innovation
2. Speed
3. Cost
4. Quality
5. Service

ORGANIZATION B

Rank Order

Highest Priority First

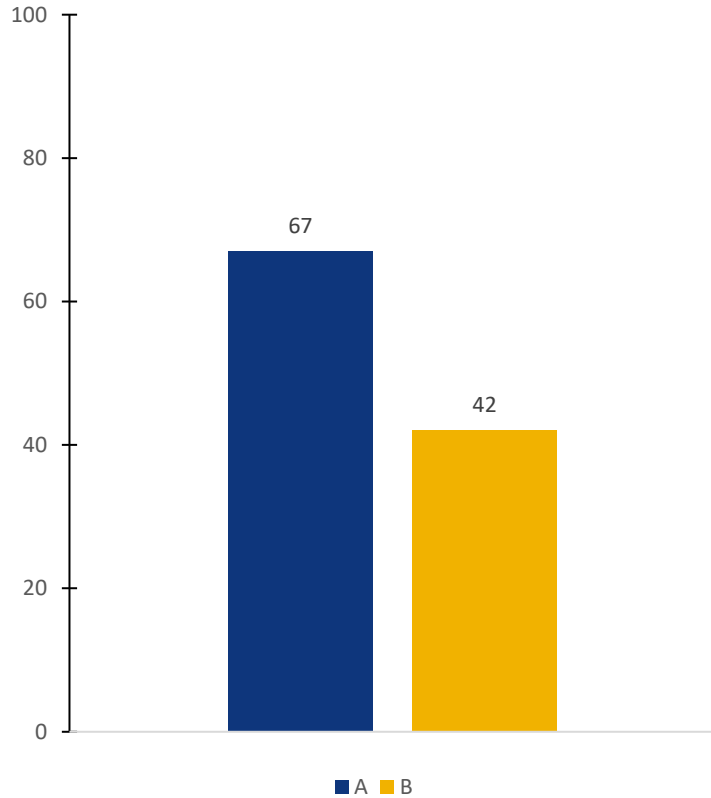


1. Service
2. Cost
3. Speed
4. Quality
5. Innovation

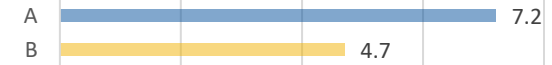
CHANGE READINESS

The Change Readiness section uncovers the attitudes and beliefs held by employees regarding the merger and integration. It highlights employees' perception of how they believe the integration is going and their optimism (or lack thereof) regarding the organization's future.

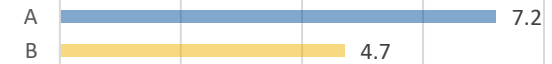
Overall Change Readiness



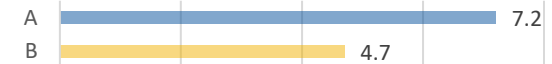
Understand reason



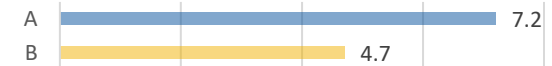
Excitement



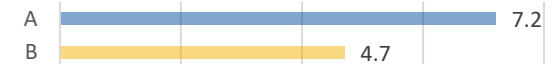
Leadership role modeling



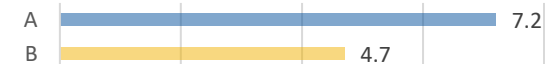
Optimism for success



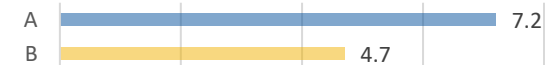
Communication



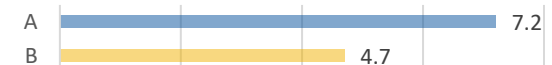
Barriers removed



Evidence of success



Worth the effort



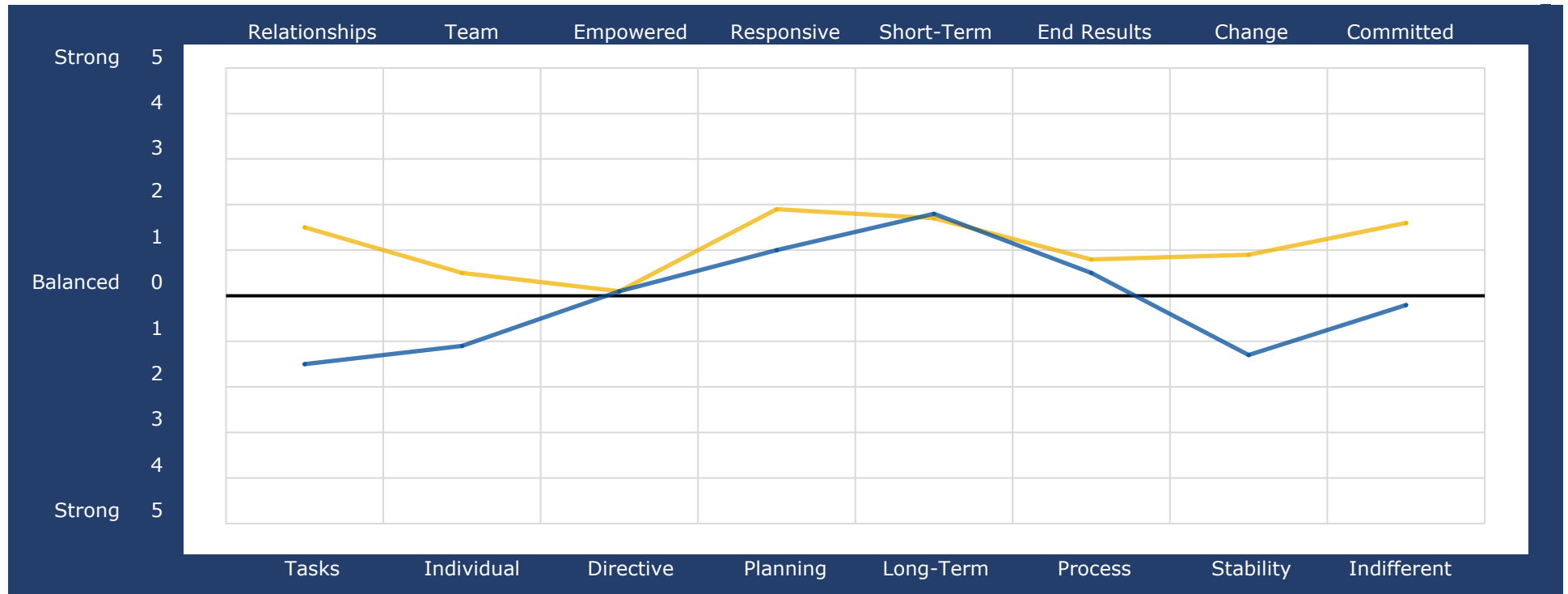
YOUR CULTURE ILLUMINATION MAP - OVERALL

The Culture Illumination Map consists of 10 different subscales that measure 8 Dimensions of Culture. All scales and subscales have met strict reliability and validity standards. Gaps in the eight dimensions of culture help one predict and anticipate cultural integration challenges.

Key

● Org A

● Org B



	Tasks (T) v Relationships (R)	Individual (I) v Team (T)	Directive (D) v Empowered (E)	Planning (P) v Responsive (R)	Long-Term (L) v Short-Term (S)	Process (P) v End Results (E)	Stability (S) v Change (C)	Indifferent (I) v Committed (C)
Organization A	1.5 T	0.5 T	0.1 E	1.9 R	1.7 S	0.8 E	0.9 C	1.6 C
Organization B	1.5 R	1.1 I	0.1 E	1.0 R	1.8 S	0.5 E	1.3 S	0.2 I
Δ	3.0*	1.6*	0	0.9*	0.1	0.3	2.2*	1.8*

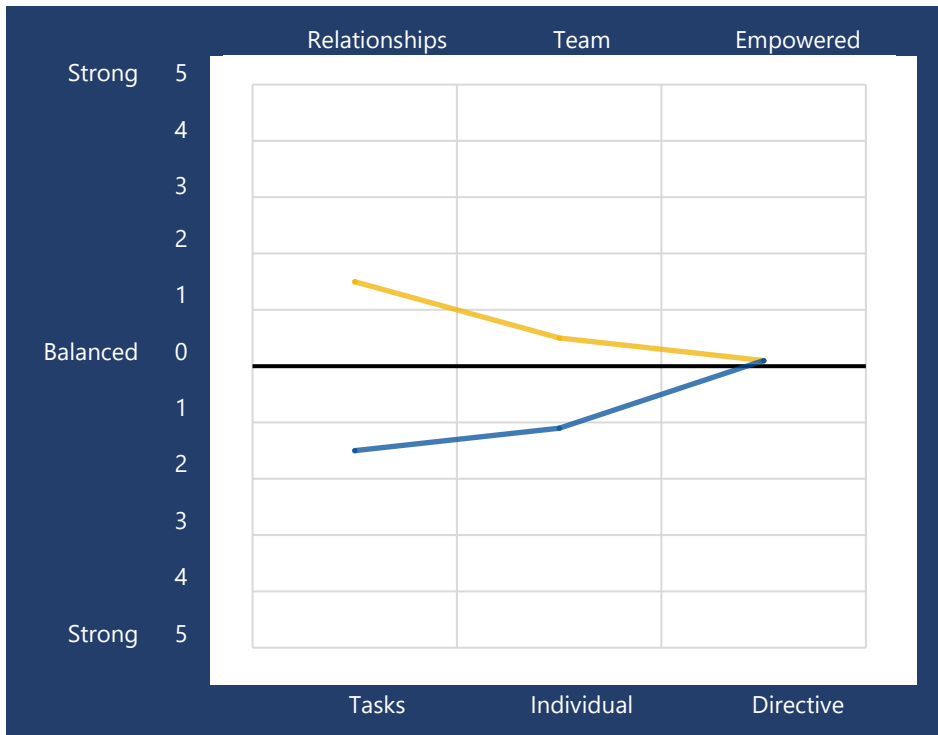
*denotes a statistically significant delta

HARD SKILLS V SOFT SKILLS - OVERALL

Key

● Org A

● Org B

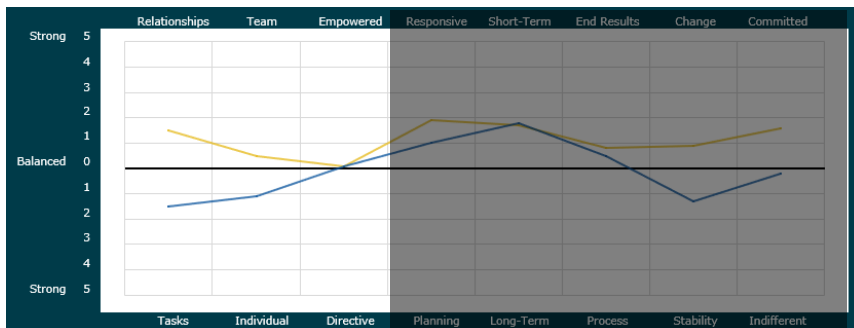


Gaps

- Org A tends to be *task-centric*, while Org B tends to be *relationship-centric*.
- Org A tends to be *individual-centric*, while Org B tends to be *team-centric*.
- Both Org A and Org B tend to balance between *directive* and *empowered*.

Potential Challenges & Risks to Integration

- Conflicts between focusing on results versus harmony
- Conflicts on how to approach work, recognition, and reward
- Conflicts over when and how to lead

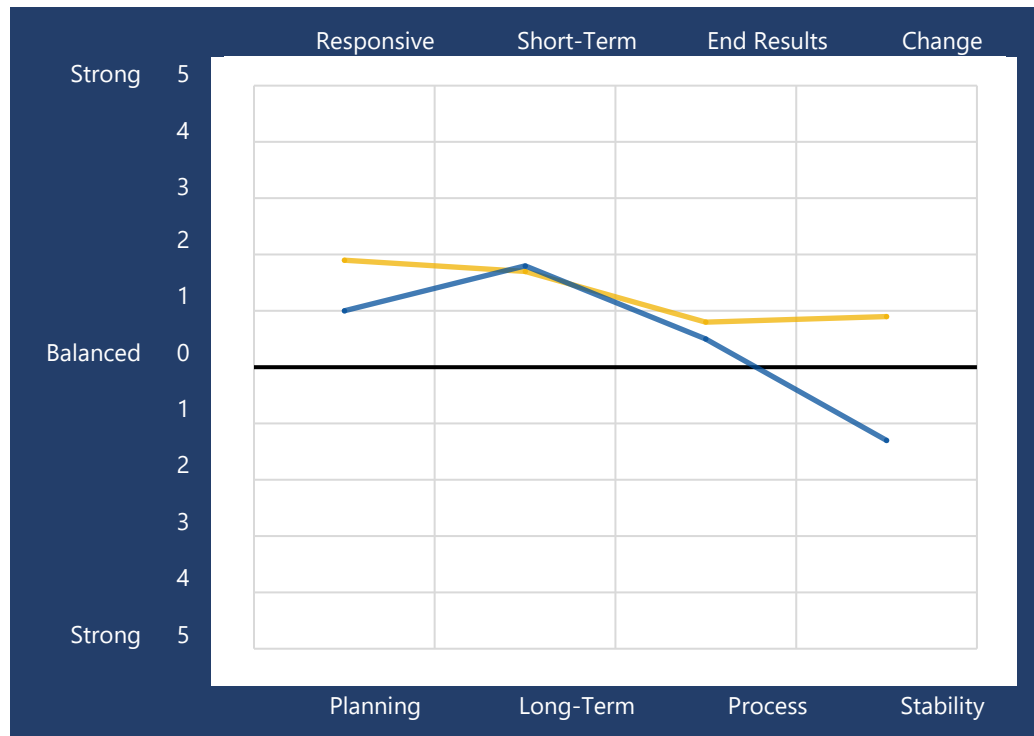


DISCIPLINE V FLEXIBILITY - OVERALL

Key

● Org A

● Org B

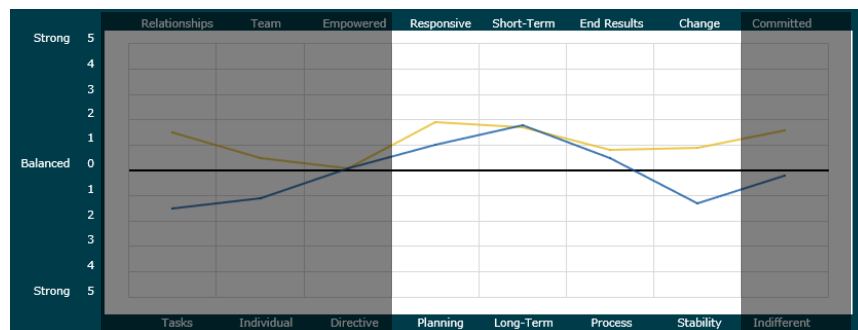


Gaps

- Both Orgs tend to have a slightly more *responsive* than *planning* orientation, however, Org B is more so than Org A.
- Both Orgs tend to have a slightly more *short-term* than *long-term* orientation.
- Both Orgs tend to be slightly more concerned with *results* than *process*.
- Org A tends to be *stability-centric*, while Org B tends to be *change-centric*.

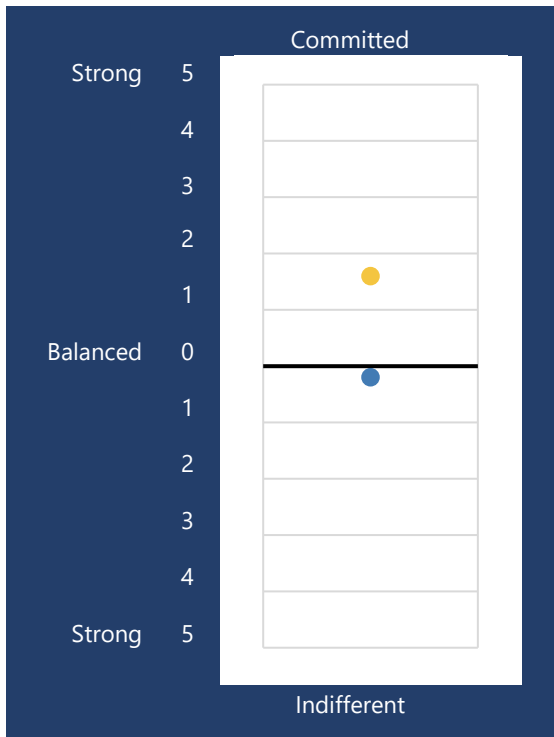
Potential Challenges & Risks to Integration

- Conflicts over whether and how to plan
- Conflicts over planning horizon
- Conflicts over which results matter most
- Conflicts over policies and procedures



COMMITTED V INDIFFERENT - OVERALL

Key ● Org A ● Org B

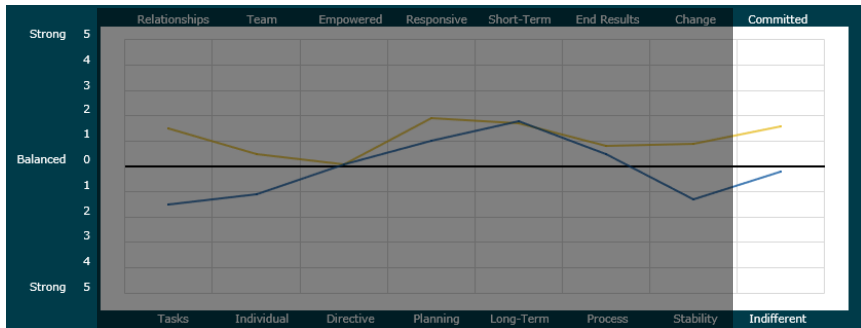


Gaps

Org A tends to be *indifferent*, while Org B tends to be *committed*.

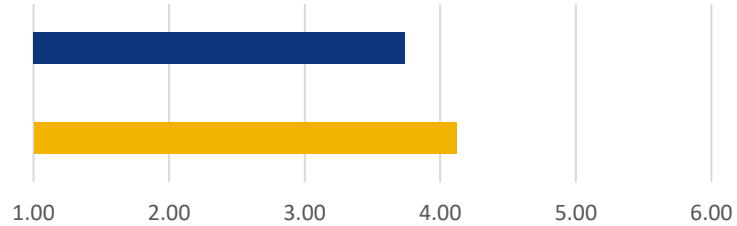
Potential Challenges & Risks to Integration

- Conflicts over why, when, and how work gets accomplished

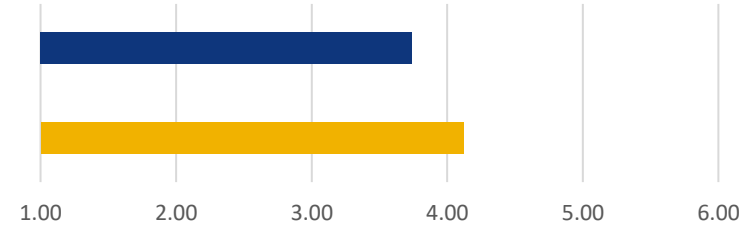


Tasks v Relationships

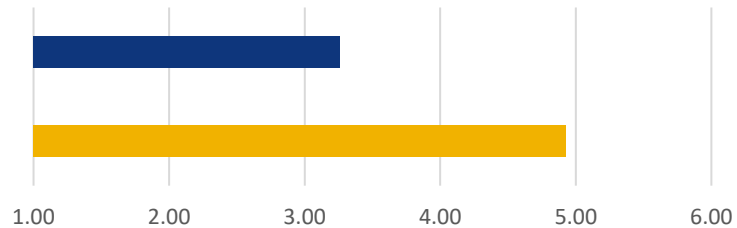
Employees regularly describe the relationships at our organization as 'tight-knit' or close.



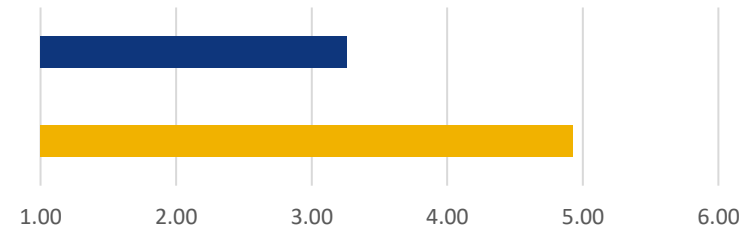
Our organization values leaders most for their technical competence and knowledge.



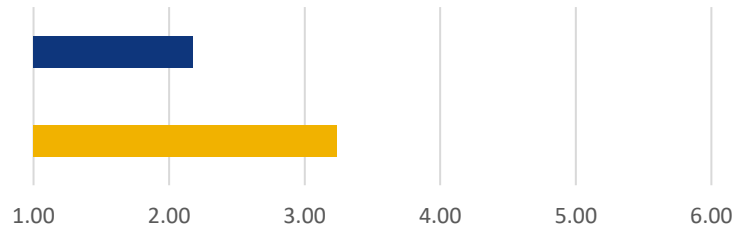
Our organization values leaders most for how they treat others.



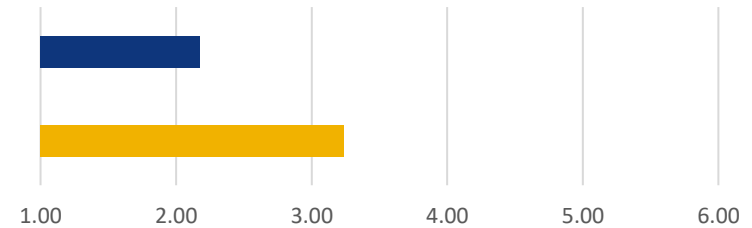
During work hours, employees are intently focused on completing tasks or assignments.



Low performance is tolerated if they have good relationships with others or are well liked.



Leaders tolerate negative behavior as long as an employee performs at a high level.



SURVEY RESPONSE DATA

	Org A		Org B		Δ Org B to Org A	
	% Agree	Avg Score	% Agree	Avg Score	Δ % Agree	Δ Avg Score
Tasks v Relationships						
Employees regularly describe the relationships at our organization as 'tight-knit' or close.	39%	3.74	90%	4.12	+51%	+0.38
Our organization values leaders most for how they treat others.	67%	3.26	75%	4.93	+8%	+1.67
Low performance is tolerated if they have good relationships with others or are well liked.	39%	2.18	12%	3.24	-27%	+1.06
Our organization values leaders most for their technical competence and knowledge.	86%	4.14	17%	2.48	-69%	-1.66
During work hours, employees are intently focused on completing tasks or assignments.	36%	4.00	20%	1.91	-16%	-2.09
Leaders tolerate negative behavior as long as an employee performs at a high level.	82%	4.31	82%	5.37	0%	+1.06
Individual v Team						
Employees are regularly exposed to cross training or skill sharing opportunities in this organization.	44%	2.95	17%	2.77	-27%	-0.18
Employees most commonly rely on working with each other to solve problems.	20%	2.74	91%	4.46	+71%	+1.72
It is most common for entire teams to be recognized for their contributions.	79%	5.33	95%	4.31	+16%	-1.02
Employees believe that working together can produce better outcomes than working along.	85%	4.83	18%	3.50	-67%	-1.33
Employees are held accountable for achieving individual performance metrics.	71%	3.47	56%	4.38	-15%	+0.91
Employees most commonly rely on their own ingenuity to solve problems.	92%	5.29	94%	4.53	+2%	-0.76
Employees receive individual recognition for their contributions.	35%	3.23	66%	4.59	+31%	+1.36
Directive v Empowered						
Leaders give their employees the authority to make decisions that affect their day-to-day role.	93%	3.91	63%	4.06	-30%	+0.15
Employees clearly know what decisions they can make.	2%	1.47	49%	4.18	+47%	+2.71
When faced with uncertainty, employees can use their best understanding of the situation to make a decision.	37%	2.56	62%	4.08	+25%	+1.52
Employees' direct leader regularly asks for input from employees before making decisions.	12%	2.05	74%	4.65	+62%	+2.60
Leaders regularly override employees' decisions.	29%	2.43	43%	3.30	+14%	+0.87
Employees most commonly rely on their direct supervisor for help with problem solving.	30%	3.22	33%	3.78	+3%	+0.56
When faced with uncertainty, employees go to their direct supervisor for a decision.	33%	2.39	97%	5.00	+64%	+2.61
Employees often have to wait for a decision or guidance from their boss before moving forward.	61%	3.32	10%	1.58	-51%	-1.74

	Org A		Org B		Δ	
	% Agree	Avg Score	% Agree	Avg Score	Δ % Agree	Δ Avg Score
Planning v Responsive						
When a problem arises, employees jump in quickly to solve it.	1%	2.95	90%	4.16	+89%	+1.21
As employees address customer issues, they figure things out as they go.	88%	5.36	62%	4.45	-26%	-0.91
Employees often adjust and adapt our plans to meet customer needs.	32%	3.10	90%	5.36	+58%	+2.26
It is very important for employees to adapt and adjust to any situation.	70%	3.14	83%	4.15	+13%	+1.01
When a problem arises, it is most important to develop a plan before executing a solution.	28%	3.22	30%	2.50	+2%	-0.72
Employees take the time to thoroughly research problems before deciding on the best solution.	72%	3.74	11%	3.24	-61%	-0.50
Employees regularly describe our organization as slow to respond.	79%	5.32	84%	3.80	+5%	-1.52
Employees rely more on data than on intuition to address customer issues.	71%	4.31	15%	2.92	-56%	-1.39
Long-Term v Short-Term						
Employees are primarily motivated by completing their daily tasks.	28%	3.40	44%	3.99	+16%	+0.59
Our organization struggles to achieve long-term plans.	79%	3.54	42%	4.07	-37%	+0.53
Employees primarily spend their time responding to daily issues and 'putting out fires.'	12%	3.09	99%	3.97	+87%	+0.88
Leadership emphasizes the long-term impact when making decisions.	82%	3.61	21%	2.28	-61%	-1.33
Employees are primarily motivated by working towards a long-term vision.	2%	1.76	55%	4.23	+53%	+2.47
Long-term strategic plans are often referenced when making decisions.	18%	2.54	61%	4.17	+43%	+1.63
Process v End-Results						
Our organization constantly adjusts our approach in order to deliver the best solution for the customer.	59%	3.17	83%	3.53	+24%	+0.36
Employees work with high levels of autonomy to complete their work.	19%	3.49	62%	4.62	+43%	+1.13
Our organization focuses on developing unique solutions.	95%	4.74	68%	3.14	-27%	-1.60
Our organization primarily follows standard processes in order to produce consistent results.	4%	3.07	23%	3.22	+19%	+0.15
Our organization is focused so much on efficiency that our quality can suffer.	91%	3.86	12%	2.76	-79%	-1.10
Our organization loves making processes for new or improved ways of doing things.	25%	3.16	74%	3.90	+49%	+0.74

	Org A		Org B		Δ	
Stability v Change	% Agree	Avg Score	% Agree	Avg Score	Δ % Agree	Δ Avg Score
Our organization regularly tries out new ideas.	15%	3.27	76%	4.31	+61%	+1.04
Employees fully embrace ambiguity and change.	94%	3.99	49%	3.57	-45%	-0.42
Our organization is often looking for the 'next thing' that will improve our business.	63%	4.49	38%	2.39	-25%	-2.10
Our organization knows what works and can be reluctant to change.	72%	4.87	74%	4.98	+2%	+0.11
Our organization values predictability and keeping processes consistent.	91%	5.07	20%	1.92	-71%	-3.15
Our organization regularly misses out on opportunities because we are risk averse.	4%	1.52	27%	3.09	+23%	+1.57
Indifferent v Committed	% Agree	Avg Score	% Agree	Avg Score	Δ % Agree	Δ Avg Score
Employees routinely strive to exceed expectations.	10%	3.18	51%	2.82	+41%	-0.36
Employees clearly know how their role helps the organization achieve its goals.	84%	5.13	33%	2.25	-51%	-2.88
Employees are inspired by the vision and direction of the organization.	9%	3.01	5%	1.27	-4%	-1.74
Employees give discretionary effort to achieve high productivity.	67%	4.31	0%	1.11	-67%	-3.20
Employees actively engage in giving and receiving feedback.	91%	4.34	26%	2.35	-65%	-1.99
Employees actively engage in personal development.	52%	3.61	87%	5.42	+35%	+1.81
My leader does a poor job of leveraging my strengths on the team.	85%	4.49	55%	3.08	-30%	-1.41
When there is a problem, it is common for someone to be blamed.	41%	2.52	82%	3.54	+41%	+1.02
Employees focus on doing just enough to get the job done.	75%	3.73	31%	2.36	-44%	-1.37
Employees avoid openly addressing issues.	55%	3.53	97%	4.16	+42%	+0.63
Employees are indifferent or condescending toward company goals.	17%	3.16	99%	4.44	+82%	+1.28
Personal development is usually not support in the organization.	95%	5.25	31%	2.11	-64%	-3.14

Change Readiness	Org A		Org B		Δ	
	% Agree	Avg Score	% Agree	Avg Score	Δ % Agree	Δ Avg Score
I understand the business reasons for this merger or acquisition.	3%	3.02	95%	4.56	+92%	+1.54
I am excited about the merger or acquisition of our organizations.	65%	3.96	44%	3.08	-21%	-0.88
The leaders of my organization act as role models by demonstrating the leadership required to successfully work through this merger or acquisition.	57%	3.60	89%	5.37	+32%	+1.77
I believe we will succeed in realizing our vision for this merger or acquisition.	23%	2.40	8%	2.80	-15%	+0.40
The merger or acquisition is being communicated effectively, giving everyone a solid understanding of our progress and our future.	39%	3.14	30%	3.51	-9%	+0.37
Leaders are making organization changes and removing barriers that are enabling the merger or acquisition to be successful.	72%	3.71	98%	4.05	+26%	+0.34
I have seen clear evidence that the integration is succeeding.	5%	1.43	25%	2.30	+20%	+0.87
I believe the challenges inherent in this merger or acquisition will be worth it in the long run.	43%	2.76	54%	3.36	+11%	+0.60