

# [Culture clashes](https://assignbuster.com/culture-clashes/)

Mergers Don??™t Always Lead to Culture ClashesKaren MaijalaCJA 473July 28, 2010Simeon TylerThe individual assignment is to read the case study, Mergers Don??™t Always Lead to Culture Clashes, and answer the 4 discussion questions that follow the case study. The subject of this exercise is the merging of Bank of America and credit card company MBNA and how these two companies avoided culture clashes.

This paper will summarize the case study and then conclude by answering the 4 discussion questions. Corporate culture has been defined in many ways. Geert Hofstede, a Dutch academic who studied the subject intensively, defines it as ??? the collective programming of the mind which distinguishes the members of one organization from another??™.

Edgar Schein, a professor at MIT??™s Sloan School of Management, says it is what a corporation ??? has learned as a total social unit over the course of its history??™. Many managers, more prosaically, say it is ??? the way we do things around here??™. Others prefer to call it the set of values that the firm holds most dear (Hindle, n. d).

The BOA and MBNA merger seemed doomed from the beginning because of culture differences. MBNA employees were accustomed to the high life whereas BOA was a low-cost, no-nonsense corporation. MBNA corporate headquarters was described as lavish and their employees enjoyed high salaries and perks such as a private golf course, and a fleet of corporate jets and yachts (in text). 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 (in text).

One difference of cultural practice was the dress code of each company. MBNA had a formal dress code, but BOA had a business casual dress code. Both companies compromised and the outcome was the formal dress code would remain for the credit card division and dealing directly with customers, and the business casual remained otherwise. Both companies agreed to keep one of the fleet of jets and to donate the private golf course to the state. Some MBNA employees left because of pay cuts but most employees stayed. Although many different cultural clashes existed between MBNA and BOA, the two companies were able to work out their differences, and their merger was a success. Case StudyA 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 giantMBNA, many thought that in a few years, this merger would join for 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 lowcost, 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 practicesto 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 Fleet Boston 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 have left, but most have 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 causal 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 of those have gone away. All but one of the corporate jets is gone. The golf course was donated tothe state of Delaware. Gone too, are most of the works of art that hung in MBNA??™s corporate offices. In what ways were the cultures of Bank of America and MBNA incompatibleBOA and MBNA were incompatible because MBNA was a lavish, high income company whereas BOA was a low-cost, no-nonsense corporation.

MBNA employees were given many perks such as a private golf course, and a fleet of jets and yachts. Why do you think their cultures appeared to mesh rather than clashDo you think culture is important to the success of a merger/acquisition Why or Why notHow 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 workIt is not easy to change a company??™s culture. And there is no single wonder drug that can be taken for a cure. Any program of change takes time and has to contain a number of different elements:??? Culture is created largely at the top of an organization. If the CEO decides that exclusive parking spaces for senior managers are to be abolished, that sends out a clear signal that the organization intends to be more democratic. If the boss wears an open-neck shirt to meetings, others tend to follow.??? The type of people that a company recruits sends out strong signals about its culture. If it hires masses of over-confident MBAs straight out of business school and puts them on fast-track careers then it is likely to cause offence to other less favored employees.

In practice, of course, companies??™ recruiters tend to recruit people like themselves (because, after all, what??™s wrong with them). Hence there is a continual tendency to reinforce the existing culture.??? Some businesses have a distinctive culture that others try to change at their peril. California??™s Silicon Valley has set the style for the computer industry, for example, where hierarchy is kept to a minimum and the dress code is casual. The movie industry, by contrast, is populated by moguls and stars, with a strict caste system and more formal dress. When AOL, a software firm, and Time Warner, a publishing and film-production business, came together in the late 1990s, the contrast between their two distinctive cultures almost brought the merged business to its knees. Some industries??™ cultures have been changed by new arrivals with a distinctive approach.

The traditional national airlines, for example, have become much less stuffy since the appearance of Virgin and the low-cost airlines, and online retailers have thoroughly shaken up industries from newspapers to auction houses.??? Changing the external environment can change a culture. Remove a US manufacturing plant south of the border into Mexico and watch the change. But the move need not be so far.

Most new US car-manufacturing plants today are being built in the southern states of the UnitedStates where the culture (and particularly the attitude of the trade unions) is very different from that of Detroit in the north, the nation??™s traditional home of car manufacturing. ReferencesHindle, T. (n.

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