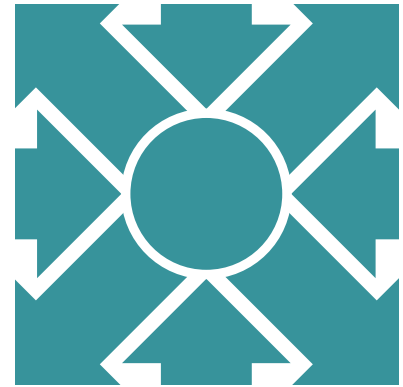


SEARCH



29

Successful Multi-cultural Integration – Science, Art or Craft?

As the speed of communication and ease of travel increases, the world seems to get smaller and businesses need to satisfy demand on a global basis. This has resulted in increasing numbers of cross-border mergers and acquisitions, reported almost weekly in the press. We read about the failures where integration doesn't work and what went wrong. However, companies where integration has been successful quickly become known as a global success story.

The driving need for multinational and global companies has come about because manufacturing and some aspects of customer service have moved to lower cost economies in Eastern Europe and Asia; graduates there are happy to take jobs previously located in the West at a far lower cost than the less well educated workers in Europe and North America.

In the past, the USA led the way with global companies out to conquer the world. In many instances, a complete lack of understanding

of multi-culturalism did not provide the results for which American parent companies were hoping. This has been particularly apparent in Europe where many Americans still see Europe as one large country. Today, it is Europe that is leading the drive to global expansion, and Europeans who are seen to be "corporately wise" with a cosmopolitan approach to business, and who are successful at developing multi-cultural businesses.

The key to success for a multinational company has to be "think global, act local". Any supplier has to have a team capability of making relationships at a strategic level in big global companies and at the same time for providing a top quality service at the operating level in any number of countries. The same principle applies in a multi-cultural merger.

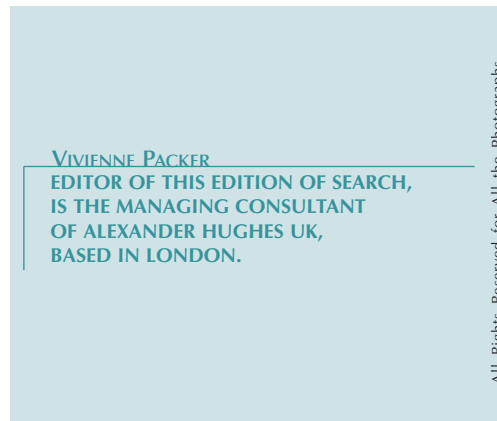
This issue of Search features an interview with John Allan, the Chief Executive of DHL, Deutsche Post's Logistics Division, which includes the acquisition last year of Exel. ●●●

••• As the article shows, the Logistics industry is traditionally locally based. Deutsche Post and Exel have grown through a series of mergers and takeovers to become multinational and are well practiced at the process of integration and DHL is now a successful global company. John Allan emphasises the need to think globally in the interview.

Success in any multi-cultural integration depends 100% on the people, but communication is key - make sure good news travels fast. People must be empowered locally and feel valued, and decisions about keeping or not keeping key personnel must be made very quickly to minimise uncertainty. Integration must be seen as short term with the new company moving on as soon as possible to seeking new opportunities.

Any company working successfully internationally will have a multi-cultural top management team. Depending on the focus of the business, the language of the company is very important. Deutsche Post, as a German company, chose English as its corporate language which has made the integration of DHL and Exel easier. But business managers must understand the culture of their customers. Again, they must "think global, act local" but at the same time have the ability and experience to input to the global company.

With an unusual approach, Professor Fons Trompenaars has focussed on the culture shock of mergers and acquisitions to help individuals get through what is a very difficult time. He has applied the four phases of culture shock to the takeover process. If you follow the right path, prepare well for the new culture, focus on the positive and check and countercheck the worlds of employees and management, the merger of cultures has a greater chance of success. Much has been



All Rights Reserved for All the Photographs

VIVIENNE PACKER
 EDITOR OF THIS EDITION OF SEARCH,
 IS THE MANAGING CONSULTANT
 OF ALEXANDER HUGHES UK,
 BASED IN LONDON.



written about retaining wanted talent post-merger. In multi-cultural mergers, successful international managers will quickly be sought out by other companies. For Deutsche Post/DHL, their experience of mergers and acquisitions over the years has enabled them to become skilled at the process of motivating and retaining the right people.

As the interview with John Allan demonstrates, practice makes perfect in a multi-cultural merger. A globally diverse management team is key to success.

In conclusion, how to make multi-cultural integration work? It's a craft – the craft of picking the right team, sending the right message, and building the new global organisational culture. ■

SUGGESTED READING...

- ***The Human Side of Mergers and Acquisitions: Managing Collisions Between People, Cultures, and Organizations***
 by Anthony F. Buono, James L. Bowditch
 (BEARD BOOKS MARCH 2003)
- ***Successful Mergers, Acquisitions and Strategic Alliances: How to Bridge Corporate Cultures***
 by Irene Rodgers, Charles Gancel, Marc Raynaud, Marc Raynaud
 (MCGRAW-HILL COMPANIES; 1ST EDITION JUNE 15, 2002)
- ***Riding the Waves of Culture, Understanding Cultural Diversity in Business***
 by Fons Trompenaars
 (NICHOLAS BREALEY 1993)
- ***Building Cross-Cultural Competence***
 by Fons Trompenaars
 (JOHN WILEY, 2000)
- ***21 Leaders for the 21st Century***
 by Fons Trompenaars
 (JOHN WILEY AND MCGRAW HILL, 2001)

Alexander Hughes

IS AN EXECUTIVE SEARCH FIRM DEDICATED TO HELPING YOU ACQUIRE AND RETAIN THE VITAL HUMAN CAPITAL YOU NEED TO ACHIEVE YOUR STRATEGIC BUSINESS GOALS.

- Based in 23 European countries
- Headquarters in Paris, France
- 110 Executive Search Consultants
- 50 Researchers

The Culture Shock of Mergers and Acquisitions



FONS TROMPENAARS

FONS TROMPENAARS is world renown for his work as consultant, trainer, motivational speaker and author of various books on the subject of culture and business. As founder and director of Trompenaars Hampden-Turner, an intercultural management firm, he has spent over 20 years helping Fortune 500 leaders and professionals manage and solve their business and cultural dilemmas to increase global effectiveness and performance, particularly in the areas of globalization, mergers and acquisition, HR and leadership development.

Listed in 2005 as one of the world's most influential, living, management thinkers, he has been awarded the International Professional Practice Area Research Award by the American Society for Training and Development (ASTD).

ARTICLE

The concept of “culture shock” was introduced in 1958 in psychology to describe the dislocated feeling you get when you find yourself in a totally new surrounding. I would describe it as the psychological and emotional discomfort that you experience when you live in a totally strange cultural environment. Culture shock often leads to stress related symptoms such as sleeplessness, concentration problems, and even

In a merger or acquisition, the first three months bring positive feelings.

skin irritations. The four phases of culture shock, as initially described by Clyde Sargeant, can as well be applied in business to the takeover process.

The first phase is like the “Honeymoon phase”. The feeling

of excitement begins while preparing for what is to come, and the first weeks of working together are similar to the feeling of going on vacation. The climate and food are different and the feeling of discovery and surprise give a good feeling. There is nevertheless an important difference with a vacation. When your international assignment or posting is for a number of years, you can not turn back to the psychological stability of your own home after three weeks. In a merger or acquisition, the first three months also bring with them positive feelings. It is exciting to get to know a new partner and learn

from each other. Unfortunately, at some point that vacation feeling passes. In business we very often notice initial excitement, initiated by short-term profits. But within a year or two the reality of looking into the faces of the

partners hits home and the honeymoon is over. If you read the press releases of new mergers and acquisitions in the beginning and the news clippings a year later this picture is often confirmed.

The second phase was described, by my former colleague Leonel Brug, as the “Sauerkraut phase”. The positive feelings can switch to a deeply negative feeling. Home becomes idealized and the strange environment is ruthlessly criticized. In a sense, it is the hankering for sweets from home that you never ate when you were there. The thoughts about a white Christmas and the coziness of a New Years’ party at home are heightened, instead of the truer images of wet, grey slush and the ordinary glass of beer at a boring house party. Meanwhile, the plumbers in the guest country also know this phase and thus no longer come on time, while the workers never understand what you really want. Ya, then home seems so much better. ●●●

●●● The Sauerkrut phase is the time of dealing with the small discomforts in daily life. These often being with the partner and kids, who complain that they can't tell the difference between the fine sugar and the salt, and that the local children are secretive or mean and constantly copy-cattig. As soon as the lovely daughter gets her first ear infection, it's back to home, where the doctors are at least well educated. Usually, the breadwinner can at least fall back on the regular patterns that a similar organizational culture offer, so their shock is often delayed. Here you can also see many comparable issues with an acquisition. The leaders of the parties involved concern themselves with creating economies of scale and resolving technical management questions, which have to do with the increase of profits, and their shock also comes later. However, the majority of those employees actually executing activities think back with melancholy to the time when the systems and values were clear and they were not so dependent.

The third phase is also known as the "Rubber wall". The ultimate reaction to stereotypical images are found here. Nothing is good anymore; even the delicious paella doesn't have enough shrimp in it. Every situation becomes negative and judgments overblown or taken completely out of proportion. Perceptions can be bent totally out of shape. This also happens with acquisitions, you see that the parties focus on the negative characteristics of the other and blow these up

unrealistically. At the end of this phase, you reach the point when you realize that the strangers don't pay attention to any of your irritations and that you are only torturing yourself. At this point you can let go of some of your unreasonableness, the "Rubber wall" falls back to the way it was and things become better.

In the fourth phase, you can walk four different paths. Path D is a dead path (10 percent), where you keep kicking and screaming in protest and it is better to go

A third piece of culture shock advice is to give a lot of attention to the family

home. In the M&A situation, the two parties dive in to the divorce and the acquisition or merger is reversed to make sure that the losses do not continue. Path C heads in the direction of cynicism (20 percent), you remain annoyed, but you push these feelings aside. Alcohol and Nicotine become your best friends and you share your black humour over this strange country with the other 'addicts'. You keep working, but it is not a pleasure. In contrast to this you can find yourself in choosing Path B and the preservation of your emotional stability (40 percent). Here you feel at home in your new environment, though you wouldn't mind going home. Finally, 30 percent choose Path A, an 'enriched adjustment', where the two parties learn from each other.

What can we learn from the experience of culture shock in mergers and acquisitions? Let's first look at how to increase the chance of finding Path A or B? A first suggestion is to prepare well for the new culture you are going to. In an acquisition this should be a part of the 'cultural due diligence'. In addition, in the first stages of a merger or acquisition you can also focus on the common or shared aspects that exist in the two businesses, instead of the differences that will often

lead to negative consequences. A third piece of culture shock advice is to give lots of attention to the family. Three quarters of the failures can be directly linked to this. In a merger this means continually checking and counter-checking the worlds of management and employees. Finally, it makes a difference to know about the stages that the organization needs to go through. Sometimes, when you are in the depths of complex issues, it seems impossible to see even a little bit of light at the end of the tunnel, simply because you are so far in, it is difficult to see the ideal path to the 'enriched adjustment' that lies before you.

Remember, if you persevere and take the right path, the new organization will give you more challenges and happiness than the old and you will feel at home again. ■

Most Important Element in Cross-border Mergers? The People

by Dominic White

INTERVIEW]



Interview with John Allan, Chief Executive of Deutsche Post's Logistics Division, DHL.

JOHN M ALLAN, CBE is a Member of the Board of Management, Deutsche Post World Net and Chief Executive of DHL's logistics business, comprising of DHL Exel Supply Chain, DHL Global Forwarding and DHL Freight. His appointment followed the DPWN acquisition of Exel plc in December 2005.

John Allan joined Ocean Group plc, as Chief Executive, in September 1994 from BET. In May 2000 Ocean Group and Exel (formerly NFC) merged to form Exel plc.

A mathematics graduate from Edinburgh University, John Allan started his business career in marketing with Lever Brothers, moving on to Bristol-Myers and Fine Fare. He joined BET in 1985 and was appointed to the main board in 1987, with specific responsibilities as Director of Business Services (Europe) and Group Marketing Director.

So John, tell me a bit about DHL, Deutsche Post's logistics division.

John Allan: We serve between 75pc and 80pc of the largest companies worldwide across most industries. In retail our clients include the likes of Marks & Spencer, Tesco, Arcadia, and Wal-Mart. We serve most of the fast moving consumer goods majors, such as Procter & Gamble and Unilever, General Mills and Nestle. In our technology business our customers include Dell and Nokia, and in our automotive business we serve companies such as Ford and Chrysler, offering highly IT intensive solutions, running warehouses and pick up services, as well as spare parts distribution.

When did you join the logistics industry?

John Allan: In September 1994 I joined what was then called Ocean Group. The company had been a disparate shipping conglomerate and the board decided on a change of CEO. It was on my watch that we decided this whole of area of global logistics represented a big opportunity. At that time world trade was taking off and manufacturing was moving to lower cost economies. So I trimmed the business and focused on logistics. In 2000 we merged with National Freight Corporation, which had the Exel brand name, and we focused on that well-respected brand. At that time Deutsche Post was taking the same approach as us.

What challenges did the new global approach throw up?

John Allan: The view we took early on, which was helped by having an air and sea freight forwarding business, was that we had to master two skills simultaneously. On the one hand we had to manage big complex relationships with big global companies, which is an enormously stimulating challenge, but quite difficult. At the same time we had to provide a very high quality service locally - it is no consolation to your client if you are keeping them happy at boardroom level and simultaneously screwing up their operations all around world.

To be an effective local operator, you have to develop highly competent local management teams who can manage locally in local conditions. You can't send out a team from Germany or England for instance and hope the locals will bend to your ways.

We have very deliberately set out to create a multi-ethnic management team and we have almost exclusively local managers. That is quite different from having a very strong national culture, which is traditional in our industry.

How did you avoid falling into that traditional "mono-culture" trap?

John Allan: I tried within Exel to get staff to think of us as a truly global company, not a British company in lots of different locations. I think Deutsche Post came to precisely the same decision to have a globally diverse management team, so in putting our business together we have been helped by the fact that both had very diverse management teams in terms of nationality. We weren't just trying to integrate a bunch of English guys with a bunch of German guys. To be truly globally successful you have to open yourself up to talent from all around world.

How, since Exel was acquired by Deutsche Post, have you stopped your staff in your domestic market, the UK, feeling threatened?

John Allan: It's a very difficult tightrope to walk. Exel's senior management was in UK and Deutsche Post suggested when they bought Exel that the logistics business's headquarters be based in the UK. That was tremendously helpful, and meant that management attrition was very low.

How do you avoid losing your best people in a merger or takeover situation?

John Allan: Well the results so far from the Deutsche Post acquisition are good, but it's early days.

I don't think you can take it for granted that if your company is taken over that everyone will turn up for work the

next day. But the key thing is that we told people they would be empowered to manage their business and would not lose their local responsibility and see things take a horrible change for the worse. Of course fine words on day one are all very well, but it's the actions you take afterwards that really count.

How have you incentivised your people throughout the integration process?

John Allan: We very quickly got the new management team into planning the future of the business. One tendency is for people to think 'we are not in charge of the business planning anymore'. We wanted to disabuse people of that, partly as an integration tool, but also to raise their eyes from the short term task of integration to seeking new growth opportunities.

How many staff does Deutsche Post's logistics business employ and how many redundancies are you making as a result of the integration?

John Allan: Exel employed 110,000 staff and Deutsche Post's existing logistics business employed 40,000. However, we are talking about job losses in hundreds rather than thousands, because most of our people are involved in face-to-face delivery to customers. The amount of crossover is relatively thin, and the new jobs we create from business growth will actually mean that on a net basis we will grow our staff numbers significantly.

You have decided to major on the DHL brand, what have been the implications of that within the business?

John Allan: The thing is that if people believe the substance of the business is going to be good, they are astonishingly good at managing with such changes. I remember back when Exel acquired Tibbet & Britten. We were 70,000 people, they were 35,000, and one the first day after the acquisition I went out to visit a load of Tibbet & Britten sites, and in every one they put together a Powerpoint presentation on what their business did. Without my asking, they had all gone into Exel's website, pulled out our logo on their own initiative and started using it immediately.

But it can't always be that easy surely?

John Allan: No, of course not, it's quite a challenge. DHL's people within Deutsche Post for instance have seen the arrival in the group of a larger logistics business and were obviously initially worried they were going to become a bit player. We survey our people regularly to make sure we know what they really feel, rather than sitting here in a glorious cocoon thinking everything's fine while people are gnashing their teeth outside. And if a guy has worked there 20 years and is very proud you have to manage that. It can be an extremely positive thing but the question is, when does it become dysfunctional and counterproductive?

Both DHL and Exel had grown through lots of acquisitions. What did that mean for the businesses when the two were combined?

John Allan: We've probably acquired 100 companies in the last 12 years between us, so there is not a monoculture. I sat down and did an analysis of the nationalities of senior management in DHL and the biggest national grouping were, amazingly, not German, but Dutch. Moreover, no national group accounted for more than 15pc of the management team. The same diversity was

true on the Exel side. So, because people already had experience of merger integration, that's made our life dramatically simpler.

When a company is expanding internationally it also has to overcome the potentially huge hurdle of language barriers. How has the company tackled that issue?

John Allan: Deutsche Post took a very far sighted decision some years ago that English would be its corporate language and DHL's official language. My personal integration has been helped by the fact that the board papers in English and meetings are conducted in English for the two of us on board that are English. Deutsche Post clearly decided that if it was going to be a global company it, it had to change because, to the extent world has a global language, it is clearly English, or American. I think it was extremely far sighted.

What's been the hardest thing about the integration between Exel and DHL?

John Allan: The biggest challenge is simply that there is a huge amount to do. We have over 950 integration projects going. People have been burning the midnight oil to keep customers happy too, so customer attrition has been very low so far. We were obviously apprehensive that some customers would think they would have too much business with us or didn't like either company, but I can count one a single hand the number of customers that have gone and we made it up with new business from existing customers.

Finally then, what is the most important thing to focus on when integrating two companies in a cross-border merger?

John Allan: It is the people. They and your customers are your prime assets and if you focus your energies on those and getting your people to start thinking about the future rather than the past you stand a good chance of succeeding. You've got to know what it is you're trying to achieve and measure it. It's not rocket science - it's a lot of people working very hard.



DOMINIC WHITE is Communications Editor of the Daily Telegraph which he has written for five years, covering all sectors of business and finance. Prior to that, he spent five years in trade journalism also covering business issues. He has a post graduate diploma in journalism from City University in London.
Contact: Domini.White@telegraph.co.uk

ALEXANDER HUGHES EUROPEAN NEWSLETTER

Editor in Chief. Maurice Rozet

Editorial Committee. Richard Aeschmann, Robert Baldwin, Essaid Bellal, Gavan Burden, Benoît Chaignon, Miguel Codina, Christian Coffinet, Michel Garretta, Richard Hes, Fivos Kioussopoulos, Marc Lucchini, Steven Maisel, Vivienne Packer, Dana Patrichi, Bert-Jan Pit, Michel Rosset, Julien Rozet, Elizabeth Thomas-Gache

International Coordinator. Jennifer Rowell-Gastard

Head Office.

57, bd de Montmorency – 75016 PARIS FRANCE
Tel.: (33) 01 44 30 22 00 Fax: (33) 01 42 88 33 95
www.alexanderhughes.com • e-mail: info@alexanderhughes.com

Offices in Europe. Antwerp, Athens, Barcelona, Belgrade, Bratislava, Brussels, Bucharest, Casablanca, Ekaterinburg, Frankfurt, Geneva, London, Luxembourg, Lyons, Madrid, Milan, Moscow, Paris, Prague, Seville, Sofia, St. Petersburg, Turin, Utrecht, Warsaw, Zurich.