Successful Mergers Focus on People Not Just Financials

Many credit unions are in the midst of a merger and/or are strategically considering a merger. In the high-stakes arena of mergers, the "hard" metrics—balance sheets, market share, and intellectual property—often take center stage and are noted as the primary justification for merging. Yet, research consistently shows that between **70% and 90% of mergers fail** to meet their original financial or strategic objectives.

While issues like technical and operational integration are vital to success, the silent killer of most deals is cultural misalignment. A strong, vibrant organizational culture is the invisible glue that holds a merger together, turning a collection of assets into a unified, high-performing powerhouse. Yet, too often credit union leaders and Boards pay too little attention to this critical component.

The High Cost of Cultural Neglect

When two organizations merge, they aren't just combining spreadsheets; they are integrating two distinct "personalities" each with its own qualities and priorities, unwritten rules, communication styles, and decision-making frameworks. According to McKinsey, **95% of executives** identify cultural fit as critical to integration success, yet many treat it as an afterthought.

The consequences of ignoring these "unseen forces" are tangible:

- **Talent Attrition:** Key employees, often a primary source of value in a merger, frequently leave when they feel their original company's identity is being erased and the new culture is a step backwards.
- **Erosion of Trust:** A lack of clarity leads to a "rumor vacuum" in the new environment, maximizing employee anxiety and resistance to change, resulting in an undesirable new culture.
- **Productivity Slumps:** Friction between different working styles, methodologies and priorities creates bottlenecks to service deliveries and distrust among the newly joined teams.

Culture as a Strategic Enabler

A new, vibrant culture is not just about ping-pong tables or office perks, like many still believe; it is the **pattern of shared priorities** that dictates how and when work gets done. In a successful merger, culture acts as a strategic enabler in several ways:

1. **Accelerating Synergy Realization:** Organizations that manage culture effectively are **50% more likely** to meet or exceed their merger goals and objectives. A unified culture streamlines communication and aligns teams around shared goals faster.

2. **Enhancing Member Experience:** Internal cultural health can directly impact how a credit union interacts with its members. A disjointed internal culture often manifests as poor service or a brand that fails to show value to employees and members.

3. **Driving Resilience:** A strong culture provides a sense of stability during the turbulence of a credit union integration and can keep staff encouraged, motivated, and committed to the future vision of the new combined organization.

4. **Leadership Blending:** From the C-suite to department management, the melding of two disparate groups of people-leaders needs to happen quickly. Disjointed leadership at various levels will lead to a compounding negative impact across your culture.

Strategies for Cultural Integration

Building a "one team" mindset requires deliberate, proactive effort from day one. Successful leaders move beyond "let's see how it shakes out" and “I hope they come together” and, instead, adopt a structured and strategic approach to cultural curation.

- **Conduct Cultural Due Diligence:** Just as you audit finances, you must also audit the characteristics, qualities and health of the cultures at the outset of the merger. Use surveys, focus groups and interviews as tools to identify cultural gaps early—ideally before the ink is dry on the merger documents.

- **Establish a "Cultural North Star":** Leaders from both sides must co-create a new shared vision that respects the legacy of both organizations while defining a new and exciting future together. Even in mergers where one credit union is significantly bigger than the other, make sure to not abandon what the little guy brings to the culture table.

- **Over-Communicate with Transparency:** In your efforts to assimilate two disparate cultures, you cannot over-communicate. Town Hall meetings delivered by the CEO, senior leaders, and even board members go along way in solidifying trust. Also, something as simple as publishing a newsletter dealing with culture related topics helps eliminate any ambiguity and fear about the future.

- **Empower Cultural Ambassadors:** Identify influencers within both organizations who can model the desired behaviors and bridge gaps between teams. And these employees are not just execs or even managers – they could be lower-level employees who exude a high level of positivity and enthusiasm for the new organization and can readily communicate it to peers.

- **Use the “Right” Words:** Mergers are another time when words matter. Move past the word “merger” and quickly to a word like “integration” – it sends a more sanguine tone. Be extra

careful to avoid the dreaded “us” and “them” words - you’ll never become one for all, if you don’t quickly convert your verbiage to “we”.

- **Blend Your Two Histories:** Credit unions should speak proudly of their history anyway and here’s a particular instance where you can enhance the pride. Mix the two histories together as if was destined to be one, anyway. Let all staff be proud of what each credit union has accomplished.
- **Stay Focused on Strategy:** Trumpet the reason(s) for the merger and what the two cultures bring to the table. Granted, a forced merger may make it challenging to spotlight a long list of positives but identify whatever you can.

NOTE: some of these steps can be taken before the merger is finalized, while others need to wait until after receiving regulatory sign-off. But plan ahead and be prepared to enact them as soon as you legally can.

The Bottom Line

Yes, mergers should ultimately position your credit union for growth with current and future members but they’re also ultimately about human beings – namely, your employees! While regulators make the financial logic of a merger sound, the ultimate success of most mergers depends on the people executing it. Your existing people as well as the inherited ones.

Just as the combined balance sheets should result in greater financial stability (at least long-term), the combined cultures should result in greater teams that’ll lead you to bigger and better results in the future. By proactively prioritizing a strong, vibrant culture, organizations can transform a period of significant disruption into a transformational moment of well-oiled performance.

From the very top to the very bottom, a merger can be a significant amplifier to your culture, but only if you strategize on the positive opportunities it presents. Don’t leave it to chance; start making definitive plans today – remember: hope isn’t a strategy!!!

If a merger is on your horizon, our consultants are here to help make the culture integration optimally successful. Use our proven strategies and tools! Let us know how we can help - www.fi-strategies.com/contact/ or 636-578-3280.