



Combining Cultures, Building Trust, and Navigating Change:

The Secrets to Successful Mergers & Acquisitions

FranklinCovey

Mergers and acquisitions will continue to climb in popularity throughout 2025 as chief executives scan the horizon for potential signs of recession but remain confident about overall economic prospects. With inflation contained and monetary policy set to help make financing more attainable, deals will be in motion in most sectors. The [EY-Parthenon Deal Barometer](#) forecasts a 10% rise in deal volume in 2025 as CEOs hope to boost profits through deals. And private equity M&A deal volume is forecast to grow by 16% with corporate deals predicted to rise 8% from last year.

But it's not all smooth sailing. Technology—from generative AI to automation—as well as a shifting trade policy environment will also spur consolidation. These shifts will complicate the distinctive challenges of bringing together disparate cultures as executives seek out new geographic or technical platforms.

If your company is part of a merger or acquisition, it usually means your hard work is paying off. However, the euphoria of striking a deal can quickly fade when you realize the hard work is only just beginning. Will your company flail, survive, or thrive post-M&A?

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The Harsh Reality: Mergers Often Fail

Harder still, most fail for an often-overlooked reason of failing to effectively manage and combine two cultures. In the cold, post-deal reality, decisions that made sense on paper can fall prey to poor execution due to such intangibles as a lack of trust and botched efforts to integrate disparate cultures.

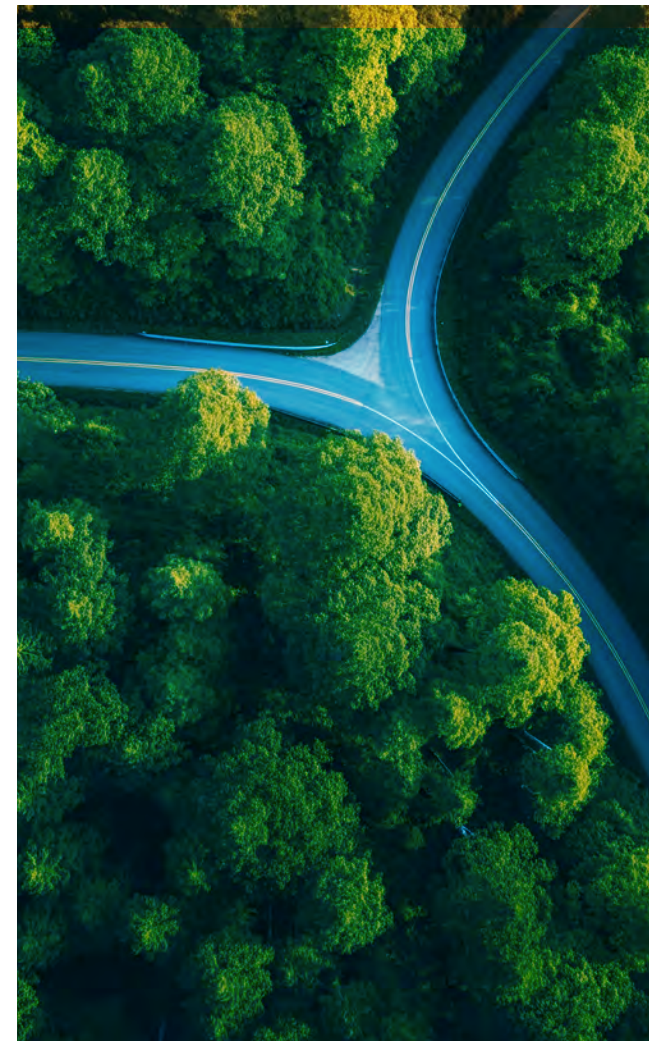
McKinsey & Co. suggests that, when it comes to M&A, practice makes perfect—and that culture often makes all the difference. In a recent report, McKinsey cites that failing to manage culture during a merger or acquisition can be a significant hurdle to success. The firm stressed that culture is crucial to value creation and that cultural alignment is vital to driving vastly improved outcomes. A study by M&A advisory firm **Mercer** makes the point more starkly: 30% of deals fail to ever meet their financial targets due to cultural issues.

“The first casualty of M&A is trust,” says FranklinCovey’s global trust practice leader Doug Faber, who knows the struggle firsthand as a former CEO and through his daily work with companies managing integration challenges.

“The initial reaction from employees impacted by a merger is, ‘Will I have a job?’ The most basic tenet between employer and employee is that there’s a place for you and that when you show up, you’ll get paid,” says Faber. “When the employer removes that, it impacts everyone. We can stick our head in the sand and not confront that reality, but it’s true.”

We too often focus on spreadsheets and data, forgetting to employ the empathy needed to support those who may suffer disruptions or lose their jobs. Analysts calculate synergies and determine which jobs to cut, but they often fail to consider how a manager can keep a culture healthy when people unexpectedly go from playing a vital role to being declared “redundant.”

Anyone reading this guide will likely have heard the adage, which some believe has been **misattributed to Peter Drucker**, “Culture eats strategy for breakfast.” Leaders may nod their head in agreement with this concept in passing, believing they have devised a strategy that will enable two plus two to equal five. Yet, your M&A execution may soon reveal a culture clash that produces an equation of two plus two equals three—or worse still, one. As a leader, you feel like you’ve missed on all counts as the hoped-for benefits erode under the weight of staff churn, low productivity, and internal conflict.



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Culture feels difficult to pin down because we're required to translate an idea in our head into shared team behaviors. Acquisitions almost always leave the acquiring culture in a dominant position over the acquired culture. In turn, this leads to an unproductive "us versus them" mentality.

Another challenge facing leaders—after months of making decisions behind closed doors—is how to communicate the benefits of a deal to rank-and-file staff who were intended to be the last to know. The impetus and implications of the deal are not made apparent to everyone at the same time; everyone is adjusting to change in different phases. When leaders can't effectively guide teams through this change, it leads to the erosion of trust, confidence, and engagement.

For business leaders looking for scale, the challenges are real and can be frustrating. Great companies have distinctive cultures, but distinctive cultures make it harder to successfully acquire great companies. The same is true of those disruptive newcomers that well-established players so often gobble up to protect their market share: Staff at the acquired upstart will almost inevitably perceive employees of the established firm as out of touch, old-guard relics.

"It's similar to going away to college and finding out that you have been assigned a roommate, someone you don't know at all, that you now have to live with," says FranklinCovey senior consultant Todd Davis. Davis helped steer FranklinCovey through multiple mergers as chief talent officer and knows well how the interpersonal aspect plays out.

The possible tensions of any merger are endless, Davis says, urging people to stop identifying with their original firm to avoid setting up a "Hatfield and McCoy" conflict that could persist for years.

There's a way to stay out of the post-merger culture trap

Given all the potential challenges, leaders should prioritize four messages.

1. Trust Is Fundamental

In an atmosphere of low trust, people tend to become suspicious, guard communication, speculate, and disengage. Productivity grinds to a crawl and costs increase. These outcomes are what we call "trust taxes." Conversely, when trust is high, people are more confident and communication, creativity, and engagement improve. This can increase productivity and lower costs, creating "trust dividends."

Ask yourself:

- Are we currently paying a trust tax, or reaping a trust dividend? How do we know?
- In the event we currently face a trust shortfall, what can we do immediately to begin to win back trust from our teams?

Targeted training can help leaders strengthen their trust signals to convert trust taxes into trust dividends and propel their teams to success.

Key takeaway: Managers that focus on improving trust are more effective at bringing cultures together.



Trust Taxes

- Reluctant compliance
- Disengagement
- Higher turnover
- Unexpected customer churn
- Lack of well-being and psychological safety
- Silos
- Micromanagement
- Lack of creativity
- Poor communication
- Low productivity



Trust Dividends

- Voluntary commitment
- Engagement and inspiration
- Higher retention
- Customer loyalty
- Well-being and psychological safety
- Collaboration
- Agility
- Innovation
- Effective communication
- High productivity

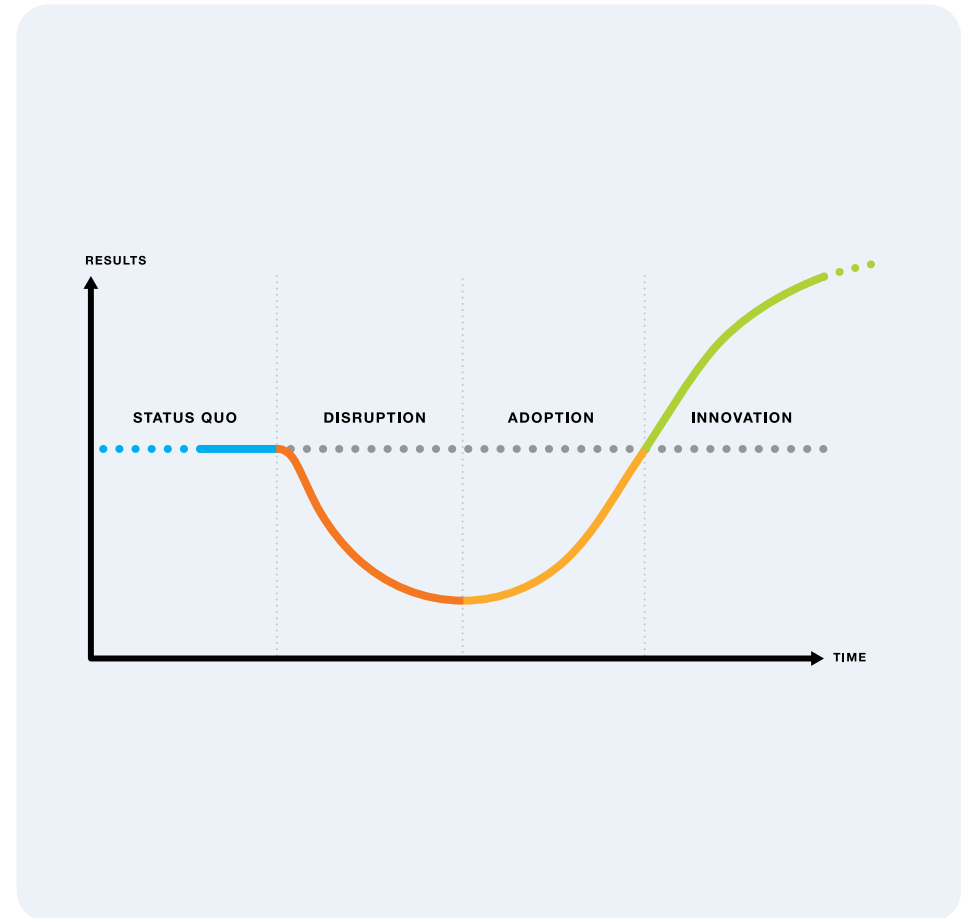
2. Embrace Change

Change in the business world is guaranteed. Strong managers adapt and learn to turn uncertainty into opportunity. Faced with change, many organizations spend a great deal of time working out operational details. In reality, it's the people who make those changes happen that need special attention. Humans are wired to react to environmental change as a threat to their survival. Successful leaders engage their people early and often, positioning change as an exciting opportunity for growth instead of a threat to be feared.

Ask yourself:

- Can we map out each function's current stage of change?
- How can we help each group adapt?

Notice the pattern: While every situation is unique, there is a predictable pattern to change. Understanding this pattern and gaining the skills to navigate it successfully allows the newly combined, retained staff to move forward optimistically—even in the most challenging situations.



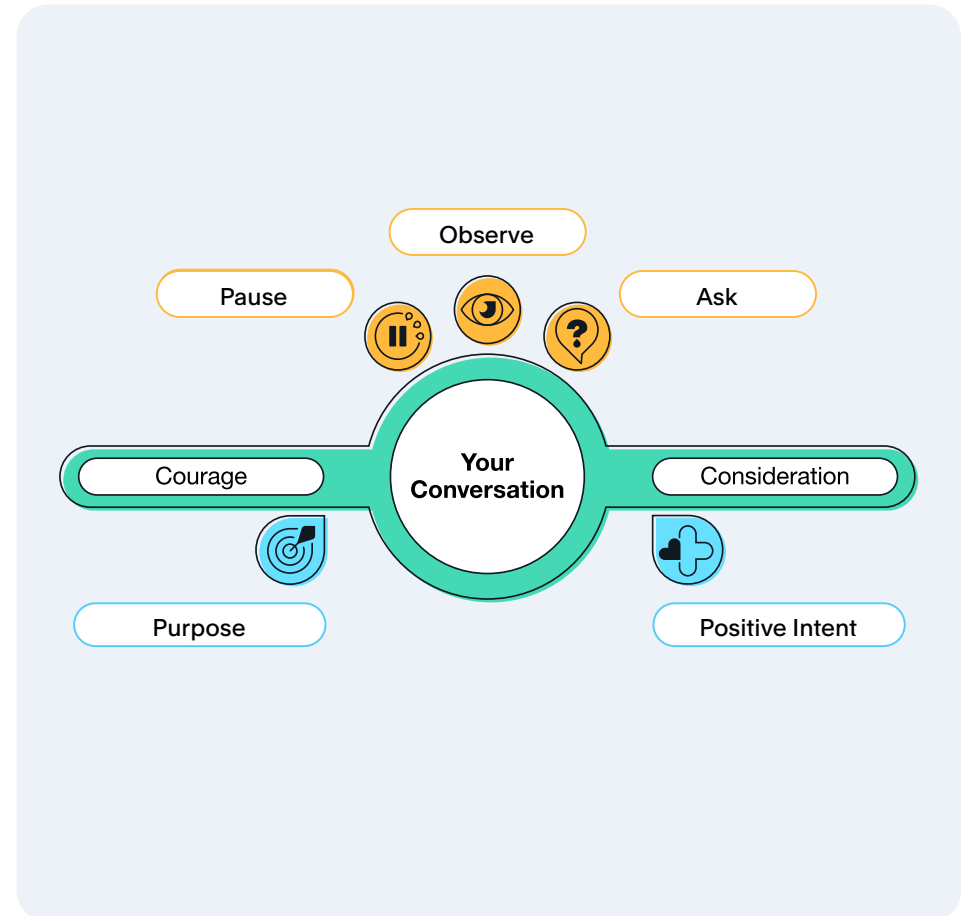
3. Welcome the Difficult Conversations

Difficult conversations are part of every merger, so it's crucial to give managers the support they need to navigate them with their teams. Side-stepping tough topics can trap a team in unresolved problems, strain relationships, and create missed opportunities for growth that block progress toward a successful outcome. Many of us avoid awkward conversations or handle them poorly because we're afraid to address uncomfortable issues and feel unprepared to respond to the emotional reactions that arise. Managers should be trained to enable constructive dialogue.

Ask yourself:

- What are the tough conversations I know need to happen but have been avoiding?
- How can I change my own perspective to view this conversation as an opportunity to make progress?

Mindset shift: Instead of thinking about difficult conversations as something to avoid, think of them as [the important path to progress](#).





Developing—or perhaps redeveloping—a healthy organizational culture in today’s environment requires an investment of patience, trust, and support. But the reward is a workforce that shows up authentically, does their very best work, and is less likely to exit when things get tough.

– Christi Phillips, Ph.D.,
co-author of *Change: How to Turn Uncertainty Into Opportunity*



4. Make Culture Explicit

In any merger, managers must be proactive. It all starts by seeking to understand the concerns and cultural sensitivities of the newly merged teams, their distinct differences, and any similarities they share. Create a list of the values that are important to each firm and create a plan for blending them together and finding common ground.

Companies need a common language before they can effectively communicate with each other. Start with the value and mission statements of the two firms, describe their similarities and a shared ethos. Perhaps both firms value integrity and loyalty. Lean into that alignment, define it, and build on it.

Ask yourself:

- What is the right group to bring together to define our combined values and what they look like in practice?
- How can we make these values practical and apparent to all?

Bonus upside: If the reality is that neither firm has formally considered a corporate identity, take the occasion of the merger itself to create and adopt a newly blended intentional culture.

Case Study: How Navigating Change Set Up Constellation for Merger Success



Constellation, a medical professional liability insurance carrier, wanted to improve its business processes and differentiate its customer experience. The company's leadership developed a plan, known as Project Breakout, to redesign how they worked and agreed to create a common language to help their teams navigate this transformation. In the end, the effort not only successfully transformed the company's business processes but also helped Constellation navigate a critical merger.

Constellation partnered with FranklinCovey to implement [*Change: How to Turn Uncertainty Into Opportunity*](#)[®]. Knowing its leaders would shape the company's culture, Constellation deployed the program in stages, first training leaders to identify the change pattern and confidently guide other team members through it. Next, they educated leadership about the common reactions to change and how best to navigate the four stages of change:

- The Zone of Status Quo
- The Zone of Disruption
- The Zone of Adoption, and
- The Zone of Innovation

Leadership cohorts were coached to encourage teams to communicate clearly, followed by quarterly post-session feedback surveys. When Constellation subsequently found itself in a merger process with another MPL carrier, Curi, teams were already prepared to navigate disruption together: Employees were

focused on what they could control and had the emotional safety to get through difficult conversations. Leaders were equipped to listen to their direct reports with intent and understanding.

As a result of this training, Constellation was able to set the foundation for positive change in advance of the merger. This mattered because the integration was big: With more than \$2 billion of consolidated assets and nearly \$400 million in revenue, the combined company—operating under the Curi brand—would serve more than 50,000 physicians, healthcare providers, and organizations across the United States.

The implementation of Project Breakout and the Curi merger were two very different types of change. Nonetheless, they required a common set of benchmarks and were deployed in similarly predictable stages. Knowing how to move through those stages constructively can mean the difference between failure and success.

Post-program surveys showed a high degree of satisfaction with communication and teamwork related to Project Breakout and, even better, positive employee reactions to the merger. The training program was “so useful and applicable to what we were all going through together,” one learner said. “I had previously experienced change that was not handled well, so the extra thought that was put into this meant a lot to me and I wanted to express gratitude for that.”

Case Study: How an International Accounting Firm Created a Unified Post-Merger Culture

Following a merger in 2017, a large accounting firm with more than 1,000 employees set out to find a common language and culture for the merged firm with the goal of being an industry market leader by 2020. The firm identified strategic pillars it felt could refresh and renew its position, developing a plan focused on three elements: individual responsibility, high-quality products/solutions, and increased client collaboration.

The newly merged team and its members were critical to achieving those goals. Early on, every employee was encouraged to attend an intensive two-day training program aimed at ensuring a common language. Training was held at client sites to deepen relationships and ensure trust. Over the course of a full year, employees were offered follow-on training and feedback on related issues.

The results were immediate, with employee behavior measurably improving, generating a positive uptick in profits. Employees now realize change comes from within—not from their boss—and have learned how to approach and overcome obstacles together as one team.



M&A Success or Failure Hinges on Your Culture

Culture is often viewed as a hard-to-define amalgamation of your team's habits and behaviors. But it isn't as mysterious as it's perceived to be.

Strong cultures are borne out of trust, a collective constructive mindset towards change, and strong communication throughout all your teams. With focus, those things can be learned and improved.

In our 35+ years of research and development in the areas of leadership, individual effectiveness, and breakthrough results, we've found that cultural development and trust-based leadership tend to be among the most overlooked barriers to organizational success—particularly in regard to mergers and acquisitions. Leadership teams work overtime to seal the deal, only to experience unexpected setbacks when teams respond with distrust and disengagement.

Whether you're still in the planning stages or your organization has recently undergone a merger or acquisition, FranklinCovey provides the leadership and cultural solutions to improve trust, engagement, and alignment—transforming your business and changing the way you and your teams work together.

Our world-class learning solutions—delivered Live-Online, On Demand, or Live In-Person—are designed to build exceptional leadership skills and enrich your culture at every level of your organization.

To learn more, email us at info@franklincovey.com, or visit [franklincovey.com](https://www.franklincovey.com)

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