

## *Cultural Fit*

By Peter Piven, FAIA

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In my practice as a consultant to design professionals, I am frequently asked to assist in mergers or acquisitions by buyers and sellers. We begin these assignments by developing two different profiles: one used to describe the seller to prospective buyers and the other to enumerate qualities desired by the seller to target firms in the marketplace, including but not limited to size, location, disciplines and markets. Once firms are targeted, we communicate with them to determine their interest in considering an affiliation. If the initial description of the prospect prompts further interest, we provide more detailed information after a Confidentiality/Non-Disclosure Agreement has been signed. Assuming continuing interest, one or the other or both usually want to develop a comfort level regarding finances or cultural fit. For some, the most important consideration is financial; for others, it is cultural fit. While financials are fairly straightforward, cultural fit is more elusive.

Recently, we encountered some differences of opinion regarding what constitutes a positive cultural fit. The difficulty in describing it, because it is unspecific, prompted me to learn more about cultural fit and then share what I learned. I spoke with a number of firm principals and asked them to respond to a series of questions that frame this article. Those contributors are listed at the end of this article.

### **What is culture in design firms?**

The attitudes, beliefs and behaviors of a firm's leaders set the tone and expectations of others in the firm: how the firm operates, whether in teams, studios and/or in departments. Many firms use the word *values*, sometimes *core values*, as a **substitute** for firm culture. Others use values to **define** firm culture, although they are so interdependent as to suggest that there really is no difference. For all, the dominant value set or core values of the firm is an extension of the personal values of its founders and, in subsequent generations, its leaders. Core values are fundamental beliefs and include things like honesty, integrity and trust. When asked about culture, many use professionalism, continual learning, life/work balance, diversity and civic mission to define culture. Others include

people, spirit, relationships, organization, design, profitability, sustainability and balance. In addition, in considering a value spectrum that goes from practice-centered at one end (valuing project quality more than financial performance) and business-centered at the other (valuing financial performance more than project quality), design firms' leaders almost always operate in a way that represents the dominant values of the leadership group as a whole. As Ray Bouley of Cooper Carry said, "A company culture is defined by its ethics, beliefs, values and behaviors and how those are manifested by its employees."

### **If that is culture, what is cultural fit?**

The simple answer, in a merger or acquisition, is when one firm's attitudes, values and beliefs fit with another firm's attitudes, values and beliefs. In other words, the firms' core values and cultures are in sync.

The most important consideration when integrating one firm into another is whether they will fit culturally, whether firm A will readily and easily behave and operate in ways that are consistent with B, the firm they are joining. Cultural fit is equally important for the seller and the buyer. A very important and appropriate question for the buyer is, "Will they fit?" Or, conversely, will there be constant struggle and disappointment between the *ins* and the *outs*? The firm being considered should ask the same question, "Will we be comfortable in the firm we are considering joining?" Once the merger or acquisition is done, the cultural fit is revealed in the behavior of individuals, which is based on the understanding and respect for the firm's culture and the leaders who embody, practice, promote and expect it.

### **Why is cultural fit important?**

Solid cultural fit enhances many aspects of daily life in a firm and for its employees: workplace effectiveness and productivity, employee satisfaction and retention, competitive marketplace advantage, communications and overall identity. Without it, a firm will likely experience lower productivity and effectiveness, employee dissatisfaction and departure. The firm will lose

competitiveness and identity in the marketplace. Without a clear understanding of the way things are done, employees tend to do things their own way or the way their last employer did them. Not only does this result in inefficient project delivery, but it also leads to employee disenchantment and dissatisfaction. Without a clear and understood set of values, differing messages will be delivered to the marketplace for prospective clients and prospective employees. Brand identity will fall by the wayside.

### **How do you achieve cultural fit?**

First and foremost, leadership must articulate a clear set of firm values, its core beliefs, the things that are really important to them in what they do professionally. Then leadership must live up to them and articulate them to everyone in the firm. They must be walking, talking exemplars of their beliefs. According to Ed Shriver at Strada, “The most important thing is management’s modeling the culture. The staff will do what they see the leaders doing. If the leadership is competitive, the staff will be competitive. If leadership trusts one another the staff will be trusting or they will stick out as ‘not a good fit’.” They must communicate. Dan Noble at HKS added, “We constantly repeat and reinforce our vision and values. We make sure we behave in a way that is supportive of our values and hold people accountable if they aren’t.” Phil Harrison agreed, “Communication is essential in creating a community and culture.” Brad Perkins told me, “We spend time with the current leaders and the next generation, talking through projects and interests to work out a joint plan for going forward. We work hard to erase barriers and integrate teams as soon as possible.”

### **What should you look for when considering which firms to bring into your firm?**

The first step is meeting with the key people in the firm under consideration for acquisition. They will be considering you at the same time. They have their own culture that governs their practice. You have to determine whether what you observe suggests the likelihood of a cultural fit. Peter Devereaux at Harley Elis Devereaux talked about his firm’s approach, “Initially, we want to know that the firm’s owners and key staff members will embrace our mission, vision and core values, not just with lip service, but as evidenced by their actions in relation to how they run their practice. That

process begins with conversations and continues through intensive due diligence in which we look closely at how contracts are negotiated, projects are set up, how teams function, how documents are prepared, and how staff are acknowledged and rewarded.” Tim Dufault at Cuningham continued, “The leadership must align with our core values. Without this alignment, we know the long-term relationship won’t work. We also look for firm leaders who are looking to grow and develop their people. We bring other companies into the organization with a focus on growth, not just market or economic growth but also opportunities for younger people to grow into leadership positions across the entire platform.”

### **How do you integrate your newly acquired firm?**

The work should start well before integration. Have conversations with staff, share your strategic plan, discuss your culture, describe your process for inclusion. After the newly acquired firm is integrated, institute steps to facilitate a smooth blending of cultures. Reassure others that not everything needs to be done by everyone at the same time. Clear and constant communication is key - it is the most important thing to do not only at the beginning, but at all times going forward. Other actions include staff sharing/swaps, social gatherings, cross office project collaborations, assigning a buddy with a similar role, focused training for fitting in with existing teams for ongoing projects, peer group meetings, and social activities to help break the ice and create friendship bonds more quickly. And always, always, constant and clear communication, both top down and bottom up. Pete Giovenco stressed, “We communicate reasonable expectations.”

Dan Noble shared this 10-step integration plan to follow acquisition:

1. Begin a cross functional communication plan.
2. Move into integration of people, processes and technology.
3. Share the business case for acquisition and boost employee morale by communicating with all employees about the benefits of integration and the importance of their contributions.
4. Clearly articulate a unified vision of the future.

5. Executive presence at acquired company and ask a lot of questions to get to know acquired company and their people on a more intimate basis.
6. Introduce the Integration Team.
7. Begin a deep analysis of all operations.
8. Share and interpret operational organization charts.
9. Begin conversations with acquired clients.
10. Review all client contracts.

What I haven't mentioned are finances: financial condition, valuation, expectations on both sides, elements of the deal, and future compensation to mention a few. In considering mergers or acquisitions, both cultural fit and financial conditions must be addressed. As I stated earlier, some firms prefer one, some prefer the other. Both take time. In the final analysis, it doesn't matter where you begin as long as both the cultural and financial issues are raised and addressed to the point that both parties' concerns are resolved at least enough to inform a decision to keep moving forward - or to stop.

### **Participants**

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