

## Cultural Due Diligence Tools – Tips and Traps

Your organization is merging with another or entering into a joint venture. Or maybe your company wants to improve its effectiveness, perhaps reduce costs or streamline business processes through conscious efforts to change the culture. For whatever reason, your company has made the decision to conduct a cultural due diligence. How do you proceed?

In my previous article I outlined some high level elements to consider when conducting a cultural due diligence or culture audit. As I mentioned before, companies can either choose off-the-shelf tools or develop their own. In this article, I'll highlight some specific approaches for creating your own tools by focusing on some tools that were developed by a GE culture team during the heyday of acquisitions. Even if you aren't doing an acquisition or merger, many of the tools would be helpful in doing a culture audit. The five tools this team created were:

1. Culture Survey
2. Archival Information Checklist
3. Culture Observation Inventory
4. Structured Interviews Instrument
5. Focus Group Instrument (*utilizing targeted questions from the interview instrument*)

The "*Cultural Observation Inventory*" is simply put an organized, structured way to conduct a physical observation of the organization's culture – a field study of the culture. The basic assumption is that there are visible signs in the physical environment that will give hints about the organization and lead to follow up questions. For example, are all the office doors closed or open? Are

appointments kept on a timely basis? Do meetings start on time? How close are the cubes? Rather than make immediate judgments about the organization's culture, these observations would generate questions I would want to ask.

. With a little research and planning, a team can create their own Observation Inventory. The focus should be on a comprehensive list of characteristics to watch for in the physical environment and observations about the employees. The best tools force the team members to distinguish between their actual observations and their interpretations. People who have used similar types of tools talk about becoming aware of aspects of the environment that they had previously taken for granted and uncovering some of their own assumptions about the organization as they learn to discriminate between their observations and their interpretations. As an aside, these types of observations can also be helpful for job seekers – especially when given the opportunity to ask follow-up questions.

The '*Archival Informational Checklist*' is a fancy term to highlight the method of reviewing all the pertinent written materials in an organization to gain clues about the organization. Again, the team can create a list of all the documentation they'd like to review and gather the information, making notes about their interpretations. An additional assumption is that if there is an absence of specific kinds of data, such as no employee handbooks or no budgets for training and development, these absences provide other indicators about the organization's culture.

*Culture Surveys*, when used appropriately, provide valuable, quantifiable data regarding culture. Surveys are a snapshot that can help identify areas of cultural difference for future exploration. A survey is a quick means for getting information from multiple global locations, assuming these locations are large enough to protect respondent anonymity. Surveys give those in remote locations an opportunity to have input. The survey does attempt to quantify cultural dimensions and gives those leaders with a penchant for numbers an idea of where there are some potential cultural gaps. One caveat – surveys should not be used as the only instrument for assessing culture as no survey can get at all the cultural nuances. Plus, if overused, the survey reinforces a numbers-driven culture.

Surveys give you breadth and quick assessments; qualitative methods such as *Semi-structured Interviews* can give you depth and nuances. Interview formats can be designed to reflect a broad-based scan of how leaders perceive their organization and think about their organization vis-à-vis the external environment. Other questions might be developed to elicit illustrative examples about success profiles, cultural icons (heroes and villains), sayings and organizational myths. Questions such as ‘who are the heroes around here?’ or ‘what gets someone into trouble?’ can provide fabulous insights about the culture to job seekers as well.

When conducting interviews, err on the side of using a few high-value, open-ended questions. Interview a cross-section of employees and thought

leaders to provide richer, more diversified insights -- especially since leaders often have their own agendas.

The biggest caution in doing interviews is to ensure that the interviewers are well trained and prepared. In times of high anxiety such as mergers, poorly trained interviewers can do significant damage or inadvertently alienate some leaders and employees, which increases the risk of chaotic and divisive transitions or loss of key talent. Conversely when the interviewers are skilled, they not only build rapport and trust, they reduce anxiety and engage employees in planning for the future.

One final caution when conducting interviews is to recognize that in situations such as acquisitions or mergers, there are several reasons for receiving answers that are fronts. Leaders may want to put on a positive face, espousing the language of acquiring company. They may have an agenda of trying to keep their jobs or protecting their employees. Additional probing may provide the interviewer additional clues about the organization's culture such as "always putting on a positive public face" or "it's risky to be completely honest".

*Focus groups* are another method for gathering qualitative data. The simplest strategy is to identify several key questions from the interview questions and conduct a number of focus groups within the organization utilizing the same sub-set of questions in each group. The advantages and disadvantages to collecting data in from focus groups revolve around group dynamics and skillful facilitation. Skilled facilitators not only understand how group dynamics impact what participants share, but also recognize that the groups themselves will

exhibit some organizational cultural dimensions. Through their own observations, facilitators can really help create a rich culture portrait.

Creating and using all these tools does take time and sustained effort. If time is of the essence or you have a limited budget, start with the less complicated tools such as the Observation Inventory coupled with some interviews or focus groups. These tools are relatively easy to create and train people on how to use. You'll be able to gather enough information to paint a rich picture of the culture.

Surveys, if designed right, are probably the most time-consuming and costly to do in-house. If you really want to use a culture survey, the quickest approach is to use an off-the-shelf product. How do you choose off-the-shelf products? Well, that's the subject of another article.

Whatever you decide, consciously focusing on an organization's culture will give you insights about how people interact and work effectively or not. You'll learn where performance does or doesn't meet expectations and what's getting in the way of current change initiatives. All these clues will enable your organization to make changes for sustainable improvement.

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