

Analyzing the Dysfunctional Merger of Two Companies Through the Five Frames

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NOTE: The names of the companies and the dates of the experiences have been changed.

The Tale of Two Companies

In Fall 2015, XYZ company was a relatively small software development agency at just over 100 people, focused on native mobile and television products. XYZ's largest customer generated over 50% of its revenue and utilized over 75% of its billable employees. Earlier that year, a large customer had attempted to buy XYZ, to which the three founders/owners turned down. There was infighting amongst the founders that summer, and they went out to the market looking for a buyer. In Late Fall, XYZ announced that a large global company, Calabaza Inc., out of South America, was purchasing XYZ. While one of the founders was leaving the company at this time, the two remaining founders assured us that "nothing would change." Calabaza had similar values to XYZ, and they were allowing XYZ to operate autonomously.

The change started slowly. First, HR systems and client billing systems integrated. Then, team members from XYZ started participating in projects initiated by Calabaza. Finally, in Spring 2017, XYZ was fully merged into Calabaza, and the Seattle office was simply a "resource center" for Calabaza. Throughout this transition, the message changed as well. While it started with "nothing will change," it transitioned to "we only have to change what we do, not who we are," until it finally landed on "XYZ no longer exists; transition or leave." By 2019, the number of employees in the Seattle office had been reduced from over one hundred to just shy of thirty. Throughout this experience, most employees in the Seattle office were unhappy and competitive, and distrustful and disrespectful of Calabaza and anyone who worked in one of the South American offices. There was a negative atmosphere in the Seattle office and an apparent conflict between Calabaza's goals and the Seattle office's goals. Calabaza was a large, multinational

company that traded on the New York Stock Exchange. They had responsibilities to their investors, and they minimized the responsibility to their employees. Rejecting that, XYZ employees focused on shielding themselves from that reality and ignored the reality of the world around them.

A Rational Approach to Hierarchy and Process

The Rational Frame (Carey, 1999, p. 49) tells us that organizations are hierarchical and process-driven. Those in leadership positions have the most knowledge and context; therefore, they are responsible for creating the rules. Managers ensure that employees follow processes and rules so that the company can achieve its goals.

After the merger, while Calabaza had permitted the message of "nothing will change," ultimately, they expected XYZ employees to change. As agency work makes it necessary for employees to travel, Calabaza had an optimized process meant to ensure the success of off-site team members. Unfortunately, XYZ employees found out about actions they were required to take (e.g., travel, signing agreements, new policies) at the last minute and delivered with disingenuous positivity. XYZ employees responded by rejecting anything Calabaza. Similar to Freire's (2017) critique of banking education where it "conceal(s) certain facts...resists dialogue...[and] treats students as objects of assistance" (p. 83), Calabaza withheld their true motivations by funneling directions through XYZ leaders and expected employees to fall in line.

Humans and In-groups

The Human Frame (Carey, 1999, p. 57) tells us that people are essential. If leaders give employees a cause that is important to them, pay them well, and treat them like professionals, they will do the work that needs to be done. XYZ's value proposition to both employees and clients was that "We hire smart people and let them do their jobs." Communication related to Calabaza was often both upbeat and had a twinge of contempt. Through this lens, XYZ employees knew Calabaza to be a company that did not pay well and did not treat employees like they were professionals who knew how to accomplish their work. Northouse (2016) tells us that LMX theory often produces in-groups, "those that were based on expanded and negotiated role responsibilities (extra-roles) [and] those that were based on the formal employment contract (defined roles), which were called the *out-group*" (p. 163). XYZ leaders worked with the LMX theory and encouraged employees to lead their teams and manage their projects, whereas Calabaza restricted that. Therefore, Calabaza and anyone who embraced them, implicitly or explicitly, was part of the out-group.

Systems Failures

In the Systems Frame (Carey, 1999, p. 65), organizations will continuously reevaluate how they are doing things based on the environment they are currently in, determine if a change needs to take place, and if so, what the best change could be. In software development companies, there is a methodology, Build-Measure-Learn, made popular by Eric Reis in his book *The Lean Startup* (2011) that follows the concepts of the Systems Frame. The methodology instructs teams to build something, put it in front of customers, measure whether customers could achieve the desired goal, and then learn from that experience. While Calabaza wanted to find the best process, the

best team, and the best structure, they understood their conclusions needed continuous reevaluation. So they would change a process; roll it out to the company, clients, or both; get feedback; and then change a bit more. XYZ was familiar with this way of working because they used Build-Measure-Learn in product development. Unfortunately, this was difficult for them as the constant change was not directed towards software, but rather, the lives and livelihood of XYZ employees.

Negotiating Political Environments

Carey tells us that in the Political Frame everyone in the organization is different and has different values; thus "conflict is an inevitable part of life." (1999, p. 73) In this conflict, the person who has power or can negotiate more effectively will win. The employees of XYZ hated conflict, so before the founder infighting started that caused the sale, there was not any conflict. After the sale, employees continued to avoid problems. Calabaza, as it turned out, was quite similar. They also avoided conflict, however, they did so merely by removing the person on the team who caused conflict. If anyone complained about anyone, within days, that person was removed from the project. So, when XYZ employees clashed with Calabaza projects or employees, because Calabaza had more power, they shut down the conflict by removing the XYZ employee.

Freire (1999) says, "To say one thing and do another – to take one's own word lightly – cannot inspire trust. To glorify democracy and to silence the people is a farce." (p. 91) Calabaza talked about how they wanted to integrate and learn from XYZ, and yet their methods for dealing with conflict by simply posturing with their power made it hard for Seattle employees to trust

Calabaza. The posturing influenced XYZ employee behavior and responses. Additionally, XYZ leadership did not help employees integrate or negotiate this conflict; thus, employees were never able to build company capital or power to negotiate for themselves within Calabaza.

Culture Fit

The Cultural Frame (Carey, 1999) says that the culture of an organization is how people define who they are within it and why they are there; the collective beliefs of the group are what is important (p. 81). The mismatch in culture was the biggest issue with combining XYZ and Calabaza. They each had their own culture; the things that made them who they were. Some people at Calabaza wanted to learn from XYZ, but XYZ employees often responded with the attitude of “You are Calabaza, you are different.” Calabaza leadership wanted XYZ employees to change how they operated and accept “The Calabaza Way” without understanding that who XYZ employees were, collectively, was the core with which most employees operated.

Using Ground Rules to Create a Functional Team

The dysfunction that arose from the Calabaza purchase of XYZ occurred because both organizations had their views on hierarchy and process, how to consider the views of employees and lead them, negotiating environmental impact on their businesses, negotiating with others, and most prevalent, how people create an organizational culture and exist within it. A principle of team dynamics is that when a new person joins a team, the old team essentially dissolves and a new team forms. For the new team to work effectively, there needs to be translation and agreement amongst the team members on how to behave and what certain words mean. Palmer says in *The Courage to Teach* (2007),

“These topics, unlike the more distanced talk about technique, tend to make us vulnerable, so they need to be accompanied by new ground rules for dialogue – rules that help us respect each other’s vulnerability and avoid chilling conversation before it can even begin.” (p. 155) When Calabaza introduced themselves to XYZ, they needed to take into account that they were forming a new team that included an entirely different culture. To ensure that XYZ was able to embrace the Calabaza culture, rather than immediately put up walls, the groups should have spent time at the very beginning creating ground rules for how employees from each organization would speak and behave. Having these ground rules would have made conversations about the integration of culture and processes include more respect for each group.

Ground rules would have helped to foster an environment similar to Palmer’s (2007) Subject-Centered Classroom. He states that in this type of environment, “teachers and students are more likely to come into a genuine learning community, a community that does not collapse into the egos of students or teacher but knows itself accountable to the subject at its core” (p. 120). XYZ and Calabaza needed to set aside their egos and learn to work together for the sake of the organization. By focusing on what they could create together, rather than staying separate or having XYZ become Calabaza, both groups could have learned new ways of building software and used that to create a successful organization. Palmer says that focusing on the subject “honors [the needs of students]...to be introduced to a world larger than their own experiences and egos, a world that expands their personal boundaries and enlarges their sense of community” and for teachers allows them to “invigorate those connections between our subjects, our students, and our souls that help make us whole again and again” (p. 122). This subject-centered focus would have helped Calabaza maximize the asset they purchased and build a strong and

connected Seattle arm of Calabaza. Additionally, it would have helped XYZ gain new experiences while keeping what they ultimately wanted, to continue working together.

References

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