Week 4 Discussion

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For a successful merger in business, cultural differences are very important to consider as culture plays an important part in business. An important term ‘corporate culture’ is used to determine this aspect between participants of a merger or an acquisition (Wrigh, 2010). PBI-FS is the new subsidiary as a result of acquisition of Island banking services by Padgett-Beale. A survey has been carried out between managers of Padgett-Beale and members or job applicants of Islanders and the results have identified 2 factors as barriers in success of the acquisition in term of corporate culture. These factors are communications context and power distance.

Communication context is very important component in the acquisition (FBI-FS) as it determines how effectively communication between two parties can make it successful. The communication context may be based on culture or the ways of communication, both parties use in business. Communication is observed as one of the reasons for an acquisition failure and also a backbone of M&A success.

The power Distance is actually the relationship between subordinates and the entity which is in power. In business case especially in case of PBI-FS, Padgett-Beale is the entity with more controls and authority while Island Banking employees or applicants are subordinates. Power distance index is a tool used in cultural study of the two business parties of the acquisition and is used to measure the level of acceptance of power which is established among the least and the highest power in business relationship. This factor directly influences the expectation of the employees and their mangers and on their mutual relationship (RECKLIES, 2015).

Communications context of Padgett Beale Managers & Employees is low and that of PBI-FS Job Applicants (Islanders) is high according to the survey. High context of the communication in business suggest that participants have a close connection for a longer period while in case of low context, connections exist for a shorter period of time (Communicating Across Cultures, n.d). Power distance according to the survey suggests that Padgett Beale Managers & Employees have medium while PBI-FS Job Applicants (Islanders) have high power distance. High power distance is characterized by a hierarchical framework where every individual has a place and positing in an organization where a higher position or person should be respected.

Due to cultural differences or lack of understanding or compatibility with the corporate culture of organizations in a merger or acquisition, conflict may arise. To resolve such conflicts, the management can apply enforcements if necessary because sometimes lenient approaches don’t work and there is no option left to resolve long-standing conflicts. Other practices that can be used to resolve conflicts based on the situation are compromising, making collaborations to minimize the friction, taking smooth and accommodative steps to build and restore trust and withdrawing in case of confusions and misconceptions beyond a certain limit (Conflict Management Techniques, n.d).

# References

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