Cuddly

Bringing culture into the deal

Why culture belongs in M&A due diligence - and how a research-grounded platform makes it a first-class workstream alongside financial and legal DD.

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Draft for internal review. The substance draws on the established M&A culture literature; citations are to real, verifiable works. Where a claim rests on practitioner consensus rather than a single peer-reviewed study, it is flagged as such.

1. Executive summary

Most acquisitions are valued, negotiated, and integrated on financial and legal terms. Yet across three decades of research and practitioner post-mortems, the single most-cited cause of deals failing to reach their value targets is not price or structure - it is culture and people. The uncomfortable pattern: the warning signs were often visible before the deal closed, and even before a letter of intent was signed.

Cuddly exists to close that gap. It makes culture a first-class workstream in the deal process - assessed with structured instruments, tracked as concrete friction points, and carried through integration on a single timeline alongside the financial and operational work. Crucially, it extends that work earlier than the market norm: into the pre-LOI window, where the leverage is highest and the cost of acting is lowest.

This paper sets out the problem, the evidence that culture work belongs earlier in the deal, the four research pillars the assessment rests on, and how the Cuddly platform fits together end to end.

2. The problem: culture is the under-managed risk

Large-sample studies and consultancy surveys converge on an uncomfortable picture. A majority of M&A deals fail to achieve their stated value targets, and culture or people issues are the most frequently named single cause in post-deal reviews. Stahl and Voigt's (2008) meta-analysis of 46 studies reframed the finding precisely: it is not that similar cultures merge better, but that KNOWN cultures merge better - the inability to assess cultural differences in advance predicts worse outcomes.

Despite this, cultural assessment is systematically under-resourced relative to financial and legal DD. Practitioner consensus across the major advisory firms holds that only a small minority of acquirers perform any formal cultural assessment before signing a letter of intent - even when their own integration leaders rate culture as the top success factor. That gap between stated importance and actual practice is the market opening.

3. The insight: the highest-leverage window is pre-LOI

Marks and Mirvis (2010) describe a distinct PRECOMBINATION phase and place cultural due diligence within it as a parallel workstream to financial DD - not a subsequent one. Schein (2017) supplies the method: an organisation's culture is most accessible from the outside through its ARTEFACTS - how it talks about its people, how leaders communicate, how former employees describe leaving - all observable from public sources before any engagement.

Bain's Harding and Rovit (2004) identify the pre-LOI 'courtship' period as the highest-leverage and most under-managed window of the deal lifecycle. The implication is direct: structured, evidence-based culture scoping done BEFORE the LOI lets the buyer calibrate its approach, right-size its integration thesis, and avoid late-stage cultural ruptures - at a fraction of the cost of fixing them post-close.

This is why Cuddly adds a SCOPING phase to the left of due diligence on its Integration Map. It is the structural home for buyer self-assessment, target archetype profiling, compatibility scoping, and pre-LOI conversation preparation.

4. The four assessment pillars

Every Cuddly culture assessment is scoped across four research-grounded pillars. An engagement can run any combination of them depending on what the deal needs.

Pillar A - Cultural dynamics (Teerikangas; Teerikangas & Very 2006)
How two cultures actually interact when combined - dominance, blending, or co-existence - and how that interaction, sensed early by management, moderates post-deal performance.

Pillar B - Friction points (Cartwright & Cooper 1992, 1996)
The concrete incompatibilities: clashing norms, contradictory reward systems, incompatible decision-making and leadership styles - the observable mismatches that cause day-to-day integration pain.

Pillar C - Emotions & identity (Kroon; Ashkanasy)
The human experience of the deal - anxiety, perceived loss, identity threat, and belonging. Emotional residue, left unmanaged, drives the voluntary attrition that integration plans depend on avoiding.

Pillar D - National & cross-border (Hofstede et al. 2010)
Country-level cultural distance. A Nordic-Nordic deal sits in a much narrower band than a Nordic-Anglo-Saxon one; the advisor's recommendations adjust accordingly.

Cameron and Quinn's (2011) Competing Values Framework provides the archetype lens (Clan / Adhocracy / Market / Hierarchy) that can be applied to a target from public artefacts alone, making it well-suited to pre-LOI scoping where insider surveys are not yet possible. O'Reilly, Chatman and Caldwell's (1991) Organizational Culture Profile and the socioemotional-wealth lens for family-owned targets (Gomez-Mejia et al. 2007) extend the toolkit where the deal calls for it.

5. How the platform fits together

Cuddly is one connected system, not a folder of separate tools. The pieces hand off to each other along the deal lifecycle:

- Engagement - the consulting mandate. It can begin as a pre-LOI SCOPING engagement (buyer-only, no target yet) or as a full M&A engagement built around a specific deal.
- Culture Assessment - a structured measurement instance scoped across the four pillars. A buyer self-assessment can run with no deal attached; target and post-deal assessments attach to the deal.
- Friction Points - the concrete observations an assessment surfaces, each tagged to a pillar and a severity, each carrying its evidence. These are what integration actually works on.
- Integration Map - a workstream-by-phase grid that carries the human side from SCOPING (pre-LOI) through DD, sign-to-close, and the first 100 days out to long-term stewardship. Each cell warns, from research, what tends to happen if it is neglected.
- Pre-LOI artefacts - the scoping deliverables: target archetype snapshot, buyer culture baseline, compatibility map, conversation prep pack, family-firm sensitivity map, and the engagement brief that assembles them for the deal committee.
- Playbook & 100-day / 12-month tracker - where confirmed friction becomes owned, time-boxed integration actions with measurable KPIs.

The through-line: a signal observed in scoping becomes a friction point, becomes a cell on the map, becomes an action in the playbook, becomes a tracked KPI - one evidence chain from first public signal to post-close outcome.

6. AI assistance, used honestly

Where Cuddly uses AI to draft an artefact - for example, to place a target on the Competing Values Framework from public sources, or to draft a conversation-prep question bank - the output is always marked 'AI-drafted, advisor-verified'. The advisor's edit-and-confirm step is what makes the deliverable defensible in front of a board. The platform is designed to make that verification easy, never optional, and it never fabricates evidence quotes.

When no AI is configured, the same artefacts are produced as structured, research-anchored templates the advisor fills in by hand - so the method works with or without the model.

7. Selected references

The works below are the canon this approach rests on. Practitioner findings (Aon, Deloitte, KPMG, EY, McKinsey, Bain) are cited as consensus across multiple reports rather than to a single rotating publication.

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