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ALIGNMENT DEBT IN POST-MERGER INTEGRATION

Why Merged Companies Stay Hard to Coordinate

Post-merger integration is governed through milestones, and most programs meet them. The coordination problems that outlive the program sit in the informal organization, where workarounds turn the contradictions between two companies into a standing operating cost that no milestone report will show.

Post-merger integration programs are judged against a familiar checklist (legal entities consolidated, systems cut over, a combined organization chart published, delegations of authority harmonized), and a large share of acquirers clear that checklist on schedule. A good number of them then find that the combined company is harder to run than either predecessor was on its own: approvals need more hands than they used to and the same disputes come back every quarter dressed as new ones, while a small group of people seem to be holding the whole thing together. By the time anyone notices the pattern, the integration office has usually been disbanded, and the explanation that reaches the executive committee is, more often than not, culture.

A case drawn from integration practice, with identifying details removed, shows how this unfolds. Before the deal, the acquirer routed pricing exceptions through a central deal desk, while the target relied on a regional commercial manager whose long working relationship with the finance controller produced quick, trusted approvals. Integration eliminated the regional role and adopted the deal desk, which was a reasonable choice on paper. Months later, exceptions were still being approved within acceptable cycle times, but only since the controller had started approving them informally, a step that eventually showed up as a standing "controller review" in the former target's sales playbook.

The Idea in Brief

The problem. Many integrations meet every formal milestone and still leave behind a company that is harder to coordinate than either predecessor. The friction persists after the integration team disbands, and it is usually blamed on culture.

Why it persists. Each company enters the deal with informal workarounds that make its own structure function. Integration removes the people and conditions those workarounds depended on and puts two incompatible sets of them in contact. Employees absorb the resulting contradictions by hand, which keeps performance acceptable and keeps the contradictions out of view of anyone with the authority to resolve them. What does surface reads like a culture problem, and by then the forum that could have fixed it has been dissolved.

What changes. The fix lies in extending integration governance selectively, past formal completion, for the handful of interface areas where the two companies' work now depends on each other. Those areas are best watched through direct signs of contradiction (conflicting approval rules, routing that differs by legacy company, owners nobody can name) rather than through operating metrics that the workarounds keep looking healthy. Structural diagnosis comes before any culture program.

The deal desk, looking at cycle times that were fine, saw nothing wrong, while commercial leadership heard complaints about the target's "sales culture" and commissioned a culture program to deal with them. The integration office, the one body that might have put those two observations side by side, had already been disbanded. Nothing in the formal record pointed to a problem, and yet two contradictory approval routes were being reconciled by hand, one deal at a time, by a person whose job description said nothing about it.

Neither of the two standard explanations for post-close friction fits that situation well. Treating it as a transition cost implies that the friction should fade as people learn the new arrangements, which leaves unexplained the cases where it holds steady or grows after the integration team goes home. Treating it as cultural incompatibility is more tempting and harder to test: research on cultural differences and acquisition outcomes has produced mixed results that depend on which differences are measured and in which deals, and studies of how managers talk about mergers show that culture is the explanation people reach for when results disappoint. Culture plainly matters, but it also makes a convenient substitute for a diagnosis nobody ran.

The argument developed here, adapted for practitioners from a working paper on the subject, locates a large part of the problem somewhere else: in the informal arrangements each company brought into the deal, and in what integration does to them. The condition those arrangements leave behind when they collide is called alignment debt: a structural problem, kept out of sight of the people who could fix it by the same workarounds that keep the business running.

The Informal Arrangements Each Company Brings

Every organization runs on two designs at once. Alongside the official one, with its reporting lines and approval matrices, sits a set of practices and unwritten rules that make it workable: the planner who knows which of two scheduling conventions a given plant actually follows, say, or the regional manager whose word the controller accepts without a second review. These arrangements can be called compensations, since they make up for whatever the formal structure leaves out or gets wrong.

Organization design research has come to treat this gap between formal and informal organization as something more than a nuisance. Ranjay Gulati and Phanish Puranam, studying a reorganization at Cisco Systems, found that when a redesign elevated one organizing dimension over another, informal ties kept the subordinated dimension alive, and the company was better off for it. The inconsistency did useful work, letting the firm pursue several goals that no single formal structure could hold at once.

That finding comes with an unstated condition. Compensations of this kind depend on three things that a reorganization inside a stable company tends to leave alone: the particular people who carry them, the pattern of interdependence in the work, and the authority relationships that let an informal approval count. A merger disturbs all three at once. It also does something no internal reorganization does, which is to bring a second, independently evolved set of compensations into the building.

The second set matters more than it first appears to. An internal reorganization changes the formal system and leaves one set of workarounds to adapt to it. A combination places two sets in contact, each calibrated to a different formal system, so that a workaround keeping one legacy company's process running can quietly break a process inherited from the other. The productive inconsistency Gulati and Puranam described is, on this reading, a perishable condition, and integration is one of the most reliable ways to make it perish.

The Line Between Workaround and Debt

Treating every gap between formal rules and actual practice as a problem would send integration teams chasing harmless variation, so the first task is to separate two kinds. In the Cisco situation, formal and informal arrangements emphasized different aspects of the same work, and each covered something the other neglected. After many integrations, formal authority and actual practice prescribe different answers to the same question: who approves this exception, which schedule this order follows, whose definition of a qualified lead applies. Every time such a case comes up, someone has to decide which prescription wins.

Alignment debt is the name for that second kind of inconsistency once it settles into a pattern. More precisely, it is a contradiction among formal authority, actual coordination practice, and the way the work now depends on itself, located in a recurring class of decisions and kept alive by people resolving it case by case. Three tests separate it from adjacent conditions, and all three have to hold:

1. **The work resolves a contradiction.** If the two prescriptions were reconciled, the workaround would become unnecessary. This separates debt from the productive inconsistency described above.
2. **It recurs for the same class of cases.** A one-off adjustment is not debt.
3. **It does not get easier as people learn.** Friction that fades over a reasonable learning period was transition cost. Friction that holds steady is being serviced.

In the financial vocabulary, *interest* is the compensatory work performed while the contradiction stays open: exceptions approved informally, escalations routed around the formal structure, review meetings that no charter ever called for, and the personal brokerage of people who understand how both legacy companies worked. Principal is the effort it would take to settle the matter properly, which means deciding which arrangement should govern and redesigning authority and practice to match, then getting people to actually adopt the result. Compounding happens when the interest payments harden into structure.

Compounding is the step most organizations mistake for progress. When the controller's informal approval in the pricing case was written into the sales playbook as a standing review, the workaround became transferable: anyone who read the playbook could now perform it. That looks like institutional learning, but the codified step still presupposes the contradiction it resolves, and its existence makes reconciliation harder, since any redesign now has to dismantle a routine as well as settle the underlying question. Writing a workaround down makes it durable. It does not make it go away, and who performs it is irrelevant to whether it is debt.

Nothing in the metaphor implies that alignment debt can be priced in dollars or that someone will eventually call the loan. The claim is narrower: the ongoing effort of servicing a contradiction and the one-time effort of resolving it can be compared over time, and the comparison usually goes unmade, since nobody is looking at both numbers. That comparison also cuts both ways. Some debt is worth carrying, at least for a while, in the same way that software teams sometimes take on technical debt knowingly to protect a release date. Deferring reconciliation of a low-volume domain to protect operating continuity through a cutover can be a sound decision. The trouble lies in debt that nobody decided to take on and nobody with authority knows exists.

The right unit for all of this is narrower than the deal and broader than the individual. Debt lives in a coordination domain, a recurring class of interdependent decisions such as pricing exceptions in one commercial region or engineering change approvals on a shared product platform. Domains whose resolution now requires people from both legacy companies are where debt forms. Domains still handled entirely within one legacy company make a useful comparison, and they can still carry debt of their own, inherited from before the deal.

Carrier Loss, Defaults, and Tighter Coupling

Well-run integrations produce alignment debt too, since most of the decisions behind it look sensible in isolation and several are textbook practice. Two of them do most of the early damage.

The first is the removal or repositioning of the people who carried informal coordination. Integration redraws roles, reporting lines, and incentives, and the people whose relationships kept things moving (the regional manager trusted by finance, the engineer who knew which approvals could safely be compressed under deadline) get moved, made redundant, or cut off from the colleagues who made them useful. Acquisition research points the same way. Inventors whose productivity depended on their position in the acquired firm lose ground after integration, and communication across the boundary between combining units develops slowly and unevenly, consistent with the finding that people in an acquired firm hold on to existing ties and form new ones only selectively. Replacement arrangements form late, and the exposure is highest where the old ones rested on a few relationships the integration design never mapped.



The second is the way default practices get chosen in the areas the integration design never addressed. In an absorption deal, the acquirer's practices are often the stated design, and there is nothing hidden about that. The subtler problem sits in the domains that no workstream owned. There, practices tend to travel with the leaders who sponsor them, and since acquired executives leave in greater numbers when a combination lowers their relative standing, the surviving defaults usually belong to the dominant side. A default becomes a liability when the practice relied on conditions that did not make it into the combined company: a broker who has since left, or a shared sense of which trade-offs were acceptable. The deal desk in the pricing case came from an acquirer whose commercial process was organized around central approval. Dropped into a sales organization built around a trusted regional approver, it produced two routes for the same decision.

Whether such differences turn into contradictions depends on how tightly the work becomes coupled. Where activities stay pooled (two sales forces selling separate product lines to separate customers, say), different practices can coexist indefinitely. Where integration makes the work sequential or reciprocal, so that one side's output becomes the other's input or both must adjust to each other continuously, the practices have to mesh, and differences between them become contradictions. Shared technical language or compatible procedures soften the effect, which is one reason some combinations of similar businesses integrate with surprisingly little friction.

The contradictions that result come in three recognizable forms, each damaging one of the conditions that coordination depends on: clarity about who decides, reliable expectations about what others will do, and a shared reading of the task.

Form of contradiction	What breaks	Typical source in a merger	Sign to look for
Accountability	Who holds authority over a class of decisions	One legacy company escalated to committees, the other delegated downward	The same request is routed differently depending on which legacy company the requester came from
Predictability	What others will do, and when	Workarounds built for one company's gaps disrupt the other company's processes	One side's fixes keep triggering the other side's failures
Common understanding	Which goals, priorities, and trade-offs apply	Operating-model assumptions conflict beneath apparent agreement	The same trade-off is argued again and again, each time as a one-off

The predictability row is the one specific to mergers. An internal reorganization rarely produces it, since a single company has only one set of workarounds to disturb. It is also the hardest to see from above, since each failure looks like an isolated operational error on the side where it lands.

Inherited debt takes a shorter path. A target can arrive with debt of its own, contradictions its people had long since learned to service without anyone at the top knowing. When integration removes the people who did that servicing, the inherited contradiction surfaces all at once, and the acquirer experiences it as a new problem caused by the deal. Due diligence rarely looks for this, since it lives in exactly the layer that financial and legal analysis does not reach.

Why the Problem Reaches Leadership as Culture

Faced with a contradiction they cannot resolve, people protect the work in front of them. They approve the exception informally, add a review, call the colleague who understands both sides, and get the order out. This is usually admirable, and it is also the mechanism that keeps alignment debt alive. Anita Tucker and Amy Edmondson documented the same pattern in hospitals, where nurses who worked around missing supplies and broken processes kept patients cared for while leaving the organization unaware that the failures kept recurring. The better the workaround, the less likely the underlying problem is to reach anyone who could remove it.

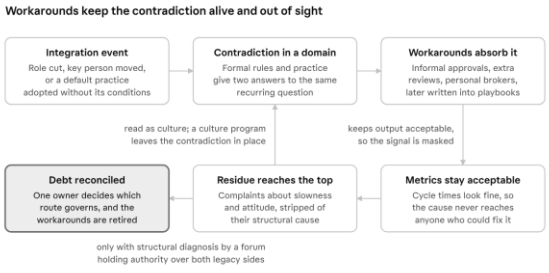
Integration makes this masking unusually effective. Pressure to show that the combination is working discourages anyone from raising problems that might read as integration failures, and the people doing the compensating usually sit far from anyone with authority on both sides of the legacy boundary; even those who want to speak up find that integration tracking, built around milestones, offers no place to report that a recurring problem is being solved by hand every week. Operating metrics stay green, since the workarounds are what keep them green.



What does reach senior leadership arrives stripped of its cause. The structural contradiction stays at the front line, and what travels upward is a residue of complaints: the other side is slow, inflexible, territorial, unwilling to follow the process. Read without the structural context, those complaints sound exactly like a cultural clash, and so a cultural remedy follows, a values workshop, say, or a joint offsite. The contradiction survives the program untouched, so the friction continues, and its persistence is then taken as proof that the culture problem runs deeper than anyone thought. Nelson Repenning and John Sterman described this self-confirming loop in manufacturing improvement programs, where managers who attributed poor results to worker attitudes intensified the very conditions producing them. In a merger, the loop has a ready-made vocabulary, since culture is already the story everyone expects to tell.

Culture is sometimes the right diagnosis. A cultural reading is accurate when people understand an arrangement perfectly well and reject it, and when the direct signs of contradiction (conflicting rules, divergent routing, owners nobody can name) are absent. The failure lies in reaching for culture first, before anyone has looked at the decision rules and routing records of the domain where the friction lives.

Timing does the rest. Resolving alignment debt requires that someone hold two things at once: information about the recurring workaround and authority over both sides of the boundary it spans. While the integration management office exists, it supplies that combination, if imperfectly. Once it is dissolved at formal completion, information about the workaround stays near the front line, while authority over the two sides returns to separate line executives, each of whom controls only half of the contradiction. Every integration activity has been completed, yet no one remains responsible for whether those activities produced a company that coordinates well. In the pricing case, by the time friction surfaced as a complaint about sales culture, no forum existed in which the deal desk and regional sales leadership could jointly redesign the approval route.



Once friction is read as culture, the loop closes on itself; the only exit runs through a forum that holds both the information about the workaround and authority on both sides of the legacy boundary.

Deal Type and the Overload Alternative

Applying this lens to every deal would waste the attention it is meant to direct. The classic distinction between absorption, preservation, and symbiosis acquisitions is a reasonable first filter. Debt should form most readily in symbiotic combinations, where two organizations must work together closely while keeping distinct capabilities, and in absorptions of activities that become tightly interdependent. It should be rare in preservation deals, where the acquired business keeps running on its own arrangements and the interfaces between the two companies stay narrow. It also has little to work with where a company's coordination never relied much on tacit relationships, and its onset is delayed where integration governance keeps a cross-boundary mandate well past formal completion.

A few deal characteristics are likely to raise or lower the stakes. Mergers of firms of similar size tend to produce more contested defaults, since neither leadership team clearly dominates, and with them more disputes over who decides. Large cross-border distance amplifies disagreements over priorities and trade-offs, although it also makes a preservation approach more likely, which narrows the interfaces where debt can form. Horizontal deals raise interdependence across overlapping functions, while vertical deals tend to create handoffs at a smaller number of interfaces. Carve-outs supported by transition service agreements behave differently: authority over many domains stays split with the former parent until the agreement ends, and the exit from that agreement acts as a second integration event, with all the carrier disruption that implies.

The closest alternative explanation, and the one most worth ruling out before acting, is plain overload. Organizations under sustained output pressure fall into what researchers call capability traps, diverting effort from improvement to firefighting until capability erodes. Integration certainly adds workload, and a merged company drowning in volume will show many of the same symptoms. Two tests distinguish the cases. If adding people or repairing a system resolves the friction without anyone reassigning authority across the legacy boundary, the problem was capacity, not debt. And if the workarounds are concentrated at the interfaces between the legacy companies, while units of comparable workload inside either legacy company run without them, the problem is structural. Debt also tends to begin at identifiable moments (a role eliminated, a key person leaving, a default adopted) where overload builds gradually.

Acquisition experience is a partial defense at best. Serial acquirers build integration playbooks that codify how to consolidate entities, migrate systems, and harmonize policies, and those playbooks do reduce friction in the domains they reach. Many of them, however, address mainly the formal architecture of the deal. Experience should therefore shrink debt in well-codified domains and leave it largely intact in the interface domains whose coordination depended on particular people, and those are where the playbook has the least to say.

Governing Past the Final Milestone

If the argument holds, the remedy lies mostly in deciding when integration is actually over, and for which parts of the business. None of the implications below calls for a new integration methodology.

Integration governance should end domain by domain. A blanket post-completion monitoring window, of the kind some practitioner playbooks prescribe, spends attention evenly across a company where debt is anything but evenly distributed. A more defensible approach keeps a small forum alive for the specific interface domains where work became tightly interdependent and coordination once depended on particular people, and lets everything else close on schedule. What makes such a forum useful is its mandate. It needs both the information about recurring workarounds and the authority to change decision rights, routing, or role assignments on both sides of the legacy boundary. A steering committee that receives status reports but cannot redraw an approval matrix does not qualify. How long the forum should last remains an open question, and any fixed post-completion window is better treated as a hypothesis to test than as a rule.

Detection should look at the contradictions themselves. Since successful workarounds keep cycle times and error rates acceptable, conventional integration dashboards will understate the problem by design. The more reliable signals are structural, and most can be gathered before friction ever shows up in operating data. Inherited delegation matrices and approval policies can be compared for decisions the two legacy companies assigned to different roles. Approval workflows and ticketing systems can be queried for cases of the same type that are routed differently depending on the requester's legacy company. People on both sides can be asked who owns a recurring class of problems, and inconsistent answers are themselves evidence. Where these signs appear, the next step is to look for the workarounds themselves: unchartered reviews, standing informal approvals, and the names that keep coming up as the person to call.

Concentration in a few people is a risk in its own right. When most of a domain's compensating work runs through one or two individuals, their departure is unlikely to produce gradual degradation. A sudden breakdown is the more probable outcome, as the organization discovers at once how much of a process ran through one person's judgment and relationships. Had the controller's informal approvals in the pricing case never been written down, the controller's resignation would have stopped exception handling overnight. Retention planning for integrations tends to focus on executives and technical experts; the people quietly brokering between two legacy systems rarely appear on those lists.

Structural diagnosis should come before any culture program. Cultural integration work has its place, and the issue here is sequence. When friction is framed as cultural before anyone has examined the authority rules and routing records of the domain involved, the remedy is likely to be aimed at people while the contradiction stays in place. A documented review of how a domain's decisions are assigned and actually routed is a modest undertaking next to a culture program, and it either confirms the cultural reading or redirects the effort toward something that can be fixed with a decision.



Diligence can price some of it in advance. Debt the target already carries, if undiscovered, arrives as an unpleasant surprise in year one; recognized at the outset, it can be priced, sequenced into the integration plan, or retired deliberately. Restrictions on pre-close coordination limit what can be observed, but interviews about how key approvals actually get done, and with whom, reveal more about this layer than another pass through the policy manual.

Some acquirers may choose to stand up a small architectural integration function, staffed by people who understand how each legacy company coordinated its work and given authority across the boundary for a defined period after formal completion. Research on integration managers suggests that such bridging roles can help capture value. The same argument that recommends the function, however, also predicts its costs: it adds a coordination layer that can duplicate the integration office, and it is likely to meet resistance precisely where informal authority is strongest. It is one way of joining information and authority, and its value has to be shown in practice rather than assumed.



The framework itself is a proposal, built from organizational research and integration practice, and its mechanisms remain to be tested systematically across deals. Most of the implications above, however, are relatively inexpensive to try and easy to abandon if the signs of contradiction turn out to be absent, so acting on them need not wait for that evidence.

A single decision would have settled the pricing case: someone with authority over both the deal desk and regional sales choosing which approval route the combined company would use. The culture program was aimed at a different question altogether. By the time the friction reached leadership as a complaint about attitude, the integration office had been disbanded and the controller was still clearing exceptions by hand, with no one who held authority over both sides sitting in a room where that choice could be made.

Reference

Carreno, A. M. (2026). *Alignment debt in post-merger integration: How informal workarounds sustain coordination problems after integration is complete*. SSRN. https://dx.doi.org/10.2139/ssrn.7681842



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