SILENT FORCES IN CROSS-BORDER ACQUISITIONS – AN INTEGRATIVE PERSPECTIVE ON POST-ACQUISITION INTEGRATION

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Photo: Satu Teerikangas, July 2002, *'Last Images of the Three Gorges on the Yangtze River? Cruising the River a Year before the World's Largest Dam was put into Operation'*.

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Abstract

Despite a continuing increase in the number of mergers and acquisitions (M&A), it has been argued that there is an insufficient theoretical understanding of the complexity of the organisational encounter that mergers and acquisitions represent for the firms involved. These concerns are particularly relevant to cross-border acquisitions, which, owing to the presence of different country contexts, are considered to be more challenging than domestic ones. However, there is a surprising lack of qualitative research evidence on cross-border acquisitions. This shortcoming is especially marked as regards the post-acquisition integration of cross-border acquisitions and the cultural dynamics therein. This dissertation took a grounded theory approach with an emergent research design focused on the integration dynamics of cross-border acquisitions. The findings are based on extensive qualitative material relating to a total of 166 interviews with 141 interviewees in eight acquisitions in France, Denmark, Germany, the US, the UK, and Finland. The acquisitions took place during the period of 1990-2000 and were made by four Finnish multinationals operating in different industrial sectors. Interviewees' experiences with eight other former parent firms of European and American origin were also used to inform the research findings.

This dissertation contributes to research on mergers and acquisitions by developing an integrative framework of the post-acquisition integration dynamics of cross-border acquisitions. This integrative framework emphasises the importance of jointly considering integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors to understand the dynamics and outcomes of cross-border acquisitions, conceptualised in terms of the amount of cultural change and organisational identification induced in the acquired firm and the financial performance of the acquisition. The notion of 'silent forces' is introduced to denote those integration-related factors that rarely reach the cognitive attention span of managers involved in acquisitions. In the present corporate context, they typically relate – but are not limited – to the managerial, behavioural, attitudinal, motivational, emotional, and cultural dimensions of organisational life. In other words, buying firms tend to emphasise the financial, strategic, and structural dimensions of cross-border acquisitions to the detriment of the silent forces therein. Unless these forces are recognised, though, they continue exerting a detrimental impact on the progress and successful outcome of cross-border acquisitions. In addition to this important main contribution, this dissertation makes a set of specific contributions to the M&A literature, as regards 1) the impact of the pre-acquisition phase on the post-acquisition phase, 2) the need to consider cultural and structural dimensions of inter-firm differences at departmental, unit, corporate, and national levels of analysis in the assessment of pre-acquisition organisational fit and in the management of post-acquisition change, 3) the components of integration management and the roles within both firms that contribute to the success of the integration efforts, 4) the impact of negative inter-unit emotional tensions on the progress and outcome of integration efforts, 5) the presence, impact, and management of behavioural and systemic manifestations of national cultures in cross-border acquisitions, 6) the impact of language on the effective integration of cross-border acquisitions, 7) factors impacting motivation and uncertainty levels in the acquired firm in the pre-and post-deal eras, 8) the nature and progress of post-acquisition cultural change in the acquired firm following cross-border acquisitions, 9) the nature and progress of organisational identification in the acquired firm following cross-border acquisitions, and 10) the impact of silent forces on the financial performance of cross-border acquisitions. In a broader perspective, the findings contribute to research on cross-cultural management, organisational culture, organisational identity, and organisational cognition.

The findings have important managerial implications. For one, they provide an outline of the post-acquisition integration dynamics of cross-border acquisitions. Furthermore, they add to the understanding of managers currently involved in acquisitions by highlighting not only their financial, strategic, and structural dimensions, but also the ways in which less attended managerial, behavioural, attitudinal, motivational, emotional, and cultural factors impact their progress, outcome, and performance. Most importantly, this dissertation encourages managers involved in acquisitions to consider the areas on which they focus their attention during acquisitions, and the extent to which the latter attends to the silent forces identified in this dissertation. In the absence of such attention, one can ask – are buying firms fully aware of the challenges they involve themselves with upon making a cross-border acquisition, and do they tend to engage in cross-border acquisitions with too limited an estimation of the ensuing difficulties?

Tiivistelmä

Yritysostojen ja fuusioiden kasvavista määristä huolimatta voidaan edelleen väittää, ettei niiden jälkeisen yhteensulattamisen haasteista ole vahvaa teoreettista ymmärrystä. Tämä pätee erityisesti kansainvälisiin yritysostoihin, joissa yhteensulauttamisen haastavuutta lisäävät erilaiset maiden väliset erot. Kansainvälisistä yritysostoista on olemassa harvinaisen vähän tutkimusta, jossa perehdyttäisiin niiden yhteensulauttamisen liikkeenjohdollisiin ja kulttuurisiin haasteisiin. Tässä väitöskirjassa on otettu aineistopohjainen lähestymistapa kansainvälisiin yritysostoihin. Väitöskirjassa tutkittiin neljän eri toimialan suomalaisen suuryrityksen pääosin 1990-luvulla toteuttamaa kahdeksaa yritysostoa Suomessa, Tanskassa, Englannissa, Saksassa, Ranskassa ja Yhdysvalloissa. Haastatteluja tehtiin yhteensä 166.

Väitöskirjassa kehitetään malli kansainvälisten yritysostojen yhteensulauttamisen haasteista, joka painottaa, että yhteensulauttamisvaiheen liikkeenjohdolliset, asenteelliset, inhimilliset, emotionaaliset, maa- ja yrityskulttuuriset sekä organisatoriset tekijät *yhdessä* vaikuttavat yritysoston haasteellisuuteen ja sen onnistumiseen. Tulokset osoittavat, että jos nämä tekijät jätetään huomioimatta, tulee niistä nk. *hiljaisia voimia, jotka vaikuttavat negatiivisesti oston onnistumiseen ajassa, saavutetussa operatiivisessa, kulttuurisessa ja yritysidentiteetin muutoksessa sekä kustannuksissa ja taloudellisissa voitoissakin mitattuina*. Hiljaisten voimien sijaan ostavien yritysten huomio keskittyy usein lähinnä ostojen taloudellisiin ja operatiivisiin puoliin, joiden merkitystä ei sovi aliarvioida, mutta jotka eivät tutkimuksen perusteella yksin selitä ostojen onnistumista. Tällöin huomiotta jääneet tekijät saavat hiljaisen otteen oston kulusta ja sen lopputuloksesta. Tämän seurauksena moni yritysostoin kasvanut yritys on pikemminkin erilaisista rakenteellisista, kulttuurisista, motivationaalisista ja emotionaalisista paloista koostuva alati muuttuva palapeli kuin yksi saumaton organisaatio.

Lisäksi väitöskirjan tulokset valottavat tarkemmin seuraavia yritysostoprosessin alueita: 1) yritysostoa edeltävän vaiheen merkitystä oston jälkeisen yhteensulauttamisvaiheen haasteellisuudelle, 2) yritysten välisten operatiivisten ja kulttuuristen erojen keskinäisiä riippuvaisuuksia selvitettäessä yritysten eroavaisuuksia ennen ostoa sekä toteutettaessa oston jälkeisiä muutoksia, 3) yhteensulauttamisen projektijohtamisen lisäksi asenteiden ja emootioiden merkitystä sekä keskeisiä rooleja yhteensulauttamisen onnistumisen kannalta, 4) maakulttuurierojen ilmenemistapoja, 5) ostetussa yrityksessä vallitsevaan motivaatiotasoon vaikuttavia tekijöitä sekä ennen että jälkeen oston, 6) yrityskulttuurin ja 7) yritysidentiteetin rakentumista oston jälkeisinä vuosina, sekä 8) hiljaisten voimien vaikutusta ostojen onnistumiseen taloudellisin mittarein mitattuina.

Tulokset kannustavat yritysostoja toteuttavia ja niihin ryhtyviä yrityksiä pohtimaan*, mihin kaikkeen tulisi kiinnittää huomiota* kansainvälisiin yritysostoihin ryhdyttäessä ja miten niissä toimivat hiljaiset voimat otetaan huomioon – tai jätetään ottamatta. Voidaankin kysyä, *lähdetäänkö yritysostoihin usein liian heikoin perustein* ilman että kaikkien niiden onnistumiseen todellisuudessa vaikuttavien tekijöiden merkitystä ymmärretään?

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The present manuscript is the product of a learning journey, a research process that began as a step toward a passion, continued through winding paths filled with questions, queries, paradoxes, and insights, mended the bulk of its flesh from interviews, and was coaxed and molded into its present format through hard work, long hours of analysis and writing interrupted by discussions, feedback and time off, and ultimately patience and time. This manuscript would not exist were it not for the presence and support of many persons, who, each in a different way and at different moments in time, have contributed to ensuring that the process has come to completion whilst having been an enriching and rewarding experience. In this respect, I would like to take this opportunity of thanking the following persons and institutions:

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The beauty of interview research resides in having the opportunity of studying organisational life, and in so doing, being able to meet a great variety of different personalities and individuals across organisations, functions, departments, hierarchical levels, and age groups. I am most grateful to those senior managers

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who acted as gate-openers in the buying firms that I studied. Without their help, this research would not have taken place. The interview process took me to different parts of Finland, Europe, and the US, and yet ultimately, the discussions shared a resemblance. Each interview, whether it took place comfortably at the headquarters of a global company, at an individual subsidiary's offices, in the midst of a noisy production line, at an airport, or midtown in a French café, was a fascinating exploration into the topic of cross-border acquisitions, and I am deeply indebted to the sincerity, trust, kindness, and *time* allotted by the interviewees in sharing their experiences. This was the most fascinating and enriching part of the research process that I subsequently greatly enjoyed. Thank you! I hope you will enjoy reading and browsing through this manuscript as much as I enjoyed meeting you all, hearing about, and learning from your experiences.

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1   Introduction

1.1   Background

In the present era of globalisation, mergers and acquisitions (M&A) have become an increasingly favoured means of strategic, product, or market expansion for companies seeking to enhance their competitive position. However, research has shown that ensuring the success of M&A is a highly complex managerial challenge. Indeed, studies on the performance impact of M&A on buying firms show that, contrary to expectations, M&A do not necessarily improve the financial performance of the buying firm (Ravenschraft and Scherer 1989, Alberts and Varaiya 1990, Datta et al. 1992). In a meta-analytical study reviewing research on the performance impact of M&A on the buying firm, King et al. (2004) conclude that regardless of whether performance was assessed using stock or accounting measures, M&A not only do not improve, but can even worsen the long-term financial performance of the buying firm. The downside of these studies is that they have measured the financial performance of acquisitions in the short-term (typically a three-to-five year period after the deal). In contrast, studies taking a five-to-ten year-perspective tend to paint a more positive picture. Serial acquirers have been found to succeed in most of the acquisitions they undertake (Keil and Laamanen 2005). Furthermore, if performance is measured in the five-to-ten year period after the deal, only 20-25% of acquisitions seem outright failures, half of them can be deemed to have been rather successful, and up to 25-30% can be regarded as successes (Keil and Laamanen 2005). In sum, the performance impact of M&A on buying firms would tend to be negative in the first post-deal years, then possibly moving toward the positive in the longer-term. In other words, mergers and acquisitions would seem to be so complex to integrate organisationally that it takes buying firms on average five to ten years until they are possibly able to report positive performance figures from them.

These findings raise the fascinating question of *what* makes M&A so challenging and moreover, *why* do they remain a favoured means of expansion given the enormous integration workload that they seem to represent for the buying firm? This dissertation is interested in the former question – *what is the inherent challenge in making M&A work,* and *how can M&A success be explained*?

Whilst the difficulty in making M&A succeed has been traced back to an inadequate strategic rationale and a lack of pre-deal evaluation, researchers seem to agree that it is the post-deal implementation phase that presents the greatest challenge (Jemison and Sitkin 1986, Olie 1990, Datta 1991, Haspeslagh and Jemison 1991, Cartwright and Cooper 1993a, Schweiger et al. 1994, Morosini 1998, Schweiger and Goulet 2000, Child et al. 2001, Ranft and Lord

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2002). However, the study of the challenges inherent in the post-deal implementation phase has evolved into *parallel* research streams, with little cross-fertilisation between them (Haspeslagh and Jemison 1991, Larsson and Finkelstein 1999, Shimizu et al. 2004). Thus, the challenges of post-acquisition integration have been studied separately from the perspectives of 1) managing the integration process (Mace and Montgomery 1962, Kitching 1967, Howell 1970, Lindgren 1982, Jemison and Sitkin 1986, Haspeslagh and Jemison 1991, Greenwood et al. 1994, von Krogh et al. 1994, Birkinshaw et al. 2000, Child et al. 2001, Ranft and Lord 2002, Epstein 2004, Graebner 2004, Quah and Young 2005), 2) dealing with the human challenge (Marks 1982, Bastien 1987, Burke 1987, Schweiger and Weber 1987, Buono and Bowditch 1989, Napier 1989, Cartwright and Cooper 1990, Schweiger and Denisi 1991, Marks and Mirvis 1997), as well as 3) understanding and dealing with the impact of differences in organisational and/or national cultures (Sales and Mirvis 1984, Nahavandi and Malekzadeh 1988, Buono and Bowditch 1989, Olie 1990, Cartwright and Cooper 1992, Véry et al. 1996, Weber 1996, Weber et al. 1996, Véry et al. 1997, Gertsen et al. 1998, Morosini 1998, Child et al. 2001, Vaara 2002, Vaara et al. 2003). More strikingly, these research streams have surprisingly few connections with research on M&A performance (Lubatkin 1983, Chatterjee 1986, Kusewitt 1988, Lubatkin 1988, Ravenscraft and Scherer 1989, Alberts and Varaiya 1990, Datta et al. 1992, King et al. 2004). In contrast, in a case-survey covering qualitative studies on M&A, Larsson and Finkelstein (1999) showed the significance of taking an integrative perspective to M&A. Indeed, the key variables, namely employee motivation, firm complementarity, and organisational integration *all* strongly correlated with M&A performance and the realisation of potential synergies in the deal.

Given the apparent departmentalisation of M&A research, a suggestion has been made that there is a general lack of theory on M&A. Thus, Trautwein (1990) concludes that research on M&A should "move away from efficiency theories toward more process-related theories". Sinatra and Dubini (1994) claim that, owing to the methodological weakness of existing studies, a theory of M&A is still lacking. Greenwood et al. (1994) agree, claiming that at present, M&A research is more focused on specific 'themes' than theory development. More recently, Schweiger and Goulet (2000) have argued the need for a comprehensive theory on M&A.

It should therefore not come as a surprise that prominent M&A scholars have raised concerns as to the prevailing lack of appreciation of the factors impacting the performance and outcomes of M&A (Hoskisson et al. 1993, Hitt et al. 1998, Sirower 1998, King et al. 2004). In their extensive meta-analytical study of research on M&A performance, King et al. (2004) identified no significant M&A performance antecedents, concluding that "additional, unknown variables may impact M&A performance", and subsequently calling for more

theory-building research on M&A, using novel methods. A lack of understanding of the dynamics of the post-acquisition integration process has also been raised. Von Krogh et al. (1994) call for "a better understanding of the post-acquisition integration process". Based on their extensive review of extant research, Schweiger and Goulet (2000) argue that there is a need for an improved understanding of "managing the post-acquisition integration process". In particular, they regret the lack of "empirical research on the relationships between the pre- and post-acquisition phases to the successful outcome of M&A".

These concerns would seem to be particularly salient in the context of cross-border M&A that present the challenge of differing country contexts in addition to the traditional burden of post-acquisition organisational integration. Surprisingly, cross-border M&A have received scant research attention as compared to domestic ones (Olie 1994, Shimizu et al. 2004, Quah and Young 2005). More specifically, while cross-border mergers have been studied (Olie 1990, Olie 1994, Zaheer et al. 2003), cross-border acquisitions remain an under-studied phenomenon (Shimizu et al. 2004, Quah and Young 2005). This is all the more important given that most so-called 'M&A' are in practice acquisitions, not mergers (UNCTAD 2000 quoted by Buckley and Ghauri 2002, Zaheer et al. 2003).

As a result, the discussion of the impact of cultural differences, traceable to organisational or national cultures, seems to be raging without conclusive evidence in either direction (Schweiger and Walsch 1990, Schweiger and Goulet 2000, Schoenberg 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003). Thus, based on current research evidence, it is difficult to say whether domestic or cross-border M&A are more difficult to undertake: do differences in national cultures make cross-border M&A more challenging than domestic ones, and if so, what is the nature of this challenge? Indeed, there is a lack of understanding of the cultural dynamism inherent in cross-border M&A (Teerikangas 2002, Véry 2002, Stahl and Voigt 2003, Teerikangas and Véry 2003), as research on post-acquisition cultural change has focused on the cultural challenges in domestic deals (Sales and Mirvis 1984, Buono et al. 1988, Buono and Bowditch 1989, Cartwright and Cooper 1992), without addressing these questions in a cross-border setting. Moreover, no research evidence exists as regards the manifestations and impact mechanisms of differences in national cultures in cross-border M&A. In sum, calls have been made for theory-building research to unearth the complex nature of the cultural challenge in cross-border M&A, and the ways in which this challenge is related to the dynamics of post-acquisition integration (Teerikangas and Véry 2006).

To summarise, the review of extant M&A research suggests that the field would need an enhanced theoretical understanding of M&A as an organisational phenomenon. Thus, an appreciation of 1) the antecedents of M&A performance, 2) the dynamics of post-acquisition integration, and 3) the cultural and integration dynamics inherent in cross-border M&A,

would seem to be lacking. These gaps in current knowledge could explain why M&A remain such managerially challenging undertakings. This dissertation aims to contribute to M&A research by addressing these gaps in the context of cross-border acquisitions.

Based on the study of one domestic and seven cross-border acquisitions, in this dissertation a grounded, integrative perspective[1] on the post-acquisition integration dynamics of cross-border acquisitions, using the grounded theory method (Glaser and Strauss 1967, Glaser 1978, 1992, 1998, 2001), is brought forward in the form of a theoretical framework and a set of related definitions and findings. This integrative framework points to the critical importance of *jointly* considering integration-related strategic, managerial, behavioural, attitudinal, emotional, motivational, cultural, and structural factors to understand the progress and ultimate outcome of cross-border acquisitions, conceptualised in terms of the amount of cultural change and organisational identification induced in the acquired firm and the financial performance of the acquisition.

Consistent with the aim of grounded theory research, the research process behind this dissertation has focused on understanding what takes place in the basic social process under study, i.e. post-acquisition integration, as seen from the perspectives of those involved in it. A grounded theory culminates in identifying a core category that explains most variation in the studied phenomenon. To this end, the concept of 'silent forces'[2] emerged in the research process as the core category explaining variation in the studied phenomenon, i.e. the social process of 'post-acquisition integration'. The term 'silent forces' reflects the fact that silent forces represent factors that tend to go unnoticed and unrecognised throughout the cross-border acquisition process. In the present corporate context, they typically relate to the managerial, behavioural, attitudinal, motivational, emotional, and cultural dimensions of organisational life. In other words, buying firms typically emphasise the financial, strategic, and structural dimensions of cross-border acquisitions to the detriment of the silent forces therein. However, if left unmanaged, any of the herein-identified integration-related factors, be they of strategic, managerial, behavioural, attitudinal, emotional, motivational, cultural, or structural origin, have the potential to turn into silent forces. The proven argument in this dissertation is that non-attention to the presence of silent forces throughout the acquisition process has consequences for the outcome and subsequent financial performance of the acquisition. Ultimately, the 'hidden' dimension in the silent forces at work in cross-border acquisitions relates to the type of cognitive attention span and subsequent behaviour of those

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[1] An integrative perspective can be regarded as drawing close to systems thinking (e.g. Churchman 1968, von Bertalanffy 1968, Senge 1990, Ackoff 1999, Jackson 2000), which takes a systemic, as compared to a reductionistic, view to the phenomena it studies.

involved. Indeed, silent forces are 'silent' only for those actors whose cognitive attention span does not attend to such dimensions of organisational behaviour.

A grounded theory is concerned with a conceptual level understanding of how the identified core category relates to other categories identified in the research process. It is from this analysis that an integrative perspective of post-acquisition integration, unfolding over time, emerged. This perspective combines integration-related strategic, managerial, behavioural, attitudinal, emotional, motivational, cultural, and structural factors impacting the progress and outcome of cross-border acquisitions. To this end, the findings are presented in the form of a theoretical framework outlining the relationships between the identified categories – i.e. strategic decisions, managerial actions, behaviours and attitudes, negative emotional reactions, acquired firm employee uncertainty and motivation levels, inter-firm cultural and structural differences, the progress of post-acquisition structural change, and country differences – and the outcome of cross-border acquisitions.[3]

These findings contribute to existing M&A research by shedding light on the dynamics of post-acquisition integration in the context of cross-border acquisitions. Importantly, the findings provide a deeper understanding of the cultural challenge in cross-border acquisitions and set it into the context of the cross-border acquisition process. This understanding of cultural dynamics in cross-border acquisitions in turn provides fresh insights into the post-acquisition integration dynamics and the antecedents of cross-border acquisition performance. The findings showed that the main difference between domestic and cross-border acquisitions is the buying firm's country of origin. Hence, many of the findings are likely to apply to domestic acquisitions as well. In a broader perspective, the findings also contribute to the cross-cultural management, organisational culture, organisational identity, and organisational cognition literatures.

1.2   Research problem

Having set the background and context of the research, the aim of this section is to provide an understanding of the research problem as well as the more specific research questions that were derived in the course of the research as a means of approaching the research problem.

The aim of this research project has been to gain a deeper understanding of the inherent dynamics present in and affecting the post-deal integration phase of cross-border acquisitions.

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[2] The term 'silent forces' has been coined here for the purposes of this research. Similar wordings have been used e.g. in intercultural research by Hall in his books entitled 'The Hidden Dimension' (1969) and 'The Silent Language' (1970).

[3] For a more thorough understanding of the grounded theory method, the reader is encouraged to refer to Chapter 3 of this dissertation as well as the works of Glaser and Strauss (1967), Glaser (1978, 1992, 1998, 2001), Strauss (1987), and Strauss and Corbin (1990).

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Despite the fact that the topic of post-acquisition integration has already been addressed by extant research, in this study, it was undertaken as the research topic for the following reasons. As compared to the natural sciences where the replication of existing findings is an important means of scientific verification, in management sciences, e.g. in the area of M&A, research has generally focused on bringing forth novel findings instead of replicating existing ones in novel contexts. In parallel, qualitative studies with a grounded theory-type approach remain a rarity in research on M&A, despite the strong impact that such studies have had with regard to an enhanced understanding of the M&A phenomenon (e.g. Buono and Bowditch 1989, Haspeslagh and Jemison 1991). The founders of the grounded theory method, Glaser and Strauss (1967), advocate the need for close-to-practice research of phenomena that have not been researched as of yet *and* of ones that have already received research attention. Whilst the latter approach presents the danger of ending up with known results, this provides further proof of the prevailing understanding. More often than not though, new grounded theory studies of a known phenomenon further the prevailing understanding of that phenomenon. Hence, it can be argued that M&A research would benefit from a stronger focus on both laying an even sounder groundwork with regard to an understanding of the M&A process, as well as ensuring that existing findings are regularly looked at afresh. This seemed especially pertinent in the study of cross-border acquisitions, a relatively unexplored area to date.

In light of this reality, the generic research problem guiding the study has been: *How to approach and understand the dynamics inherent in the post-acquisition integration process of cross-border acquisitions and the successful progress and outcome thereof?* In the context of the grounded theory method, this broad research problem enabled identifying the setting of the research as well as the targets to study. It set the context, but the more specific content of the research was allowed to arise from the types of issues that interviewees themselves, as active actors in cross-border acquisitions, had experienced and shared in interviews. In other words, one should not go into doing grounded theory research with pre-specified research questions and objectives in mind that have been biased by either the researcher's own experience or through reading prior literature (Glaser and Strauss 1967). Indeed, the aim of grounded theory research is to develop an understanding that is grounded in reality, in that it reflects the issues experienced by those involved with the studied phenomenon, instead of reflecting the researcher's or the existing theoretical assumptions on the phenomenon. For this reason, the more specific research questions guiding the research emerged in the course of the research project.

In the initial phase, when the researcher had not yet gained an in-depth understanding of post-acquisition integration, the interviewees were permitted to speak of their concerns and experiences about the particular acquisition that they had been involved in and that was the

focus of the study. Acquired firm interviewees generally began by describing what the company used to be like prior to the acquisition, or the type of owner they used to have, followed by a description of how they first heard of an upcoming acquisition and how the ensuing pre-deal evaluation phase was experienced. In parallel, they would relate how well the acquisition was received in the acquired organisation. Thereon, when describing events in the integration period, they would emphasise issues that had proven particularly difficult. Listening to these inputs from acquired firm interviewees in the first three acquisitions studied, the first research question, namely the extent to which the pre- and post-deal phases of acquisitions are inter-linked, and the factors affecting the level of difficulty of the post-deal integration phase, emerged:

1. What factors prior to the deal and throughout the integration phase affect the progress and outcome of the post-deal implementation phase?

In parallel, initial interviews with buying firm interviewees were made. Their answers focused more on the types of changes that had been made in the acquired firm and the way in which the acquisition in question had been managed. These thoughts reflected the way in which the acquired firm interviewees described the behaviour of buying firm members throughout the acquisition process. This prompted the second research question:

2. How can managerial interventions impact the progress and outcome of post-acquisition integration?

A third area of concern raised by interviewees in the acquisitions that were studied initially related to differences in organisational and national cultures. With regard to both, interviewees tended to describe the differences and similarities between the two firms and their impact on the progress of mutual cooperation. Hence the third research question:

3. Through what mechanisms and in what types of situations do a) national cultures, and b) organisational cultures impact the progress and outcome of post-acquisition integration?

These three research questions identified during the interviews in the initial three acquisitions studied were then used as the initial guidelines in the interviews in the other acquisitions that were studied. Their relevance became apparent in that interviewees in subsequent acquisitions described the acquisitions they had been involved in using similar broad themes. Moreover, these research questions transformed into more specific issues, different shades of which could be studied across the next acquisitions. Thus they became 'gate-openers' with regard to identifying the categories and the related properties relevant in the development of a grounded framework on post-acquisition integration (Glaser and Strauss 1967). After several acquisitions had been studied, it became apparent that companies having undergone several acquisitions exhibit different organisational cultures and organisational identification

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structures than those that had not undergone such experiences. This prompted the fourth research question:

4.   What is the long-term impact of acquisitions on the firms involved?

Summing up, this research approached post-acquisition integration using an emergent research design and focused on the practiced reality in the studied acquisitions as a means of understanding what takes place during the integration phase of cross-border acquisitions. In so doing, the research attempted to both replicate findings from existing research and to discover grounds for developing a novel perspective on post-acquisition integration in the context of cross-border acquisitions.

1.3   Research method

For the research, the grounded theory method, as brought forward by Glaser and Strauss (1967) and Glaser (1978, 1992, 1998, 2001) has been used. This choice followed the relative lack of qualitative research on the integration of cross-border acquisitions. The aim in the research has been to enhance the prevailing understanding regarding the research problem. Ontologically, the study undertook a realist position (Burrell and Morgan 1979).

The research problem was addressed by studying one domestic and seven cross-border acquisitions undertaken by four Finnish multinational companies during the years 1990-2000. Of the eight acquisitions studied, one was a Finnish domestic acquisition, and the remaining seven were cross-border acquisitions of French, German, Danish, British, and American companies respectively. This choice enabled a maximization of differences in the organisational, industrial, professional, and national backgrounds of the studied organisations, whilst the buying firm's nationality remained Finnish. This provided some constancy to the otherwise numerous amounts of variables under study. The choice was also guided by pragmatic questions, given that finding target companies from foreign countries would have required more time and monetary resources than were available for a doctoral dissertation. The limitation of Finnish buying firms was to some degree countered by the fact that five of the studied acquisitions had prior acquisitive experience with a total of eight European or American parent firms. These experiences were also discussed in the interviews with acquired firm representatives. Hence, the findings presented in this dissertation draw from the experiences of being acquired *both* by the four Finnish buying firms studied, and the total of eight European and American parent firms that the acquired firms had had in the past.

The primary research method consisted in interviewing top managers, middle managers, and selected staff representatives from the buying and acquired firms. In this context, a total of 166 interviews with 141 interviewees were made. Interviews were open-ended theme

interviews that allowed for space to diverge toward new themes taken up by interviewees. The focus of the interviews was on gaining an understanding of the post-acquisition integration and change processes and the two companies' prior histories and cultural affiliations. Each interview lasted on average between one and a half to three hours. The amount of acquisitions and interviews was deemed sufficient once theoretical saturation was reached.

As is typical in an inductive research approach aimed at theory building using qualitative material, the data gathering and analysis phases overlapped. Thus, the analysis took place during and after each interview. This helped not only in the selection of firms and acquisitions for the study, but also in the planning of subsequent interviews. After the interviews, rich single case analyses (60-160 pages per case) were written, detailing the progress of the acquisition process for each of the studied acquisitions. This was deemed crucial in managing the staggering amounts of interview data. Subsequently, key findings from the eight acquisitions were compared against one another to further fine-tune the emergent research framework. This ensured that the analysis attained a conceptual level, instead of remaining at an individual acquisition-level description of the findings.

1.4   Scope of the dissertation

The study focused on acquisitions, not mergers. This stemmed from the exceptionally small proportion of all completed M&A transactions that are actually mergers of equals,[4, 5] despite the fact that mergers of equals are likely to be more complex in nature than acquisitions (Zaheer et al. 2003). Hence, as a societal phenomenon, acquisitions would seem to be of greater importance in terms of their frequency of occurrence. Moreover, there exists qualitative research on cross-border mergers (e.g. Olie 1990, Olie 1994, Zaheer et al. 2003), but less on the challenges related to the post-deal implementation of cross-border acquisitions (Shimizu et al. 2004, Quah and Young 2005).

The acquisitions studied were all related, horizontal acquisitions, completed by firms operating in the same industry. Such acquisitions are regarded as having the greatest combination and synergy realisation potential given the similarities between the companies' business scopes. This makes them challenging from the perspective of post-acquisition integration. Moreover, the studied acquisitions followed a growth-logic, at times coupled with a defensive one. In terms of integration strategy, these considerations translated into a 'symbiosis' integration strategy (following Haspeslagh and Jemison's categorisation of

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[4] The amount of mergers out of all completed M&A has been estimated at 3% (UNCTAD, 2000 quoted in Buckley and Ghauri, 2002), or even at 0,05% in Europe and 0,10% in the US (Zaheer et al. 2003).

[5] The need to distinguish between mergers vs. acquisitions in one's research design has been called for by M&A researchers (Napier 1989, Greenwood et al. 1994, Ghauri and Buckley 2000).

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integration strategies, 1991), with the aim of integrating the acquired firm into the buying firm's operations whilst also trying to retain some of its originality in the post-deal era.

The study focused on acquisitions undertaken by multinational companies. In other words, buying firms represented established industrial firms that have on average a 50-year history. Given their size, they tend to engage in greater acquisitive activity as compared to smaller firms. This means that they are likely to have both prior acquisitive and international experience. Further, they are likely to themselves consist of acquired companies. This scope is interesting in itself, as researchers have currently overlooked the impact of the buying firm structure on the outcome and progress of M&A.

Moreover, the studied buying and acquired firms were all industrial firms. This focus is important to highlight given that the challenges inherent in integrating service-oriented companies in the banking, insurance, or consulting business are likely to differ from those inherent in integrating production, research, and sales-oriented industrial firms.

The studied countries involved Western cultures from the European and North American continents. This choice arose from the large numbers of acquisitions currently taking place between Western countries. The acquisition of companies from non-Western countries is likely to represent different cultural challenges than those completed in Western countries.

What was noticed in the course of the research project was that it was more meaningful to study acquisitions at the level of individual subsidiaries or *units*, instead of at the corporate organisational level. Indeed, even within larger-scale multi-unit acquisitions, each individual unit generally has a different organisational history. This makes the integration of each acquired unit a unique challenge. Thus, acquisitive responses seemed to occur at the local, unit level rather than being shared across units at the corporate level. Within units, this scope can be further refined to specific businesses and product lines, if the unit consists of two or more businesses that operate along different logics.

1.5   Core concepts

Culture is among the most complex and challenging concepts to define given that there exists an entire science, namely anthropology, dedicated to its study and fraught with different schools of thought.[6] Moreover, culture is a core concept throughout all social sciences, be it sociology, social psychology, cross-cultural psychology, psychology, or organisation science. In light of this reality, the aim herein is to provide a working definition of culture to help the

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[6] The definition provided here draws from seminal readings in anthropology (e.g. Keesing 1981, Marcus 1986, Borofsky 1994, Dortier 1998, Cuche 2001, Eriksen and Nielsen 2001), cross-cultural psychology (e.g. Brislin 1990, Lonner and Malpass 1994, Triandis 1994, Berry et al. 1997a, 1997b, Segall et al. 1999), and cross-cultural management (e.g. Hofstede 1980, Adler 1991, Schneider and Barsoux 1997, Gannon and Newman 2002).

reader understand the context and findings presented in this dissertation. What the plethora of definitions of culture share is that it is a *collective phenomenon*, as it refers to the behaviours, values, and meanings shared by members of a group. Individuals cannot alone create and maintain cultures. In understanding human behaviour at the level of individuals, the dialectic between personality and culture is key. In this dissertation, the focus is on the level of groups, as the study looks at the merging of organisations. Though culture is a collective phenomenon, cultural values as such are not fully present in every member, but collectively every member shares parts of these values, i.e. no one member alone represents a culture. The core of a culture relates to the assumptions and values that provide context-specific meaning to the interactions between members of that culture. These deeper-level assumptions and values have been developed as responses both to the internal diversity of personalities in the culture and to ensure that the group learns to survive and to work its way out in the environment in which it finds itself. Visible elements such as symbols, artifacts, layouts, etc. are physical representations of these underlying assumptions and values.

National culture refers to the culture shared by members of a particular nation.[7] This conceptualisation is much used in research comparing behaviours across countries, e.g. by cross-cultural psychologists and cross-cultural management scholars. Though useful, one needs to bear in mind the imprecision of this conceptualisation, owing to the presence of local regional, ethnic, and religious groups that might significantly differ from the 'national culture' of the country. Indeed, nation states emerged in Europe only during the 19th century (Schultze 1994, Rietbergen 1998). Organisational culture refers to the culture of an organisation (e.g. Schein 1985). Despite the term alluding to a unitary corporate culture, recent research argues for the need to see organisations as consisting of multiple subcultures (e.g. Gregory 1983, Martin and Siehl 1983, Smircich 1983, Alvesson and Berg 1992, Sackmann 1992, Trice 1993, Trice and Beyer 1993, Raelin 1996, Sackmann 1997, Parker 2000, Alvesson 2002). Parallel to the behavioural component of culture, structure is used throughout this dissertation to refer to the tangible manifestations of culture, whether at national, organisational, or unit levels of analysis. This definition includes e.g. the systems, processes, and artifacts in place in organisations as well as organisation structures per se. The term 'level of analysis' is used to denote whether the findings relate to the level of a nation/country (i.e. national level of analysis), an organisation (i.e. corporate level of analysis), a unit/subsidiary (i.e. unit level of analysis), or a department/function (i.e. departmental level of analysis).

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[7] Hofstede's study (1980) was the first to scientifically prove the existence of cultural country variations in a global organisation.

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Mergers and acquisitions (M&A) refer to financial deals between companies wherein one buys out the other, thereby taking it under its ownership. Depending on the integration strategy chosen, the acquired firm is integrated to a greater or lesser degree into the buying firm's operations. Inherent to any M&A is a pre-deal evaluation and due diligence phase, followed by a post-deal integration phase. Throughout this dissertation, the terms pre-deal and pre-acquisition, post-deal and post-acquisition, and post-acquisition integration and post-acquisition implementation are used intermittently.

1.6   Outline of the dissertation

As this dissertation follows the grounded theory method, aiming to develop a new, grounded perspective on the studied phenomenon, the focus throughout the dissertation is on theory development based on the empirical material, rather than taking a more traditional route of an extensive literature review followed by a presentation of results and a discussion on how these results add to a select range of theories. However, in order to make the reader familiar with extant research, the dissertation begins with a succinct overview of research on the integration phase in M&A. This provides the setting for the dissertation. A presentation of the research method, the research process, and the research setting follows.

Thereafter, the dissertation moves on to developing an integrative framework on post-acquisition integration. First, the types of silent forces at work in the pre-acquisition evaluation phase are introduced, given that the progress of the pre-deal phase was found to influence the progress of the post-deal era. Then, the focus shifts to the silent forces discernible in the post-deal integration phase. These are analysed from the perspectives of managing post-acquisition change, the presence and impact of country differences, the cultural dimensions of post-acquisition structural change, as well as fluctuations in the acquired firm employees' uncertainty and motivation levels during the post-deal integration phase. In a third instance, the long-term impact of acquisitions on the acquired and buying firms is analysed from the perspectives of cultural change, organisational identification, and the performance of acquisitions. In each chapter, novel findings on the dynamics of post-acquisition integration are highlighted and summarised as 'findings' or 'definitions'. Each chapter concludes by presenting part of the theoretical framework being developed. To avoid confusions and to clearly point to the reader the contributions made in the dissertation, in each of the results chapters, the text is footnoted to show the reader how the findings brought forward relate to existing literature (Glaser and Strauss 1967). In the conclusive chapter, the integrative framework developed in the dissertation is discussed in light of extant research. Thereafter, the specific contributions to extant research made by this dissertation are

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presented and discussed. A look at managerial implications, limitations, and avenues for future research ends the dissertation.

The breadth of this dissertation attests to the breadth of the researched phenomenon – a process unfolding over time, the dynamics of which were the focus of study – combined with the selected research method. The findings could alternatively have been presented in a succinct and skeleton-like manner. Instead, the dissertation is broad in scope and retains a proximity to the studied phenomenon through an extensive use of quotes and tabling. This follows from the grounded theory method (Glaser and Strauss 1967, Glaser 1978, 1992, 1998, 2001), the aim of which is not mere description. Rather, the emphasis is on unearthing and understanding the higher-level conceptual and theoretical categories within the studied phenomenon and the dynamics thereof. The extensive use of direct quotes as well as of tables comparing behaviours and results across the studied examples of acquisitions is thus a means of keeping the reader apace with the progress of the theory development. In parallel, this enables the reader to assess and understand the reality behind today's acquisitive behaviour, and hence provides additional proof of the presence of silent forces in cross-border acquisitions.

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2 Setting the scene: a review of existing research on post-acquisition integration

The aim of this chapter is to briefly and succinctly map the scene with regard to prior research on M&A, emphasising the post-deal implementation phase. The chapter begins with an overview of research on M&A, thereon moving to address the three major streams of research that have studied the post-acquisition implementation phase. These relate to research on: 1) the integration process, 2) the human challenge in M&A, and 3) the cultural challenge in M&A. Conclusions as well as indications for future research directions end this chapter.

2.1 *Brief overview of research on mergers and acquisitions (M&A)*

The waves of M&A activity since the 1960s as well as the continuing increase in the amounts of M&A have been reflected in a wealth of public attention in the phenomenon. In scientific research, M&A have been studied from the perspectives of 1) the performance of M&A, 2) acquisitions as a form of entry mode to foreign markets, and 3) managing the post-acquisition integration phase.

Interest has centred on the performance effect of M&A (for excellent overviews of research on the performance of M&A, please refer to Datta et al. 1992, King et al. 2004, and Shimizu et al. 2004). Within this debate, one can further distinguish between a stream with origins in economics that focuses on accounting measures of M&A performance and a stream originating in finance that studies stock measures of M&A performance. Interestingly, despite the almost mythical appeal that M&A seem to have for today's corporate managers, research results from either stream do not provide strong evidence as to the positive performance effects of M&A on the buying firm (Porter 1987, Ravenschraft and Scherer 1989, Alberts and Varaiya 1990, Datta et al. 1992, King et al. 2004). Indeed, positive returns from M&A, if any, tend to materialise only five to ten years after the deal (Keil and Laamanen 2005). Thus, calls have been made to broaden the scope of performance studies in order to reach an enhanced understanding of the factors impacting the performance and outcomes of M&A (Hoskisson et al. 1993, Hitt et al. 1998, King et al. 2004).

In addition to the performance debate, cross-border acquisitions have been studied in the international business literature by comparing acquisitions to joint ventures, alliances, and subsidiaries as entry modes into foreign countries (e.g. Andersen 1997, Newbury and Zeira 1997, Barkema and Vermeulen 1998, Brouthers and Brouthers 2000, Harzing 2002). The choice of foreign entry mode has been found to depend on numerous firm- and country-related factors.

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Whilst both of the above-mentioned streams have looked at M&A from an 'external' perspective, a third research stream has looked into the internal dynamics taking place during the M&A process. Here, the management of the M&A process, as well as the human and cultural challenges involved have been addressed. Each of these themes has been approached from a different disciplinary lens. Finance researchers have been interested in the pre-deal phases of due diligence and negotiations. The M&A-related human challenges have been the focus of organisational psychologists and human resource management scholars. The cultural clashes involved in M&A have been the subject of study by researchers from the organisational culture, cross-cultural management, strategic management, and change management schools. Throughout the next sub-chapters, these areas of research related to the challenges of post-acquisition integration are presented.

2.2 Research on post-acquisition integration

Interest in the study of the post-M&A integration phase relates to the fact that this phase has repeatedly been cited as being the most challenging part of ensuring the success of M&A (Jemison and Sitkin 1986, Olie 1990, Haspeslagh and Jemison 1991, Datta 1991, Cartwright and Cooper 1993a, Schweiger et al. 1994, Morosini 1998, Schweiger and Goulet 2000, Child et al. 2001, Ranft and Lord 2002). It has been studied from the perspectives of 1) the M&A process, 2) modes of integration, as well as 3) integration management.[8]

Whilst pointers to the significance of post-acquisition integration can be found in early publications (e.g. Mace and Montgomery 1962, Kitching 1967, Howell 1970), it was the publication of Jemison and Sitkin's (1986) and Haspeslagh and Jemison's (1991) work on the acquisition process that introduced the process view to M&A. This work linked the formerly disconnected fields of strategic management and organisational behaviour by advocating that the progress of M&A should not be regarded as a sum of sequential parts, but rather as a process, the management of which determines the potential for value creation from the deal (Haspeslagh and Jemison 1991). The acquisition process consists of two interrelated phases: the phase preceding the deal (the pre-acquisition phase) and the phase following the deal (the post-acquisition phase). The aim of the pre-acquisition evaluation process is to decide whether to engage in an acquisition or not. The acquiring company has a strategic rationale for the buy, against which it assesses the attractiveness of the deal. The integration process can be defined as a guided process to implement organisational change affecting mainly the acquired unit, and ultimately the people there, with the aim of aligning the new unit with the strategic direction assigned to it. According to the process view, the aim of the integration

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[8] Reviews of this research stream can be sought in Haspeslagh and Jemison (1991), Schweiger and Goulet (2000), and Shimizu et al. (2004).

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phase is to create an atmosphere supportive of capability transfer. The progress of acquisitions further depends upon the kinds and quality of interactions between the two parties and the extent to which typical integration-related problems are avoided (Jemison and Sitkin 1986, Haspeslagh and Jemison 1991).

More specifically, the significance of linking the pre- and post-deal phases has been emphasised (Marks 1982, Hunt 1990, Haspeslagh and Jemison 1991, Haspeslagh and Farquhar 1994, Krüger and Müller-Stevans 1994), together with the complex nature of this relationship (Kitching 1967, Marks and Mirvis 1982, Shanley 1994). Despite this, it seems that the dynamics of this relationship, i.e. how the pre-deal phase impacts on the ensuing integration phase remain unclear and would require more systematic research (Greenwood et al. 1994, Schweiger and Goulet 2000).

Within the overall integration process, different, but related functional integration processes have been identified, to correspond with the array of possible post-deal changes. Lindgren (1982a, 1982b) defined integration as dealing with administrative, organisational (organisational structures, reward and communication systems, financial systems), social (i.e. cultural systems), and operational (i.e. production, marketing, R&D) systems involved. Shrivastava (1986) summarised these as procedural (i.e. legal and accounting integration), physical (i.e. product line and technology integration), and managerial and socio-cultural integration processes (i.e. changes in organisation structure, development of an organisational culture, selection of managers). In his work on the integration of R&D units, Håkansson (1995) discussed procedural (i.e. budget and reporting, work routines), technical (i.e. infrastructure and joint projects), and managerial and socio-cultural integration processes.

Parallel to the process perspective, different integration approaches or integration modes have been identified (Bastien and van de Ven 1986, Buono and Bowditch 1989, Napier 1989, Haspeslagh and Jemison 1991, Cartwright and Cooper 1990, 1992, Schweiger et al. 1994, Bower 2001), reflecting different degrees to which the acquired firm can be integrated into the buying firm. A key issue in this debate has centreed on whether buying firms should provide the acquired firm with autonomy or strongly integrate it into their operations (Graebner 2004). Initially, it was argued that autonomy ensures better performance than centralisation (Shanley 1987, for a review, see Schweiger and Goulet 2000), though this has been argued to be of greater importance in knowledge and service intensive sectors than manufacturing sectors (Weber 1996). In contrast, in their case-survey, Larsson and Finkelstein (1999) emphasised the significance of interaction and coordination to the degree of synergy realisation in the post-deal era. More recently, Ranft and Lord (2002) argue that different parts of the acquired firm might be integrated to different degrees, thus integration strategies granting autonomy vs. integration can exist in parallel (Graebner 2004). Moreover,

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the degree of integration can change over time (Ranft and Lord 2002). In line with these findings, calls have been made for a need to be more sensitive with regard to the type of M&A studied, and to study the managerial requirements for each type of M&A separately (Napier 1989, Greenwood et al. 1994).

Finally, a wealth of attention has been devoted to 'tips' to the successful management of the integration phase. In this discussion, the importance of timing (Schweiger et al. 1993, Schweiger and Goulet 2000, Ranft and Lord 2002, Angwin 2004), planning (Howell 1970, Lindgren 1982a, DeNoble et al. 1988, Dionne 1988, Marks 1991, Haspeslagh and Farquhar 1994, Krüger and Müller-Stevans 1994, Shanley 1994, Schweiger et al. 1994), visioning (Haspeslagh and Jemison 1991), communication (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Marks 1991a, b, Schweiger and Denisi 1991, Cartwright and Cooper 1992, Schweiger et al. 1993, Schweiger et al. 1994, Morosini 1998, Schweiger and Goulet 2000, Ranft and Lord 2002, Schuler et al. 2004), interface management (Haspeslagh and Jemison 1991, Haspeslagh and Farquhar 1994), and execution skills (Morosini 1998) have been brought forward. The development of an atmosphere supportive of the integration work has been found to be of particular relevance (Olie 1990, Haspeslagh and Jemison 1991, Cartwight and Cooper 1992, Hambrick and Cannella 1993, Napier et al. 1993, Deiser 1994, Olie 1994, Krug and Nigh 2001). The involvement of acquired firm managers has also been argued to be beneficial to the success of the integration phase (Haspeslagh and Farquhar 1994, von Krogh 1994, Schweiger and Goulet 2000, Angwin et al. 2004, Graebner 2004). Recently, constructivist approaches to the integration phase have emerged, identifying differences in the way organisational members make sense of the M&A process (e.g. Vaara 2002, 2003).

Summing up, despite the increasing amount of interest in the management of the post-deal integration phase, the stream has not developed integrative perspectives on the M&A process since the seminal contribution of Haspeslagh and Jemison (1991). Also, apart from the work of Birkinshaw et al. (2000), the links between integration management and the human challenges have not been addressed. Moreover, whilst many of the studies have also included or explicitly focused on cross-border M&A (Lindgren 1982a, 1982b, Haspeslagh and Jemison 1991, Schweiger et al. 1993, Håkansson 1995, Larsson and Finkelstein 1999, Birkinshaw et al. 2000, Ranft and Lord 2000, Angwin 2004), they have not delved into the cultural challenges involved in the cross-border context, relating integration management to the cultural dimensions of post-acquisition integration. Consequently, little is known of the relationship between the cultural side of M&A and integration management, especially in the cross-border context. Critically speaking, the stream has focused on integration management, ignoring the human and cultural dimensions of post-acquisition integration.

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2.3   *Research on the human challenge in M&A*

The human perspective on M&A has also been the subject of research (for a review, see Napier 1989). The aim has been to identify the human toll of M&A so that non-financial aspects would also be taken into account in the management of M&A (Buono and Bowditch 1989, Cartwright and Cooper 1990). The concern shared by these researchers is that human aspects are not sufficiently considered in the management and integration of M&A (Schweiger and Weber 1987, Napier 1989, Cartwright 1998).

The importance of the human issue in M&A has been exemplified in the work of Larsson and Finkelstein (1999), who in their case-survey of existing M&A studies found that employee resistance disables the utilisation of synergies available in the deal. Likewise, Birkinshaw et al. (2000) concluded that a badly managed human side has a detrimental effect on the overall progress of the integration phase. Moreover, it has been argued that the stress, uncertainty, and rumours surrounding M&A have consequences on the financial and operating performance of the parent firm (Marks and Mirvis 1985, Marks and Mirvis 1986, Davy et al. 1988, Buono and Bowditch 1989, Cartwright and Cooper 1992, Larsson and Finkelstein 1999). This has been argued to amount to the loss of two hours of productive work per employee per day (Cabrera 1982 and Wishard 1985, quoted by Napier 1989 p. 275).

This research stream has first and foremost focused on the negative impacts that M&A have on employees in the acquired organisation (Schweiger and Denisi 1991, Véry et al. 1997). This has been generally termed the 'merger syndrome' (Marks and Mirvis 1985, Marks and Mirvis 1986, Burke 1987, Buono and Bowditch 1989, Cartwright and Cooper 1990, Marks and Mirvis 1997a), referring to the psychological challenge caused by the change to employees. In parallel, the increasing levels of employee uncertainty in times of M&A have been noticed (Marks 1982, Blake and Mouton 1984, Marks and Mirvis 1985, 1986, Prichett 1985, Bastien 1987, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Cartwright and Cooper 1990, Schweiger and Denisi 1991, Cartwright and Cooper 1993b, Eneroth and Larsson 1996, Lohrum 1996, Marks and Mirvis 1997a, Risberg 1999, Risberg 2001), including more fine-tuned analyses of the kinds of uncertainty reactions during different phases of the M&A process (Ivancevich et al. 1987, Buono and Bowditch 1989, Pricthett 1995). M&A have further been found to cause rising levels of stress (Cartwright and Cooper 1993b) and lower morale (Sinetar 1981) in the acquired organisations, leading in turn to the spread of rumors (Ivancevich et al. 1987) that run counter to effective work. Feelings of loss and deprived identity also occur (Cartwright and Cooper 1990) as well as worries about job security (Mace and Montgomery 1962). The issue of labor and managerial turnover (Hayes 1979, Unger 1986, Walsh 1988, Hambrick and Cannella 1993, Véry et al. 1997, Krug and Nigh 2001, Larsson et al. 2001, Krug 2003) and

absenteeism (Davy et al. 1988) following M&A have further been addressed. Reactions in the acquired organisation have been found to differ according to hierarchical levels (Lohrum 1996), whilst a multitude of reactions and interpretations to M&A have also been reported (Costello et al. 1963, Risberg 2001). Thus, one should avoid considering reactions to M&A as unanimous and singular across the acquired organisation.

To counter these negative reactions, several managerial tips have been provided beginning with a generic need to account for and manage the human side of M&A (e.g. Burke 1987, Schweiger et al. 1987, Buono and Bowditch 1989, Schuler et al. 2004). Indeed, employee reactions have been found to change depending on how the M&A process is managed (Lohrum 1996). To this end, the significance of timely and honest communications has been emphasised (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Napier 1989, Marks 1991, Schweiger and Denisi 1991, Cartwright and Cooper 1993a, Marks and Mirvis 1997, Schuler et al. 2004), given its impact on the prevailing levels of uncertainty (Schweiger et al. 1987). Here, the importance of the symbolic content of communications has been brought forward (Schweiger and Denisi 1991). The use of courses, workshops, and psychological counseling have also been suggested as a means of dealing with the human challenge in M&A (Burke 1987, Buono and Bowditch 1989, Marks 1991). Third, using a fair approach toward the acquired firm has been found to reduce the amount of executive departures (Hambrick and Cannella 1993). The importance of the buying firm's commitment to the acquired firm as well as the provision of status to the acquired firm's managers have also been found to decrease the turnover of key personnel (Ranft and Lord 2000). Finally, the role of the human resource function throughout the M&A process has been addressed (e.g. Lorange 1996, Schuler et al. 2004) with regard to the above-mentioned issues, as well as specifically in the way that terminations are handled (Schweiger et al. 1987, Schuler et al. 2004).

To conclude, this research stream has provided an important lens to identify the detrimental negative impacts that M&A have on the acquired firm managers and employees. The recommendations provided by this stream of research on 'how to manage the human challenge' remain explicitly focused on the human resource aspect, however, as though the human challenge were the domain of human resource managers only, taking place in a void separate from the overall M&A process. Thus, the relationship between the human challenge and the management of the M&A process has largely been left unconsidered. Moreover, the cross-border dimensions of the human challenges in M&A have not been specified.

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2.4   *Research on the cultural challenge in M&A*

In parallel to the integration and human perspectives, the debate on the cultural perspective on M&A has been ongoing.[9, 10] Whilst the cultural stream initially focused on domestic deals in the US context and thus emphasised the clashing of organisational cultures, in the 1990s the rise of European cross-border M&A led to the study of cross-border M&A, wherein the relevant cultural encounter includes both organisational and national cultures (Cartwright 1998, Gertsen et al. 1998a). Despite this upsurge in cross-border M&A activity and the subsequent increase in research in this domain, there remains to date a strikingly scant understanding of the cultural dynamics at play in cross-border M&A, wherein both organisational and national cultures meet. However, the cultural challenge in cross-border M&A has been pointed to by prominent organisational scholars outside the M&A arena as a prime example of the importance of understanding the cultural issues and complexities at stake in today's global organisations (e.g. Schein 1985, Hofstede 2001).

To begin with, in this research stream a central issue has concerned whether there is a relationship between cultural differences and M&A performance? A core assumption behind the studies has been that the greater the amount of differences between the participating firms, the more difficult the integration and subsequent outcome of the deal (Stahl and Voigt 2003, Teerikangas and Véry 2003, Greenwood et al. 1994). This question has been studied in the context of organisational cultures clashing in domestic deals (Datta 1991, Chatterjee et al. 1992, Weber 1996, Krishnan et al. 1997), national cultures conflicting in cross-border M&A either independently (Morosini et al. 1998) or together with the effect of organisational cultures (Morosini and Singh 1994, Weber et al. 1996, Véry et al. 1996, 1997, Krug and Hegarty 1997, Larsson and Risberg 1998, Larsson and Finkelstein 1999, Brouthers and Brouthers 2000). Despite the appeal of the argument, research reviews find little conclusive evidence of the impact of cultural differences on M&A performance (Schweiger and Walsch 1990, Schoenberg 2000, Schweiger and Goulet 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003). Thus, it has been argued that an in-depth understanding of the progress of the post-deal integration process and the nature of the cultural challenge therein would be needed (Stahl and Voigt 2003, Teerikangas and Véry 2003, King et al. 2004).

In order to improve the management of the cultural side in M&A, calls have been made for the importance of evaluating organisational and cultural aspects of the target firm during due diligence, as compared to the tendency to over-estimate financial and technical aspects related

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[9] For reviews of this stream of research, please refer to Schweiger and Walsch (1990), Vaara (1999b), Schweiger and Goulet (2000), Schoenberg (2000), Stahl and Voigt (2003), Teerikangas (2002), and Teerikangas and Véry (2003).

[10] The difference between the cultural and the human perspectives to M&A stems from the former focusing on the intra- and inter-organisational and the latter on the individual level of analysis (Eneroth and Larsson 1996).

to the deal (Jemison and Sitkin 1986, Buono and Bowditch 1989, Datta 1991, Chatterjee et al. 1992, Greenwood et al. 1994, Schweiger et al. 1994, Datta and Puia 1995, Forstmann 1998, Hofstede 2001). However, until now there have been few attempts (e.g. Forstmann 1998) to provide a means of assessing such aspects of inter-firm differences (Cartwright and Cooper 1993a, Gertsen et al. 1998). This is noticeable in the debate on organisational fit. The notion of organisational fit has been raised as a factor impacting the level of difficulty of M&A integration (e.g. David and Singh 1994). Jemison and Sitkin (1986) first drew attention to the importance of organisational fit, defining it as "the match between administrative practices, cultural practices and personnel characteristics" (1986: 147). They called for a more comprehensive approach to the study of organisational fit, in contrast to the prevailing fragmented ones. Subsequent studies have addressed organisational fit at the level of organisational cultures in domestic deals (Datta 1991, Chatterjee et al. 1992, Cartwright and Cooper 1992, 1993a, Weber 1996, Daly et al. 2004, Kavanagh and Ashkanasy 2004), including national (Morosini and Singh 1994, Olie 1994, Weber et al. 1996, Forstmann 1998), and functional cultures (David and Singh 1994) in the study of cross-border deals. A review of these studies shows, however, that there are discrepancies within the research stream itself as to the way the concept of organisational fit is defined and operationalised. Moreover, studies on organisational fit have maintained a static emphasis, without addressing its dynamic nature during the integration phase (Stahl and Voigt 2003). It can thus be argued that a dynamic view of the impact of organisational fit on the subsequent progress of post-acquisition integration is lacking, especially in the cross-border context.

Indeed, whilst the nature of the cultural encounter as two organisations merge has been explored, the vast majority of studies in this area have concerned domestic rather than cross-border deals. Among the early studies was that of Marks (1982), finding that cultural clashes occur in the merging of domestic firms. This was termed 'culture shock' (Buono et al. 1985, Buono and Bowditch 1989), defined as "affecting the acquired firm members by contributing to changing feelings and discomfort". Despite the employees' rational understanding of the need to merge, culture shock impacts their willingness to view the deal in a positive light.

In parallel, borrowed from the domains of anthropology (Redfield et al. 1936, Herskovits 1938) and cross-cultural psychology (Berry 1980), the notion of acculturation was introduced into the M&A literature (Nahavandi and Malekzadeh 1988, Nahavandi and Malekzadeh 1994, Malekzadeh and Nahavandi 1998) as a means of understanding the cultural change process taking place during M&A and factors impacting both sides' willingness to change. Four acculturative modes have been identified. The emerging acculturative mode depends on the choices made by both participating firms. When an acculturative mode accepted by both sides is chosen, less acculturative stress is likely to occur in the acquired firm.

The management of cultural change during the post-acquisition integration has been addressed mainly in domestic M&A (Sales and Mirvis 1984, Buono et al. 1988, Buono and Bowditch 1989, Cartwright and Cooper 1992, 1993a). Different types of cultural integration strategies have been identified, depending on the buying firm's aim with regard to cultural integration and the type of M&A (Buono and Bowditch 1989, Olie 1990, Cartwright and Cooper 1992, 1993a, Schweiger et al. 1993, David and Singh 1994, Forstmann 1998). The direction of cultural change has been found to dictate the ease of change, especially if the change is paralleled with increased levels of openness in the practiced organisational culture (Cartwright and Cooper 1992, 1993a). Where beliefs are widely shared and strongly held, cultural change is likely to be challenging (Buono and Bowditch 1989). The extent to which cultural change can be achieved has also been questioned (Buono and Bowditch 1989). The importance of attitude (Napier et al. 1993, Deiser 1994, Morosini 1998) when implementing cultural change has been emphasised.

Despite the rise in cross-border M&A over the past decades, little research into the cultural challenges inherent in cross-border M&A exists. Olie (1990, 1994) focused on cross-border mergers and their integration, highlighting that both organisational and national cultures meet in cross-border mergers, the latter influencing the former. In his study of acculturation in cross-border M&A, Larsson (1993) pointed out that national cultures create additional barriers to the development of joint corporate cultures in the post-acquisition era. Malekzadeh and Nahavandi (1998) discuss acculturation in the context of cross-border M&A, wherein double-layered acculturation (Barkema et al. 1996), i.e. changes in both national and corporate cultures, occurs. They conclude, though, that the area is in its infancy and requires more research. Morosini (1998) focused on the management of differences in national cultures in cross-border M&A, emphasising for the need for managers with cross-cultural skills. The recent work of Quah and Young (2005), on a phased approach to M&A pointed to the parallel impact of organisational and national cultures in cross-border M&A. A wealth of recent research has taken a constructivist approach to cross-border M&A (Gertsen et al. 1998a), looking at how cultural differences are constructed through the involved actors' interpretations and sense-making processes (Vaara 1999a, 2000, Söderberg and Vaara 2003), the process of social identity construction (Kleppesto 1993, 1998), and the role of metaphors therein (Vaara et al. 2003).

Some studies have explicitly focused on the impact of national culture on M&A. These findings confirm that acquirers from different countries typically adopt different kinds of due diligence (Angwin 2000) and integration approaches (Dunning 1958, Jaeger 1983, Calori et al. 1994, Lubatkin et al. 1998, Child et al. 2000, 2001, Larsson and Lubatkin 2001, Faulkner et al. 2003, Pitkethly et al. 2003), reflecting their national culture origin. In parallel, target

firms from different countries have been found to prefer different kinds of integration approaches, in line with their home countries' national cultures (Morosini 1998, Cartwright and Price 2003). Particular emphasis has been placed on the dimensions of uncertainty avoidance (Morosini 1998, Schoenberg 2000), risk orientation (Schoenberg 2004), and individualism vs. collectivism (Morosini 1998). Despite these preferences for integration approaches, it seems that acquisitions in which the target firm has been involved in the integration through informal activities meet greater success than others (Calori et al. 1994, Child et al. 2001, Larsson and Lubatkin 2001). This would seem to suggest that the involvement of acquired firms is a critical success factor in M&A.

To conclude, the stream on the cultural challenge in M&A has actively tried to assess the way in which differences in organisational and national cultures impact the progress of M&A. However, this stream has had difficulties in establishing a culture – performance relationship. This could follow from the relative lack of qualitative studies on other than domestic M&A. Hence, the nature and dynamics of the cultural challenge in cross-border M&A seems not to have been unearthed. Thus, despite the expanding body of knowledge, there seems to be a need for a greater understanding of the process and mechanisms through which cultural differences impact the progress of M&A, especially in the context of cross-border deals (Nahavandi and Malekzadeh 1988, 1998, Malekzadeh and Nahavandi 1998, Schweiger and Goulet 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003, Shimizu et al. 2004).

2.5 Conclusions on extant research on post-acquisition integration

The overview of the cultural, human, and integration management-related research streams on M&A provided in the preceding sections points to the complexity of the inter-organisational encounter taking place as two organisations are merged in times of M&A. The overview also shows that the post-deal integration phase has been studied separately from the perspectives of the integration, human, and cultural challenges involved. Though these streams are ultimately interested in the dynamics and challenges of managing post-deal integration, they have each focused on a specific aspect of this phenomenon. More specifically, whilst the integration-related research stream has focused on the best way of implementing the post-deal phase, it has done so assuming a culture-free rhetoric, i.e. not accounting for the presence of national and organisational cultures. Also, it has not directly concerned itself with how integration relates to cultural change or the human side of M&A. Research on the human side of M&A has demonstrated the human toll that M&A can exert. Then again, it has largely confined both the types of human issues and their potential solutions to the context of the human resource management function. Thus, links between the human issues and ways of

dealing with them have not been matched with integration management or the cultural rhetoric. An exception to this end can be found in the cultural stream that has shown how culture shock and acculturation following M&A (Buono et al. 1985, Nahavandi and Malekzhadeh 1988, Buono and Bowditch 1989, Olie 1990, Véry et al. 1996) cause rising levels of stress amidst acquired firm employees. What is more, neither of these research streams have taken an interest in the dynamics inherent in cross-border M&A. Moving on, the cultural stream has investigated the cultural issues at stake in M&A, but also without linking them directly to e.g. the integration-related stream. In addition, given the lack of qualitative studies on the cultural dynamics in cross-border M&A, an overview of how both national and organisational cultures impact the progress of cross-border M&A is lacking. Figure 1 provides a graphical representation of the missing links between these three streams of research on M&A integration.
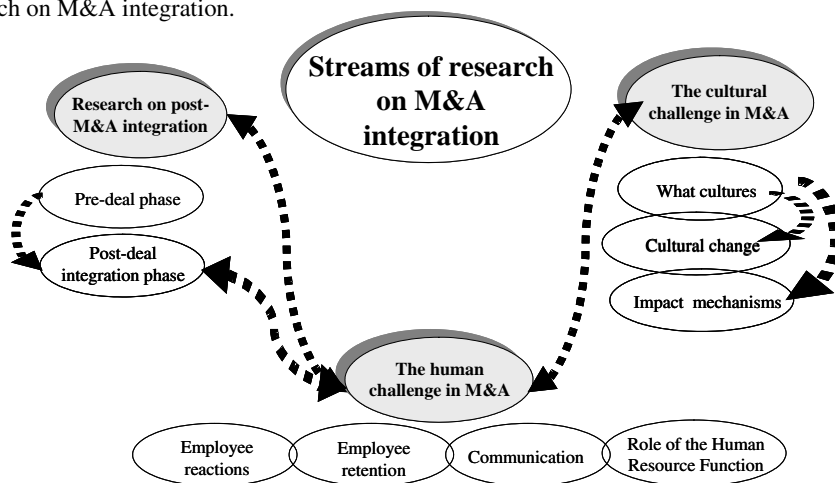
Figure 1. Missing links between streams of research on the post-deal implementation phase of M&A. Legend: the missing links are represented by dotted lines.

In light of this reality, it can be argued that the M&A field still lacks a theoretical perspective on the M&A phenomenon (Trautwein 1990, Haspeslagh and Jemison 1991, Greenwood et al. 1994, Sinatra and Dubini 1994, Larsson and Finkelstein 1999, Schweiger and Goulet 2000, King et al. 2004, Shimizu et al. 2004), especially in its cross-border context (Olie 1994, Shimizu et al. 2004, Quah and Young 2005). Thus, in light of current research findings, it seems difficult to judge whether the critical issue at stake in M&A is a cultural, human, or integration-related one, and moreover, how these challenges possibly relate to one another. This could possibly explain why the debate on M&A performance has not yet generated conclusive evidence. This dissertation aims to provide one perspective on this issue by focusing on the less-studied phenomenon of cross-border acquisitions, wherein these concerns seem to be especially acute. In so doing, the present research provides one view on the challenge of managing cross-border acquisitions.

3   Method and research setting

In this research project, the grounded theory method, as brought forward in Glaser and Strauss (1967) and Glaser (1978, 1992, 1998, 2001) has been used. The aim of this chapter is to introduce this method, its use in the research project, its validity, and also to introduce the reader to the studied research setting.

3.1   What is grounded theory?

3.1.1   A historical perspective

Grounded theory is a research method; a process to build theory from data using comparative analysis. The method was introduced by Glaser and Strauss in their classic book *The Discovery of Grounded Theory* (1967), as a response to questions from the scientific community as to how they had arrived at the theory they presented in their book *Awareness of Dying* (Glaser and Strauss 1965).

In the 1960s, given the advances in quantitative mathematical methods, the scientific methods used in natural sciences had gained popularity in social sciences. Consequently, most sociological work was focused on testing and replicating existing established theories instead of developing new theory.[11] Qualitative researchers had a difficult time 'proving' the validity and scientific relevance of their work, as it did not fit into the 'scientifically' popular and 'seemingly correct' way of doing science. It is to this setting that *The Discovery of Grounded Theory* (Glaser and Strauss 1967) brought a radical innovation (Charmaz 2000). Indeed, the method introduced a systematic approach to the discovery of new theory. The educational backgrounds of Glaser and Strauss explain why it was their combination that developed the approach. Glaser had an education in quantitative analysis, whereas Strauss's background was in interpretive qualitative analysis. By combining their mutual strengths, Glaser and Strauss developed a method of theory building that uses data drawn from the social reality, and that is analysed using the rigor of quantitative analysis.

3.1.2   Schools of grounded theory research

Since the publication of *Discovery of Grounded Theory* (1967), its authors Glaser and Strauss have taken the grounded theory method into two separate directions. The second step in the development of the method was taken by Glaser, who in 1978 published *Theoretical Sensitivity,* the aim of which was to develop the original method further. Moreover, it provided new details as to how to link empirical data with the building of new theory in a

grounded theory research process. For this purpose, the notions of 'theoretical sensitivity', 'theoretical coding', 'theoretical memoing', 'theoretical sorting', and 'focusing on basic social processes' were explored in greater depth.

The rift between the two authors was noticeable after the publication of *Qualitative Analysis for the Social Scientist* (Strauss 1987) and *Basics of Qualitative Research* (Strauss and Corbin 1990). It became clear that Strauss's orientation to grounded theory research was a more practical one than the one advocated in the 1967 book and further developed by Glaser (1978). Indeed, Strauss's works provide practical tips for doing grounded theory.[12] Following the 1990 Strauss and Corbin book, Glaser set out to clarify the grounded theory method (Glaser 1992), in line with the way he had originally understood it when writing *The Discovery of Grounded Theory* (Glaser and Strauss 1967). This has been the focus of his latest series of books (Glaser 1992, 1998, 2001).

The rift between the two authors stems from the fact that they do not advocate that the same basic steps are of importance when doing grounded theory research. Strauss's work focuses on practical details related to the research and analysis process, whereas Glaser tries to remain as close as possible to the original 1967 work. For one, whilst the constant comparative method of analysis was a key element of grounded theory in the 1967 book and in Glaser's later work, it is implicitly assumed in Strauss's work but not explicitly brought forward. Consequently, Glaser (1992) asks whether the result of such an analysis can be called a grounded theory, if the core part of the analytical process has been left out? In contrast, Glaser highlights the importance of the constant comparative method of analysis. The approach he brings forward embraces it by describing a research process endowed with systemacy, through the use of 'coding', 'the constant comparative method of analysis', 'memoing', 'theoretical sampling', and 'theoretical sorting', to be applied to each incident emerging throughout the research process.

Furthermore, a key argument advocated by Glaser (1992) has been the significance of emergence vs. forcing in carrying out grounded theory research. He felt that as Strauss and Corbin (1990) had provided excessively practical steps for doing grounded theory research, its essential element of emergence was lost for the sake of 'forcing' theory out of the studied phenomenon using a pre-defined analysis process. He was concerned that the detailed practical steps for doing grounded theory research would confine and limit the researcher's

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[11] Glaser and Strauss (1967), Glaser (1978, 1992, 1998, 2001). In their preface, Glaser and Strauss (1967, p. vii) note that the same gap between theory and empirical research had already been noted by Blumer (1941) and Merton (1949).

[12] Thus, for example, it is specified how the coding procedure has the sequences of open, axial, and selective coding and how the focus of theoretical sampling changes in these different research phases (Strauss and Corbin 1990).

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creativity, instead of the researcher following an emergent path from the data. He argued that the result of a 'forced' analysis was not a grounded theory, in the original meaning of the term. This issue is indeed noticeable to readers in both of the Strauss books, as they do not strongly advocate that the research problem should emerge from the data. In contrast, Glaser's works (1978, 1992, 1998, 2001) provide a set of methods for carrying out grounded theory research that aim at deepening the original work of 1967. His writing on grounded theory remains at a general and suggestive level, thus providing a context in which the researcher may work that still allows for the creativity and freedom necessary for the discovery of a new theory. Apart from the critical importance of adhering to the constant comparative method, more specific analytical techniques, frameworks, and tools are not insisted upon. Instead, he assumes that a theoretically sensitive researcher listens to the data, keeps thinking at a conceptual level, and develops findings based on the data instead of forcing a certain method of analysis with the data. Letting go of 'forcing' and giving way to 'emergence' can seem rather frightening to researchers (Strauss and Corbin 1990, Glaser 1992), and thus the practical steps can provide a (false) sense of security. In so doing, however, the strength of grounded theory research, namely emergence, is lost (Glaser 1992).

As the Strauss (1987) and Strauss and Corbin (1990) books focus on practical tips for doing grounded theory research, they have gained greater popularity than Glaser's work (1978, 1992, 1998, 2001). Indeed, some authors state that the work of Strauss (Straus 1987, Strauss and Corbin 1990) is more easily readable than the work of Glaser (e.g. Charmaz 2000). Such statements can be somewhat misleading, especially if they are published in widely read outlets such as the *Handbook of Qualitative Research* (Denzin and Lincoln 2000).

The grounded theory approach was selected as the primary research method in this research project, as compared to more recent methods of qualitative data analysis (e.g. Yin 1984, 1994, Eisenhardt 1989, Miles and Huberman 1994), grounded theory was found to most accurately detail the process of theory building throughout the research project. Hence it felt like the most robust choice for research aimed at theory building. Based on the above analysis, the reason why the 'Glaser approach' to grounded theory research (Glaser 1976, 1991, 1998, 2001) was specifically selected stemmed from the fact that it seemed to reflect the original work of Glaser and Strauss (1967) better than Strauss's later works (Strauss 1987, Strauss and Corbin 1990). This is especially noticeable as regards the authors' rift on the emphasis placed on the constant comparative method and the significance of emergence. Following Glaser helps the researcher remain focused on constant comparison at a conceptual level instead of slipping to a descriptive level. In contrast, the Strauss books seemed to add confusion by introducing excessively detailed steps, which make the research process seem more complicated than it needs to be. By so doing, the degree of systemacy originally built into the

grounded theory method (Glaser and Strauss 1967) seems to get lost. Moreover, Glaser's emphasis on the critical importance of emergence vs. forcing not only reflected the 1967 seminal work, but also resonated with the researcher's experiences of doing grounded theory research. Indeed, the Glaser books seemed to reflect the types of dilemmas and situations that one faces as a researcher throughout the research process. These relate to the dangers and joys of trusting in emergence and the patience needed in doing grounded theory research. Thus, the 'Glaser method' of grounded theory building is one that researchers with patience to allow for 'emergence' are likely to take intuitively.[13] Emergence and intuition produce grounded theory, forcing and following detailed procedures do not. Finally, being the founder of the method and continuing in the tradition of the original 1967 work, using Glaser's method of grounded theory research ensured the method was used in its purest form, avoiding later adaptations of the method that may possibly be mistaken.

3.1.3   The grounded theory research process

Throughout this subchapter, the process of grounded theory research, as advocated in Glaser and Strauss (1967) and Glaser (1978, 1992, 1998, 2001) is briefly detailed.[14] Grounded theory refers to a *systematic* way of doing research that is based on social reality. Thus, whilst the method is mostly used for the analysis of qualitative data, such as interviews or observations, it is equally useful for the analysis of quantitative data or existing literature.

The aim of grounded theory research is to develop a theory that is based on *an actual problem* faced by people involved in the social world. Thus, instead of preconceiving a research problem and detailed questions and approaches, the grounded theorist selects an area of study and, by listening to the informants, begins to develop a grasp of the *key issue* facing these informants. In order to avoid having preconceived ideas, the researcher is not advised to read extensively in the substantive area related to the phenomenon under study in the early phases of the research. However, the researcher is encouraged to read broadly across related and unrelated areas of literature. These readings, as well as specific reading in the substantive area at the final stages of the research will help the researcher to bridge the developed and prevailing understanding of the phenomenon studied.

The researcher guides the research effort through the use of coding, the constant comparative method of analysis, theoretical sampling and memoing. In the initial phases of the research, the researcher codes the interviews incident by incident. In so doing, categories gradually

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[13] That is why Glaser (2001) notes that the best appliers of grounded theory are often Masters-level students with little knowledge of the plethora of qualitative techniques available.

[14] The reader is advised to refer to the works of Glaser and Strauss (Glaser and Strauss 1967, Glaser 1978, 1992, 1998, 2001, Strauss 1987, Strauss and Corbin 1990) for a more in-depth understanding of the method.

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begin to emerge, and the researcher can also start to code each incident to a category. The researcher is thinking at a conceptual level, and not aiming to describe what s/he is seeing.

As the researcher begins to understand the actual problem faced by the informants, s/he can begin focusing his/her questions and observations to better understand the problem at stake. The selection of research targets through theoretical sampling is the process by which the researcher guides the research project to better understand the emerging problem. Thus, the research setting is built up during the research process instead of being fixed at the start.

Memoing goes on throughout the research process, as the researcher writes down the key findings and relationships as they emerge. Typically memoing is low in the early phases of the study, increasing toward the last interviews, as the researcher's understanding of the phenomenon under study develops. The aim is to identify the *core category* that accounts for *most of the variation* in the studied phenomenon. Grounded theory research most often studies basic social processes. The researcher keeps asking 'what is the core category around which other categories can be organised to explain the social process under study'?

As the research progresses, the researcher's understanding of the studied phenomenon increases until theoretical saturation is reached. In other words, by constantly coding, memoing, and comparing each incident and category, the researcher gradually gains an understanding of the studied phenomenon. The last research phase involves the theoretical sorting of memos in order to develop an outline for a written report that revolves around explaining the studied phenomenon using a core category, its properties, and interrelations to other categories explaining the phenomenon. Given the iterative nature of the work, it is typical that data gathering goes on until the end of the project, as the researcher is aiming for theoretical saturation.

3.2 The research process behind this dissertation

To help the reader see how the grounded theory method was used in this research project, the research process guiding this dissertation is introduced next. It is presented in terms of the process of theoretical sampling guiding the choice of the studied firms and acquisitions, the significance of emergence in the interview process, and the use of the constant comparative method.

3.2.1 Process of theoretical sampling

The focus of this research project has been the study of eight acquisitions made by four Finnish multinational firms operating in different technology-intensive industries, Figure 2.

The underlying question behind the research project related to the dynamics of post-acquisition integration in cross-border deals. The process of selecting the target companies

and acquisitions was guided by the logic of *theoretical sampling*: the aim of the researcher was to get access to a variety of examples of acquisitions in differing industry, professional, country, and company contexts. This logic follows from the nature of grounded theory research, which advocates for the need to study the selected phenomenon in diverse settings in order to go beyond a context-specific toward a conceptual level description.
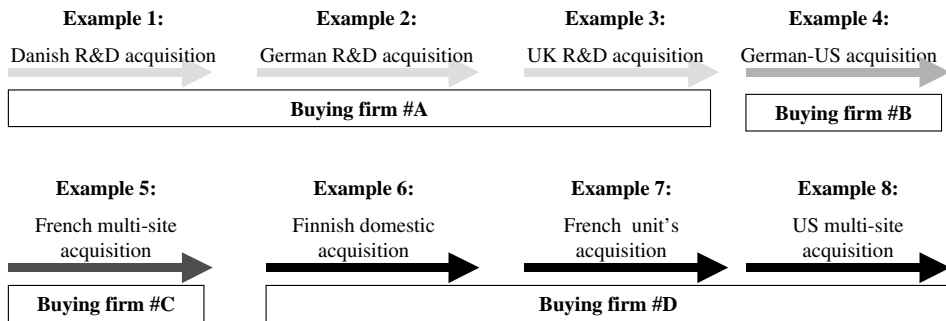
Figure 2. Timeline perspective to the studied acquisitions.

To understand the phenomenon under study, namely post-acquisition integration, the study began with interviews in a Danish R&D unit, acquired by buying firm A. In order to move beyond a one-example setting and to also understand the phenomenon in other country and target company environments, two more acquisitions by buying firm A, made in Germany and the UK respectively, were selected. This totaled 53 interviews and provided an understanding of the challenges of integrating acquired R&D units into buying firm A.

Thereon, target company B and its German-US acquisition was selected, as it enabled to move beyond the study of one buying firm, and beyond the R&D setting. Indeed, this acquisition involved the whole company's operations, including R&D, production, sales and marketing, and services. The acquisition was that of a German firm, with a small satellite in the US. The focus of the study was on the German site. In doing these interviews, I began to understand that the challenges in an acquisition differ depending on the department being integrated, thus R&D, sales, and production encounter different kinds of integration challenges. In parallel, this also meant that the nature of intercultural encounters and the impact mechanisms of national cultures differ between departments.

In order to move beyond Northern Europe and take in a third buying firm, the next acquisition was that of target firm C and its larger acquisition of a French multi-site organisation. The analysis of example 4 had pointed to frictions between sites as they are acquired and integrated into a new parent firm. A multi-site acquisition thus presented the opportunity to further analyse this issue. Interestingly, both the buying and target firms had a history of acquisitions. The analysis was focused on an acquired firm's unit, the integration of which

had proved particularly difficult. Throughout the interview process, the progress of that unit's integration was contrasted with that of the acquired firm's other units. This offered the opportunity to understand the presence of different organisational cultures and histories within a firm, which make the acquisition of each unit a unique challenge.

The acquisition experiences of the five acquisitions studied thus far were rather different and, as a researcher, I felt that I needed to continue the research in order to reach theoretical saturation, i.e. to grasp a conceptual understanding of post-acquisition integration dynamics. Hence, a fourth buying company, D, was selected. As for buying firm A, three acquisitions were studied. This provided a second opportunity to compare the integration approach of one buying firm across several acquisitions. The first acquisition studied was a domestic Finnish acquisition, the second was the acquisition of a French site, and the third was the acquisition of a US multi-site organisation, of which again just one site, its historical headquarters, was selected for the study. The domestic Finnish acquisition enabled understanding how the cultural dynamics in a domestic acquisition differ from those in a cross-border acquisition. In this sense, being a domestic acquisition, it provided a neutral example for a research project focused on cross-border acquisitions. There were two reasons for the choice of a second French acquisition. For one, this enabled studying the differences between two acquisitions in France (by buying firms C and D), and also in different regions of France. Secondly, this unit used to belong to the same parent firm as the studied US unit. This enabled understanding how two units from the same firm react to being acquired by a new buying firm. Finally, the study of the US acquisition enabled going beyond Europe, and seeing whether cultural differences are more significant within Europe or between Europe and the US? Moreover, buying firm D had a regional organisation in the US that could possibly offset, at least in part, the differences in national cultures through its involvement in the integration efforts.

The power of studying multiple examples of acquisitions in different countries made by different buying firms across industries became evident, as each studied acquisition offered new insights into the studied phenomenon. At the same time, it enabled the identification of issues that had been mere tangents in an earlier example, the underlying importance of which had not been revealed in that particular setting. Often, the findings from a newly studied acquisition could be reflected back to small, unexplainable tangents in the earlier acquisitions studied.

Saturation per studied acquisition was reached each time that, as a researcher, I felt that I had understood the dynamics of post-acquisition integration in that particular acquisition. Interviewees' answers tended to resemble one another, with little additional insight into the studied acquisition being gained by making more interviews. My understanding of post-acquisition integration increased considerably after completing interviews in the first three

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acquisitions studied in this research project, as I felt I understood not only each acquisition, but also an overall understanding of the progress of acquiring R&D units emerged. However, this understanding fell apart as I moved away from R&D to other types of acquisitions during the study of examples 4 and 5. Again, the feeling of theoretical saturation increased only after interviews in the third non-R&D acquisition. Indeed, during interviews in the last three, and especially the last studied acquisition, the amount of novel insights on post-acquisition integration began to decrease, as *theoretical saturation* had been reached. For this reason, no additional acquisitions were selected for the study. To reach theoretical saturation in the study of a process unfolding over time, such as the M&A process, it seems to be fundamental that a sufficient amount of interviews in a number of different acquisition contexts are carried out. Indeed, based on the study of only some acquisitions, the researcher would not have reached the current conceptual level of understanding of post-acquisition integration. In other words, during the first examples of new types of acquisitions that one studies, the researcher needs to trust in emergence, as one cannot yet understand what takes place in the studied phenomenon.

3.2.2 *Emergence in interviewing*

Interviews were the primary source of data collection in the research. In total, 166 interviews with 141 interviewees were carried out, Table 1. The interviewees represented middle and top managers that had been involved in the acquisition process in both the acquiring and target firms, as well as employees from the target firm. Interviewing people from the target firm enabled feedback to be obtained on the way the buying firm's organisation had handled the integration process. For each acquisition, a minimum of 10 and a maximum of 36 interviews were carried out. Generally, two thirds of these were in the target units, and one third in the acquiring firm. Interviewees were selected based on their involvement in the acquisition. Moreover, an effort was made to interview persons with different departmental and hierarchical backgrounds in order to get beyond the perspective of top management. This selection of informants was not only a way of getting a thorough understanding of the studied acquisitions, but was also a means of avoiding potential interview bias, as ultimately informants were found to tell the 'same story', though each highlighting different facets of it. For each acquisition, the amount of interviews was deemed sufficient once all key players had been interviewed and saturation of information occurred: most themes began to recur and little additional insight was gained into the overall process other than the participant's personal and role-specific insights.

Interviews were conducted in Finnish with Finnish interviewees, in French with French interviewees, and in English with American, British, German and Danish interviewees. In addition to interviews, other sources of data that proved useful, especially in preparation for interviews in a new company, consisted of company websites, annual reports, company

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presentations, product brochures, and company histories. At times, interviewees also provided documents and presentations about the particular acquisition they had been involved in.

Table 1. The amount of interviews per acquisition.

	Example 1	Example 2	Example 3	Example 4	Example 5	Example 6	Example 7	Example 8	Total
Interviews in the buying firm	5	6	5	8	4	4	6	22	
Interviewed more than once	1	2	0	2	2	1	1	4	
Interviews in the acquired firm (of which employees)	11 (1)	11 (0)	10 (0)	8 (2)	11 (3)	12 (5)	4 (0)	14 (4)	
Interviewed twice	1	1	0	1	5	2	2	0	
Total number of interviewees	16	17	15	16	15	16	10	36	141
Total number of interviews	18	20	15	19	22	19	13	40	166

The progress of interviews

As interviews in the first acquisition to be studied began, as a researcher I had little practical insight into what takes place in an acquisition. The interviewees were thus provided the opportunity to speak of their concerns and experiences about the acquisition under study. Acquired firm interviewees generally began by describing what the company used to be like prior to the acquisition, or the type of owner they used to have, followed by a description of how they first heard of an upcoming acquisition, and how the ensuing pre-deal evaluation phase was experienced. In parallel, they would relate how well the acquisition was received in the acquired organisation. Thereon, when describing events in the integration period, they would emphasise issues that had proven particularly difficult. In parallel, initial interviews with buying firm interviewees were made. Their answers focused more on the types of changes that had been made in the acquired firm and the way in which the acquisition in question had been managed.

The initial interviews were open-ended and emergent, as the interviewees were excited about having the opportunity to relate their story to someone interested in hearing it. As a researcher, I began as a listener and then gradually asked more and more questions at the end of the interview as my own understanding of post-acquisition integration increased. In addition to an overview of post-acquisition dynamics in the R&D setting, a key finding in the first three acquisitions that were studied concerned the role of differences in national and

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organisational cultures in making the post-deal life easy or challenging. Therefore, in the subsequent acquisitions studied, I tried to get more insights into the kinds of differences in organisational and national cultures between the participating firms and their impact on the progress of post-acquisition integration. Approaching the concept of organisational culture seemed particularly difficult. The approach I chose was one, wherein the interviewees were asked about the historical development of the companies and the changes affecting the firm's organisational culture over the years.[15] In parallel, the progress of each acquisition was discussed with the interviewees. With hindsight, an approach combining a descriptive approach to organisational and national cultures with an overview of the acquisition process turned out to be a powerful one, as the latter reflected both firms' behaviours *in vivo*, from which the impact of either culture could be abstracted with hindsight and in comparison with the other studied acquisitions. I felt that an overview of the interviewees' responses would show whether cultural differences are significant to the progress of post-acquisition integration of also other than R&D units, to what degree, and most importantly, how they relate in importance to the integration phase.

Overall, given that I ultimately still did not know that much about non-R&D acquisitions, the interview guideline had to remain open enough to accommodate changes before and during each interview. Indeed, interviewing a person involved in the integration of sales activities required asking different questions than with a production or an R&D person. I tried to think of potential interview themes in advance, but more often the only way was to be open to the flow of the interview, follow on the ideas brought forward by the interviewee, and ask more.

Given the differences between the acquisitions studied, it was impossible to use exactly the same interview format in each acquisition, though I tried to keep to certain broad themes. However, each acquisition that was studied brought up emerging themes of significance to that particular acquisition. This approach was fruitful, as in the subsequent examples of acquisitions studied, one in France, and another in the USA, most of the interview time was spent discussing emergent themes brought up by interviewees. In the French example, these stemmed from tense Franco-French relationships within the French firm, and in the US case from the tense inter-firm relationships between the buying and acquired firms in the decades prior to the deal. The analysis of these acquisition examples brought up a new emergent category into my study, namely the role of historical and emotional forces affecting cross-border acquisitions. As my understanding of both organisational and national cultures and their impacts grew during the process, I was able to target my questions better. I realised especially in the French and US acquisitions studied how important the firm's past history

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[15] This approach is recommended by Schein (1985) in approaching an organisation and wanting to understand its culture.

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was for understanding its present state. Moreover, the significance of previous ownership eras in forging a firm's organisational culture and identification became obvious.

Generally, the first interviews in each example were the most open-ended, and most difficult, given that the researcher lacked a thorough understanding of this specific acquisition. After the initial per-acquisition interviews, the remaining interviews were more straightforward, given the researcher's increasing understanding of the particular acquisition. The ease of interviewing also increased throughout the research process, as the researcher's understanding of post-acquisition integration in different country, industry and organisational contexts increased.

Taking notes and taping

Interviews of acquisitions 1-3 as well as all interviews made outside Finland were not taped.[16] Detailed notes from each interview were made and written out on computer as soon as possible after the interview. Contrary to the advice of Glaser and Strauss, the interviews of the Finnish respondents in acquisitions 4-8 were taped. At the time, the choice stemmed from my belief that this would ensure a better quality of results. With hindsight, this was a good choice. Indeed, for some reason, the nature of the Finnish language is such that it was easier to write up coherent interview notes in French and English vs. in Finnish. This can stem from the researcher's personal experience with these languages,[17] but also from the nature of the Finnish language. When comparing the responses, Finnish interviewees moved swiftly from one theme to the next, whereas interviewees from other countries most often organised their answer in a logical fashion that was easier to follow when taking interview notes. This was especially noticeable in the answers of all French interviewees, and most of all in the French management-level interviewees. Furthermore, given that my aim was to also reach an understanding of inter-firm differences in organisational and national cultures using both explicit and implicit means, the transcription of the Finnish tapes enabled the collection of direct quotes either describing a culture or an intercultural encounter. These descriptions could then be used for the more conceptual analysis required by the grounded theory method. The richness of these examples would have been lost without taping and their full transcription. Thus this approach was deemed to be especially useful when studying cultural differences.

In parallel to taping, I took notes of the most important emerging themes in each interview. This was a way of keeping track of the progress of each interview. It enabled, for example,

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[16] This choice followed the advice of locals or Finns in the buying firms in regard to how to get most reliable interview data.

[17] The researcher has had more experiences listening to and writing notes from lectures in French and English than Finnish and hence is at greater ease taking notes in those languages, though Finnish is her native tongue.

coming back to issues discussed at the start of the interview. Also, it enabled notes to be taken of key issues raised or questions to be flagged up later in the interview. These notes were more an interview tool rather than a documentation tool.

3.2.3   The constant comparative method: coding and memoing

Consistent with the aim of grounded theory research, this dissertation has focused on understanding what takes place in the basic social process under study, i.e. post-acquisition integration, as seen from the perspectives of those involved in it. The core analytical process of grounded theory research is the *constant comparative method*. It consists of the constant interplay between 'coding' the gathered data and 'memoing' ideas relevant to theory development and the research process guiding it. This process heightens with a mature theory, once the researcher has drawn out of the thousands of researched 'incidents' a core category, categories related to the core category, the properties of all categories as well as relationships between these. The researcher's ability to see the material from many sides and raise the conceptual level of the analysis depends on the researcher's *theoretical sensitivity*, which depends on the researcher's prior life experience, research experience, and readings, and which develops continuously during the research process (Glaser 1978).

The analysis process began with the *open coding* of the initial interviews in the first acquisitions studied. At this stage, the researcher was curious about understanding what is taking place in acquisitions, and what aspects arise as being most critical to their success. Open coding refers to coding each interview incident by incident, with the aim of gradually identifying emerging categories. The open and emergent nature of the early research process is fundamental to grounded theory research. Indeed, in the early phases of grounded theory research, the researcher feels rather lost in the studied phenomenon, not knowing which strings to pull on. Gradually, using the constant comparative method and open coding, initial categories begin to emerge.

As the amount of interviews increased and the identification of categories began, open coding proceeded to comparing incidents to categories, defining properties of the identified categories, as well as interrelationships between categories. Thus, the focus of coding shifted to coding incident per category and incident per property. By so doing, categories, their properties, and interrelationships began to emerge and increase in clarity.

A grounded theory culminates in identifying a *core category* that explains most variation in the studied phenomenon. Once a core category has been identified, *selective coding* begins with the aim of relating the identified categories and properties to the core category and establishing the interrelationships between the core and other categories. Transferring from open to selective coding is typically a challenging one especially for first-time grounded

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theory researchers, as it involves a decisive move in the research process. In this research project, selective coding began during the interviews for the acquisitions that were studied last. By then the researcher had gained a grasp of post-acquisition integration challenges as relating to the less-appreciated 'silent forces', though they were not named as such at the time.

Memoing takes place during the constant comparative analysis of incidents and ensures that the researcher keeps track of the emerging categories, properties and interrelationships. Memoing is essential in that by keeping memos of the research journey, the researcher is able to capture the process and progress of theory generation from initial incidents, to categories, and finally to a saturated grounded theory. At different stages of the research process, memos take on a different format, depending on the types of insights that the researcher has gained based on the collected material. To support the process of constant comparative analysis, *memoing* was done at two levels: operational and conceptual memoing. *Operational memoing* referred to memos made before and after each interview, in order to take the research forward. In practice, operational memoing helped in the intuitive open coding procedure that took place in the initial stages of the research. Thus, before each interview, this was a practical way of ensuring that I had thought of the necessary questions to ask based on the interviews I had previously made in that company. After each interview, I took note of the most significant new insights gained to pass on and guide the next interviews. Also, to help guide myself for following interviews, I drew diagrams of the key event flows related to the acquisition that I was studying based on the knowledge gained so far. This also helped to understand what I already knew and what I further needed to look into.

During the early stages of research, it is difficult to engage in *conceptual memoing* given that the researcher lacks an understanding of the studied phenomenon. During these stages, conceptual memoing took the form of paradoxes, contradictions, and questions that one cannot answer based on the gathered data. The degree of conceptual memoing increased, as the research process moved on. In other words, once the core category had been identified, the research process moved from open toward selective coding. From there, the focus of the research was on understanding how other categories are related to the core category, what are their interrelationships, and what are the properties of the core and other categories.

The amount of conceptual memoing increased during the last three acquisitions studied, as my understanding of acquisitions and their implementation matured. The initial paradoxes were becoming resolved, and an overview of post-acquisition integration was gradually emerging. Throughout this period, I began making increasing use of conceptual memos, devoting a notebook to them. Whilst I was continuously trying to grasp a conceptual level understanding of my findings, it was only during the interviews of my last example that I

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began to develop conceptual memos on the dynamics of post-acquisition integration that resemble the present findings.

Instead of proceeding directly from the written memos to their sorting and the writing itself, I made analyses for each acquisition. Ultimately, this stemmed from a young researcher's lack of confidence in the grounded theory method, which if consistently applied, argues for the direct write-up of the monograph based on the sorted memos. However, I also wanted to ensure that as long as I was still close to the empirical material, I would make the most of it. The result of this exercise was a set of reports, one for each acquisition studied, ranging from 50 to 140 page reports, totaling 460 pages of analysis. This forced me to move also to a descriptive level, against the counsel of Glaser (1992, 2001). However in each report my aim was both an understanding of that acquisition as well as moving to a conceptual level based on this understanding. This choice turned out to be a good one, given the breadth of the qualitative data gathered. Indeed, this study was extensive in terms of the number of interviewees, companies and countries studied, as well as the complexity of the topic of the cross-border acquisition process itself. Thus, writing reports was one way to ensure that I was able to handle the staggering amount of data that I was surrounded by. In other words, it enabled carrying out a more focused selective coding exercise than I had done during the interview process. Also, the clarity and level of depth of conceptual memoing increased considerably. This stage of research ended up being much more tedious and labor-intensive than I had imagined. However, it was worth it, as after this exercise, when I compared again the overall findings across the examples of acquisitions studied, I felt that I was able to go deeper in my analysis and develop more refined conceptual memos than I had during the interview phase.

Having written the acquisition-specific reports, I moved to the *sorting* of the conceptual memos and the gradual development of a theory on the selected core category based on them. At this stage, the naming of the nascent core category crystallised. It was termed 'silent forces', as it seemed to be the only concept capable of bundling together the types of challenges typical to the post-acquisition integration phase, and hence represent the research findings. The development of the theory and further sorting of memos went on during the writing up of the results. The aim was to see how the other categories identified related to 'silent forces' and to ensure that their mutual interrelationships and properties specific to each category were identified.

3.3 The research setting

The research setting is next presented by comparing the studied acquisitions and firms and thereafter through summaries of post-acquisition dynamics for each acquisition.

3.3.1   Comparing the acquisitions and firms studied

The aim of this section is to provide an introduction to the research setting, in terms of the characteristics of the studied acquisitions, buying and acquired firms, and to analyse the consequences of this choice of research setting on the research project and its outcomes.

All acquisitions studied in the cadre of this research project had been made with a strategic or operational growth–related motive, Table 2. Thus, in the Danish, German, and British R&D unit acquisitions, the guiding logic behind the deal was to increase R&D resources and know-how, which were difficult and time-consuming to develop in-house. In the other acquisitions, the guiding rationale related to gaining access to a new product which was difficult to develop in-house (as in the acquisitions of the German-US, the Finnish, the French, and the US firms), strategic growth to become a key player in the industry (as in the acquisition of the French multi-site firm), or gaining access to a new market (as in the British, the French, and the US acquisitions). In the British, Finnish, and US acquisitions, an additional rationale behind the deal was a defensive one, i.e. buying out a competitor. This mainly growth-related motive explains in turn why in the studied acquisitions, a 'symbiosis' type integration strategy was adopted (Haspeslagh and Jemison 1991). Moreover, this choice of acquisition motive means that the findings arising from this dissertation should be of particular interest to acquisitions made under such logic. More specifically, the present findings highlight the typical challenges inherent in reaping the benefits and achieving the desired synergies in expansion/growth-related acquisitions.

Another harmonising element across the studied acquisitions was the fact that they were all initiated by the target firm, the previous owner wanting to move out of the business for personal or financial reasons, Table 2. The only exception was the Finnish acquisition that was initiated by the buying firm. However, sooner or later, the acquired firm's founder would have sought the support of a stronger industrial partner. Thirdly, looking at the studied firms' pre-deal relationships, in some of the studied acquisitions the participating firms had no prior relationship, whereas in others, a prior competitive relationship existed. This was especially the case of the studied US multi-site acquisition. This was to have powerful consequences for the way that the acquired firm employees greeted the buying firm (see Chapter 4.1.2) and the way in which the buying firm representatives behaved toward know-how coming from the acquired firm (see Chapter 5.1.5).

Finally, the studied acquisitions consisted of a combination of acquisitions, wherein one to several sites had been acquired. In the case of acquisitions including several sites, the decision was initially made to study only one of the many acquired sites, Table 2. To counter the weakness in doing so, throughout the interview process differences between the progress of

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integration in that site and the other acquired sites were discussed. This was the case in the studied French and US multi-site acquisitions. This ultimately showed that, given larger firms have generally grown through M&A, acquiring a multi-business or multi-site firm de facto means that this firm will itself consist of different types of subsidiaries as regards their historical development, the success of their integration into a particular parent firm, etc. Consequently, in the acquisition of multi-site firms, buying firms should be cautious as to not consider the acquired firm as one homogeneous entity. On the contrary, the buying firm should strive to understand the ways in which the different sites differ from one another. More often than not, these differences are traceable to the sites' acquisitive histories.

Looking in turn at the characteristics of the studied acquired firms, Table 3, many of them had had from one to several previous parent firms since their initial founding parent. As the analysis in this dissertation shows, this has consequences for 1) the way these firms react to being acquired (Chapter 4), 2) the types of emotional reactions taking place within units of these firms (Chapter 5), 3) their ability to deal with foreign parent firms (Chapter 5), and 4) the patterns of organisational identification in these firms (Chapter 6).

Moving on to the buying firms' characteristics, Table 4, they were all multinational firms operating in different industrial sectors. The impact of the firms' prior level of international experience is discussed in Chapter 5.2.5. As regards the impact of prior M&A experience on the successful integration of a newly acquired firm, a distinction needs to be made between the previous acquisition experience of the entity in the buying firm that initiates the acquisition, versus that of the whole corporation.[18] Prior M&A experience has been brought forward as likely to enhance a firm's ease of implementing future acquisitions.[19] However, it seems that one needs to treat prior M&A experience with attention. Indeed, M&A experience seems not reside at the level of the corporation, but rather at the level of the business segment or division that is undertaking an acquisition. Indeed, M&A experience seems to rarely transfer within a multinational, as in most of the studied firms, Table 4, M&A experience did not automatically translate into 'corporate M&A implementation know-how'. From all of the buying firm managers that were interviewed, only one actively sought coaching from his corporate peers with extensive M&A experience.[20] Thus, 'serial acquirers' were not better acquirers, unless they actively transferred their M&A experience within the organisation. Though the buying firms studied were all top business performers in their respective industries, no formal mechanisms existed for learning from previous M&A. Summing up,

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[18] Acquisition experience is generally measured in terms of the number of acquisitions the buying firm has made (Ingram and Baum 1997).

[19] Lubatkin (1983), Fowler and Schmidt (1989), Bruton et al. (1994), and Haleblian and Finkelstein (1999).

these considerations explain why it is pertinent to study M&A made by firms with varying levels of prior M&A experience.[21] Indeed, M&A experience does not translate into acquisitive knowledge at the level of individual managers, unless appropriate learning mechanisms have been set in place.

3.3.2   Introduction to the acquisitions studied

Before proceeding into the research findings in the next chapters, the aim of this section is to introduce the reader to the studied acquisitions. A brief narrative summary of each acquisition is provided next, starting with the Danish, moving onto the German and the British R&D unit acquisitions, the German-US firm's acquisition, the French multi-site acquisition, the Finnish domestic acquisition, the French site's acquisition, and the US multi-site acquisition.[22]

Overview of the Danish unit's acquisition by buying firm A

The studied Danish R&D unit used to belong to a European multinational that was not satisfied with its financial results. Indeed, the R&D unit was all that was left in Denmark of the parent firm's previously larger operations in that business, and hence the unit had seen its staff numbers decrease in the years preceding the acquisition. Were it not for an acquisition, the unit would have been closed down. This explains why both its managers and staff greeted the news of buying firm A with excitement, the management planning the unit's future actively from the negotiation process onward in order to secure the staff's future and job security. The pre-deal period was further eased by the responsible managers' interpersonal chemistry.

The motivation of the acquired firm employees in the pre-deal period provided a good starting point for the integration period, to the extent that on the day the deal was announced, the employees sent a fax with the new parent's logo to the new parent's sister units as a sign of their eagerness. Given the degree of organisational fit between the firms, only a minimal

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[20] The challenge and inherent 'stickiness' in transferring best practices within multinationals has been studied by Szulanski (1996) who found this challenge to depend on the ambiguity of the knowledge being transferred, the recipient, the sender, as well as the organisational context.

[21] This is also suggested by Haleblian and Finkelstein (1999) who, applying behavioural learning theory to learning from prior acquisitions, found that firms with prior M&A experience are more likely to succeed than first-time buyers *only* in situations where they make a similar buy to a previously-made one. In other words, experience per se is not a success factor when buying different kinds of firms. The present finding shed another ray of light onto their findings.

[22] Some words of caution are appropriate. For one, given the breadth of the actual acquisitive stories, the reader is advised that the following are *mere summaries* of the actual acquisitions, aiming to help the reader of this manuscript to appreciate the context of the research setting and gain a flavor of its diversity. Hence, per acquisition, only the most relevant aspects have been included. A full analysis per acquisition has been sent to each buying firm. Furthermore, in order to preserve the anonymity of both acquired and buying firms, the following accounts purposefully omit using certain catchwords that would typically be used in the industry or the company itself. For the same reason, the details of certain events have been disguised. These should not have a bearing on the quality of the ensuing analysis throughout this dissertation, given that the original per-acquisition reports withhold all this information. Moreover, the analysis in the dissertation accounts for this information.

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amount of structural and cultural change needed to take place. The change was further facilitated by the integration manager's support, buying firm top management attention, as well as the presence of expert expatriates onsite whose help and attitude were praised. Despite a lack of integration planning and visioning, the degree of interpersonal fit between the responsible managers and the personality of the buying firm's integration manager enabled the development of a relationship of trust between the parties that provided a positive basis for the integration era. The fact that the buying firm was willing to learn from the unit's strengths, e.g. as regards their project management expertise, further strengthened the unit's commitment to the new parent firm. The acquired firm managers were encouraged to actively get involved in the unit's integration into the buying firm's operations. Only differences in communication styles, especially as regards the Finns' silence, blurred intercultural interfaces.

Not surprisingly, the unit's integration was by and large considered a success, and it was considered to be completed a year after the deal: it operated along the buying firm's ways of working, and had begun developing new products much needed in the marketplace. Also, culturally and in terms of identity, it had begun to be aligned with the buying firm. The factor that slowed down the acquisition was the fact that the supportive role functions other than R&D could play in ensuring the integration of the unit into the parent firm was largely left unconsidered. As a result, the integration of those functions was slower than expected.

Overview of the German unit's acquisition by buying firm A

The acquired German R&D unit had originally been an independent unit within a German multinational, only to be later sold to two subsequent parent firms, a European and then a North American one. Through those years, it was used to being the only R&D unit focused on a particular technology, so it was used to working independently. The experience of foreign parent firms had granted its managers an insight into how to work successfully across cultures and foreign parent firm environments.

Given that the current parent firm was not succeeding well in that particular business, it decided to sell the R&D unit (that itself was not the cause of the business failure, given the quality of its products). The unit had a strong belief in its future and saw hope in a possible acquisition. As a self-contained unit on the edge of larger organisations, with its survival continuously threatened, it had developed a flexible culture and excelled technologically vis-à-vis its competitors. Hearing of the options for the buying firms, staff split into different camps depending on the rumored names. Once the news of buying firm A acquiring it became reality, the reaction of the staff to the news reflected the divided opinions toward potential acquirers throughout the acquisition process: part of the staff were reserved, another part frightened, and some were optimistic.

The pre-deal period thus provided a mixed start for the acquisition. Staff were disappointed at the business into which they were being integrated within the new parent firm. Moreover, whilst an official launch meeting was organised immediately after the deal, in the following month nothing happened. As a result, motivation levels dropped. Overall, the integration process was remembered as lacking focus, vision, planning, organisation, and structured support. In parallel, the acquired firm's managers were encouraged to support the unit's integration into the new parent firm, a role they undertook seriously. The success of the integration period largely thus rested on them, combined with the successful coaching of the integration manager, who somewhat deliberately kept aloof of the unit in order to force them into being active. Importantly, the integration manager was the same person as in the Danish unit's acquisition. In this respect, direct learning from one acquisition to another was ensured.

Whilst in theory the firms shared structural similarities, these were offset by the fact that the unit had to unlearn its habit of working independently, and adapt instead to working with other sites. In addition, transferring to a matrix structure was felt to be perplexing to the Germans, as it resulted in the loss of one authoritative boss. This runs contrary to the German cultural tradition of getting orders directly from one's superior. The matrix structure was perceived to complicate the decision-making process that the Germans were used to. Thus, instead of changing swiftly to a matrix organisation, the unit continued to work along its former functional structure. The unit experienced further difficulties with the buying firm's Finnish style of management based on individual responsibility. Indeed, the Germans' higher degree of uncertainty avoidance translated into a continuing search for structure in the buying firm's organisation. They found its structure confusing and questions such as "Who makes decisions?", "Where is the structure in the company?", and "There must be a structure somewhere ..." were raised. Moreover, the Germans kept complaining about the buying firm's integration approach that lacked a clear strategy as well as 'structured' support. These challenges were made worse by the fact that it took a while before expatriates were sent in to support the unit. Given its size, it would have needed more support than was provided to it.

Summing up, the German unit's acquisition was rather successful, with the unit integrated into and working as part of the parent firm about a year after the deal. However, the role of cultural differences underpinning structural and cultural integration was overlooked. Also, the supportive role of functions other than R&D in ensuring the integration of the unit into the parent firm was left unconsidered, resulting in those functions' slower integration.

Table 2. Characteristics of the studied acquisitions.

ABOUT THE ACQUISITION	Danish R&D unit #1	German R&D unit #2	UK firm #3	German-US firm #4	French multi-site firm #5	Finnish firm #6	French site #7	US multi-site firm #8
Motive behind the acquisition	Increase R&D resources	Increase R&D resources	Increase R&D and manufacturing resources, access to UK market, and buy off competitor.	Enter a related product segment faster than through own product development.	Operational growth to increase buying firm's strategic importance in the market segment.	Operational growth to add a new product area to the business segment	Strategic growth to add a new critical product area to the business segment and achieve a stronger European presence.	Strategic growth to add a new critical product area to the business segment, defensive buy of R&D potential, and stronger US presence.
Acquisition initiated by	Target firm	Target firm	Target firm	Target firm	Target firm	Buying firm, though target firm would have needed a new owner at some stage.	Target firm	Target firm
Firms' pre-deal relationship	None	None	Competitors	None	Year-long competitors on same market with one part of the acquired firm, no relationship with the other parts. In the pre-deal years, collaboration as the buying firm agreed to gradually buy out the previous owner.	Prior failed acquisition attempt by the same buying firm.	Indirect relationship as the site's former owner was a competitor of the buying firm.	Long-term competitors. Buying firm used to being the follower until some years preceding the acquisition.
Interviews made x years after the deal	4	1	8	3	7	6	3	3
Number of studied acquired units vs. number of acquired units in the deal.	1(1)	1(1)	1(2)	2(2)	1(12)	1(1)	1(1)	1(6)

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Table 3. Characteristics of the studied acquired units / firms.

ACQUIRED FIRM CHARACTERISTICS	Danish R&D unit #1	German R&D unit #2	UK firm #3	German-US firm #4	French multi-site firm #5	Finnish firm #6	French site #7	US multi-site firm #8
Type of firm	Small high-tech R&D unit	Small high-tech R&D unit	Small high-tech firm	Small high-tech firm	Multi-site firm formed by domestic M&A	Small local firm producing industrial products	Small local firm producing industrial products	Large multi-site firm grown through M&A, producing industrial products
Created in	1980s	1980s	1980s	1970s	19th-early 20th centuries	1990s	19th century	19th century
# staff (t(=deal))	<100	<300	<200	<200	<2,500	<10	<200	<3,000
Level of internationalisation	Experience of prior foreign parent firms.	Experience of prior foreign parent firms.	International sales & foreign factory.	Limited international experience, as German and US firms both focused mainly on domestic markets.	1) Strong international sales network, 2) some own previous foreign acquisitions.	A purely domestic firm prior to the acquisition.	1) International sales, 2) experience of prior foreign parent firms, 3) experience of cross-border technological alliance.	Internationalisation since 1950s through international sales and acquisitions.
Acquisitive experience as buying firm	None	None	None	None	Own mainly domestic acquisitions.	None	None	Own domestic and cross-border acquisitions.
Acquisitive experience as acquired firm	One previous foreign parent firm after the founding parent's era.	Three parent firms (1 domestic and 2 foreign ones) after the founding parent's era.	Founder-owned company until the present acquisition.	Founder-owned company until the present acquisition.	The firm is a result of a domestic merger of two firms consisting of acquired companies.	Founder-owned company until the present acquisition. Owner's personal experience of selling his previous firm.	Two previous foreign parent firms after the founding parent's era.	One previous domestic parent firm after the founding parent's era.

Table 4. Characteristics of the studied buying firms.

BUYING FIRM CHARACTERISTICS	Buying firm A	Buying firm B	Buying firm C	Buying firm D
Corporate and acquiring division's details				
Industry				
Type of firm	High-technology Multi-division multinational (i.e. in one business area)	High-technology Multi-division multinational (i.e. in one business area)	Process industry Multi-business multinational (i.e. in several businesses)	Industrial products Multi-business multinational (i.e. in several businesses)
Corporation created in	Early 20th century	Early 20th century	19th century	Early 20th century
Buying party	A business division within the multinational	A business division within the multinational	A business division within the (multi-business) multinational	A business division within a (multi-business) multinational
Acquiring division created in	1980s	Mid 20th century	1980s	Early 20th century
# staff in acquiring division (t(=deal))	<3,000	<300	<3,000	<3,000
Turnover of acquiring division (t(=deal))	<2,000 M€	<100 M€	<1,000 M€	<2,000 M€
Level of internationalisation				
At the corporate level	Internationalisation through sales and acquisitions since 1960s.	Internationalisation through sales began in 1960s, through M&A in 1990s.	Internationalisation through sales and gradual acquisitions since 1960s.	Internationalisation through sales and gradual acquisitions since 1960s.
At the level of the acquiring division	Internationalisation through sales and recent (the studied) acquisitions.	International sales through a foreign partner until own international distribution network in 1990s. Managerial exposure to Germany, less to the US.	Internationalisation through sales and gradual acquisitions since 1960s. Little prior corporate or managerial experience from France.	Internationalisation through sales and gradual acquisitions since 1960s. Extensive prior corporate and managerial exposure to the US.
Prior acquisitive experience and learning				
Corporate acquisitive experience	Multinational's other businesses have long-term acquisitive experience as buying firms.			
Acquiring division's acquisitive experience	Few acquisitions prior to the studied acquisitions.	None	Several domestic and cross-border acquisitions.	Several domestic and cross-border acquisitions.
Learning transferred from prior M&A	No formal learning mechanism available. In German R&D unit's acquisition, the integration manager was the same as in the Danish unit's acquisition.	Involved integration manager personally sought coaching from experienced M&A managers in the corporation.	Through involved integration managers' personal M&A experience.	No formal mechanism available. Some of the directly involved integration managers had personal M&A experience. If not, it was not sought from within the firm's M&A-experienced managers.

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Overview of the British unit's acquisition by buying firm A

As compared to the Danish and German units, the acquisition of the British unit was the most problematic of the three. Prior to the acquisition, the unit had experienced years of exhilarating growth fuelled by the never-ending energy and dynamism of its founder-owner, who set outrageous targets for his teams to perform – which they reached. However, given the small size of the company, it could not expect to compete in the long-term on its own. The buying firm, for its part, wanted to increase its presence in the UK market, whilst in parallel getting rid of a future competitor. Negotiations went on despite a lack of organisational fit between the firms. Given the autocratic character of the firm's founder-owner, negotiations took place in secret, and the announcement of the deal came as a surprise to staff, who greeted the news with disappointment and grief, describing it as "the end to an exciting ride".

The progress of the post-acquisition era was further hampered by the fact that the integration process was awkwardly managed. For one, the founder-owner who did not actively promote the new era remained present in the offices for a year after the deal, thereby signalling the continuing of old times. Furthermore, the buying firm did not organise integration efforts per se: the lack of integration planning, visioning, communications, and support meant that for years, integration was not really progressing. By the time expatriates were sent in to support product development, they realised they needed to fill this gap. Hence, their role became one of active integration rather than technical support. What is more, only half of the unit was fully integrated into the buying firm, with the other half continuing on their existing products. This half-half integration further slowed down the overall change efforts. The progress of structural and cultural change, instead of being planned, ended up being emergent through joint work and product development. This was especially critical given that this was a unit with hardly any degree of organisational fit with the buying firm. This lack of structural and cultural fit would have required active efforts on the buying firm's side to support the challenge that the changes represented to the acquired unit. In their absence, the unit drifted, and was described as 'deviant' or 'difficult' by the buying firm. Differences in national cultures further blurred both communications and the progress of structural changes.

Overall, the British firm's integration was cumbersome. Several years after the deal, the unit still had not adapted to the buying firm's structures. The unit's cultural integration was deemed unsuccessful to the extent that the acquisition caused strong internal opposition toward future acquisitions in the parent firm. As for the unit itself, eight years after the acquisition, it was still characterised as having a "hangover of old times".

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Overview of the German-US firm's acquisition by buying firm B

The acquisition of the German-US firm by buying firm B meant shifting from previous founder-ownership to becoming part of a business segment within a larger Finnish multinational.

In the firm, the years preceding the acquisition were difficult, given that the ageing founder was losing his grip on the company. Hence, the staff were eager to change and for them, the acquisition represented an opportunity for growth and development – the unit was described by a interviewee as "a desert waiting for the rain". This eagerness to change lessened the potential for negative attitudes toward the buyer or toward the changes that were being implemented, and as such, it gave a positive spin to the acquisition. This eagerness to change was coupled with the buying firm's eagerness to grow and the humane approach that its managers undertook in the due diligence phase. By focusing on people and the future, they were indirectly winning over the hearts of local managers. By listening to their wishes for the future of the company, German managers were being involved in the change from the start.

In other words, the post-acquisition integration period was greeted with enthusiasm and a sense of mutual trust and respect. This positive start received further confirmation through the kinds of activities and managerial actions brought forward in the post-deal era. Indeed, the post-acquisition changes that were introduced brought much-awaited international growth to the German firm. International expansion meant new markets, and thus there was a need for greater production output and improved sales support functions. More staff were recruited. Growth and positive news seemed to provide a positive spur to the company and the staff's motivation. In addition, the post-acquisition phase was implemented successfully. It was based on involvement through integration teams and rapid action to show determination for change. The attitudes behind the integration work relied on creating an atmosphere of trust by being open in communications, respecting the other party, being sensitive to local staff by speaking German with them, by showing that through the acquisition, the buying firm also had to change; and by emphasising the importance of keeping one's feet on the ground instead of seeing integration work as fashionable, but rather as something that had to get done. The integration leader's role was a crucial factor in enabling the success of integration work. Moreover, posting a senior leader from the buying firm was a sign of the significance of the acquisition for the buying firm. These factors, combined, explained that despite the amount of changes that had to be introduced, their implementation by and large progressed successfully. Finally, mutual communications were eased by the similarities between the German national, the firm's regional, and Finnish cultures. Consequently, the integration was deemed successful.

In contrast, the US side of the firm was not so integrated into the operations of the buying firm. For one, the US firm never really wanted to be sold, but had to be sold in order to remain in business given the firms' mutual interdependencies. The firms had been merged only for the purposes of an acquisition, having previously enjoyed a customer-supplier relationship. Furthermore, the acquisition was seen by the buying firm as mainly consisting of the German firm with 'a small satellite organisation in the US', and consequently the buying firm did not evaluate the US firm as seriously as the German one.

The founder of the US firm intended to stay on after the acquisition and this was duly respected. What was not noticed at the beginning, though, was that this meant that the US firm continued with many of the same methods of working, not in an act of resistance, but out of habit. This was made possible as in the post-acquisition years the only integration action for the US satellite consisted of financial integration. Hence, there was scant interaction between the buying and the US firm, leading to little cultural exchange, and thus little opportunity for the firm to change. The US named this the 'laissez-faire approach'. Whilst it was welcomed at the beginning, over the years it led to staff resentment, and the feeling of being left out as they saw how other foreign-based units had more active roles in the buying firm. This was exacerbated by the unit's distant location from Europe. In terms of results, whilst the US firm enjoyed positive financial results, staff were beginning to hope for a greater degree of integration into the buying firm.

The major negative side of the German-US firm's acquisition concerned the post-acquisition effort to make the units cooperate in new product development. This decision omitted the presence of strong inter-unit historical emotional tensions. As a result, the project resulted in escalating investments and was stalled some years later. Also, the challenge of internationalising the German firm was under-estimated. Moreover, owing to resistance, the buying firm's hopes of expanding the international sales of its products through the acquired firm's networks did not proceed as smoothly as expected.

Overview of the French multi-site acquisition by buying firm C

Buying firm C's acquisition of a French firm was a multi-site one, of which one of the most difficult units integration-wise was studied. Throughout the analysis, the progress of the unit's integration was contrasted with that of the firm's other units' integration into the new buying firm. The site used to be the historic headquarters of a French firm established in the 19th century and that grew throughout the 20th century through domestic acquisitions, before being itself acquired, then merged into yet another domestic firm. The latest merger resulted in two fundamentally different kinds of domestic firms being put together, with the consequence of strong politicising and downplaying the studied, 'acquired', firm's role. As the owner of the

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merged firm was about to retire, the Finnish buying firm began to take action to ensure its stake in the future of the merged company. This meant that the acquisition itself did not come as a surprise to staff. However, they were worried about the unknown aspect in belonging to a foreign, namely a Finnish, firm, from a country they knew little of.

For the acquired unit that was studied, the post-deal years were characterised by a continuation of the pre-acquisition politics and conflict between the two French organisations. This was especially targeted at the studied unit that had been the historic headquarters of the firm being downgraded. In turn, the French firm with the upper hand was the one that the buying firm knew, and hence trusted best. As the buying firm seemingly ignored the adversarial nature of the French firms' relationship, the conflict was allowed to continue. Consequently, sites suffering from these disputes were dissatisfied with the new owner, and wondered how such behaviour could be allowed to continue. This was a factor explaining the unit's rather slow cultural adaptation toward and identification with the new parent firm.

The post-acquisition integration of the studied unit was further slowed by the large cultural distance between the Finnish and French cultures. This resulted in misunderstandings, frustrations, and stereotyping of the other in the absence of either attempting to understand the other, or providing an opportunity for the French to understand the Finnish organisational logic. It seems that as cultural differences were not brought to the table and discussed upfront, they were allowed to take on a life of their own, disturbing the organisations' daily lives. Interestingly many of the changes in organisational behaviour required in the post-deal years – e.g. in terms of responsibility, levels of hierarchy, centralisation vs. decentralisation – were rooted in typically Finnish organisational behaviour. As their underlying logic was not explained to the French side, it took them some years to understand what e.g. a responsibilising management style meant. In the absence of explanation, this turned into 'responsibility without rules' as the meaning of these rules would be innate in a Finnish organisation, but not in a French one. The Finnish side became frustrated, as 'the French did not operate our way'. Noticing this, the French side also got frustrated, as they felt the richness they could bring to the organisation was not being used. The situation continued in the post-deal years, resulting in the French managers being gradually moved from management positions.

The post-deal years were characterised by the mutual integration of the buying and target firms in terms of organisational structures, financial reporting, visual look, and long-term organisational efficiency. Whilst these changes helped to communicate a message of unity in an integrated company, they alone could not forge a truly internationally oriented one-company look and feel, given the amount of silent and hidden organisational forces at work behind the scenes. Today, the company is united in terms of financial reporting and branding.

Over the years, cultural change and identification toward the new owner have gradually also been forged. The post-deal years showed that those units that were structurally closest to the post-acquisition organisation structure, that enjoyed most inter-unit interactions, and for whom the post-deal years represented positive news, e.g. through investments and managerial attention, were the fastest to be integrated into the parent firm's operations. Moreover, they showed highest levels of motivation, cultural change, and identification toward the new owner. Despite the years of joint work, one can still wonder today where the hearts of the different sites are? In other words, whilst superficial level integration and success can be reached, how long and what methods does it take to truly win over the hearts of the employees of the acquired organisation and to achieve cultural change in both organisations. In this sense, this provides a good example of the ultimate challenge of acquiring an organisation radically different from one's own.

Overview of the Finnish firm's acquisition by buying firm D

The acquired Finnish firm was a recently established, small, but highly successful start-up in a niche business in which buying firm D was interested in expanding. The firm had a very customer-oriented approach to sales, and a dynamic and authoritative leader who ensured that the firm retained a genuine and entrepreneurial feel. The deal benefited both parties, as the acquired firm possessed neither the means nor the ability to internationalise, and the buying firm wanted to silence a potential competitor. What eased the acquisition was the fact that it was a domestic acquisition of players working in the same industry. Moreover, the pre-deal era was characterised by an extremely good fit between the founder of the acquired firm and the negotiators on the buying firm's side. Taking a cooperative and interested attitude, the buying firm representatives were able win over the hearts of the owner, and in this spirit the first years were well planned.

The owner stayed on for some years to ensure a smooth transition into the new parent firm, coached by the integration manager whom he had already met in the pre-deal phase. In parallel, the buying firm helped the firm to internationalise and further develop its product offering. Given the lack of prior international exposure, the internationalisation of a purely domestic firm turned out to be more challenging than expected, though sales have increased. However, the firm has not met with the success abroad, which it enjoyed on the Finnish market. This was ascribed to the fact that the best approach for a foreign market had not yet been found. In addition, the acquired firm felt exasperated at the difficulty of ensuring that all of the parent firm's sites worldwide would sell its products, instead of local competitors' ones. This was an example of the 'stickiness' of a larger organisation's resistance to truly welcoming and integrating a newly acquired firm into its operations. As a result, the sales of the acquired firm have suffered. In parallel, the buying firm's initial wish to learn from the

acquired firm's excellent customer-relationship skills turned out to be wishful thinking, given that a small firm does not have the resources to transfer its sales know-how to a large multinational, and given the lack of attention paid to this endeavour.

The acquisition became more challenging once the former owner stepped down, and the true integration period began. Given the lack of planning for this phase, the smaller firm was somewhat lost as regards its role and future look in the buying firm: would it be fully submerged into the large bureaucracy of a multinational, or allowed to keep some degree of independence to preserve its entrepreneurial spirit and strength? At this stage, the lack of organisational fit between the firms became more apparent, and staff of the acquired firm resented the formalism, bureaucracy, and lost flexibility of being part of a large multinational. Summing up, the acquisition was an overall success, given that sales increased both domestically and internationally. Behind this success story however, as explained above, several levers for further improving the acquisition's success were identified.

Overview of the French site's acquisition by buying firm D

The French site had its roots in a local company created in the 19th century, from which it had been sold, later experiencing three subsequent American parent firms. Whilst the first had kept it independent, the latter two parent firms had wanted to ensure a stronger global integration of their operations. However, the negative financial results of the latest parent firm led to an acquisition being inevitable to save the future of the site. Consequently, the site's staff, though afraid of a new owner, welcomed the acquisition as that meant their jobs were saved. Moreover, given its experience with acquisitions, the unit was more relaxed about the news of an acquisition. The evaluation phase proceeded smoothly and was supported by the long wait before the deal, which allowed additional planning time for the site's future. Indeed, in the pre-deal months, the integration manager and the site's manager began jointly planning the post-deal era, resulting in immediate post-deal action.

Thanks to respectful attitudes and a gradual integration phase, the existing bond between the local manager and the integration manager, as well as the help of expatriates, integration proceeded smoothly. Throughout the post-acquisition integration phase, the fact that the local manager was strongly in support of the deal and subsequent post-deal changes was a success factor. The presence of local management explains why severe clashes between the Finnish and French cultures were avoided, despite the countries' cultural distance. Indeed, the local manager ensured that communications from the new parent toward staff were translated into a language the local staff wanted to hear, thereby lessening potential for resistance. The existing bond between the local manager and the Finnish integration manager, who undertook a coaching approach to the acquisition, letting it be run locally, was brought forward as a key

success factor by both sides. The challenge in the integration period related to the difficult nature of technology transfer, as the parent firm tried to bring in some of its ways of working and technologies to further enhance the site's competencies. Here, whilst the support of expatriates was praised, they argued that even more would have been needed to bring forth change. Moreover, it was noted that the buying firm's Finnish operations were not taking comments and product suggestions coming from abroad seriously. Thus, there seemed to be a degree of 'ethnocentrism' in the buying firm's operations.

As regards support functions, it seems that the buying firm could have better supported the unit's first year in the new parent firm. Thus, integration is not the sole responsibility of the integration manager, but of all those functions the unit needs to develop operational relationships with. The site found itself in the buying firm's structure and was supposed to begin working accordingly, but did not always know what this meant. Thus, the buying firm's departments would have had to be briefed to ensure that they knew what was required of them to support a newly acquired unit. Otherwise, misunderstandings and blame occur, as a new unit cannot know all of the tricks in terms of how the buying firm works.

Interviewees deemed the acquisition a successful one. This was supported by financial figures that reported positive results for the centre despite difficult economic conditions. Moreover, at the time of the interviews, only years after the deal, the site was awarded the 'best site' award in the parent firm. What was also positive about the acquisition was the fact that the buying firm did learn from the site's technical knowledge and wanted to transfer this to its other locations. The site's staff greeted this with pride.

Overview of the US multi-site acquisition by buying firm D

Buying firm D's acquisition of the US firm was another multi-site acquisition. As with the French multi-site's acquisition, it was decided that one of the units within the multi-site acquisition be studied. Also this unit used to be the historical headquarters of the acquired multi-site firm that had roots in the 19th century. During the 20th century, it had been a strong competitor of the Finnish buying firm. Since its first ownership change away from the private ownership of its founding family into the shareholder ownership of a US multinational, however, the US multi-site firm felt that it was not only losing touch with the "enjoyable years with the founding family", but that its business was gradually suffering. The last years prior to the acquisition were characterised by top managerial distance from the business, a search for financial profits at the expense of long-term business success, and a disregard to the business itself. Consequently, the financial situation of the firm led its top management to ask, amongst others, the Finnish buying firm, whether it would be interested in buying parts of, if not the entire company. In making the due diligence analysis, the buying firm opted to buy

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only certain parts of the company, meaning that others were sold to competitors, and some were closed down. Given the difficulty of making sense of the large acquired firm's state, the due diligence phase was marked with misunderstandings and mistakes that were later to have consequences for the buying firm's ability to develop the acquired firm's business in the direction sought.

Throughout this phase, the studied part of the acquired firm was, in parallel, much coveted by a local firm that had been set up by former employees. Given the significance of the deal to the local community, local senators took the deal to the US Supreme Court, hoping that such lobbying efforts would disqualify a foreign buyer from acquiring the firm. These efforts were ultimately unsuccessful, but consequently the deal was delayed. Over time, this led to a significant loss of staff, some of whom were lured to the competitor that was created by the former employees who failed in their competitive bid. At the same time, the loss of large amounts of intellectual property were reported by local interviewees, resulting in the local competitors having "surprisingly detailed knowledge of the acquired firm's products and services" in post-deal years. The buying firm could do little to stop this, given that it was not legally allowed to act prior to the deal being official. In hindsight, though, interviewees grieved that the buying firm only began positive communications toward the local community through a local newspaper at a very late stage. Beginning these communications earlier would, in their opinion, have enabled a better relationship with local staff to be developed, hence avoiding mass departures and the creation of competitors 'like mushrooms'. These positive late communication efforts as well as the buying firm's extremely well-managed re-recruitment of acquired firm staff had the effect that those that came into contact with the buying firm liked it, and were willing to stay on. This was by no means a self-fulfiling prophecy, given the firms' long-term competitive relationship that explained a large number of pre-deal staff losses, resulting in the loss of managerial and R&D talent for the future. Those that did opt to stay on were thus positive about the buying firm, and the deal itself. The positive side of the pre-deal delay was that the integration phase was extremely well planned, to the extent that on the day of the deal, the post-deal communications and changes were rolled out 'like a clock'.

The post-deal years were characterised by two camps in the buying firm, as regards attitudes toward the studied acquired unit. Those involved in the integration work were expatriates and local buying firm employees, whose approach culminated in an integration phase which was judged to have been very sensitive and positively experienced by acquired firm interviewees. Indeed, the acquisition's success can in part be traced to the active use of the buying firm's US country organisation's staff, who had the required local knowledge and sensitivity to understand the distress created by a cross-border acquisition to their fellow nationals. In

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parallel, the buying firm expatriates, taking a respectful yet firm approach to the integration phase, ensured that the acquired firm managers were involved in the integration phase. In contrast, those buying firm staff that were not directly involved with the integration efforts, i.e. all other buying firm staff across its units, reacted with not-invented-here and defensive reactions against the acquired firm (understandably, given the competitive nature of the firms' pre-deal relationship). The latter reactions hampered not only the progress of integration, but also the long-term financial success of both firms. Given the difficult competitive and financial contexts under which the acquisition took place, it can be regarded a success. Many of the factors identified above were later recognised as having contributed directly both onto the success of the integration phase and the financial success of both firms.

3.4 Assessing the validity of grounded theory research

In their seminal work, Glaser and Strauss (1967) define the criteria for judging grounded theory research as follows.

To begin with, grounded theory has to closely *fit* the substantive area that it relates to. This has been termed 'validity' in Glaser's more recent work (2001). In other words, does the theory represent the data gathered? In this study, fit has been achieved by using the constant comparative method and theoretical sampling, and by letting the concepts emerge from the gathered data instead of imposing existing labels upon them prematurely (Glaser and Strauss 1967). Indeed, the findings were compared against existing literature only once they had first been written out.

Second, the developed theory needs to be *relevant* and *work* in the real-life context that it studies. Thus, Glaser and Strauss (1967) advocated for grounded theory to be understandable by laymen in the realm of the substantive area studied. This criteria holds for the present findings, as they are the result of following the steps of Glaser and Strauss to ensure that the theory remains close to the studied phenomenon. Moreover, the results from each acquisition were presented to a selected sample of interviewees from that company. The ensuing dialogues showed that the theory developed had not only been accepted but was also easily understood by those involved in M&A activity. Thus, the study can be regarded as having practical relevance.

Third, the theory needs to have generalisability beyond the phenomenon studied. In this research project, many of the findings made in the context of cross-border acquisitions seemed directly transferable to other areas of research on organisations, including cross-cultural management, organisational culture, and organisational identification. Thus, the study can be regarded as having used cross-border acquisitions as a window to understand the managerial challenges inherent in today's multinationals.

Finally, a grounded theory needs to provide some control over the studied phenomenon, despite changes that affect its nature over time. This criterion is met in the present findings given that the findings fit not only the studied acquisitions, but also the interviewees' descriptions of the acquired firms' prior acquisitive experiences. In parallel, a grounded theory needs to be modifiable. This criterion is significant as it provides for the possibility to refine the developed theory as new evidence lends support to such needs. It is therefore hoped that the present findings be further refined and tested in future studies.

In writing up grounded theory research, Glaser and Strauss (1967) advise that the researcher ensure that the reader can follow the development of the theory. Indeed, the researcher is naturally convinced of the findings, but needs to convey this conviction to the readers. To this end, it is suggested that the research framework be clearly presented. Moreover, the data gathered needs to be presented to the reader as evidence of the theory developed. This can take place using e.g. quotes, tables, notes from memos, summaries of examples studied. In the present manuscript, the aim of the researcher has thus been to provide the reader with a rich array of quotes directly or in tables, as well as tables comparing the studied acquisitions along specific factors. Moreover, the research framework is gradually developed, with specific findings highlighted as the text moves on. Ultimately, it is up to the reader to make up his/her mind as to whether the research is credible: based on one's reading, does the reader feel that s/he was also in the field? Is the evidence provided convincing enough? Is the research setting diverse enough to allow for a conceptual understanding of the studied phenomenon? Thus, the role of the researcher is to provide the reader with enough information for him/her to make a judgement on the quality of the developed theory.

4   Silent forces in the pre-acquisition evaluation phase

This chapter begins the development of an integrative perspective on post-acquisition integration in the context of cross-border acquisitions. The acquisitions studied pointed to the importance of the pre-acquisition phase in explaining the subsequent challenges of the post-acquisition phase. Post-acquisition integration would not seem to begin *after* the deal. Rather, many of its challenges seem to be traceable to the pre-acquisition period.

For this reason the development of the integrative perspective on cross-border acquisitions in this dissertation begins with an overview of those factors in the pre-acquisition phase that need to be accounted for in order to ensure a successful start to the post-acquisition integration phase. These factors pertain to 1) the prevailing motivation and uncertainty levels across the acquired firm's units prior to the deal, and 2) the degree of organisational fit between the firms. Unless the buying firm had accounted for these factors, they were found to turn into 'silent forces' hampering the progress and outcome of the post-acquisition integration phase.

4.1   Pre-deal levels of motivation and uncertainty across the acquired firm

Like any change, the news of an acquisition causes a state of unease in the acquired organisation. Key questions on the lips of the employees are "who is going to buy us?" and "what is going to happen to us?" The analysis showed that the prevailing levels of motivation and uncertainty in the acquired organisation resulted from the way in which their employees reacted toward 1) the deal, 2) the buying firm, and 3) the buying firm representatives' pre-deal behaviour and actions. In addition, the levels of uncertainty and motivation were mediated by the acquired firm managers' pre-deal communications.[23]

Given that employee reactions can differ from one acquired firm unit to another, the level of analysis throughout this chapter is that of an *individual subsidiary*, i.e. not the corporate level. Thus, an acquisition of a larger corporation is likely to be met with different reactions across

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[23] As the literature review in Chapter 2 showed, a wealth of attention has been paid to the human side in M&A. Research has focused on identifying the negative consequences that M&A have for the employees concerned, successfully capturing the psychological loss and uncertainty experienced by acquired firm members throughout the M&A process (Marks 1982, Marks and Mirvis 1985, 1986, Blake and Mouton 1984, Prichett 1985, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Cartwright and Cooper 1990, 1993, Eneroth and Larsson 1996, Lohrum 1996, Marks and Mirvis 1997, Risberg 1999, 2001). Employee emotional reactions prior to the deal typically relate to preoccupation, imagining the worst, and stress reactions (Marks 1991b). Ivancevich et al. (1987) and Buono and Bowditch (1989) have shown how employee reactions change in the course of the M&A process, i.e. there are different reactions prior to and after the deal. However, the focus of extant research has been on negative employee reactions, instead of attempting to understand how to motivate employees undergoing M&A. Moreover, an analysis of the *factors* that cause rising levels of uncertainty and motivation has not been made. These form the focus of the present chapter.

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its subsidiaries. Moreover, if departments within an acquired unit experience the pre-acquisition era differently, uncertainty and motivation levels can be traced back to that level of analysis.

4.1.1   Reactions toward an acquisition

An acquisition represents a change in the status quo for the employees in the acquired organisation. As any change is a potential source of worry and fear, the news of possibly being acquired in the near future is accompanied by a generic sense of unease in the target firm. As the quotes below illustrate, employees are worried as to what will happen to them after the deal. Acquired organisations were found to differ in the extent of their worry, and subsequent motivation, toward the news of being acquired. Their different reactions were traceable to: 1) the acquired organisation's 'acquisitive history', and 2) the extent to which an acquisition is necessary for the firm's long-term success and survival.

> *"Who knows what's next?" (German interviewee – German-US acquired firm #4)*

> *"How can you feel if you have just been acquired ... you go through a whole scale of feelings, ranging from positive to negative." (German interviewee – German-US acquired firm #4)*

A first factor in understanding the degree of uncertainty of acquired firm employees following the news of an acquisition is whether the organisation has experience of previous acquisitions or not, i.e. its *acquisitive experience*.[24] There was a noticeable difference between previously founder-owned companies acquired for the first time and companies that had already experienced acquisition(s) in the past, Table 5. For previously founder-owned firms, the staff's sense of stability and belonging are likely to suffer a major blow with the news of an acquisition. These have been termed Type I acquired firms in Table 5. Being acquired for the first time means an end to the familiarity and 'homeliness' of working for a founder-owned organisation. It is the end of an era and the start of an uncertain future. This was the case in the British and Finnish firms that were studied. The British firm's manager summarised this as "the end to the exciting ride with outrageous goals with the founder of the company". For the Finnish firm, in turn, the shock was not as great given that the acquisition did not come as a surprise, and was expected to bring an increase in the firm's international reach.

For companies and subsidiaries that have undergone one or more acquisitions, the shock is less than when they were acquired for the first time. These have been termed Type II acquired firms in Table 5. This was the case in the studied Danish and German R&D unit acquisitions, as well as the French unit's acquisition. The employees and managers are used to being

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[24] Prior research has not dwelled into the notion of *prior acquisitive experience*. Indeed, employee reactions to M&A have been treated in a void, as though companies were acquired for the first time. Whilst this might have been the case prior to and during the 1980s, the period during which a lot of work on the human side of M&A was made, the ongoing M&A waves have considerably changed the organisational landscapes since then. Also studies on the human side of M&A published during the 1990s have studied M&A made in the 1970s and 1980s (e.g. Lohrum 1996, Risberg 1999).

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acquired, and know what to expect. Having possibly worked with parent firms from different countries, the acquired firm's managers have experience of working in a multicultural environment. Employees can relate to what it was like to work for the different owners, and how each ownership era was different from the previous one. In these acquisitions, there was a sense of 'routine' to being acquired. Nevertheless, this should not lure one into thinking that these organisations were exempt from the fear, unease, and uncertainty preceding the news of being acquired. Naturally, all were nervous, but *less so* than the employees of organisations with no prior acquisitive experience.

Table 5. Impact of the acquired firm's prior acquisitive experience on its reactions to being acquired.

Type of acquired organisation	Reactions to the news of an acquisition
Type I: First acquisition experience for a small to medium-sized founder–owned company	❑ Pain of letting go of the founder-owner's era and the company's cultural roots, ❑ This is the most difficult case of all, likened to 'a child taken away from its mother'.
Type II: Company with experience from being acquired	❑ Knows what to expect when being acquired, i.e. knows different types of owner companies, management knows how to soothe fears of employees, ❑ Have adopted a sense of 'adaptation' to new owners, ❑ Loss of the current owner is not grieved as much given that affective ties to new owners rarely become as strong as the tie to the founding owner.
Type III: First acquisition experience for a company used to being the buying firm	❑ The core site is used to being the buying firm, i.e. the one dictating policies in the post-acquisition era, ❑ When being itself acquired, the core company/site faces the pain of letting go of its roots, i.e. it reacts as a Type I acquired firm, ❑ The units within the company that have been bought by this owner face less pain and adapt more easily to the new situation, i.e. they react as Type II acquired firms.

The same logic was found to apply to larger organisations that consist of core operations, as well as units, which may have been acquired previously. These refer to Type III acquired firms in Table 5. When such a large organisation is itself acquired, reactions tend to differ from one site to another, depending on each site's acquisitive experience. Those with prior acquisitive experience have the maturity to understand what happens. They react as Type II acquired firms. However, if the core site of the company is being acquired for the first time, the response is likely to be more traumatic, and similar to the experience of a Type I firm.[25] Thus, in the acquisition of a larger company with a history of itself being the buying firm, the pre-deal period is not likely to be marked by a uniform set of feelings toward the acquisition. Instead, the reactions toward the deal in the organisation need to be analysed according to the ownership histories of its subsidiaries. One needs to move away from considering acquired organisations as uniform entities with a single response toward an acquisition. Depending on

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[25] The notion of a company's acquisitive experience relates to its organisational culture. Any organisation's founding or core site has historically been at the forefront of the company's development both strategically and culturally. Through the waves of acquisitions that the company has undertaken, the site's importance has increased. Any ownership change taking a site away from its original founding roots destroys the site's links to its roots. Subsequent owners rarely get the opportunity of installing as strong a sense of belonging as the original founding owner did.

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the acquired organisation's acquisitive history, the pre-deal era is marked by a plethora of reactions across the company.

Table 6. Impact of the necessity of the acquisition on the acquired firm's reactions to being acquired.

Studied acquisition	Pre-acquisition era	Staff's perception of the necessity of an acquisition for the acquired firm	Impact on pre-deal levels of uncertainty and motivation
1) Type I acquisitive experience			
German acquisition	Difficult times	*Necessary:* The acquisition is expected, as it is an opportunity for renewal.	❑ The sale is imminent as the founder-owner has informed of his retirement, ❑ The old founder-owner has difficulty keeping up with the pace of modern business life, and the company suffers from this, ❑ The firm needs a new owner to modernise and internationalise it, ➜ The acquisition is imminent and needed. There is an eagerness to change.
Finnish acquisition	Successful company	*Necessary:* The acquisition is needed to ensure international expansion.	❑ The young and dynamic company had met with great domestic success, but could not go international without the help of a larger firm, ➜ The acquisition is seen as an opportunity.
British R&D unit acquisition	Successful company	*Unnecessary:* The acquired firm is doing well, the acquisition is unexpected.	❑ The young and dynamic company had met with success, ➜ The acquisition comes as a shock and a deception.
2) Type II acquisitive experience			
Danish R&D unit acquisition	Difficult times	*Necessary:* The acquisition is needed for survival and is expected.	❑ The previous owner was no longer interested in the business the unit was in, ❑ The unit wanted to survive and believed in itself, ➜ The unit's management unites in order to avoid the flow of competent staff and to fight for the future existence of the unit under a new parent firm.
German R&D unit acquisition	Difficult times	*Necessary:* The acquisition is needed for survival and is expected.	❑ The previous owner was no longer interested in the business the unit was in, ❑ The unit wanted to survive and believed in itself, ➜ The unit's management unites in order to avoid the flow of competent staff and to fight for the future existence of the unit under a new parent firm.
French unit's acquisition	Difficult times	*Necessary:* The acquisition is needed for survival and is expected.	❑ The previous owner runs into financial difficulties unrelated to this unit, ❑ The unit wants to survive and believes in its ability and competence, ➜ The unit's management unites in order to keep up the spirits and to fight for the existence of the unit, there is a willingness for change.
3) Type III acquisitive experience			
French multi-site acquisition	Difficult times	*Necessary:* The acquisition is needed for survival and is expected.	❑ The sale is imminent as the founder-owner has informed of his retirement, ❑ His last years are coupled with negative results, ➜ The management team looks forward to a brighter future with the new owner. Employees know that an acquisition is imminent.
US multi-site acquisition	Sudden escalation in financial difficulties	*Unnecessary:* Staff (unrealistically) expect the firm to survive on its own given its history as a stand-alone firm.	❑ Historically a stand-alone industrial firm, ❑ Sudden news of bad business results and resulting acquisition is greeted with shock, ➜ Few employees want to join the ranks of their former competitor now about to buy the firm.

A second factor explaining differences in the reactions of the acquired organisations toward the news of being acquired was found to relate to the extent to which the employees

understand the necessity of an acquisition for the firm's long-term survival or success. Regardless of the company's financial situation, employees in companies that expect to be acquired – e.g. owing to a strategic business opportunity or a need that the company cannot meet with its current parent firm – generally accept this news well and might even be enthusiastic about it, Table 6. In such instances, an acquisition represents an opportunity for survival, renewal, growth, or international expansion.[26] On the contrary, employees that believe in their firm's ability to succeed on the global marketplace without a new parent's helping hand (often despite indications to the contrary), generally greet news of an acquisition with distress and a lack of enthusiasm. Examples of such instances are takeovers, owners of privately owned firms wanting to cash out, a company's financial downfall, or a parent firm divesting parts of its operations. The findings brought forward in this sub-chapter lead to the following definition:

Definition 1a: The extent to which employees and managers in an acquired firm's unit greet the *news of an acquisition* positively vs. negatively depends on the unit's prior acquisitive experience as well as the degree to which the acquisition is perceived to be necessary for the firm's long-term success and survival.

4.1.2 Reactions toward the buying firm

> *"You realise that the employee is looking for any reason to believe positive or negative things about the buyer. They are going for two extremes: extreme happiness or extreme fear. So they look for reasons why they should believe in one or the other." (German interviewee – German-US acquired firm #4)*

The acquired firm employees' reactions toward the news of an acquisition were coupled with reactions toward the buying firm.[27] In general, acquired firm employees first hear of being on sale, and only weeks or months later hear rumors of the identity of the buying firm. Hence, employee reactions toward the deal and toward the buyer can be conceptually separated. In firms consisting of units acquired over the years (i.e. Type III acquired firms), reactions toward the buying firm were found to differ across the firm's units depending on their respective historical paths. For this reason, the level of analysis in this chapter is that of an individual unit in the acquired firm.

To begin with, once the news of the buying firm is known, people begin to speculate about "who is the buyer", and "what is the buyer like". An immediate concern then relates to whether the buying firm is known to the acquired unit or not. A buying firm unknown to the acquired firm's units is likely to arouse suspicion and raise uncertainty levels. This is

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[26] This factor has not been considered by prior research. In their review of employee reactions across the different stages of the M&A process, Buono and Bowditch (1989) found that whilst changes in the acquired firm's environment are the cause of many M&A, they do not have repercussions on acquired companies' employee reactions. The present findings contradict this argument. The studied acquired companies' employees were generally aware of the environmental changes as well as of their repercussions on their firm's financial performance. This difference in findings can be related to the amount of changes that have shaped the corporate environment during the 1990s. Hence, companies studied in the early 21st century are likely to face greater performance expectations than those studied during the mid 1980s.

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illustrated in the quotes below from acquisitions in which the buying firm was unknown to the acquired firm.

> **Example of German-US acquisition.** *"Buying firm B was unknown to us, i.e. no one knew of it."* *(German interviewee –German-US firm #4)*
>
> *"But this new thing from Finland ... who are they, what do they want, what will they do to us? The acquisition was by a company that most people had no knowledge of. There was some apprehension as to who and what is buying firm B? So there was this uneasy feeling because this was a new entity. Many people were scrambling to investigate who the buying firm was and some were even wondering where exactly on the map is Helsinki." (American interviewee – German-US firm #4)*
>
> **Example of French multi-site acquisition.** *"At the time of the deal, people were wondering what was going to happen, what is the buying firm like, who are they?" (Interviewee – acquired French multi-site firm #5)*

If the buying firm is known, or once more information on the identity of an unknown buying firm is gathered, reactions in an acquired unit were found to depend on the *perceived attractiveness of the buying firm*, conceptualised in terms of: 1) the firms' pre-deal relationship, 2) whether the buying firm is an industrial firm or a financial investor, 3) the nationality of the buying firm, and 4) future prospects within the buying firm.

To start off with, employee reactions to the buying firm were found to depend on the firms' pre-deal relationship. In the case of a long-term positive relationship, e.g. marked by cooperation in an alliance, the prospect of an acquisition is likely to be welcomed in more positive spirits than in the case of companies sharing a competitive history. Interviewees in a French firm warmly recalled the news of being acquired by their previous American parent, with whom they had enjoyed a yearlong technological cooperative alliance.

> **Example of a French site's acquisition.** *"The news of being acquired by our previous American owner was a positive thing as we knew them, owing to a year-long licensing relationship. Thus, the deal was well received here." (Interviewee – acquired French unit #7)*

In contrast, in the US acquisition studied, a yearlong history of competition had powerful consequences. To begin with, all staff were nervous as to the way in which their much-hated competitor would treat them and their knowledge-repository in the post-acquisition era.

> **Example of US multi-site acquisition.** *"With the announcement that buying firm D will buy us, many people were nervous with regard to their future. The mentality was: 'we are done'; 'collect everything and go home'. In these times, you could see all kinds of behaviour." (Interviewee – acquired American multi-site firm #8)*
>
> *"There was worry about the future. The bottom line was that an alien takes away our learning from over 100 years, shuts everything down and shifts operations to Finland, transferring our knowledge to other locations. In reality the reverse has happened!" (Interviewee – acquired American multi-site firm #8)*
>
> *"We were all nervous with regard to 'what will the buying firm do?' Many had already left the company as they had had bad experiences with the buying firm in the past, so they did not want to work for them." (Interviewee – acquired American multi-site firm #8)*

Once the news of the acquisition by the Finnish competitor became reality, the staff at the acquired firm split into two. One part was ready to commit to the new owner, whereas the

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[27] Factors explaining the acquired organisation's reactions to the buying firm have not been the object of study by prior research on M&A. Hence the findings presented in this chapter provide a novel perspective to M&A research with regard to employee reactions to the buying firm.

other part consisted of long-term employees with years of experience, many of whom joined a start-up company developed from the remnants of the acquired company. Today, this new competitor has become a viable threat to the new parent's operations in the country. Together with other smaller start-up competitors, they have eaten up a lot of the profits that the Finnish buying firm expected to gain through the acquisition. In sum, by impacting the employees' levels of uncertainty and motivation to work for their former competitor, the firms' competitive pre-deal relationship can have powerful consequences for the post-deal regime.

> **Example of US multi-site acquisition.** *"Given the strong competitive nature of our firms' relationship, staff felt pride toward our past, thus some did not want to stay on with buying firm D." (Interviewee – acquired American multi-site firm #8)*
>
> *"Having a Finnish buyer was not an issue for those who stayed, but it was a problem for those who left early: they were die-hard, true firm #8ers. They founded their own companies." (Interviewee – acquired American multi-site firm #8)*

Second, employees in the acquired organisations are generally relieved and satisfied at being acquired by a company that is eager to develop their business. There was a sigh of relief in the acquired organisations once it was confirmed that their new owner would not be a financial investor, but an industrial firm from within their industry. Financial investors tended to be perceived as being solely interested in the financial success of the acquired firm, whereas industrial owners from one's own sector were perceived to take a longer-term interest in the development of the firm and the industry. The quotes below from the two French acquisitions studied further illustrate these points.

> **Example of French multi-site acquisition.** *"During some periods, we hit low levels of motivation. Management explained to us that had we belonged to an American pension fund, we would no longer exist as a factory, whereas an owner like buying firm C sees the future potential of our sites. We have kept our jobs and there has been no invasion by the Finns here." (Interviewee – acquired French multi-site firm #5)*
>
> *"Buying firm C has a history in our industry, so they know what they are doing, they know their profession. We are in same profession, with similar products and markets." (Interviewee – acquired French multi-site firm #5)*
>
> **Example of French site's acquisition.** *"We were interested in buying firm D, as it was an industrial group, not a financial one. It was a European company and a world leader in our industry." (Interviewee – acquired French unit #7)*
>
> *"It is always better to be bought by a company in your industry rather than a financial investor, who only sees the transaction as a financial operation. Having an industrial owner means that for them, the acquisition represents a strategic choice, an industrial choice, so they will invest in us." (Interviewee – acquired French unit #7)*

Third, employee reactions toward a buying firm were also found to depend on whether the buying firm was a domestic or a foreign player, and in a related manner, the acquired firm's degree of international exposure or foreign acquisitive experience. Firms or units with none or only domestic acquisitive experience shared a fear of a foreign owner and a comfort in being acquired by a domestic company. This represents less change, less potential for culture shock, and a more familiar choice compared to being acquired by a foreign company, as the following quotes reflect.

Example of French multi-site acquisition. *"Imagine that with our previous domestic merger, the level of anxiety was already high. This time, there was an emotional reaction in the shift from a French to a foreign owner. There was uncertainty toward the unknown, as this was our first cross-border acquisition: what will happen to us?" (Interviewee – acquired French multi-site firm #5)*

"When you become part of an international group, your horizons open up and widen. There are more uncertainties, more worries about the future." (Interviewee – acquired French multi-site firm #5)

Example of Finnish acquisition. *"Surely it has been easier that this has been a domestic than a cross-border acquisition – as regards culture and language issues. It's a big relief!" (Interviewee - Finnish acquired firm #7)*

Example of US multi-site acquisition. *"We all hoped for a local senior manager's bid for the company to win. He was well respected. He had worked his way up in this company from engineering, i.e. he had made a traditional career from the bottom all the way up. We all knew him, whereas we did not know the Finnish buying firm or their aims with regard to integration. We were scared of the unknown." (Interviewee – acquired American multi-site firm #8)*

However, firms or units that had previous extensive international exposure or experience of foreign owners were not as troubled by the news of a foreign buyer.

Example of Danish unit's acquisition. *"The unit was aware of its competencies, but was not proud. We had gone through lots of learning with our previous European owner, and we had learnt to deal with multiculturalism." (Interviewee - Danish acquired unit #1)*

Example of German unit's acquisition. *"Our unit's management was experienced in working in an international environment. It had been owned by different parent firms for several years prior to the Finnish acquisition. Thus, the unit's management was open to new challenges and to change. It had multicultural openness." (Interviewee - German acquired unit #2)*

Example of German-US acquisition. *"Had we been a traditional American company, without previous European influence, then it would have been a greater shock and a more difficult transition. Here, owing to our company's European roots, half the people already had a mindset that whether you're French, or Irish, or Swedish, it's ok. We've always had European visitors, e.g. from Germany or Switzerland, and now for the first time from Finland. So it was not an anomaly to see a foreign, non-American visitor, it was not new for us." (American interviewee – German-US acquired firm #4)*

Employee reactions to the buying firm were found to depend more specifically on the nationality of the buying firm. For one, this dictated the degree of perceived cultural proximity between the acquired and buying firms' home countries.[28] Thus, for example the studied European firms were relieved at the news of being acquired by a European company. This preference stemmed from the interviewees' feeling of greater cultural proximity with other European countries than with e.g. the US or Japan. They felt a shared value base with fellow European acquirers and rested their judgement more on this than on their country's actual cultural distance from the buying firm's country of origin (as in the case of France and Finland; two culturally distant European countries).

Example of Danish unit's acquisition. *"The whole unit was interested in being part of a new company. They respected the Finnish buyer, but they were afraid of a possible Japanese or American acquirer." (Finnish interviewee – Buying firm A)*

Example of German-US acquisition. *"Ironically, everyone was happy, with a little bit of fear of course, that a European company bought us, but now everyone is very scared of being sold to an American company. That is an irony. We are more afraid of the American than we were of the European." (American interviewee – German-US acquired firm #4)*

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[28] Recently, Cartwright and Price (2003) showed that the national culture of acquired firm members influences the country origin of the firms they prefer to be acquired by. They found that a similar level of individualism (Hofstede 1980) between countries influenced this willingness. The findings presented herein both contradict and extend on Cartwright and Price (2003) given that interviewees placed primary focus on European values as well as the perceived performance orientation of owners, instead of the degree of individualism vs. collectivism per se.

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> **Example of French multi-site acquisition.** *"We were happy when we heard that the acquirer is a Finnish, not a US company. They are considered aggressive acquirers, whereas Finland is from the Nordic countries, which share a good reputation in terms of the social aspects of management..."* (Interviewee – acquired French multi-site firm #5)

Interviewees also perceived there to be differences in parent firms' managerial and integration approaches, traceable to cultural differences. Thus, as e.g. European owners were perceived to be less profit-oriented than American ones, an acquisition by a European company was considered a promise of a less performance-driven future, and hence European owners tended to be preferred over American ones by the acquired firms studied.

> **Example of German-US acquisition.** *"After our experiences with the due diligence interviews with an American company, our managers noticed differences between European and American companies. These were seen in terms of a different way of working that did not seem to fit in European companies. Thus, staff were happy that it was a European company that finally acquired us."* (German interviewee – German-US acquired firm #4)
>
> **Example of French multi-site acquisition.** *"We were happy when we heard that the acquirer is a Finnish, not a US company ... (...) with the Finns, we share a European culture."* (Interviewee – acquired French multi-site firm #5)
>
> **Example of French site's acquisition.** *"Through this acquisition, we would again find a European mentality, a European way of thinking. The Finns and the French are very close to one another in their ways of thinking as compared to the Americans, e.g. in terms of the way of managing and treating the European market. The Americans have a mindset of their own, it is a world apart from ours."* (Interviewee – acquired French unit #7)

Employees' reactions toward buyer options further depended on the perceived future opportunities in the post-deal era under the new parent's ownership, Table 7.

Table 7. The impact of perceived positive future prospects under the ownership of the buying firm on levels of uncertainty and motivation in the acquired firm.

Positive future prospects with the new owner

1) Acquisition means internationalisation

Example of Finnish acquisition. *"As a small firm, we had limited resources, we were only operating in Finland .. After the deal, we could get positive injections into our company's operations, and yet we could control what was taking place. We got involved in international business .. this was a boost to our morale."* (Interviewee – Finnish acquired firm #6)

"Staff realised that as a privately-owned firm we are more vulnerable than as part of a large firm. Also, internationalisation would bring new opportunities and thus strengthen us." (Interviewee – Finnish acquired firm #6)

2) Belonging to a key player in the industry

Example of Danish unit's acquisition. *"Everyone wanted to work for a company that makes such high-quality products. The engineers' respect is earned through concrete results."* (Interviewee - Danish acquired unit #1)

Example of German unit's acquisition. *"We were curious about the secrets behind a successful company."* (Interviewee - German acquired unit #2)

Example of French multi-site acquisition. *"Management was happy with the acquisition, as the ambition of buying firm C of becoming a leader in this industry was an attractive one, in which we wanted to participate. It is better to be in the winning ship than in the sinking ship. Thus, we began to work on business plans together."* (Interviewee – acquired French multi-site firm #5)

3) The acquisition to be followed by a wave of investments into the unit

Example of French site's acquisition. *"Now we are part of a European company that has means to invest in us, and they are interested in us!"* (Interviewee – acquired French unit #7)

Coupled with the news of being acquired comes the generic fear of "will we keep our jobs?" and "will our products and business line continue?". However, as soon as it becomes clear

that the new owner's era will bring positive news, the new owner will be better received in the acquired organisation. If the buying firm is seen in a positive light, e.g. owing to promising future business prospects or its image, employees are likely to be more eager to join the company. On the other hand, the prospect of negative consequences is followed by negative feelings and rising levels of uncertainty. Examples of positive prospects include the opportunity for internationalisation, investments, and belonging to a top player in one's industry, Table 7. In contrast, the prospect of working for a parent firm that is likely to downplay and reduce the acquired firm's operations in the post-deal years is understandably a less welcome one.

Definition 1b: *A buying firm's perceived attractiveness* in the eyes of acquired firm employees and managers depends on the firms' pre-deal relationship, whether the buying firm is an industrial firm vs. a financial investor, the nationality of the buying firm, and the extent of positive vs. negative future prospects under the new parent firm.

4.1.3 Buying firm representatives' behaviours and action

In addition to the acquired organisation reacting to the buying firm and to being acquired, the buying firm's behaviour and actions during the evaluation phase were also found to influence the pre-deal levels of motivation and uncertainty in the acquired organisation.[29] During the pre-deal phase, the buying firm's representatives involved in the evaluation visit the acquired organisation, possibly meeting its managers. These visits should not only be viewed as opportunities for the buying firm to evaluate the acquired organisation. Instead, they can be opportunities for mutual exploration to prepare the ground for the post-deal integration phase. Through their overt and covert behaviours, both parties send important signals to one another.

First, the pre-acquisition visits, if coupled with interviews with acquired firm managers, are opportunities for establishing a relationship of trust with the latter. A trusting positive pre-deal relationship ensures that the acquired firm managers are positively engaged toward the acquisition. In their managerial position, they can in turn relay this attitude to the employees, who only have rumors to rely on as to the firm's prospects in the post-acquisition era. In addition, at best a positive pre-deal relationship can enable some degree of pre-deal integration planning, so that integration can start in a more coordinated way. This happened in the studied Danish, German, French, and Finnish units' acquisitions.

> **Example of German-US acquisition**. *"My meetings with the buying firm were very friendly. The atmosphere was very open." (German interviewee – German-US acquired firm #4)*
>
> *"During the pre-deal phase interviews, the focus was on positive things. They wanted to hear what is happening, to learn about us. They tried to understand how we could continue together. They focused a*

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[29] The buying firm's pre-deal role is typically advanced as consisting in performing due diligence, despite the limited amount of information available prior to the deal (e.g. Jemison and Sitkin 1986, Angwin 2000). Marks (1991b) argues that management is generally focused on legal and financial aspects, omitting to pay attention to the target firm's employees' well-being. The role of the buying firm due diligence representatives in impacting the levels of uncertainty and motivation in the acquired firm, e.g. by causing rumors, has not been addressed (Napier 1989). This is the focus of the present chapter.

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lot on the people-side, not just on production (interviewee's area of managerial responsibility)." (German interviewee – German-US acquired firm #4)

Example of Finnish acquisition. *"After the first half hour, the personal chemistries between our negotiators matched. The founder and myself as a buying firm representative came from the same region. So we talked of much more than just business, it was in fact drinking coffee and relaxed talking. Then we got to listing the plusses and minuses of cooperating and gradually we saw that there were hardly any minuses! I remember that we had a good feeling very soon after our first meeting. We knew we would reach a deal, if only we could also get the mathematical models right. And we did. Our good relationship has been a decisive and supporting force during the acquisition process. At times we have yelled at one another on the phone. We are very different, I am a thinker and he is a man of action."* (Interviewee – buying firm D)

"Myself and the buying firm negotiator got along well, we were on the same wave length. So we started to negotiate very soon after having met. We shared similar views and saw the same opportunities. We got along really well. That's one factor that really helped the negotiation phase. Both sides saw the opportunities, if we could get the negotiations right. The option would be to become competitors, and neither side wanted that. So both sides began to look for opportunities to further develop the business and build a sound basis for it to grow." (Interviewee – Finnish acquired firm #6)

However, as a buying firm has the upper hand in an acquisition, the temptation to turn this into a show of superiority exists, especially if the two organisations have been competitors. At its worst, this may be reflected in the buying firm representatives' haughty and disrespectful pre-deal behaviour. The danger is that this translates into a difficulty in developing cooperative inter-firm ties. The quotes below illustrate the acquired Finnish firm's negative experience with a previous delegation from buying firm D with whom it had refused to agree on an acquisition owing to their disrespectful pre-deal behaviour.

Example of Finnish acquisition. *"The first time we met, the founder was a bit stiff. Some years earlier, he had received the visit of representatives from our firm, and they had been arrogant toward the smaller firm's owner. This often happens when representatives of a large firm go and negotiate with a smaller firm – the attitude is one of arrogance and superiority, 'you aren't worth much'."* (Finnish interviewee – Buying firm D)

"... the previous time we had discussed with the wrong people from buying firm C, they treated us like scum, as though we were not worth much." (Interviewee – Finnish acquired firm #6)

Second, the hallway meetings during the buying firm representatives' evaluation visits provide the opportunity for staff to form their opinion about the new buyer. As long as the buying firm's representatives are in the acquired organisation's building, they are representatives of their company and of the post-deal integration era. Each representative's behaviour should thus be placed in such a context. At this stage, the top and possibly middle management layers are aware of negotiations going on. Although negotiations tend to be kept secret, rumors concerning the potential buyer options spread around, and any piece of information that employees can get hold of is valued. Indeed, given the anxiety accompanying the news of one's organisation being 'on sale', the acquired firm's employees can be regarded as being on constant watch for clues as to their future. In this context, the buying firm's behaviour and attitude during their visits provides the acquired organisation's staff with the only signs they have about their future. Taking an example, in the studied Danish acquisition, the staff had guessed the nationality of the Finnish firm negotiating about buying out the unit from the Finnair tags on the negotiators' bags. To summarise, acquired firm employees are on

the lookout, as they want to know what will happen to them. They are curious about the buyer options and try to find out as much as possible about their identity.

Third, the buying firm might need to take action in the pre-deal phase to avoid the escalation of negative feelings toward itself as the potential parent firm, and to ensure a positive image of the acquisition in the eyes of future employees. In the example of the US multi-site acquisition, owing to the firms' competitive relationship, the pre-deal era was marked by negative feelings toward the buying firm. The local paper took sides and published extensively about the possible negative consequences of the deal, tending to largely exaggerate these given the reigning competitive context between the firms.

> **Example of US multi-site acquisition.** *"The rumour in the city said that 'the Finnish competitor has destroyed us using deceitful methods'. They also said that we are going to steal their valuable knowledge. The general mentality in the area was very negative toward us. This is understandable, as the city is small, and lives mainly on the acquired firm and related suppliers. Their image of Finland and our firm was a very negative one – 'coming to steal our knowledge, our know-how, so that they can develop it forward'." (Interviewee – buying firm D)*

> *"Our firms had experienced years of competition marked by dislike. The feeling in the acquired firm's city was that we were the reason for their bad results, they saw us as having competed unfairly against them." (Interviewee – acquired American multi-site firm #8)*

> *"The community's press was very negative, the message was 'they will spoil another American company'. The union was cooperating with the newspaper to spread negative news." (Interviewee – buying firm D)*

> *"The message of the local newspaper was 'the foreign competitor comes and takes our jobs'. They were not very positive toward us." (Interviewee – buying firm D)*

Some staff from the acquired organisation (those that had been with the company for a long time) managed to persuade local authorities to take the acquisition to national authorities for examination. During this time, these staff formed their own competitor firm, and other small start-ups or shops were also created. Additionally, existing competitors hired staff from the company. In the process, a wealth of intellectual property disappeared to the profit of the newly established competitors.

> **Example of US multi-site acquisition.** *"In the pre-deal era, there was uncertainty as to which buying firm was going to win. Lots of intellectual property (e.g. boxes of film cards, disks) was carried out, copied or disappeared. We would see the daily erosion of intellectual property." (Interviewee – acquired American multi-site firm #8)*

> *"As a lot of material was available electronically, and what you saw over the pre-deal months was a huge amount of intellectual property being taken out of the door and through electric lines and on CDs. As a result, a number of pirate competitors have been set up, but it is difficult to prove their wrongdoing." (Interviewee – buying firm D)*

As the authorities' decision dragged on, customers began turning to the newly formed suppliers. The negative feelings toward the Finnish buying firm were allowed to continue, as it did not (and was officially not allowed to) act against them. However, once the buying firm showed its intentions to stay in the region and employ staff, the wheel began to turn in its favour.

> **Example of US multi-site acquisition.** *"We could have done a better job of informing people from the start, but until the end we were not sure as to whether we would get the deal, and thus, are we allowed to*

> *campaign actively. With hindsight, we could have been more proactive toward the newspapers by informing them about our plans, promoting a positive image of our firm." (Interviewee – Buying firm #D)*

> *"Once the buying firm began hiring, this was the first indication that they intend to stay in the region. Still then there was a concern as to whether they will stay in the long run or whether they will just shut down the plant and take our knowledge. There was little trust in the buying firm owing to the historically competitive nature of our relationship." (Interviewee – acquired American multi-site firm #8)*

This is an example of the strength of acquired firm reactions toward the buying firm, attesting of the irrational side of acquisitions. Indeed, they do not follow a purely rational logic. Success depends on winning over the future employees by sensing the emerging issues, which are likely to bother them. The failure to take action to counter the negative reactions to the Finnish owner had long-term financial consequences and resulted in a loss of key talent. The new competitors have eaten up a lot of the expected market share, leading to a tough competitive situation and decreased market returns. Customers that shifted to the new local competitors have not all returned. Thus, instead of buying up a strong firm in the US market, the Finnish buyer has ended up becoming just one among many competitors on the market.

To conclude, it would seem to be in the interest of the buying firm to take a humble pre-deal approach, treating the acquired firm managers and employees with respect. This is a step toward easing uncertainties and increasing their willingness to work for the new parent firm, thus giving the integration period an easier start.

4.1.4 The mediating role of acquired firm managers

When studying an acquired firm's reactions to an imminent acquisition, one further needs to recognise differences *within a unit* in the types of reactions found toward the acquisition.[30, 31] Factors explaining differing reactions were traceable to the participants' hierarchical position and their subsequent level of information on the progress of the evaluation phase. Indeed, there seemed to be an increase in the unease toward a potential change of ownership and distrust toward the potential buyers the further down the organisational hierarchy one travelled.

In general, the managerial level tends to be most informed about the deal[32] and reacts most positively toward an acquisition. Those managers that meet the buying firm representatives

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[30] This finding echoes Lohrum (1996), who noted that employee reactions differ according to levels of hierarchy. She explained it as stemming from employees reacting at a group level to the news of being acquired, owing to their need to identify themselves with a social group. Also Risberg (1999, 2001) found that there are multiple interpretations of M&A news in an acquired company. She argued that membership to different opinion groups changes over time and that the formation of these groups is ambiguous and subject to change over time.

[31] The findings presented throughout this chapter might shed light to what Risberg (1999, 2001) terms 'ambiguous responses' to M&A across the acquired firm. Indeed, whilst there are many subgroups reacting differently to an acquisition in an acquired firm, this study seemed to point to there being factors explaining these differing reactions. Risberg's study only concerned two aquisitions and 40 interviews as compared to the eight acquisitions and 141 interviews in the present research.

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during the evaluation stage are granted the greatest opportunity for assessing their company's potential future outlook. In meeting potential buyers, they are able to evaluate each buying firm's strengths, weaknesses, and fit with their own organisation. Thus, they need not discuss their firm's future based on rumors, as they have access to more factual information based on which they can judge the buying firm. Moreover, they might become more engaged with the buying firm prior to the deal and begin planning the post-deal implementation phase.

> **Example of French multi-site acquisition.** *"Management is happy with the acquisition, as the ambition of the buying firm to become a leader in the industry is an attractive ambition, in which we want to participate. It is better to be in the winning ship rather than in the sinking ship." (Interviewee – acquired French multi-site firm #5)*

On the other end, employees with no managerial responsibility tend to be the most distrustful and uneasy as regards the acquisition, given that they typically only have rumours to rely on, as the quote below illustrates. Typical reactions include worry about change, not knowing who will be the owner and what types of changes will be induced, scepticism as to the trustworthiness of a new owner, and worries as to site closures. There seemed to be a tendency toward scepticism, especially if the previous owner's era had been marked with negative news and broken promises. Employee reactions need not be homogenous within a unit. Thus, e.g. in the German R&D unit's acquisition, staff were divided in two, with one half preferring a local buyer option, and the other half the Finnish buying firm.

> **Example of French multi-site acquisition.** *"Logically, we understood that we had not changed. This is reasonable, as we grow. But, for the factories this was a greater shock, and there were many different reactions." (Interviewee – acquired French multi-site firm #5)*

However, the acquired firm's managers can use the information to which they have access to ease their employees' concerns by ensuring regular and trustworthy communications.[33] In doing so, they take an active part in shaping the employees' perceptions of their future as part of the new buying firm. Acquired firm managers are thus in a critical lever role between the buying firm and their employees. It is hence in the buying firm's interest to ensure a good relationship with acquired firm managers so that a positive image of the parent firm is brought forward in the acquired firm. Indeed, in acquired firms with high levels of pre-deal motivation and rather low levels of uncertainty, one often finds the unit's or the firm's manager(s) supporting and driving such an atmosphere. Acquired firm managers' motivation to join the new parent firm lead to their active support of the parent firm in the eyes of employees, thereby reducing uncertainty levels in the firm. The following quotes illustrate this point.

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[32] This finding extends on Risberg (1999, p. 221), who notes that managers involved in the due diligence process had access to more information than the average employee. Thus, they react differently to the news of being acquired.

[33] The role of acquired firm managers in impacting the level of uncertainty and motivation in the acquired firm has not been taken up by prior M&A research.

Example of French multi-site acquisition. *"Local site management explained the situation to the trade unions and as trade unions we explained the same message forward to staff." (Interviewee – acquired French multi-site firm #5)*

"At the time of the deal, we were told by our local management: 'this is a positive thing'. Thus, the message to the staff has been a positive one, which has reassured us a little." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"Our staff trusted the knowledge of us as the local management team that has experience in the industry, i.e. when we would say that buying firm D is a good buyer and has a sound reputation in the industry, staff believed us." (Interviewee – acquired French unit #7)*

"For some reason, acquired firm staff had a positive image of us. I believe this stemmed in part from the site manager's positive image of our firm. He then brought this image onward through the organisation. If he would go over to staff and tell them that this is a good thing, they would believe him. In this sense he was good at managing the unit's spirits." (Interviewee – buying firm D)

4.1.5 Impact of pre-acquisition uncertainty and motivation levels on the post-deal era

The analysis of the studied acquisitions showed that appreciating and accounting for the pre-acquisition levels of uncertainty and motivation in an acquired firm is significant given that they were both found to have consequences for the progress and outcome of post-acquisition integration, Table 9.[34]

For one, motivated managers are more likely to provide pre-deal support for the parent firm in planning the post-deal regime. This tends to occur, if the buying and acquired firm managers involved in the pre-deal negotiations and evaluation are able to meet and in doing so, find that they get along well. This happened, amongst others, in the studied Danish R&D unit's and French unit's acquisitions. Thereafter, motivated acquired firm managers are more likely to get involved in and support post-deal integration actions, as compared to managers who are not convinced about the desirability of the acquisition. In this regard, most of the studied acquisitions were successful, as acquired firm managers did want to get involved in ensuring a successful integration phase. A counter-example is provided by the British unit's acquisition, where demotivated and resistant managers did not actively provide any support to the integration activities, which thereby progressed at a modest rate.

In contrast, in acquisitions in which pre-deal motivation is low and uncertainty levels are high, there is a greater likelihood of staff departures, coupled with (at worst) leaks of intellectual property, and the possible creation of competitive firms from the remnants of the acquired firm. Moreover, a lack of motivation can lead to different kinds of pre-deal action, including strikes, negative press, lobbying, and even competitive bids. Such actions can harm the buying firm's image in the local and national communities. Such behaviours and actions were noticeable in the US multi-site acquisition that was studied, Table 8.

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[34] The consequences of pre-deal levels of uncertainty and motivation on the ensuing integration phase have reeived little attention in prior M&A research.

Overall, the type of atmosphere reigning in the acquired firm prior to the acquisition was found to be an indicator of the expected ease of human integration in the immediate post-deal aftermath. Acquisitions that employees met with uncertainty and an unwillingness to join the parent firm were reflected in a difficult integration start, whereas instances wherein employees were positive about the acquisition translated into an easier integration start. This is illustrated in Table 12 (provided at the end of this chapter) that compares the studied acquisitions along the factors impacting the pre-deal levels of uncertainty and motivation presented throughout this chapter. This analysis shows, for example, how employee reactions in the British unit's and US multi-site acquisitions tended toward the negative, resulting in a challenging start for the post-deal era. In contrast, the Danish and German R&D unit acquisitions were easier given that employees were enthusiastic about the acquisition and about a future with the new parent firm.

Table 8. The impact of the acquired firm's pre-deal uncertainty and motivation levels on the post-deal era.

Impact of pre-deal uncertainty and motivation levels on the post-deal era	Example of acquisition
The degree of joint pre-deal planning provides an easier integration start	Danish R&D unit acquisition German-US acquisition French multi-site acquisition Finnish acquisition French unit's acquisition US multi-site acquisition
The level of acquired firm managers' pre-deal motivation toward the deal is an indicator of their degree of involvement to support the progress of post-acquisition integration efforts	Danish R&D unit acquisition German R&D unit acquisition German-US acquisition French multi-site acquisition French unit's acquisition Counter-example of British R&D unit's acquisition
The amount of lost staff / talent The amount of lost intellectual property The amount of new competitors on the market	US multi-site acquisition
The amount of acquired firm pre-acquisition action, e.g. strikes, negative press, lobbying, competitive bids, .. The image of the buying firm in the local and national communities	US multi-site acquisition
The level of uncertainty and motivation at the start of the integration and the ensuing difficulty of winning over acquired firm employees	All studied acquisitions

To conclude, the focus of this chapter has been on understanding factors that impact the motivation and uncertainty levels in the acquired firm prior to an acquisition. Given their differing historical paths, the pre-deal levels of motivation and uncertainty were found to differ across an acquired firm's units depending on how each unit reacted to 1) the acquisition per se, and 2) the identity of the buying firm. The buying firm's behaviours and action during the pre-deal phase further impacted the levels of motivation and uncertainty across the acquired firm's units. The findings also showed that within a unit, pre-acquisition motivation is lower and uncertainty levels are likely to be higher the further down the hierarchy one travels, and that the acquired firm managers can, through their communications, impact the prevailing motivation and uncertainty levels. Based on this analysis, the following findings are brought forward:

Finding 1a: Acquired firm employees will be more *motivated* to work for the buying firm, if they perceive the acquisition to be necessary for the firm's long-term success, and if they perceive the buying firm to be attractive. Motivation levels further depend on the acquired firm managers' pre-acquisition communications, buying firm representatives' respectful pre-deal behaviour, and the buying firm's pre-deal communications to propagate a positive image of itself in the community.

Finding 1b: Acquired firm employees will be less *uncertain* about the acquisition, if they have prior acquisitive (and cross-border acquisitive) experience, if they perceive the acquisition to be necessary for the firm's long-term success, if the buying firm is known to them, and if they perceive the buying firm to be attractive. Uncertainty levels can further be lowered by acquired firm managers' pre-acquisition communications, buying firm representatives' respectful pre-deal behaviour, and the buying firm's pre-deal communications to propagate a positive image of itself.

Finding 1c: The pre-acquisition levels of uncertainty and motivation in the acquired firm impact the progress and outcome of the post-acquisition integration phase.

4.2 Quality of pre-deal evaluation

The aim of this chapter is to unearth the challenges involved in the pre-acquisition evaluation of an acquired firm. To this end, first a definition of organisational fit is developed. Thereafter, the challenge of assessing an acquired firm's organisational culture is discussed. The chapter ends with an analysis of the causes and consequences of omissions in the pre-acquisition evaluation phase.

4.2.1 An enhanced definition of organisational fit

Structural and cultural dimensions of organisational fit at national, corporate, unit, and departmental levels of analysis

The analysis of the studied acquisitions pointed to the need to define organisational fit in cross-border acquisitions by combining cultural and structural differences between the buying and the acquired firms at the departmental, unit, corporate, and national levels of analysis.[35, 36, 37, 38] In Table 9, the dimensions of organisational fit identified in this study are presented.[39]

At the national level of analysis, cultural dimensions of inter-firm differences can be traced to the preferred management and communication styles and managerial logics. Based on the

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[35] Organisational and strategic fit have been raised in prior research as factors enhancing M&A performance (Cartwright and Cooper 1993, David and Singh 1994): the more similar the buying and acquired firms are, the easier the integration phase is likely to be (Greenwood et al. 1994). The analysis of organisational fit should be made in parallel to the traditional financial evaluation that guides the evaluation process (Datta 1991). Forstmann (1998) adds that firms should not only attempt to measure the differences but also evaluate whether they have the capability of dealing with them. Based on extensive study material, Marks (1999) claims that this is a forgotten part in the due diligence phase at the expense of e.g. financial and legal auditing.

[36] Early on, strategic fit was regarded as the only dimension of 'fit' in research on M&A (e.g. Chatterjee 1986, Lubatkin 1987, Shelton 1988, Singh and Montgomery 1988). As compared to extant research that has largely equated organisational fit with cultural fit and studied it mainly at the corporate level of analysis, the findings from this study call for the need for an enhanced definition of organisational fit.

[37] Taking up multiple levels of analysis in the study of organisational fit is an extension to extant research in M&A. To date, most of research on M&A has focused on one culture and one level of analysis only, i.e. the national or organisational level of analysis (Vaara 1999b, Teerikangas and Véry 2003).

[38] In M&A research, the link between structure and culture has not received much attention. Their parallel coexistence has been mentioned (Shristava 1986, Håkansson 1995), and their interrelatedness has been referred to (David and Singh 1994, Deiser 1994, Greenwood et al. 1994).

[39] The analysis in this section resonates with the findings to be presented in subsequent chapters of this dissertation, as regards 1) national cultures in Chapter 5.2, and 2) the progress of structural change in Chapter 5.3.

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analysis of the studied acquisitions (see Chapter 5.2 for a full analysis), differences in communication styles were found to relate to the degree of directness, the use of silence vs. small talk, the use of facts vs. contradiction, and the level of formality in communications. Differences in communication styles help to assess the likely areas of misunderstandings between the parties. Differences in management styles were found in regard to the degree of hierarchy, the attitude to failure and risk, the decision-making and acceptance-styles in use, the way of developing a relationship of trust, and the importance of rules to organisational behaviour. Differences in managerial logics related to a social vs. financial logic and an engineering vs. commercial logic.

In assessing the degree of inter-firm organisational fit, considering the national level of analysis was found to be of importance, given that national cultures were found to impact the way employees in a firm behave, the way a firm is managed, and even the way it is structured (see Chapter 5.2). Especially the home country of the acquired firm's core site and/or that of the acquired firm's previous parent firm seemed to have an impact upon the acquired firm's cultural and structural choices. The extent of inter-firm differences at the national level of analysis indicates the likely difficulty of implementing post-acquisition changes in the acquired firm. For this reason, it is in the buying firm's interest to analyse the extent of inter-firm differences at the level of national cultures.

What needs to be born in mind is that not all of these dimensions of differences in national cultures will be significant in each cross-border context: some will be more important than others, depending on the country-dyad in question. What is more, firms within a country were found to differ in their allegiance to the prevailing national culture depending on the region in which they were located (see Chapter 5.2). This means that not all French, German, or US firms share the characteristics of their respective national cultures to the same degree, as this is mediated by the culture of the region in which they are located. Consequently, the analysis of inter-cultural fit between the buying and target firms cannot be based on national averages, but needs to consider the regional contexts of both firms. This explains why generic country-level cultural indices tend to provide an erroneous representation of inter-firm cultural fit.[40]

In parallel, the degree of inter-firm structural differences at the national level of analysis needs to be assessed, e.g. as regards differences between the involved countries' legal, political, and institutional environments. This analysis sheds light to the country context that the buying firm will need to adapt to after the acquisition.

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[40] Typically, research in M&A has considered national averages instead of accounting for the presence of regional cultures within the national borders of a country. In this context, the present findings extend on the prevailing understanding of the presence and impact of national cultures in M&A.

Table 9. Cultural and structural dimensions of organisational fit.[41]

Level of analysis	Cultural dimensions	Structural dimensions
National level of analysis	National culture: • Communication style • Management style: hierarchical vs. participative • Attitude to failure and risk • Decision-making and acceptance style • Way of gaining mutual trust • Relationship to rules • Preferred managerial logic: social vs. financial • Preferred managerial orientation: engineering vs. commercial Presence and impact of regional cultures	Legal and institutional environment: • Firm's country of origin • Legislative environment • Political environment • Institutional environment
Corporate level of analysis	Corporate-wide organisational culture: • Age of company • Strength of corporate-wide culture • Official vs. practiced values of corporate culture • Management style: 1) Degree of transparency and managerial openness, 2) Degree of sought professionalism in management functions, 3) Focus on employees vs. shareholders	Corporate structure: • Governance: private vs. shareholder ownership • Firm size • Degree of corporate integration vs. decentralisation • Degree of international reach • Organisation structure: 1) Matrix vs. functional structure, 2) A process vs. departmental silo vs. ad hoc work orientation, 3) Significance of formal vs. informal organisation structures.
Unit level of analysis	Unit's organisational culture: • Subsidiary's history, including ownership history • Subsidiary's organisational culture: practiced management style and values • Extent of allegiance to corporate-wide organisational culture • Identification to the subsidiary vs. corporate level • Professional culture(s) in the subsidiary unit (e.g. production or R&D?) • History and quality of inter-unit relations	Unit structure: • Unit's business sector/industry • Stemming from parent firm's multinational orientation: 1) Degree of independence vs. integration into the corporate structure, 2) Degree of local decision-making authority, 3) Focus on local vs. global markets • Unit's organisation structure
Departmental level of analysis: R&D	Departmental culture: • Degree of cooperation within the department, with other departments and units • Product image: technical vs. customer focused	Departmental structure: • Flow of work: project vs. process orientation • IT systems in use
Departmental level of analysis: Production	Production culture: • Degree of production planning • Attitude to quality • Staff: uni- vs. multi-skilled • Degree of cooperation within the department and with other departments • Openness to discussing problems • Approach to stock management	Production structure: • Size and scope of production • Degree of manual vs. automated production • Doing all in-house vs. use of outsourcing • Flow of work: project vs. process orientation

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[41] This view of organisational fit excludes the dimension of human resource management (HRM). This stemmed from the fact that these concerns did not come up in the interviews, as only one HR representative was interviewed in this research. For an overview of how HRM practices need to be considered when analysing the degree of organisational fit between the target and buying firms, please refer to Schuler et al. (2004).

Table 9 continued. Cultural and structural dimensions of organisational fit.

Departmental level of analysis: Sales and marketing (domestic and international)	Sales and marketing culture: • Degree of customer orientation • Product focus: technical vs. design • Understanding needs of foreign markets • Importance of marketing: high vs. low • Importance of sales support functions: high vs. low • Attitude to quality • Openness to discussing problems • Degree of formalism	Sales and marketing structure: • Sales focus: domestic vs. international • Branding: 1 vs. many brands • What functions exist: sales, marketing, technical sales support, ..
Departmental level of analysis: Financial reporting	Financial reporting culture: • Degree of performance orientation • Areas of focus in financial reporting • Degree of transparency of financial results and reporting • Staff understanding of monetary value • Attitude to money: saving vs. spending	Financial reporting structure: • Use of IT systems • Ownership and control of financial reporting

Second, the extent of corporate-level differences between the firms needs to be assessed. A key issue relates to whether the acquired firm has operated in an integrated vs. independent manner under its previous parent's ownership. This generally stems from the corporate structure of the previous parent firm, which has impacted the cultural and structural make-up of the acquired firm. Acquired firms used to operating in an integrated parent firm structure are likely to have begun adhering to a corporate-wide organisational culture, ways of working, and organisation structure, whereas those used to working independently are likely to have kept subsidiary-level, independent organisation structures and cultures. Other areas of corporate structure that are reflected throughout the acquired firm's structural and cultural choices relate to the previous parent firm's size, governance structure, international reach, and its choices with regard to organisation structures, i.e. a matrix vs. functional structure, the degree of process orientation, and the significance of formal vs. informal organisation structures. Indeed, such parent firm choices reflect those that an acquired firm/unit has grown used to when working under the previous parent firm's ownership. In parallel, what needs to be born in mind is that some of these choices are likely to relate to the parent firm's national culture.

The buying firm can assess the acquired firm's corporate-level organisational culture to find out its significance vis-à-vis organisational cultures at the level of the acquired firm's units. Questions to think about relate to the age of the company, the degree to which a corporate-wide organisational culture has been sought and developed, the difference between the preached official vs. the practised values in the organisation, the prevailing management style as concerns the degree of transparency and openness, the sought degree of managerial professionalism, and a focus on employees vs. shareholders. In parallel, what needs to be born in mind is that some of these choices are likely to reflect the acquired firm's or its previous parent firm's national culture. By making an analysis of the degree of organisational fit

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between the buying and acquired firms at the corporate level of analysis, the buying firm gains a bird's eye perspective to the major differences and similarities between the two firms.

Third, inter-firm differences further exist at the unit and departmental levels of analysis. These are generally the levels that those involved in the integration of a newly acquired firm will find most useful. Ultimately the practical challenges in making an integration succeed depends on the extent to which differences at these levels of analysis have been appreciated. The impact of national and corporate level structures and cultures on the unit and departmental cultures and structures needs to be considered in parallel.

In terms of structure, at the unit level, differences were traceable to the business area, the unit's degree of independence vs. integration into the parent firm, its degree of local decision-making authority, its focus on domestic vs. global markets, and its local organisation structure. In turn, an analysis of a unit's culture needs to account for its history, including its acquisitive history, the management style in use, the extent of allegiance to the former parent firm's corporate-wide organisational culture, the degree of identification with the corporate vs. the unit level, and the strength of particular professional cultures in the unit. At the departmental level of analysis, the buying and acquired firms can further differ through the kinds of structural and cultural choices made, Table 9. In sum, the findings point to the need to analyse organisational fit in terms of cultural and structural dimensions of inter-firm differences at national, corporate, unit, and departmental levels of analysis:[42]

Definition 2: The *degree of organisational fit* between the buying and acquired firms can be defined in terms of the extent of inter-firm cultural and structural differences at national, corporate, unit, and departmental levels of analysis.

This finding points to the complexity of multi-site acquisitions, where not only one, but several analyses of organisational fit need to be made, depending on the number of subsidiaries being acquired. Moreover, even in one-site acquisitions, given the existence of departmental level differences, it might be necessary to take the analysis of organisational fit to the level of departments. In other words, there is not *one* analysis of organisational fit between firms participating in an acquisition, but several.[43] This attests to the complexity of acquisitions in that they should not be considered 'unitary' but as consisting of 'multiple' units and departments, each of which differs in its own way from the buying firm.

The importance of successfully assessing the degree of organisational fit depends on the extent to which the buying firm expects to integrate the acquired firm into its operations. If no

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[42] Based on the analysis, it seems unnecessary to develop a generic set of dimensions of organisational fit that goes to a greater level of detail than Table 9. Indeed, the dimensions of inter-firm differences in Table 9 can be used as a guide to explore more specific areas of similarities and differences between a firm dyad participating in M&A.

[43] Prior M&A research has treated organisational fit at the corporate level only, as though one analysis of organisational fit per acquired firm would suffice. Such a view disregards the need to account for inter-firm differences also at the national, unit, or departments levels of analysis. This is the present contribution.

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integration is sought, an analysis of organisational fit provides an improved understanding of the acquired firm's operations, ways of working, and value base. If integration is sought, such an analysis is critical to being able to address and appreciate the most flagrant inter-firm differences in the integration phase and avoid turning them into areas of integration challenge.[44] If inter-firm differences are numerous, the buying firm can decide to pull out of the deal for fear of too challenging an integration phase. Despite the lack of organisational fit in many of the studied acquisitions, Table 12, this choice was not opted for by the buying firms studied. This explains why the buying firms studied need to exert particular skill in the management of post-acquisition integration and change, as Chapter 5.3 will highlight.

The pre-deal analysis of organisational culture: the impact of acquisitive experience on the organisational culture of the acquired firm

In the following, pointers for the pre-deal assessment of an acquired firm's organisational culture[45] are provided. It needs to be recognised that especially in the case of multi-site acquisitions, the acquired firm rarely portrays 'one shared corporate-wide organisational culture', but that it typically withholds various unit-level organisational cultures united to a greater or lesser degree within a corporate-wide organisation culture.[46] This makes the pre-deal assessment of organisational culture fit challenging.

The examples of the acquisitions studied showed that there was a marked difference between firms that had formerly been privately owned by their initial founder and that had no acquisitive experience, and ones that had either undergone or undertaken a wave of acquisitions. In the case of the former, the organisational culture of the company was to a large extent determined by the personality of the founder-owner,[47] as the following quotes exemplify.

> **Example of British unit's acquisition.** *"The company had been a one-man company, under the control of one man who set outrageous targets; challenged you all the time. It was a very entrepreneurial culture with immediate decision-making; you had to get along with it; it was dynamic, fast-moving ..."* (Interviewee – British acquired unit #3)

> **Example of German-US acquisition.** *"There was no management in Mr. W's time. He was the God, he decided everything."* (German interviewee – German-US acquired firm #4)

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[44] This issue will be looked at in greater detail in Chapter 5.3 of this report.

[45] The notion of organisational culture was introduced as early as the 1960s (for excellent historical reviews on organisational culture, please refer to Smircich 1983, Alvesson and Berg 1992, Czarniewska-Joerges 1992, Hatch 1993, Trice and Beyer 1993, Sackmann 1997, Parker 2000, Alvesson 2002), but it was not until the 1980s that the topic became of increasing research and managerial interest with the publication of the works of Ouchi (1981) and Peters and Waterman (1982).

[46] This is illustrated in the example of the acquired multi-site French organisation, a company that had consisted in the merger of two French companies some years earlier. The Finnish buying firm buying did not recognise that there were two major organisational cultures and coalitions within the French firm, and how within each coalition there were organisational cultures and affiliations traceable to the level of individual subsidiaries or factories depending on their historical paths in the organisation.

[47] The idea was originally advocated in Schein's seminal work on organisational cultures (Schein 1985, 1999) and has since been taken up by other researchers (e.g. Alvesson and Berg 1992, Trice and Beyer 1993, Alvesson 2002).

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> *"He was a typical founder. He had knowledge of R&D, but no business interest, nor knowledge. He was an R&D expert, but he had no expertise in running a modern fast-growing company."* (German interviewee – German-US acquired firm #4)

> **Example of Finnish acquisition.** *"The rule was of 'one man and one voice' and the voice was the founder-owner's. There was one leader setting the direction, and that was the leadership style'."* (Interviewee – buying firm D)

In contrast, in the case of acquired firms that had previously undergone or undertaken one or more acquisitions, in addition to the initial founder's impact, the organisational culture of its units was further determined by the types of ownership eras each unit had experienced, i.e. their acquisitive history.[48] Thus, looking at subsidiary level organisational cultures of a multi-site organisation, each unit's organisational culture was found to be a mixture of the types of parent firms it has had, with the strongest influence most likely to stem from its founding parent. In other words, each unit's organisational culture reflects values it has developed under the ownership of its founding parent. Whilst the subsequent ownership eras change a unit's organisational culture, the unit is likely to remain closer to its original organisational culture than to the corporate-wide organisational culture of its subsequent parents. This is illustrated in Table 10 that provides an imaginary example of the organisational culture of a unit that has undergone several ownership changes.

Table 10. Illustration of how a unit's ownership eras impact the development of its organisational culture.

Ownership era	Changes to the culture of the fictive unit
Founder's ownership era	Family-type management: founders are present at the site, jobs stay in the family and village, the owning family subsidises local schools and facilities, management focuses on social well-being vs. profits only.
1st change of ownership: 1st domestic acquisition	From a local to a national company through acquisitions, from a socio-industrial managerial focus to a financial focus.
2nd change of ownership: 1st domestic merger	A strong paternalistic leader, a takeover, the buying company's management takes the lead, centralisation of operations.
3rd change of ownership: 1st cross-border acquisition	Increased distance to top management (abroad), increased professionalism, focus on financial management, a more open and transparent management style.

Against this background, when trying to understand an acquired firm's corporate-level organisational culture, it is understandable that whatever the type of corporate-wide organisation culture sought, one is unlikely to find similar traditions, similar memories, and managerial preferences across the company's subsidiaries. Thus, a distinction needs to be made between the corporate-level desired organisational culture and the local organisational

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[48] The recent trend in research on organisational culture has been to regard organisations as consisting of multiple cultures instead of a unitary culture (Lawrence and Lorsch 1969, Tannenbaum 1973, Gregory 1983, Martin and Siehl 1983, Smircich 1983, Kilman et al. 1986, Cooke and Rousseau 1988, Trice 1993, Trice and Beyer 1993, Anthony 1994, Bate 1994, Brown 1995, Raelin 1996, Hatch 1997, Sackmann 1997, Parker 2000, Alvesson 2002). However, current research on organisational culture does not identify cultural complexity from the perspective of *ownership eras and the acquisitive history of companies*. Thus, current research on organisational culture does not account for the role of M&A on the development of organisational culture. This is the contribution made by the present findings.

cultures at work at the subsidiary levels. Given the wave of M&A over the past decades, most of today's middle-to-large sized corporations consist of subsidiaries and businesses that have themselves been acquired and sold several times. As each ownership era leaves its mark on a subsidiary, one needs to travel back in time across each unit's history and ownership eras, ultimately going back to its origins, to understand its organisational culture. This type of cultural development over subsequent ownership eras was a characteristic of all of the studied organisations that had undergone acquisitions prior to that which was studied. Thus, behind the external image of 'one company', the cultural reality of today's large organisations portrays a myriad of local cultures that are traceable back to the subsidiary level of analysis. As Figure 3 illustrates, if the acquired firm is represented as 'an iceberg', from the top of the iceberd, only the company's different businesses can be seen and the company might appear to have a homogeneous corporate-wide organisational culture. At heart though, understanding the company's organisational culture requires understanding the myriad of local subsidiary-level organisational cultures present and at work in the company.
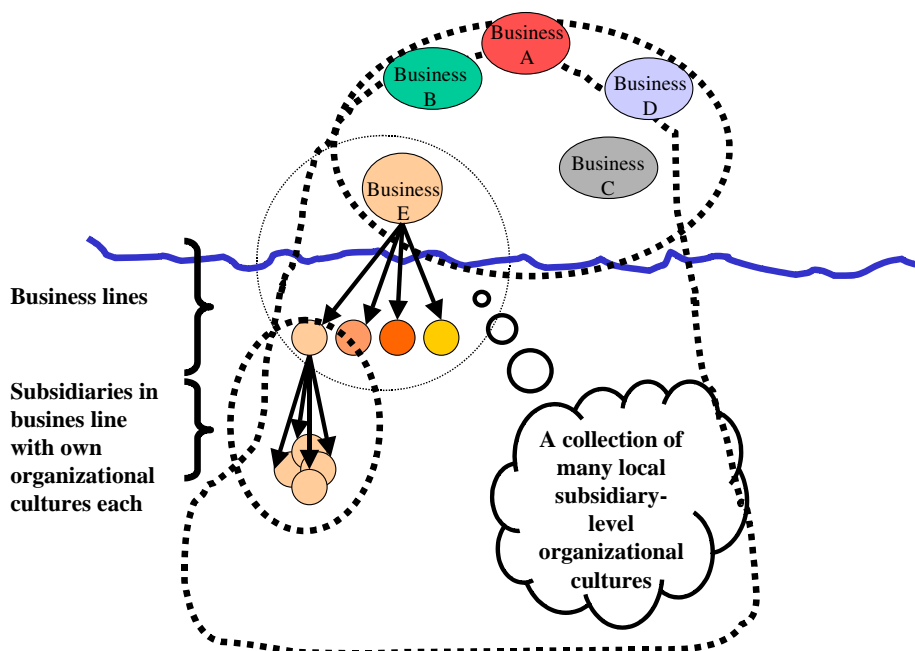
Figure 3. The multiplicity of organisational cultures within a firm that has grown through acquisitions – an iceberg view.

Such an analysis at the subsidiary-level provides a more accurate depiction of the organisational cultures at work than solely relying on the aspirational values that the acquired firm might advertise. By their nature these are target values and do not reflect the full truth about the organisation behind these values. However, they are used as the organisation's actual values in its efforts to promote its internal and external image. Based on the research findings, Figure 4 provides the imaginary example of a buying firm, showing how the themes

typically used by interviewees in describing the firm's organisational culture differed from the organisation's official, advertised values. Moreover, when asked to describe the organisation's official values, most people either did not remember them, or referred to them ironically as "some kind of value stuff that does not resonate with reality". This finding brings another element of complexity to our understanding of organisational culture and to the difficulty of assessing it in the pre-deal era. Medium-to large-sized firms use organisational values in order to bring some coherence and sense of integration and unity into the company's daily operations. These are target values and need to be treated as such.[49] Depending on the extent to which they have been implemented successfully over time, they will resonate more or less with reality, Figure 4. Most often, though, the 'real organisational culture behind the official values' not only exists, but differs from the official one. It is *this* organisational culture that needs to be understood and respected, if one wants to achieve long-lasting organisational change, e.g. in times of M&A. Thus, any pre-acquisition analysis of organisational fit should aim to take this cultural reality into account. Understanding any one unit's practiced values and organisational culture requires getting involved with the organisation and talking with a set of its representatives. Depending on the organisational history of the acquired firm, there are likely to be many organisational cultures at work across its units.

Free staff description   **Official slogans**
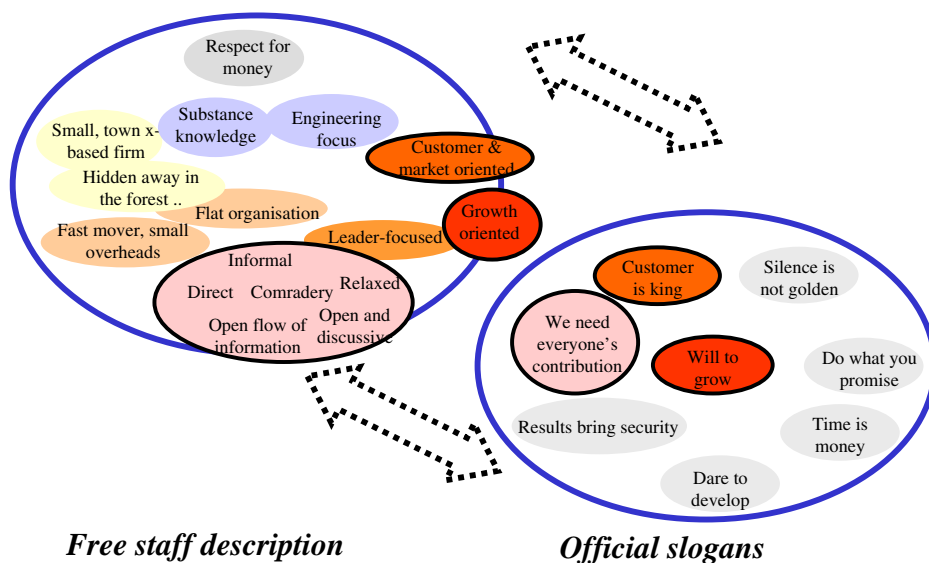
Figure 4. Imaginary example of the distance between the practiced and target values at the site of a multinational firm.

Based on the above analysis, the following finding is advanced with regard to assessing the acquired firm's organisational culture in the pre-deal phase:

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[49] Kilmann (1986), Brown (1995).

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Finding 2: In the pre-acquisition *analysis of the acquired firm's organisational culture*, particular attention needs to be paid to the relationship between the firm's organisational culture and its prior ownership history: whereas for formerly founder-owned firms, the founder's impact on the firm's organisational culture is pervasive, in the case of companies consisting of units that have been acquired at different moments in time, each will exhibit an organisational culture reflective of its founding parent firm's organisational culture, in addition to a more superficial adherence to the corporate level organisational culture of its subsequent parent firms.

4.2.2 Causes and consequences of pre-deal evaluation omissions

At the evaluation stage, representatives of buying firms generally tend to experience difficulties in portraying as full a picture of the company to be acquired as the above definition of organisational fit suggests. Several reasons lie behind this.[50, 51]

On the one hand, acquisitions are at heart commercial transactions. In the negotiation stage, both parties are seeking a deal to their advantage. The context has it that it is not in the selling firm's interests to be open at this stage. Open and honest information sharing tends to fight against the nature of M&A negotiation. Moreover, the buying firm's representatives might only get one or at most a handful of opportunities of visiting the company and talking to key persons. This is especially the case of publicly listed companies, where it is rare to disclose confidential information prior to the deal. In acquisitions of privately-owned companies, there is a greater degree of information-sharing and joint planning prior to the deal. However, the commercial interest and the ensuing generic lack of honesty in the M&A context remain.[52]

On the other hand, the prevailing business culture sets the focus on explicit and tangible matters. In this regard, in addition to the company's financial health, the companies' strategic and rough structural fit at the corporate level (and perhaps department levels) tend to be regular foci of analysis during the M&A due diligence phase. Instead, the cultural side of organisational fit is not as regularly analysed. In practice, cultural differences are often equated with a rough understanding of differences in corporate cultures, at the expense of a more in-depth understanding of corporate culture and an analysis of also national, unit, and departmental cultures. Thus, the term organisational culture itself is misunderstood and its relationship to the organisation's behaviour, management style, and ways of working throughout the company's subsidiaries and departments is omitted. The findings of this dissertation showed that there exists a danger in not seeing the cultural complexity in the acquired organisation. Indeed, where it had not been fully considered, existing cultural facets

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[50] Prior research has noted that strategic, financial and technical aspects override human and organisational aspects in the due diligence phase (e.g. Greenwood et al. 1994, Marks 1999). Indeed, the focus in the due diligence phase generally centres around carrying out the legal, financial and technical due diligence analysis (Hayes 1979 in Napier 1989, Madura et al. 1991, Kissin and Herrera 1990) and the negotiation process itself (e.g. O'Connor 1985, Dierickx and Koza 1991).

[51] The difficulty of seeing cultural differences at the evaluation stage has been recognised in extant research (e.g. Napier 1989, Greenwood et al. 1994). The findings presented herein extend on these findings by pointing to other areas typically omitted during pre-deal evaluation.

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of the acquired firm turned into *silent forces* of resistance against post-acquisition change (see Chapter 5.3). As an illustration of the inattention to the cultural side of the due diligence analysis, the quote below exemplifies how representatives of a Finnish buying firm claimed that there was no an issue related to organisational culture in the acquisition, whereas in reality differences in organisational cultures were present in the acquisition.

> **Example of US multi-site acquisition.** *"We did not acquire any units of our competitor, as those that we acquired had either 1) previously belonged to another firm (20 years ago) or 2) were newly set up by ourselves after the deal." (Finnish interviewee – Buying firm D)*

Table 11 illustrates examples of post-deal surprises. They pertained to areas that had been left out or had not been identified in their full complexity in the evaluation phase. They typically related to differences in national cultures, inter-unit relations within the acquired firm, the research and development potential of the acquired firm, and the degree of competency among the acquired firm's staff. Given that these factors went unnoticed in the pre-deal era, it took the buying firms years of cooperation with the newly acquired organisation before they were able to locate the source of the problem. Until the problem was located, several difficult years traceable to these areas of challenge had been experienced in both organisations, resulting in financial losses, demotivation, and worsening inter-unit relations.

Table 11. Examples of blind spots in the evaluation phase.

Types of surprises stemming in the evaluation phase
National cultures blur the intercultural interface in R&D project work The role of differences in national cultures was left unrecognised. This resulted in years of misunderstandings in units with a large cultural distance to the buying firm's home country, until the source of misunderstandings was identified. *Example of the acquired Danish, German and British R&D units*
Negative emotional inter-unit tensions incur escalating costs **1) Inter-unit conflicts slow down R&D cooperation and eat up investments** The competitive history between the German and US acquired firms was not understood in the pre-deal phase. This has resulted in an ongoing cycle of rivalry, mistrust and jealousy in product development cooperation between the sites. This has resulted in slower new product development and lost investments in a project fraught with emotional problems. *Example of the German-US acquisition* **2) The acquired firm's inter-unit relations resulted in inter-unit conflicts** The Finnish buying firm knew only one of the French companies well: It took it years to realise the real nature of the relationships between the two French companies. The French domestic merger that had precede the Finnish merger had been badly lived and had resulted in a relationship based on mutual mistrust that resulted into year-long battles over political and personal turfs. *Example of the French multi-site acquisition*
Misevaluation of R&D potential The actual status of the firm's research and development projects was in a worse shape than evaluated *Example of the US multi-site acquisition*
Misevaluation of staff potential The staff's capabilities were not adequately assessed *Example of the US multi-site acquisition*

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[52] The difficulty of getting reliable and relevant information on the target firm has been noted e.g. by Schweiger et al. (1993) as due diligence being an 'inexact science'.

In sum, the quality and depth of the evaluation phase analysis has consequences for the progress, speed, costs, and outcome of post-deal integration. In the post-deal integration phase, both negative and positive surprises stemmed from areas that had been left unconsidered during the evaluation stage. Unchecked, these led to problems until some years later, the buying firm ultimately recognised the source of the trouble. Meanwhile, expensive investments might have gone astray owing to these misunderstandings, showing that silent forces carry a price and ought to be considered alongside more tangible facets of inter-firm differences:

Finding 3a: Buying firms tend to omit the analysis of the acquired firm's cultural make-up in terms of its national and organisational cultures, whilst focusing the pre-deal assessment on the technical, operational, strategic, and financial aspects of the deal.

Finding 3b: The challenge of assessing the cultural side of the deal stems from the short-term and competitive context of the pre-deal era paralleled with the buying firm's lack of in-depth attention to the intangible dimensions of organisational life.

Finding 3c: Any omission or mistake in the pre-deal assessment of the acquired firm translates into a post-acquisition surprise and challenge that ultimately impacts the acquisition's performance.

4.3   Conclusions on the pre-acquisition evaluation phase

In this chapter, the focus has been on understanding the factors in the pre-acquisition phase that explain the subsequent challenge of the post-acquisition integration phase. These factors were found to relate to: 1) the pre-deal levels of uncertainty and motivation across the acquired firm's units, and 2) the extent to which the firms' degree of organisational fit is correctly assessed in terms of their cultural and structural differences at several levels of analysis. In other words, the higher the level of uncertainty, the lower the motivation level of acquired firm employees prior to an acquisition, and the less focused the due diligence analysis, the more likely it is that the integration phase will be a challenging one. In this regard, the findings of this chapter have prompted the development of an integrative framework on post-acquisition integration, as applicable to the pre-acquisition phase, Figure 5.

The gist of the argument is that to be successful, buying firms would ideally need to begin working on integration already *prior to* the deal. Buying firm representatives' pre-acquisition role is to ensure a sensitive approach toward the acquired firm to avoid an escalation of the acquired firm's uncertainty levels toward the extreme negative prior to the deal and to ensure that they are willing and motivated to work for the new parent firm. Moreover, it consists of taking a critical look at the organisational fit between the buying and target companies to avoid overlooking factors that can turn into challenges in the integration phase. A lack of organisational fit can even prompt the buying firm to pull out from the negotiation. Unless such a perspective is taken, the acquired firm's uncertainty and motivation levels as well as the unrecognised dimensions of organisational fit become *silent forces* that are as such

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transferred to the post-deal era to affect the ease of the integration phase. This is illustrated in Table 12 that summarises the studied acquisitions from the perspective of the themes introduced throughout this chapter. It illustrates that the better the studied acquisitions scored along the factors identified throughout this chapter, the easier the start of the integration phase was. Thus, the pre-deal phase needs to be regarded as an input or a lever of success for the post-deal integration phase.
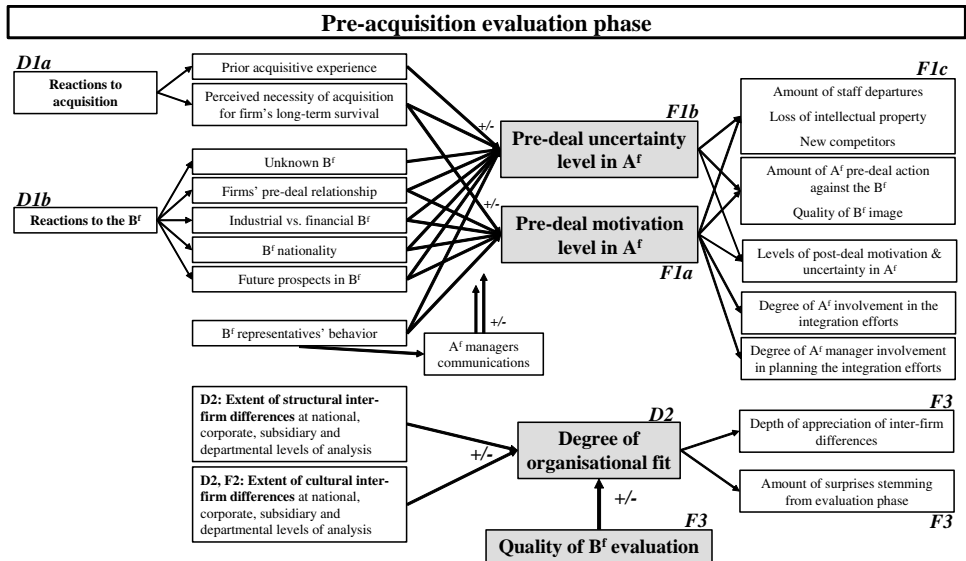
Figure 5. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on the pre-deal evaluation phase. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm. The main concepts of this chapter have been highlighted in grey.

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Table 12. Summary of the pre-deal phase in the studied acquisitions.

SUMMARY OF THE PRE-DEAL PHASE	Danish R&D unit #1	German R&D unit #2	UK R&D unit #3	German acquisition #4	US acquisition #4	Unit of French multi-site acquisition #5	Finnish acquisition #6	French unit's acquisition #7	Unit of US multi-site acquisition #8
Reactions to the deal									
Prior acquisitive experience	+	+	-	-	-	+	-	+	+
Necessity of a deal for A^f survival	+	+	-	+	+	+	+	+	-
Reactions to the buying firm									
Fear of unknown buying firm	+	+	-	-	-	-	+	+	+
Firms' historical relationship	0	0	0	0	0	+	0	0	-
Industrial vs. financial buying firm	+	+	+	+	+	+	+	+	+
Foreign vs. domestic buying firm	+	+	-	-	+	-	+	+	-
Nationality of buying firm	+	+	-	-	-	+	+	+	-
Future prospects with new owner	+	+	-	+	+	+	+	+	-
Managerial behaviour in the pre-deal phase									
B^f representatives' attitude	+	+	0	+	0	+	+	+	+
B^f pre-deal action	+	0	0	0	0	+	+	+	-
A^f managers' communications	+	+	-	0	0	+	0	+	-
Quality of pre-deal evaluation									
Degree of organisational fit	+	+-	-	-	-	-	-	-	-
Post-deal surprises	-	-	-	-	-	+ -	-	-	-

Chapter 4 - Silent forces in the pre-acquisition evaluation phase

Table 12 continued. Summary of the pre-deal phase in the studied acquisitions.

SUMMARY OF THE PRE-DEAL PHASE	Danish R&D unit #1	German R&D unit #2	UK R&D unit #3	German acquisition #4	US acquisition #4	Unit of French multi-site acquisition #5	Finnish acquisition #6	French unit's acquisition #7	Unit of US multi-site acquisition #8
Summary of the pre-deal phase									
Pre-deal level of motivation in A^f	Very high levels of pre-deal motivation (8/8)	Very high levels of pre-deal motivation (7/7)	Low levels of pre-deal motivation (1/6)	Medium levels of pre-deal motivation (4/6)	High levels of pre-deal motivation (4/5)	High levels of pre-deal motivation (8/9)	Very high levels of pre-deal motivation (7/7)	Very high levels of pre-deal motivation (8/8)	Low levels of pre-deal motivation (2/8)
Pre-deal level of uncertainty in A^f	Low levels of pre-deal uncertainty (10/10)	Low levels of pre-deal uncertainty (9/9)	High levels of pre-deal uncertainty (1/8)	Some degree of pre-deal uncertainty (4/8)	Some degree of pre-deal uncertainty (4/7)	Some degree of pre-deal uncertainty (9/11)	Low levels of pre-deal uncertainty (8/9)	Low levels of pre-deal uncertainty (10/10)	High degrees of pre-deal uncertainty (3/10)
Degree of organisational fit and surprises	Good fit, surprises with national cultures	Some fit, surprises with national cultures	Lack of fit, surprises with national cultures	Lack of fit, surprises in R&D	Lack of fit, surprises in R&D	Lack of fit, negative surprise with regard to inter-unit tensions, positive surprise with regard to a new business	Lack of fit, difficulty of internationa-lisation	Lack of fit, some surprises with national cultures	Lack of fit, post-deal surprises concerning the contents of the deal
Overall summary	Very good start for the integration era	Good start for the integration era	Difficult start for the integration era	Medium start to the integration era	Medium start to the integration era	Good start for the integration era	Good start for the integration era	Good start for the integration era	Difficult start for the integration era

Legend:

- A^f refers to acquired firm, and B^f to the buying firm
- For *prior acquisitive experience*: '+' refers to prior acquisitive experience (as the acquired firm) and '−' refers to none (i.e. this is the first time the firm is acquired).
- For *necessity of deal for acquired firm survival* (in the eyes of employees): '+' refers to perceived necessity and '−' to perceived unnecessity of the acquisition.
- For *fear of unknown buying firm*: '+' refers to no fear as the buying firm is known and '−' refers to the fear of an unknown buying firm.
- For *firms' historical relationship*: '+' refers to a positive pre-deal relationship, '−' to a negative one, and '0' to the question not being of relevance.
- For *industrial vs. financial buying firm*: '+' refers to an industrial buying firm and '−' to a financial one.
- For *foreign vs. domestic buying firm*: '+' refers to no fear as regards a foreign buying firm and '−' refers to a fear of a foreign buying firm.
- For *nationality of buying firm*: '+' refers to the buying firm's nationality not being viewed as a threat and '−' to it being a factor arousing fear and anxiety.
- For *future prospects in the new owner*: '+' refers to positive future prospects with the new owner and '−' to negative prospects.
- For *buying firm representatives' behaviour*: '+' refers to positive buying firm representatives' pre-deal behaviour, '0' to the question not being of relevance if the buying firm did not spend much time in the target company in the pre-deal phase, and '−' to negative pre-deal behaviour.
- For *buying firm representatives' action*: '+' refers to pre-deal buying firm action if it was perceived as necessary, '0' to the question not being of relevance, and '−' to a lack of buying firm action when it would have been perceived as necessary.
- For *acquired firm managers' communications*: '+' refers to pre-deal inter-firm communications, '0' to the question not being of relevance, and '−' to a lack of acquired firm managers' pre-deal communications about the progress of the acquisition process to their employees.
- For *degree of organisational fit*: '+' refers to a good degree of fit along most dimensions of inter-firm differences, '+/-' to some degree of fit, and '−' to a lack of organisational fit.
- For *post-deal surprises*: '+' refers to no post-deal surprises, '+/-' to some, and '−' to many post-deal surprises stemming from areas that had been left unrecognised during the pre-deal evaluation phase.

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5 Silent forces in the post-acquisition integration phase

The development of an integrative perspective on post-acquisition integration in the context of cross-border acquisitions continues in this chapter, with an emphasis on the post-acquisition integration phase. The studied acquisitions pointed to the difficulty of the post-acquisition integration phase as being dependent upon the way this phase was managed and the extent to which attention was paid to country differences, to the cultural dimensions of post-acquisition structural change, and to the prevailing levels of motivation and uncertainty in the acquired organisation. Unless these factors were taken into account in the integration phase, they we found to become 'silent forces,' hampering the quick progress of post-acquisition integration and the ultimate outcome of the acquisition.

This chapter begins with an overview of the management of post-acquisition change. Thereon, the presence and impact of country differences on post-acquisition integration is discussed. Third, the cultural dynamics of post-deal structural change are unearthed. Finally, factors impacting the acquired firm's levels of motivation and uncertainty in the post-acquisition era are brought forward. Each of these sub-chapters ends with a representation of how its contents add to the integrative framework on post-acquisition integration developed in this dissertation.

5.1 Silent forces in the management of post-acquisition change

The analysis of the integration phase begins with a look at the management of post-acquisition change. Based on the analysis of the studied acquisitions, the *management of post-acquisition change* is conceptualised in terms of 1) the 'integration management' actions undertaken by buying (and possibly acquired) firm managers directly responsible for the integration phase, and 2) the extent to which the role of the buying and acquired firms' organisational interface is appreciated as an enabler of post-acquisition integration. The first three chapters in this section will focus on components of integration management – strategic decisions regarding the post-acquisition regime, the 'fundamentals' of integration management, attitudes underlying the change efforts – all aspects that the managers who are directly involved in and responsible for the success of the acquisition are accountable for and can influence. Thereafter, roles critical to the success of post-acquisition integration are introduced. This analysis highlights that the successful management of post-acquisition change requires not only talented buying and acquired firm managers, but also the supportive attention of the entire buying firm. In other words, post-acquisition integration is not a project

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depending only on the successful actions of buying firm integration managers. Failing to attend to the role of the entire buying firm in enabling the integration efforts is reflected in negative emotional reactions being unleashed against the acquired firm. What is more, such negative emotional tensions can further be prompted between the acquired firm's units. Such issues are the focus of the last section in this chapter. Finding 4 summarises the forthcoming analysis in this chapter.[53]

Finding 4: The *management of the post-acquisition integration phase* impacts the progress of post-acquisition change and the levels of uncertainty and motivation in the acquired firm positively vs. negatively depending on the extent to which attention is paid to 1) the strategic decisions on the extent of organisational integration and the kinds of post-acquisition business strategies adopted, 2) the fundamentals of integration management, 3) the attitudes underlying the change efforts, and 4) the significance of integration roles within both firms beyond those of the managers immediately responsible for the acquisition.

5.1.1   Setting organisational integration and business strategies

The findings from this research project pointed to there being two kinds of strategic decisions that the buying firm has to make in regard to the post-acquisition regime, Figure 6.
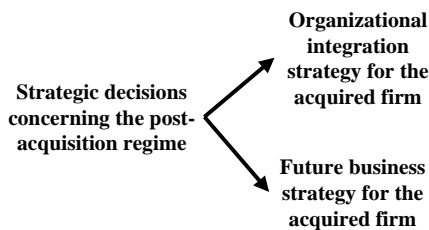

Figure 6. Strategic decisions concerning the post-acquisition regime.

First, the buying firm makes a decision about the *degree of organisational integration* it seeks in the post-deal era for the acquired organisation.[54, 55] In other words, is the acquired firm to be fully, partially or not integrated into the buying firm's operations. This strategic decision is a crucial one, as it sets the tone for subsequent integration actions. The clearer the buying firm representatives are with regard to the organisational integration strategy adopted, the better

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[53] The management of the post-acquisition integration phase has been brought up as the most challenging aspect in making M&A succeed, hence it has received a wealth of research attention to date (Howell 1970, Lindgren 1982a, 1982b, Burke 1987, Buono and Bowditch 1989, Haspeslagh and Jemison 1991, Krüger and Müller-Stevans 1994, Schweiger et al. 1994, Shanley 1994, Morosini 1998, Larsson and Finkelstein 1999, Vaara 1999a, Schweiger and Goulet 2000, Birkinshaw et al. 2001, Ranft and Lord 2002, Graebner 2003, Quah and Young 2005). Taking a critical perspective, literature on integration management tends to focus on 'the fundamentals of integration management', at the expense of the 'attitudes underlying the integration effort', 'integration roles', or 'negative emotional reactions' as identified in this dissertation. Thus it seems that the current mindset with regard to M&A is to a large extent limited to this generic view of typical success factors in integration management. However, calls have been made for more emphasis on the interpersonal and inter-organisational dynamics taking place in M&A in addition to the current focus on strategic perspectives (e.g. Haspeslagh and Farquhar 1994).

[54] Extant research has confirmed the role of the integration strategy adopted by the buying firm in the post-deal integration phase as setting the nature, extent, and direction of changes to be expected in the integration phase. Several typologies of integration strategies relevant to M&A have been brought forward. The work of Haspeslagh and Jemison (1991) has been especially influential. Other typologies have been proposed by Buono and Bowditch (1989), Napier (1989), Cartwright and Cooper (1992), and more recently by Bower (2001).

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able they will be to communicate this to acquired firm employees and to ensure that their own actions are aligned with the stated goals. This decision tends to parallel the organisation structure of the business line that the acquired organisation is integrated into. Businesses organised in a globally integrated structure are more likely to choose an integration strategy that aims for full integration, whereas businesses organised in a decentralised way are likely to opt for the other extreme, providing their acquired organisations with a wealth of independence and freedom. This decision will also depend on the degree of business relatedness between the organisations and on the post-deal intentions that the buying firm has vis-à-vis the acquired organisation.
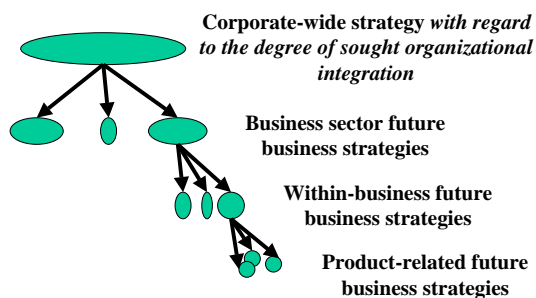
Figure 7. The two dimensions of integration strategy: degree of sought organisational integration and future business strategies.

Second, the buying firm makes a decision as to the *business strategy* that it wants the acquired organisation to follow in the post-deal era.[56] This depends on the buying firm's existing business strategy and the degree of overlap vs. fit between the buying and acquired firms' businesses, products, and operations. The business strategy set for the acquired firm is likely to show differences even at the level of products and departments across the acquired organisation. As a result, looking e.g. at buying firms that are multi-business corporations organised around global matrices, the situation will resemble the illustration in Figure 7. Whilst an overall direction with regard to organisational integration for the post-deal era might be set, more specific and even different business strategies are likely to exist at the level of the buying firm's businesses and product lines that translate into different integration targets, regimes, and challenges across the units and departments of the acquired firm. This resonates with the findings of the need to make assessments of organisational fit not only at the level of corporate inter-firm differences, but also at the level of units and even departments. Indeed, there can be, but rarely is 'one' integration process in an acquisition, but several parallel ones.

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[55] This has been the focus of extant researchers in M&A when discussing 'integration strategy'.

[56] The kinds of integration strategies brought forward by extant research have focused on strategies for organisational integration. They have focused less on the strategic decisions regarding the future business strategy of the acquired firm as part of the buying firm's operations.

Summing up, when discussing strategic choices regarding the post-acquisition regime, one has to beware of the parallel need to make two kinds of strategic decisions. A lack of either type of strategic decision will result in the integration phase being a period of ad hoc decisions, instead of a coherent set of actions. Moreover, the findings point out that one should beware of a notion of a uniform integration strategy spanning the whole acquired organisation. While an organisational integration strategy spanning the acquired firm might exist, it does not exclude the existence of business-related strategies for individual businesses and product lines. This two-fold conceptualisation of post-acquisition strategy explains why the *progress of post-deal integration* is likely to follow *different routes* across the acquired organisation's businesses, product lines, and departments.[57] This analysis is summarised in the definition and finding below:

Definition 4a: *Post-acquisition strategic decisions* relate to the business and organisational integration strategies set for the acquired firm at corporate, business, and product-line levels.

Finding 4a: The amount of different organisational integration and business strategies adopted per acquisition is reflected onto the number of *parallel integration processes* taking place in the acquired firm in the post-acquisition era.

5.1.2   *Fundamentals of integration management*

In addition to setting the strategic integration and business directions for the acquisition, buying firms also need to ensure that the integration phase is 'managed' adequately. In other words, what successful acquisitions tend to share is a consideration of the 'fundamentals of integration management'. These relate to the planning of the post-acquisition era, the speed and pace of post-acquisition action, the provision of visions and targets, the use of integration tools to foster exchange and learning, and ensuring prompt and continuous communications throughout the integration phase, Figure 8.[58] These fall under the responsibility of the managers who are directly involved and responsible for the success of post-acquisition integration.

These factors have been termed 'fundamentals of integration management' given that they represent those aspects of 'integration management' that typically tend to be brought forward in a lot of the M&A literature and course offerings. In this respect, present-day buying firm representatives can be expected to be aware of at least some of them. However, the findings of this research pointed to this not automatically being the case, as the 'fundamentals of integration management' were not always considered even by experienced buying firms. As

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[57] This finding echoes and extends Ranft and Lord (2002) who identified the existence of different integration strategies in the acquired firm. As most of M&A research to date, their analysis focused on organisational integration strategies. The current finding extends their view with the addition of the business-related component of integration strategy to understand the variety of post-acquisition strategies in place in the acquired firm.

[58] Many of the properties of 'fundamentals of integration management' presented next are known to M&A literature. They are covered here as the analysis of the studied acquisitions pointed to their importance in the successful management of cross-border acquisitions. Moreover, some of the properties brought forward are either novel ones or extend existing research.

the forthcoming analysis will show, a lack of attention to these fundamentals tends to result in lower employee motivation, higher levels of employee uncertainty, and slower progress in the post-acquisition integration efforts. This prompted the categorisation of them as *silent forces*, given that a lack of attention paid to them results in their hampering the progress and outcome of post-acquisition integration.
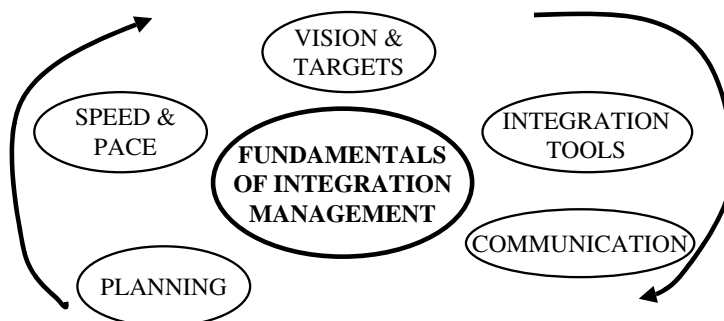
Figure 8. Fundamentals of integration management.

The importance of planning

Most interviewees identified that the success of an acquisition could be directly traced back to the amount and quality of integration planning.[59] The lack of proper planning results in ad hoc integration activities, whereas proper planning enables a swift and professional start to the integration period. This has consequences for the prevailing levels of uncertainty in the acquired firm. Indeed, if the days, weeks, and months following the deal are not organised, anxiety levels in the acquired firm remain high. This is illustrated in Table 13, which portrays the studied acquisitions based on the amount of integration planning. Where plans had been made, post-deal activities and integration actions could be initiated immediately. Subsequently, staff uncertainty levels dropped as they saw concrete action taking place. In the absence of any planning, the post-deal months were characterised by high levels of uncertainty in the acquired firm, as staff were left wondering what was going to take place. When some, but an insufficient amount of planning was performed, levels of anxiety remained high, as the buying firm was not sufficiently prepared for the post-deal era. This resulted in the post-deal era not being as organised as it at best could be.

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[59] The importance of planning has been referred to by extant research as a critical factor in ensuring the successful progress of M&A integration (Howell 1970, Lindgren 1982a, 1982b, DeNoble et al. 1988, Dionne 1988, Marks 1991, Haspeslagh and Farquhar 1994, Krüger and Müller-Stevens 1994, Shanley 1994, Schweiger et al. 1994). This focus on integration planning has been regarded by Haspeslagh and Farquhar (1994) as reflecting the strong emphasis of M&A research on 'the strategic management of M&A' at the expense of interpersonal and inter-organisational dynamics taking place in M&A.

Table 13. Importance of integration planning.

Example of acquisition	Illustrative quotes
Future plans prepared jointly prior to the deal, integration can begin immediately after the deal: Decreased levels of employee uncertainty	
German-US acquisition	*"As M&A books tell us, we started planning before the deal itself, e.g. thinking of reporting procedures, changes to sales and marketing, etc. Some of the things we thought of at this stage worked out well, whereas others never really took off." (Finnish interviewee – buying firm B)*
French multi-site acquisition	*"We created so-called 'merger manuals' prior to the deal as a guide to integration planning and implementation follow-up." (Interviewee – buying firm C)*
Finnish acquisition	*"The fact that we had done good planning prior to the deal ensured that at the time of the deal, we could get started immediately. Good planning is a crucial success factor in acquisitions. This can be seen, if you compare to acquisitions where no planning has been made, as in the example of a former acquisition we did. It has long-term consequences." (Finnish interviewee – buying firm D)*
French site's acquisition	*"In the pre-deal months, we worked together on future plans as regards the site's future strategy and action plans for the post-deal months. Thus on the day of the deal, we had our company signs ready to be installed, we could hold the opening ceremony, we had ordered company t-shirts and overalls for staff. When the deal took place, we were a step ahead." (Finnish interviewee – buying firm D)*
US multi-site acquisition	*"You need to make very good plans before buying a company. We were lucky that the buying process was delayed by some months. This gave us time to do good post-deal planning. This was a success factor behind this acquisition." (Finnish interviewee – buying firm D)*
Future plans prepared prior to deal, but more planning could have been done: Surprises in the post-deal era and higher levels of uncertainty	
Danish R&D unit acquisition	*"Integration was planned prior to the deal. More focused planning started slightly after the deal, although at that time not all information was available. But it enabled us to look to the future." (Interviewee – buying firm A)*
	"This integration was too much about chaos management: you need to have more systemacy and integrity!" (Interviewee - Danish acquired unit #1)
	"The integration phase .. I am not sure if it was organised. There never seemed to have been a plan, things were just happening. But people get worried if nothing is organised!" (Interviewee - Danish acquired unit #1)
Lack of pre-and post-deal planning: High levels of employee uncertainty, as staff do not know what is going to happen. Buying firm gives the impression of being non-professional.	
German R&D unit acquisition	*"There was no plan concerning integration at the time of the deal ... A few information meetings were held right after the deal. The fact that there is change following an acquisition is self-evident. In the ideal case, though, the integration period would have been a guided process." (Interviewee – German acquired unit #2)*
	"At the beginning, no defined integration process existed, we were all looking for everything, it was uncoordinated. Also our unit's management did not know what was going on. They asked us to find information about the new parent firm, so that we would know them better. The initiative was on our side; we were randomly informing ourselves about different things." (Interviewee - German acquired unit #2)
	".. support came in an uncontrolled way from the new owner .. the overall harmonisation of support from the buying firm was made locally, as there were many uncontrolled inputs. As the management team, we tried to prioritise and harmonise integration efforts." (Interviewee - German acquired unit #2)
UK R&D unit acquisition	*"The aim was to have the unit functioning as an integral part of our organisation. But this integration process was not planned in any way. Change management and leadership had not been given a thought." (Interviewee – buying firm A)*
	"In practice, as preparatory integration work did not exist, all integration work had to be handled in the daily management of a new product development project. So we tackled integration matters problem by problem in addition to our daily project work." (Interviewee – British acquired unit #3)

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Speed and immediate action vs. long-term integration pace

With regard to the speed of post-deal integration, the findings pointed to there being two facets to the notion of integration speed.[60] To begin with, some integration actions need to take place immediately after the deal.[61] Keeping in mind that, at the time of the deal, the acquired firm's management and employees are experiencing a great degree of uncertainty, the speed and timeliness of immediate post-deal actions affect the success of the integration phase by ensuring that acquired firm staff are taken onboard as soon as possible after the deal. When nothing happens in the first weeks or months following the announcement of the deal, the level of uncertainty and questioning remain high in the acquired organisation.

The speed of post-deal action is often linked to the quality of pre-deal planning. Indeed, in the acquisitions studied in which pre-deal planning had been carried out, timely and prompt immediate post-deal action could be taken, Table 14. This, in turn, was well received by employees in the acquired firms and helped to reduce the amount of anxiety and uncertainty aroused by the deal. In the examples with little or hardly any pre-deal planning, the initial post-deal actions had to be awaited, resulting in frustration and rising levels of anxiety. This resulted in a more difficult integration period, as by the time integration began, employees were already frustrated with the lack of early action.

However, a further distinction needs to be made between the start-up speed and the pace of the overall integration actions. Whilst the former refers to the early start of the integration phase, i.e. the initial weeks and months that are important to its long-term success, the latter reflects the buying firm's longer-term approach to pacing integration activities. This distinction seemed important given that the studied Finnish buying firms all shared a pace described as 'gradual', 'tip-toe', 'patient', much to the positive surprise and against the initial expectations of the employees in the acquired firms. Instead of opting for immediate radical change, the Finnish buying firms took a gradual approach to integration, as the quotes below illustrate. This approach seemed to be in contrast with the experiences of some of the

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[60] Speed has been mentioned by extant research on M&A integration (e.g. Schweiger and Goulet 2000, Ranft and Lord 2002, Angwin 2004). There are diverging views as to whether a quick or slow start is best for the acquisition (for a discussion, see Schweiger et al. 1993, Schweiger and Goulet 2000, Ranft and Lord 2002). With regard to cross-border acquisitions, recent research evidence suggests that changes should *not* be made immediately after the deal. Rather, over time, as the buying firm gets to know the acquired organisation, it will be better able to target the required changes, and hence be more successful in implementing them (Quah and Young 2005). Recently, calls have been made for more conceptual research on the way speed of action influences the progress of post-acquisition integration (Ranft and Lord 2002). In this chapter, the concepts of integration speed and pace together pertain to the possible parallel presence of immediate post-deal action *and* long-term integration measures. Hence, the discussion might not be an 'either/or' choice, but rather an 'and/with' choice.

[61] Within proponents of swift post-deal action, the immediate post-deal period has been referred to in extant literature as the 'window of opportunity' (Ranft and Lord 2002) in that the immediate post-deal weeks and months are ones during which the acquired organisation expects and awaits change to take place. Thus, the implementation of changes has been found to be easier in this period, as change is expected. Also, the concept and argued importance of the 'first 100 days' (e.g. Angwin 2004) is well-known in the practitioner world.

acquired firms that had previously had e.g. French or American parent firms.[62] In sum, it would seem that buying firms opt for a mix of immediate and longer-term integration action depending on their country of origin (for pace) and the extent of their professionalism in integration management (for speed).

> **Danish R&D unit acquisition.** *"As with children, an acquired unit has to be given guidance but not extreme or too strong a steer and authority. 'A relaxed cord' – principle: you show the new unit the way forward, yet you leave room for independent development."* (Interviewee – buying firm A)

> **German-US acquisition.** *"We saw from the beginning that there were many things that needed to be changed (in the German unit). However, we did not proceed overnight, we took a more gradual approach."* (Interviewee – buying firm B)

> *"The greatest success factor was this very easy approach, not forcing us to conform, except for the accounting side (in the US unit). I think the biggest problem is that now there are times when a few people wish that Finland would have an even stronger role."* (American interviewee – German-US acquired firm #4)

> **French multi-site acquisition.** *"Few radical changes took place after the deal. It all happened more through flexibility than obligation. There were less restrictive elements than under our previous owner's era. The Finns did not impose, they tried to make things advance and move on."* (Interviewee – acquired French multi-site firm #5)

> *"The integration in the post-deal years took place softly, gradually. So, instead of a rapid approach, the buying firm preferred to take a medium to long-term approach, in order to build a solid basis in France before moving forward. In this way, people accepted the change more easily. There was no phenomenon of rejecting the change, vs. with our previous French owner, there had been resistance."* (Interviewee – acquired French multi-site firm #5)

> **Finnish acquisition.** *"From the start, it was clear that we wanted to retain the unit's independence within our firm in the first post-deal years, and increase the degree of changes and integration induced to in it over time. Given the large size of the parent firm, it was clear that a small unit easily chokes, if it has to comply with the rules of a larger firm."* (Interviewee – buying firm D)

> **French site's acquisition.** *"They looked at how we go about our work and then gradually, they brought in their methods and ways of working. What I mean by a gentle integration approach is: they did not impose themselves, they arrived with their ideas, not imposing them, but letting us accept the ideas by ourselves. It was a very fine approach. Should they have presented their ideas in another way, we would not have accepted them. This approach was noticeable in all that they did. Thus, gradually, we came to accept the changes. And there have been large-scale changes, for example. our way of organising our work has changed: whereas we refused the notion of being multi-skilled before, now we seek it."* (Interviewee – acquired French unit #7)

> **US multi-site acquisition.** *"Buying firm D took more the tip-toe than the aggressive way. They did not say 'this is our way and you had better follow it'. They needed us to help them understand the local market dynamics here; they always first evaluated the situation and then acted accordingly, e.g. among the first changes was that the pricing of some products changed. They are cautious, they tend to do things their way based on their experience."* (Interviewee – acquired American multi-site firm #8)

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[62] This finding is aligned with the recent studies of Child et al. (2000), Pitkethly et al. (2003), and Faulkner et al. (2003), who have shown that US, Japanese, French, and German buying firms use different integration mechanisms in managing the post-acquisition integration phase.

Table 14. Pre-deal planning and rapid integration start-up.

Example of acquisition	Pre-deal planning	Rapid post-deal action	Illustrative quotes
Danish R&D unit acquisition	NO	NO	*"There was a dead phase with no project work, as the unit had been acquired with the thought that 'more resources are needed, though we don't yet know what to do with them'. Some months after the deal, work was assigned to us." (Interviewee –Danish acquired unit #1)*
German R&D unit acquisition	NO	NO	*"We were delayed in starting the integration work by a month, owing to the Finns' holiday period. After that, integration gradually started, but it was very unstructured given the lack of pre-deal planning." (Interviewee – German acquired unit #2)*
UK R&D unit acquisition	NO	NO	*"After the deal had been signed, one morning, staff were all summoned to a meeting room which was packed. We had to wait for one hour to hear two short speeches. After this, nothing happened for the next six months. This situation was unnerving for staff, as we did not know what was happening. During these months, the unit drifted. No work was cancelled, yet nothing new was started. This situation started to feel very odd. People started asking questions. This was a period of uncertainty, and it was a long period of silence from the buying firm's side. It was difficult to understand what it was all about." (Interviewee –British acquired unit #3)*
German–US acquisition	YES	YES	*"This was the first acquisition for us. Our colleagues at the Group Corporate level taught and coached us with regard to the approach we were to use in our integration work: the use of integration teams, a 30-100 day approach to launching the integration work, etc. These concepts have proven useful." (Interviewee – buying firm B)* *"At the first post-deal meeting, representatives from the buying firm informed us about the purchase and the business we would be integrated into. High-ranking managers from the buying firm were present. It was a good start." (German interviewee – German-US acquired firm #4)*
French multi-site acquisition	YES	YES	*"As we had done many acquisitions before, we knew that one has to act with determination and speed, not remain in a negotiations mode forever. You need to trust yourself and take things forward with determination. But it was a tough period, I must admit it." (Interviewee – buying firm C)* *"Momentum and tempo are key success factors in the early phases of an acquisition. Two months after the deal, each integration team was to have a future business plan ready. Within these two months, we did not have time to ask ourselves metaphorical questions about the future." (Interviewee – acquired French multi-site firm #5)*
Finnish acquisition	YES	YES	*"We had already worked together for months prior to signing the deal. We had begun work on marketing, international sales, .." (Interviewee – buying firm D)*
French site's acquisition	YES	YES	*"We used the pre-deal months to work on the site's future strategy and action plans. Thus, when the closing took place, we were a step ahead. The set targets for the unit were introduced to the staff at the information meeting right after the deal." (Interviewee – buying firm D)*
US multi-site acquisition	YES	YES	*"On the first days we informed staff, set up new company signs on the roof, the call centre began answering 'buying firm D', we informed customers about who their new contact persons are. We had sent a few Finns into key positions to help in the transfer." (Interviewee – buying firm D)*

Vision and targets

A third factor ensuring the prompt progress of the integration phase relates to whether a clear post-acquisition future vision and targets have been provided to the acquired organisation.[63] This is illustrated in Table 15, which compares the studied acquisitions in regard to the extent to which a vision and targets had been set for the post-deal regime.

In acquisitions in which a clear vision was provided, integration could begin immediately after the deal and employees had a sense of purpose instead of dwelling in uncertainty. Hence, they became more motivated to work for the new parent firm, and in parallel, their levels of uncertainty decreased. Where they had been provided, interviewees rarely mentioned the importance of a future vision and targets. In contrast, their absence is more readily noted by interviewees from acquisitions in which little vision or target guidance existed, as the last examples in Table 15 show. In such instances, as the acquired organisation lacks a future direction, levels of uncertainty remain high and the motivation to work for the new parent firm is allowed to plummet.

Table 15. Importance of post-acquisition vision and future targets.

Example of acquisition	Illustrative quotes
Clear future vision and target: Integration work can start immediately and staff know what to expect	
German-US acquisition	*"We had set a clear vision for the future of the new company: to become a key player in our business. An integration meeting was organised to find ways of moving toward this target."* *(Interviewee – buying firm B)*
	"We held the first integration meeting in Finland. We met our new colleagues. It signalled the beginning of a new era, we got to know the new playing rules, and guidelines for the future were fixed." (German interviewee – German-US acquired firm #4)
French multi-site acquisition	*"We developed our future vision and strategy together with the aim of becoming the global leader in this sector. This meeting was symbolically held in town xx. We sought an industrial vision for the future." (Interviewee – acquired French multi-site firm #5)*
Finnish acquisition	*"We had already projected future visions and targets together at the evaluation stage." (Interviewee – buying firm D)*
French site's acquisition	Clear future vision and targets set jointly in the pre-deal phase.
US multi-site acquisition	*"Once the vision for our business area had been communicated to staff, we saw a direction, it gave us more strength, i.e. I see my part as 'business H' and if I take care of it well, the parent firm will take care of me." (Interviewee – acquired American multi-site firm #8)*

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[63] The notions of the significane of providing a clear vision and targets for the post-acquisition era are strongly present in extant research on M&A integration (e.g. Haspeslagh and Jemison 1991).

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Table 15 continued. Importance of a post-acquisition vision and future targets.

No future vision or targets: High levels of staff uncertainty, lack of business focus, a non-professional image of the new owner

Danish R&D unit's acquisition	*"There were not clear goals, nor business targets. From the buying firm's perspective, the goal was integration as soon as possible to get access to more resources and then decide what to do with our unit." (Interviewee - Danish acquired unit #1)*
German R&D unit's acquisition	*"Early on, we were provided with a positive message, a high-level future vision, but nothing on a daily level for the people to identify themselves with. We saw it as strange that the buying firm invested so much into buying us (and then did not have clear plans to move forward). People expected that the buying firm would have had detailed plans for the post-deal months. We gradually realised that this was not the case." (Interviewee – German acquired unit #2)*
	"The role of the new unit needs to be clarified, they need to be given a role, e.g. give them a project. If there are too many issues to tackle, aquired firm managers have difficulty in getting a grip on things. For us, the future was unclear for a long while." (Interviewee – German acquired unit #2)
	"You need to have clear rules of the game. This would reduce uncertainty. Why? If people see a clear plan, a strategy, they know the direction toward which they are working. It gives the feeling that the buying firm knows what to do with us, that it helps us with first steps until we can walk on by ourselves." (Interviewee – German acquired unit #2)
British R&D unit's acquisition	*"Our firm never had a clear mission in the buying firm. This resulted in several years of us continuing with our old products. Still, now, over five years later, our unit doesn't have a clear focus. No-focus situations are painful for organisations." (Interviewee – British acquired unit #3)*
	"The buying firm was not interested in practical issues, though the buying firm's role should be to give clear directions." (Interviewee – British acquired unit #3)

Integration tools fostering communication, learning and exchange

Buying firms can further influence the progress of post-acquisition change through the use of *'integration tools'*.[64] This term was coined for the purposes of this research project to reflect the different means that buying firms use to promote interaction between the buying and acquired firms in the post-deal era. The analysis of the studied acquisitions enabled the identification of the following kinds of integration tools, Figure 9. Buying firms were found to use them, to different degrees, as means of fostering communication, exchange, and learning between the firms, thereby supporting the acquired organisation's integration into the buying firm's operations. As such, the use of integration tools helped to ensure that acquired firm employees were motivated to work for the new parent firm and less anxious and uncertain as to their future.

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[64] Integration tools foster socialisation and informal communications. In prior research, Calori et al. (1994) studied 'informal control mechanisms' (Ouchi 1980, Bartlett and Ghoshal 1989) in M&A integration. Larsson and Lubatkin (2001) argued for the importance of 'social controls' (Bartlett and Ghoshal 1995) in fostering acculturation. The role of mutual interaction to the success of M&A integration has been addressed by Buono and Bowditch (1989), Olie (1990), Cartwright and Cooper (1992), Schweiger et al. (1994), Morosini (1998), and Larsson and Finkelstein (1999). These studies call for recognising the importance of exchange and interaction to promote learning, the sharing of knowledge, and to ensure successful post-deal integration (Schweiger and Goulet 2000, Larsson and Lubatkin 2001). Given the significance of knowledge transfer in the context of R&D acquisitions, studies on the integration of acquired R&D units (Gerpott 1995, Håkansson 1995, Bonsdorff and Lindell 1997) have also mentioned the importance of informal means of communication.
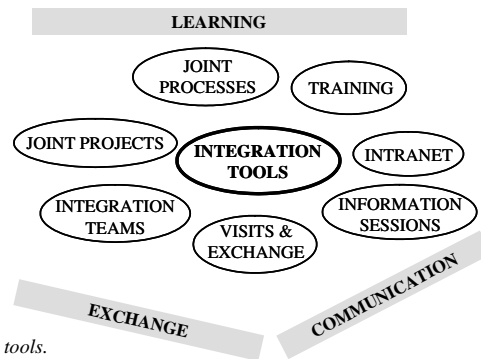
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Figure 9. Integration tools.

Exchange-related integration tools include visits and exchange, forming joint integration teams, working on joint projects, and the implementation of joint processes. *Learning-related* integration tools consist in joint projects, joint processes, and training. *Communication-related* integration tools consist in training, the use of IT-tools such as an intranet, and the use of information sessions. These integration tools define the breadth of the organisational interface between the two organisations. The larger this interface, the more interaction takes place between the two firms, and hence the faster the progress of integration is likely to be.

Post-deal communications

Post-acquisition communications are needed to enhance the acquired firm employees' level of confidence toward the new era and to help subdue residual uncertainty. The analysis of the studied acquisitions pointed to post-deal communications taking place at three levels: the corporate, the subsidiary, and interpersonal levels, Figure 10.[65]

At the corporate level, post-deal communications typically concern general communications regarding the progress of integration, i.e. corporate-wide official communications. *At the level of subsidiaries*, units, or factories, the site management ensures that local employees are informed of news concerning the site's future. The need and the type of local communications used depend on each site and the manager in charge. Moreover, the need for communication is likely to differ from one country to another. It is up to the local manager's competence to detect the staff's need for information. In the studied French examples, the local management

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[65] The importance of integration-related communications has been emphasised by M&A research (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Marks 1991a, 1991b, Schweiger and Denisi 1991, Cartwright and Cooper 1992, Schweiger et al. 1993, Schweiger et al. 1994, Morosini 1998, Schweiger and Goulet 2000, Ranft and Lord 2002, Schuler et al. 2004). These researchers, however, focus exclusively on the role of corporate communications or the role of the transition team, largely ignoring the *local and inter-personal dimensions* of post-acquisition communications. To this end, in their study of technology acquisitions, Ranft and Lord (2002) found the construct of post-acquisition communications to be multi-dimensional in terms of its content and frequency. They argued that frequent and open communications facilitate post-deal integration. Especially the richness of exchanges was found to determine the effectiveness of communication, i.e. face-to-face contact has more effect than virtual contact. Rich communications in turn support knowledge transfer and the establishment of a climate favourable to change. Building on extant research, the three-fold typology of post-acquisition communications provided here offers M&A research a broader view of post-acquisition communications instead of leaving it as the domain of corporate communications only.

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was in the habit of regularly informing local staff about the progress of integration. Consequently, the relationships between the managerial and employee levels were sound, and these sites were not having trouble (such as strikes). Third, in addition to these 'formal types of communication', communication takes place indirectly in the *employees' everyday mutual contacts*, be it in the context of visits, staff exchange, joint projects, processes, phone calls, or email exchanges.[66] Thus, the types of integration tools introduced in the post-deal era open up channels of inter-personal communication between the organisations. The effectiveness of these everyday interfaces depends on the extent to which their role is identified. By appreciating and communicating the role that employees in both firms play in enabling (and disabling) the integration efforts, the managers responsible for the acquisition have utilised a powerful organisational lever to the advantage of post-acquisition integration.
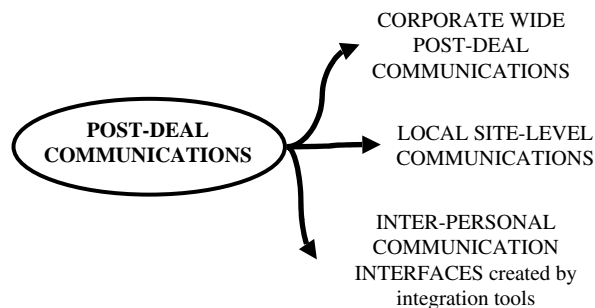

Figure 10. A typology of post-deal communications.

To conclude, the following definition and finding sum up the analysis on the 'fundamentals of integration management' presented throughout this sub-chapter:

Definition 4b: *Fundamentals of integration management* refer to the 'basic' elements of integration management that buying firms can be expected to be aware of based on available literature and training courses. They are defined here as: 1) the importance of planning the integration phase, 2) the need to ensure swift post-deal action, whilst possibly maintaining a slower long-term integration pace, 3) the importance of providing a clear future vision and targets for the acquired firm, 4) the use of integration tools to foster communication, learning, and exchange between the two firms, and 5) the role of post-deal communications at the corporate, subsidiary, and interpersonal levels.

Finding 4b: The extent to which the management of the post-acquisition integration phase by the buying firm's managers reflects the '*fundamentals of integration management*' has a direct impact on the speedy progress of the post-acquisition change efforts and the prevailing levels of uncertainty and motivation in the acquired firm.

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[66] In prior M&A literature, the importance of interaction has been noted by Buono and Bowditch (1989), Olie (1990), Cartwright and Cooper (1992), Schweiger et al. (1994), Gerpott (1995), Håkansson (1995), Morosini (1998), and Larsson and Finkelstein (1999). More specifically, Haspeslagh and Jemison (1991) identified post-acquisition inter-firm interactions in terms of substantive (i.e. related to value creation), administrative (i.e. related to administration), and symbolic (i.e. related to culture, philosophy and behaviour). Haspeslagh and Farquhar (1994) found interface management or gate-keeping between the buying and acquired firms as a critical variable impacting the progress of post-acquisition integration. The focus in these studies remains a managerial one, though, ignoring the *daily interactions of employees* of the acquired firm with buying firm employees.

5.1.3   *Attitudes underlying the integration effort*

In addition to setting the strategic directions for the acquisition and ensuring that the fundamentals of integration management are catered for, the studied acquisitions pointed to the importance of appreciating the underlying attitude with which the buying firm's integration team welcomes the acquired organisation into their operations.
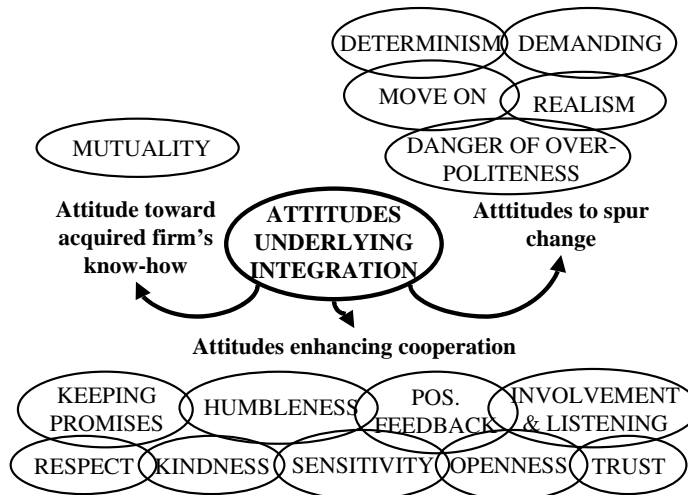
Figure 11. Attitudes underlying the integration efforts.

In contrast to the notion of 'fundamentals of integration management' that is a more action-oriented concept, here attention is drawn to the attitudes underlying the post-acquisition integration phase. Indeed, even if the integration phase has been perfectly managed as regards its 'fundamentals', as long as it is implemented with wrong attitudes, it has potential to go astray. The analysis of the studied acquisitions pointed to this aspect of integration management as being an easily disregarded one. In other words, whilst the 'fundamentals of integration management' can be to some extent expected to be well-known to buying firms, the significance of attitudes during the integration phase are less so. Hence, in the present day corporate arena, disrespectful attitudes underlying post-acquisition integration are often allowed to become a negative *silent force* decreasing employee motivation and slowing down the progress of post-acquisition change. The attitudes impacting the progress of post-acquisition integration were identified as: 1) attitudes enhancing cooperation, 2) attitudes spurring change, and 3) attitudes toward the acquired firm's know-how and skills, Figure 11.[67] These are looked at next.

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[67] In this research, the term 'attitudes underlying the integration effort' emerged as a subcategory within the broader category of 'integration management'. Previous M&A literature has reflected on the importance of the buying firm's attitude in enhancing mutual cooperation in the post-deal phase (e.g. Olie 1990, 1994, Deiser 1994), the need to create an atmosphere supportive of capability transfer (Haspeslagh and Jemison 1991), the need for 'assertive tolerance' in managing the post-deal integration phase (Napier et al. 1993), and the importance of

Attitudes enhancing cooperation

A factor behind successful integration projects was found to relate to the attitudes that the buying firm's integration manager(s) took when dealing with the acquired organisation. As the acquisition context is one in which the acquired firm is the 'underdog', by adopting *attitudes enhancing cooperation*, buying firm managers were able to rapidly develop a relationship of trust with the acquired firm's managers and emloyees, hence making them more willing and enthusiastic about working for the new parent firm. The quote below illustrates this argument.

> *"In acquisitions, there is always an inferiority complex for the acquired company, or such a complex easily arises, unless the buying firm makes an effort, e.g. 'we will fly you over to Finland; we can discuss our differences; discuss the transition, let us find a solution'. The question is about how to get people into same boat. You first need to have a common problem. Also, you need to make the acquired firm feel they are valued, you need to concentrate on HOW we will do it: we will do it together." (Interviewee – buying firm A)*

More specifically, such attitudes involved keeping promises, humbleness, positive feedback, respect, involvement and listening, kindness and caring, sensitivity, openness and trust, Table 16. A lack of these attitudes, e.g. breaking promises, a disregard for the human element in the acquisition, and signs of disrespect or distrust were negatively perceived in the acquired organisations. Interviewees from acquired companies with prior acquisitive experience traced back the differences between their former parents and the current one to the way each one had treated them. The notion of sincerity is critical, though. Unles the buying firm representatives are sincere with their cooperative attitudes, these are not likely to be well received in the acquired firm. Indeed, in the studied acquisitions, successful integration projects were characterised by buying firm integration managers that *genuinely* wanted to make the acquired firm employees feel welcome, and hence undertook cooperative attitudes toward them.

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fairness during post-acquisition integration (Hambrick and Cannella, 1993). When discussing cultural change, Cartwright and Cooper (1992) call for combining aggressive, conciliative, corrosive and educative styles. These themes resonate with those identified in regard to successful integration attitudes here. However, the reflections made by extant research do not account for the breadth of integration attitudes as defined here. Indeed, prior M&A literature has not specifically focused on the contents of integration attitudes. Thus, the present definition of 'integration attitudes' provides an extension to prior M&A research by highlighting the critical importance of attitudes to the success of post-acquisition integration efforts.

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Table 16. Attitudes enhancing cooperation.

Attitudes enhancing cooperation

Keeping promises

"At the start, people were a bit scared, as our production process changed, the office layout changed, ... but overall the feeling has been good, as 1) we were promised that we will never be sold on, 2) we are part of a stable company." (German interviewee – German-US acquired firm #4)

"At the start, staff were worried about whether the Finnish buying firm would keep its promises, as our previous American owner had not. It was extremely positive that the Finnish buying firm kept its promises, and approved of investment plans just two months after the deal. This was exceptionally good behaviour from a buying firm!" (Interviewee – acquired French unit #7)

"The integration manager was respectful of us, enthusiastic and always told the truth about the situation even when the truth was not nice to hear. The mutual trust between myself as site manager and the Finnish integration manager was perceptible to our staff here. They noticed very quickly that the relationship between their general manager and the Finnish manager was good and this reassured them and kept them motivated at work. That's why the people here still remember him today because they believe that all good things done for the site soon after the closing and in the last years happened thanks to him, and it is true that everything we planned for has since been implemented!" (Interviewee – acquired French unit #7)

Counter-example: not keeping promises

[Some years after the acquisition, the Finnish parent firm needs to sell the German unit onward] "After the offer had been made, our contacts to Finland went down, key managers did not come down anymore. A lot of things were handled by email and mail, there was no longer a personal contact. And nobody could be reached to talk about this. It was really curious. And now a lot of people are asking, was their integration approach fake all along, was it the strategy, or how to explain such a difference in behaviour overnight?" (German interviewee – German-US acquired firm #4)

Humbleness

"We do not brag and boast. You need to be humble. At the start, maybe we tried to advertise our company's way, but since then, we have learnt that things do not change in an instant." (Interviewee – buying firm D about acquired French unit #7)

"With our previous American owner, there was a touch of arrogance. E.g. the red carpet had to be rolled when they arrived. They told us upfront what we do wrong and believed that cultural differences are reducible to language differences." (Interviewee – acquired French unit #7)

Positive feedback

"Positive experiences give confidence to the new unit. We tried to recognise that they do certain things very well. This is especially crucial in the field of R&D, as in an acquisition, the new unit is uncertain of its competence as compared to other units in the new organisation, so it quickly starts to benchmark itself against them. Thus, each positive result boosts its confidence, gives recognition to the new unit. It is important to provide a new unit with a feeling of success and self-worth." (Interviewee – buying firm A about the Danish acquired unit #1)

"We were never blocked in activities, but were given support from our new owner. It was a positive feedback loop, without setbacks, blocking, and subsequent frustrations on our side." (Interviewee - German acquired unit #2)

Involvement and listening[68]

"We were allowed to propose things, i.e. the buying firm was not blindly imposing its will." (Interviewee – acquired French multi-site firm #5)

"They listened to our way of doing things, then considered what they had heard and mixed it with their vision before starting implementation. This was positive. In the first post-deal months, we brainstormed in all departments with regard to how we are going to get organised. We presented our approach to the Finnish managers, and based on the information and data that they had, they would make a decision." (Interviewee – acquired American multi-site firm #8)

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[68] Deiser (1994) alludes to the impact of the buying firm's attitude in the post-acquisition process, especially warning against the buying firm blindly imposing its ideas upon the acquired firm.

Table 16 continued. Attitudes enhancing cooperation.

Kindness and caring

"From a cultural and people standpoint, the integration went very well, as the Finns cared and showed interest in people. We were valued, they continued to show interest in us. We felt that we are important to the success of the company. They would talk to everyone individually, not just to us as a group, e.g. coming around and saying 'you're doing great'." (Interviewee – acquired American multi-site firm #8)

"The kindness and the compassion of the buying firm staff toward us has been surprising" (Interviewee – acquired American multi-site firm #8)

Respect[69]

"The buying firm had a lot of respect for our unit's competence. So they came and took the attitude that 'we take you and use you in the way you are best at'; it was an amazing start." (Interviewee - Danish acquired unit #1)

"The philosophy of the buying firm was that 'you guys know how to do your job, we do not want to interfere too much, we just try to give you hints as to how we go about our work, come around and see, and if you want to, learn, if you do not, then don't.' They never tried to interfere too much, they never imposed behaviour on us. They tried to convince us by discussion, not by order, not only at the managerial level but also at the worker level. We had a lot of discussions, and no-one said 'I'm the best, do this like I do..', of course we had a few emotional things but it depends on the individual you are faced with. The main line was not the hammer, but trying to convince by discussion, and this made it very easy for us to assimilate to Finnish behaviour." (Interviewee - German acquired unit #2)

"Buying firm D's integration approach was soft, there was a lot of effort to say that 'we bought your knowledge and experience, thus your knowledge and you are important to us. You know your work and we cannot teach you entirely new ways.' They would feed us information a little at a time, showing us how things are done in their organisation, i.e. our new parent firm." (Interviewee – acquired American multi-site firm #8)

Counter-example: arrogance

"With our previous American owner, the message was: 'we are the chiefs now, we teach you how to work, you are going to work like we do'. There was an air of arrogance in their approach that did not consider the decades of experience that our unit has. Their approach was disrespectful. They arrived here as though they had conquered the country." (Interviewee – acquired French unit #7)

"Our aim was to have the new unit as part of our corporate family. Thus, we wanted to actively root out the former parent's mentality from the start. We very clearly brought out the fact that staff should avoid using the name of the former parent. The rationale behind this was that we would cut out the link to the past, stop the engagement with the past and instead show the supremacy of our firm." (Interviewee – buying firm D about the US multi-site acquisition #8)

Sensitivity

"Communication is made easier as most Finns who are in touch with us speak German, this makes the contact easier." (German interviewee – German-US acquired firm #4)

"We took a sensitive approach to avoid difficulties. We wanted to portray a positive image of our firm. We wanted to show the level of commitment we were expecting from the new staff as well. We did not want to come across as hard, brash, but rather, portraying a professional image. There are only a few things that with hindsight we could have done differently." (Interviewee – buying firm D about the US multi-site acquisition #8)

Openness

"Open communication was a culture shock to the acquired firm's American staff, they were used to being managed in the traditional hierarchical way, where the staff troops get the information and that's it, there is no further discussion or debate about things. Factories needn't worry, as management makes decisions. It was like in the army. In our integration work, communication was more open. We talked to staff on the shop floor, we held hamburger luncheons, we provided the staff the opportunity to ask questions. It is easier to accept bad news than to deal with an unreliable upper management. Now, they saw that we are not a bunch of barbarians, but we are humans." (Interviewee – buying firm D about the US multi-site acquisition #8)

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[69] The importance of 'respect' in the way acquired firm management and employees are treated was noted by Krug and Nigh (2001) in their study on acquired firm executive departures.

Table 16 continued. Attitudes enhancing cooperation.

Trust[70]

"It is important to build trust: keep your word! Answer any questions they might have, explain the aims set for the integration era, …"(Interviewee – buying firm A about the Danish unit's acquisition #1)

"From having no trust during the last years with our founder-owner, we were able to trust the new Finnish parent firm and enjoy a good cooperation between Finland and our German unit." (German interviewee – German-US acquired firm #4)

"Our message was that we trust you, we respect your knowledge. We gave them our firm's hats, so that they felt that the company is wishing them welcome. We wanted to show humbleness toward them, see what we could learn from their side as well. And we have began using some of their ways too." (Interviewee – buying firm D about the US multi-site acquisition #8)

Neutrality

"In the post-deal years, we needed to renew ourselves, in this way everyone joins as equals, whether they come from the acquired firm or our existing operations. That's why we looked for common denominators between our firms." (Interviewee – buying firm C about acquired French multi-site firm #5)

Attitudes spurring change

In addition to attitudes enhancing cooperation, attitudes spurring change are also needed in the post-deal phase. This distinction seemed necessary, as undertaking attitudes enhancing cooperation alone might lead to behaviour that could be characterised as being 'too nice' and 'too soft'. Indeed, given that acquisitions represent contexts of change, attitudes enhancing action by spurring change are also needed in the integration project. They enable ensuring that the sought changes, be they structural or cultural, are implemented in a timely manner and get done. Such attitudes were found to relate to determinism, being demanding, realism, avoiding over-politeness, and moving on vs. grieving the past, Table 17.[71] In contrast, a lack of such attitudes resulted in the buying firm being perceived as 'too nice' and in integration actions not progressing at the speed sought.

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[70] In the joint venture literature, Cyr and Schneider (1996) found that the development of trust and respect for one another's culture is an imperative to ensure the success of joint ventures.

[71] As prior M&A literature has focused on the 'positive attitudes' that buying firms can undertake, the necessity of determinism and action-orientation has largely been left out except for the notion of 'assertive tolerance' in managing the post-deal integration phase (Napier et al. 1993).

Table 17. Attitudes spurring change.

Attitudes spurring change

Determinism

"We wanted to take a firm approach, quite contrary to what Nordic firms generally do when acquiring, being too nice." (Interviewee – buying firm D about the US multi-site acquisition #8)

Counter-example: lack of determininism

"We felt that the Finns reacted to the deadlock situation in R&D like 'Watte Bauschneise' (transl.: 'like cotton wool'), as they did not react to the situation at all. They tried to force co-operation between our sites even if it obviously did not work. The Finns were too easy-going with regard to our trans-Atlantic R&D project difficulties. How could so many millions of Euros be spent on a project that doesn't work?" (German interviewee – German-US acquired firm #4)

"The Finns' laissez-faire approach sometimes made people mad: we had our German and US sites that might not agree on a decision, and decided to ask the parent what they thought. Then, with its laissez-faire approach, Finland would say ' work it out together', whilst we wanted Finland to make a decision. Sometimes this caused a bit of anger and frustration." (American interviewee – German-US acquired firm #4)

"We tried to act as a referee between the two parties. With hindsight, we should have been tougher." (Interviewee – buying firm B about the German-US acquisition #4)

Being demanding

"Demanding: this was missing with the former American parent firm: the French unit was not given any boundaries, they were managed over the phone. After our acquisition, I started visiting them regularly, I gave them targets to meet, and if they had not been met, I wanted to understand why. In contrast, the former parent had invested in a building, but then had let it be without doing anything with it …" (Interviewee – buying firm D about the French site's acquisition #7)

Realism

"We wanted to take a fact-based approach. We went straight to the point so that we could get rid of all suspicions they might have, we did as we promised. And they learnt that if we say something, we mean it. There was no lip-service." (Interviewee – buying firm D about the US multi-site acquisition #8)

"It is typical for Scandinavian firms to remain realistic when entering deals such as M&A. Moreover, our senior managers seem to have had some kind of scenario in their heads, because once we were in implementation mode, it was clear that we had a set direction. Our progress followed logical steps." (Interviewee – buying firm D about the US multi-site acquisition #8)

The danger of over-politeness

"In choosing team leaders for the joint integration teams, with hindsight, our mistake was to be too polite and wanting to involve both sides equally. This resulted in having the wrong leader in some teams, and the results from those teams not meeting our expectations. In teams with the right leader, the speed of development and results were great." (Interviewee – buying firm B about the German-US acquisition #4)

Moving on vs. grieving the past

"The transition group was fun, they had an appreciation of what we'd been through but they did not want to dwell on it; they were kind, professional, compassionate; they treated us like people; they spent time talking not about our past, but said 'here are our targets, and how to get there' – they were goal oriented. We were not used to this. As an engineer with our former parent you'd do the engineering without knowing about the goal behind it. Thus, for us it was a positive change to join the parent firm." (Interviewee – acquired American multi-site firm #8)

Attitude toward the acquired firm's know-how and skills

A third kind of integration attitude related to the attitude that the buying firm integration manager(s) undertook toward the acquired firm's know-how and skills. Whereas the previously introduced types of integration attitudes dealt with engaging either with the people (attitudes of cooperation) or maintaining the pace of change (attitudes spurring change), this

attitude type focuses on utilising the acquired firm's skills and know-how. Mutuality is important, as it is a concrete signal of trust and respect toward the acquired organisation, and as such helps to spur engagement and motivation towards working together. Indeed, without mutuality, the buying firm will not be able to utilise the synergy potential inherent in the acquisition. The studied examples showed that where mutuality was present, the acquired firm's employees pointed this out with excitement and contentment, whereas its lack was seen as a disappointment and a sign of disrespect, despite official slogans talking of 'mutual respect'.

Table 18. Attitudes toward the acquired organisation's know-how and skills.

Attitude toward the acquired organisation's know-how and skills: mutuality

Mutual learning

"The buying firm showed its interest in the positive aspects of our unit, in the learning that our unit could bring to them. This was probably not planned, the managers responsible just thought that there could be something to learn. This message also came from the new parent's senior and top management. It is a good message for new guys: 'We can learn from all of you, you can give us something'. This gives confidence that we are not just here to take you over, but that you have something to bring to us. So, the buying firm's attitude is important in the integration efforts." (Interviewee - Danish acquired unit #1)

"It has been positive for the integration that both sides are experts in something, and thus mutual technology transfer has taken place in both directions. Since the acquisition, our unit has trained [the new parent firm's other] sites worldwide. This has increased our pride, as our new parent firm needs us and we need them. Thus, we have an interactive relationship, with competence transfer taking place in both directions. Our site was both a professor and a student in the acquisition, this really helped the integration, or else you get the feeling of being subordinated." (Interviewee – acquired French unit #7)

Counter-example: lack of mutual learning

"Our unit experienced the situation as the new parent rolling over its ways of working to the new unit, without sufficiently noticing the positive aspects the new unit could bring to it. The parent firm wanted to unify processes, so that cooperation between units would be easier. Our unit was unhappy at having to change these practical issues, and also about small things, e.g. having to travel to Finland for meetings." (Interviewee – British acquired unit #3)

"For us, being acquired by Finns, a) it's not just that they buy us, but b) they want to teach us how to run our business and how to run our factories. We also had a long history, not only them, i.e. we also know things." (Interviewee – acquired French multi-site firm #5)

"Our accumulated commercial know-how has not been utilised in our new parent firm, as no-one understands it, it is not in their culture. Some people even tried to destroy this know-how, as there is the emotional side in M&A 'I have nothing to learn from others'." (Interviewee – acquired French multi-site firm #5)

"In M&A, it is difficult to accept and implement the acquired firm's ways of working or practices in the buying firm, as this means accepting that it is a better one. There is also the pride factor in M&A - not wanting to adopt things from the other party. This is understandable, it is human behaviour." (Interviewee – acquired French multi-site firm #5)

Mutual change

"Our firm grew a lot through the acquisition. That meant that the parent firm's Finnish operations had to undergo changes as well. Thus, we could not pour an operating model onto the acquired firm. Rather, we have had to work out our future together. The acquisition had a direct consequence for us as the buying firm as well, as one of our business lines was killed. That was in itself a friendly way of communicating toward both sides that everyone needs to change, that this is a new era." (Interviewee – buying firm B about the German-US acquisition #4)

"There was none of this conquering or enslaving attitude. Rather, we looked for good sides from both companies and took it from there. We consciously avoided the term 'takeover' or 'acquisition' and used terms such as 'integration' or 'combination' instead." (Interviewee – buying firm B about the German-US acquisition #4)

In the studied acquisitions, mutuality was identified in terms of mutual learning and mutual change, Table 18. Mutual learning refers to situations in which the buying firm is not only transferring its know-how and ways of working toward the acquired organisation, but where knowledge transfer in the opposite direction also takes place. For example, the acquired organisation might have expertise in a special product area or function, such as marketing or production. By not only maintaining this know-how in the acquired organisation, but also attempting to transfer (part of) it into the buying firm, the acquired organisation's expertise and skills are acknowledged. Interviewees agreed that this was a strong motivational boost, as their skills and knowledge are appreciated, instead of, as often happens, being buried and forgotten about. On the contrary, the lack of such behaviour, Table 18, was not conductive to establishing a relationship of trust and spurring motivation in the acquired firm. Ultimately, it led the acquired firm to function less efficiently than it used to prior the acquisition.

Moreover, situations in which mutual change took place were also much appreciated by the acquired firm's employees. This was more likely in merger-type deals than in pure acquisitions, i.e. in situations where the deal represented so large a change that even the buying firm could not continue to operate without change across its businesses and departments. To conclude, the following finding summarises the analysis presented in this sub-chapter as regards the attitudes undertaken in the integration phase:

Finding 4c: The extent to which, in the management of the post-acquisition integration phase, buying firm integration managers show *attitudes* 1) enhancing cooperation, 2) spurring change, and 3) conducive to mutual learning, has a direct impact on the speedy progress of post-acquisition change, motivation levels in the acquired firm, and the extent to which synergies inherent in the acquisition are captured.

5.1.4 *Roles direct and indirectly responsible for the success of post-acquisition change*
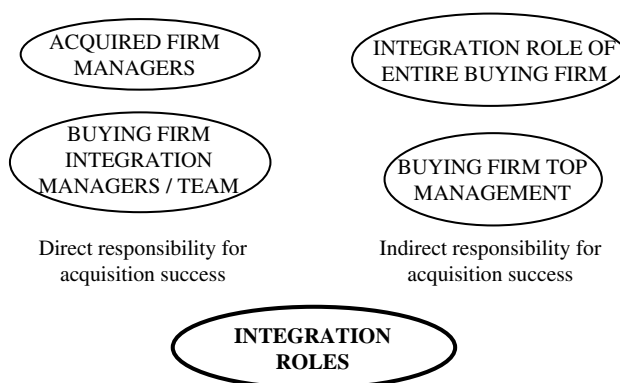

Figure 12. Roles directly and indirectly related to the management of post-acquisition change.

In this section, the roles related to the management of post-acquisition change are looked at. The findings showed that one needs to make a distinction in these roles as regards their having a direct vs. indirect responsibility on the success of the acquisition. As Figure 12

illustrates, roles directly responsible for integration success relate to the buying firm responsible integration manager(s) (and team) as well as the acquired firm managers that have been directly involved in making the acquisition happen. Roles indirectly responsible for acquisition success concern the buying firm's top management and the *entire* buying firm.[72] The studied acquisitions pointed to buying firms generally not recognising the significance of the latter roles to the success of acquisitions. Thus, not all of the above roles are used to ensure acquisition success. Finding 4d summarises the analysis to be presented throughout this sub-chapter:

Finding 4d: The extent to which *roles critical to the success of post-acquisition integration* are defined beyond the buying firm integration managers – to include acquired firm management, buying firm top management, and the entire buying firm – has a direct impact on the progress of post-acquisition change, uncertainty and motivation levels in the acquired firm, and the extent to which synergies inherent in the acquisition are captured.

5.1.4.1 The critical change agent role of buying firm integration managers and expatriates

To help in the integration of the newly acquired firm, buying firm expatriates[73] are often sent in for specific tasks related to implementing post-deal changes. The roles that they undertake are varied, Table 19: they can be business or technical experts helping in the transfer of know-how, managers in charge of a certain department (e.g. as chief financial officers or human resource managers), they can replace the acquired organisation's CEO, or act in the integration manager's role. This chapter will proceed to the analysis of 1) the integration manager's and expatriates' roles in spurring post-deal integration, 2) the characteristics of a successful integration manager or expatriate, and 3) the use of the buying firm's existing host country nationals in integration management roles.

The integration manager has a central role in an acquisition.[74] Often, s/he can be responsible for the evaluation phase, plans the post-deal era if possible prior to the deal, develops links

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[72] The presentation of the roles played by different parties within the buying and acquired firms in the post-acquisition integration phase broadens the scope of extant M&A research, where the focus has been on either the integration manager (e.g. Schuler et al. 2004) or the acquired firm managers (Buono and Bowditch 1989, Haspeslagh and Farquhar 1994, von Krogh 1994, Gerpott 1995, Larsson and Finkelstein 1999, Schweiger and Goulet 2000, Graebner 2004). Indeed, as the next sections will highlight, the roles of buying firm integration manager, expatriates, country organisations, top management and other units' support have not been studied in depth or considered. In parallel, the findings also extend on research on the role of acquired firm managers.

[73] This finding contributes to M&A research, where the role of expatriates has received scant attention. In a broader perspective, the transfer of managers has been identified as a means for the parent firm to control and coordinate activities in its subsidiaries (Edström and Galbraith 1977, Harzing 2001). Recent M&A findings (Hebert et al. 2005) show that expatriates need to be experienced and appropriately selected in order to ensure the success of their challenging mission in the support of post-acquisition integration. The study of Hebert et al. (2005) focused on cross-border acquisitions undertaken by Japanese multinationals that endure a greater cultural distance than their Western counterparts when acquiring Western firms. These findings highlight the challenge of expatriation between Asian and Western countries, whereas the focus of the present study is on cross-border acquisitions between *Western countries*, where the challenge of expatriation did not seem to be as acute as in the study of Hebert et al. (2005). In this light, the present findings shed light onto the topic of expatriation in cross-border acquisitions.

[74] It has been noted that there is virtually no research on the role of the integration manager in extant research on M&A (Shimizu et al. 2004), apart from small notes in Schuler et al. (2004).

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toward the acquired firm management, and acts in a coordinating role, coaching the acquired firm's management after the deal until they are up-to-speed in working in the new parent firm. In this sense, the integration manager has the de facto responsibility for the integration until the newly acquired organisation is able to work its way in the new parent firm. The integration manager's influence will be noticeable throughout the post-deal integration phase, be it in the degree to which fundamentals of integration management have been catered for, the attitudes underlying the integration efforts, or the way the integration is organised. Thus, the 'look and feel' of the integration era is often traceable to the integration manager, who in turn energises the teams working with him. Indeed, from the acquired firm's perspective, the integration phase reflects and can often be personified in the responsible integration manager.

Table 19. A typology of expatriate roles.

A typology of expatriate roles
1)   Expert role in transferring technology, business, process know-how, or developing a business.
2)   Managerial role in managing a specific department, business segment, or subsidiary.
3)   Integration manager role, who is based in the acquired firm as the local manager.

The integration manager will, depending on the situation of the deal, either remain as the acquired organisation's managers' coach or relocate as an expatriate manager in one of the acquired organisation's key locations. In either case, the integration manager's role is to coordinate the integration activities and represent the new parent toward the buying firm. Thus for the buying firm, the choice of the integration leader is perhaps the most critical decision made as regards to realising the potential of the acquisition.

Moving onto the roles undertaken by buying firm expatriates, the acquisitions showed that expatriate managers (including but not limited to integration managers) and experts share similar roles in the post-deal era, Table 20. For one, the role of all expatriates, but especially the integration manager, is to support the implementation of the changes that the buying firm wants to pursue in the post-deal phase. In this role, they represent a visible sign of support from the buying firm. As such, their presence has a positive effect on employees of the acquired organisation, helping them to feel more secure. Owing to their knowledge of the parent firm, they can support post-deal change efforts by easing the acquired firm's access to the new parent' top management attention. Managerial expatriates can also fill in a leadership vacuum if no suitable candidates are locally available. Their greatest focus generally involves initiating and guiding post-deal changes, e.g. as regards introducing new ways of working. Another practical role relates to connecting the acquired and parent firm employees. This means knowing whom to contact for what matter. Indeed, acquired firm staff do not have this knowledge and even if they do, all too often, the emails of unknown new colleagues tend to remain unanswered. Here, expatriates are particularly useful, as if they do not know the right

person, they at least would know whom to ask. In this role they act as a node, enabling the creation of inter-personal networks between the acquired and parent firms. This is a non-negligible role in today's global organisations that consist of thousands of employees.

In a second instance, the integration manager, and indeed all expatriates help the acquired firm to transfer to the buying firm's organisational culture, and in translating traces of the parent firm's home country's national culture. They can do this either purposefully or implicitly, as by their presence they tend to promote cultural exchange and learning. The expert expatriates' role is to ensure a successful transfer of technical or processual know-how into the acquired firm. Their presence spurs the development of relationships of trust, and hence communication flows are made easier. Importantly, they understand the buying firm's technology and products, and therefore they can help to find and locate e.g. technical drawings as well as decode them. As they are located physically at the acquired firm's site, employees have less fear of asking them questions rather than calling a site abroad for the same question. In parallel, their role as language translators is non-negligible. This was noticeable in all of the studied acquisitions, where the buying firm had a wealth of key information available in a rarely spoken language, such as Finnish, only. Without expatriate support, the acquired firm's staff has little opportunity to decipher this knowledge. Thus, expatriates are helpful in that one can ask them any small everyday question, which one would be reluctant to make a long-distance phone call and disturb a colleague overseas for.

Table 20. Roles of the integration manager and expatriates in the post-deal integration period.

Roles of the integration manager and expatriates in the post-deal integration period
1) Support post-deal change (especially the integration manager, but also expatriates)

Sign of support and security	**Example of Danish unit's acquisition.** *"Expatriates were a visible sign of support from the parent firm" (Interviewee - Danish acquired unit #1)*
	Example of German-US acquisition. *"The presence of an expatriate manager showed that the buying firm really cared for us. Someone was in charge and was a living example of the change that we were going through. His presence helped, it showed security. He was like a big teddy bear. He was a good communicator. It was a good thing to send someone over instead of exerting remote control from Helsinki." (German interviewee – German-US acquired firm #4)*
Access to new parent firm's management	**Example of Danish unit's acquisition.** *"The integration was planned together by the integration manager and our local management team. As the integration manager visited our site often, we had direct and easy access to him. Being a member of the parent firm, he provided us with faster access to the parent firm's top management and thus enabled faster decision-making." (Interviewee - Danish acquired unit #1)*
	Example of US multi-site acquisition. *"Expatriates take our concerns back to Finland. They act as the liaison between our site and Finland, this has been the most important role." (Interviewee – acquired American multi-site firm #8)*
Fill leadership vacuum	**Example of German-US acquisition.** *"The fact that Finland sent an experienced professional to fulfil part of the vacuum left by the departure of the founder-owner and guide through the start of new era was the correct solution." (Interviewee – buying firm B)*
Spur change	**Example of Danish unit's acquisition.** *"We sent Finns over to the Danish unit to avoid running the integration with an invisible headquarters control mentality. Integration needs people on site. In R&D integration, it is important to get basic processes and support functions operational." (Interviewee – buying firm A)*

Table 20 continued. Roles of the integration manager and expatriates in the post-deal integration period.

	Example of German-US acquisition. *"The presence of the integration manager for 1,5 years was very important and I believe that he is to be thanked for the success of what we achieved."* (German interviewee – German-US acquired firm #4) *"My stay in Germany was essential, otherwise things would not have moved forward as fast. The unit's level of self-initiative grew. Also, we managed to establish operational links between the new site and our Finnish sites. Sending an experienced manager to the newly acquired unit was the single most important decision in the integration."* (Interviewee – buying firm B) **Example of US multi-site acquisition.** *"There are differences in the degree of integration across the businesses in this unit. Those that had an expatriate Finnish manager have changed more in comparison to those that have remained being managed locally. If you do not guide the change, it cannot happen."* (Interviewee – buying firm D)
Introduce buying firm's ways of working	**Example of German-US acquisition.** *"Integration was the responsibility of the integration manager, including the knowledge of the buying firm's ways of working and culture. We worked on normal routines, bank connections, new financial reporting systems. Training was organised and I introduced them to the new ways of working. It started off quite nicely."* (Interviewee – buying firm B) *"The integration manager was physically present there to help staff adapt to the new company and introduce them into our company's ways of working, ensuring that things start working as they were expected to."* (Interviewee – buying firm B)
Help to find right persons in the new parent firm	**Example of Danish unit's acquisition.** *"Our expatriate had no official position, he stayed a few months, helped, taught, helped establish networks, his role was one of a practical node person."* (Interviewee - Danish acquired unit #1) *"As expatriate Finns there, we helped the integration a lot, e.g. as regards finding the right person, it was much easier to ask us than through a connection in Finland. At times, we also worked as door openers toward the parent firm: e.g. if the Danes got no answer to an email, they would ask us if we knew whom we should contact. Once we sent the email, the answer came rapidly."* (Interviewee – buying firm A) *"The integration manager sent also a secretary over. That was a great idea! This tradition has since been followed."* (Interviewee - Danish acquired unit #1) *"The parent firm's staff were busy, they could have avoided helping the new centre, yet through our expatriates' indirect power in the organisation, he channeled us to the right persons and told them in turn that they should help us."* (Interviewee - Danish acquired unit #1) **Example of German-US acquisition.** *"As the integration manager onsite, I served as a link toward Finland, being able to connect people together, knowing who knows about what."* (Interviewee – buying firm B) *"Owing to the integration manager's presence, it was easier to get contact with Finns, as he could help to find the right person."* (German interviewee – German-US acquired firm #4) **Example of French site's acquisition.** *"As expatriates, we have managed contacts between the locals and Finland. If the locals need to talk to a Finn, they generally bring the phone to us. In this sense, an expatriate's role is broader than the typical work description says it is."* (Interviewee – buying firm D) *"The expatriate Finns have operated as our links to Finland, as they know which department to ask for help. If we have any technical problems, they can call Finland and talk to the engineers in Finnish."* (Interviewee – acquired French unit #7) **Example of US multi-site acquisition.** *"The Finnish expatriates present here have helped us in our communication toward Finland: whom to contact to get information and answers. They act as our conduit to Finland."* (Interviewee – acquired American multi-site firm #8)
2) Cultural transfer (especially the integration manager, but also expatriates)	
Transferring the organisational culture of the buying firm	**Example of Danish unit's acquisition.** *"As expatriate Finns onsite, we helped the integration a lot: to understand our firm's organisational culture, its background, and ways of working. People that carry the corporate culture within them should be the ones that are moved to the new location, i.e. the opinion creators, the talkative and political ones. They should be able to ensure buy-in to the new parent's way of working in all situations. This is one way of breaking barriers."* (Interviewee – buying firm A)

Table 20 continued. Roles of the integration manager and expatriates in the post-deal integration period.

	Example of German-US acquisition. *"The integration manager was here from the start, acting as a Finnish bridge, ensuring links to Finland. It was lucky to have someone who was personally in charge of and took care of the change. Regardless of cultural differences, it is important that people talk together. His presence was significant as through his example, he represented what the company was talking about, instead of staff seeing the company's values on paper only. Today, his work is still ongoing, though at a distance."* (German interviewee – German-US acquired firm #4)
	Example of US multi-site acquisition. *"There have been several expatriates from the parent firm to bring the parent firm's organisational culture over and to help to get the business going. They have taught us how to operate in buying firm D: who to contact, how to communicate with the Finns on issues we have, in sum they have helped us with the rules of operating in the parent firm."* (Interviewee – acquired American multi-site firm #8)
	"Expatriates help us understand what the new parent firm expects from us. They interpret what the firm's goals and organisational changes mean in practice." (Interviewee – acquired American multi-site firm #8)
Translating the national culture of the buying firm	**Example of US multi-site acquisition.** *"The expatriates present here have also introduced us to the Finnish culture, e.g. there's a sauna in the new building. They've helped us to understand the Finns' silence and quietness, as they are more subdued and closed as compared to Americans, they are brief and direct in their communications, e.g. how to read a Finn's short email. Otherwise, it would be hard to know about the Finnish culture, so for us, it is nice to know about Finland."* (Interviewee – acquired American multi-site firm #8)

3) Knowledge transfer (especially expert expatriates)

Eases trust-building and communication	**Example of Danish unit's acquisition.** *"Mobility of staff took place. There could have been more personnel exchange, as contacts enable building trust. Also, exchange enables a faster understanding of the new organisation. If someone from another site sits in your project, it is faster to explain why certain things have to be made, communications are easier and the message comes across faster."* (Interviewee - Danish acquired unit #1)
Knowledge transfer	**Example of German-US acquisition.** *"Our integration manager also told us what is already done on a certain matter in Finland, what we could learn from this instead of reinventing the wheel. So, in this way, his presence made the integration easier and faster."* (German interviewee – German-US acquired firm #4)
	Example of US multi-site acquisition. *"Expatriates have also helped us to understand the product engineering solutions and logic of the parent firm. Nowadays we have an expert here to help us if customers ask questions related to their products. Our expert knows the answers and he knows whom to ask for more help."* (Interviewee – acquired American multi-site firm #8)
	"The role of expatriates has been the transfer of knowledge and helping to create links and bridges. They know how the organisation works, they understand the product drawings, and they personally know engineers at our Finnish sites." (Interviewee – buying firm D)
Ask any questions	**Example of Danish unit's acquisition.** *"There is value-added in sending expatriates onsite to help in the integration work. With help onsite, acquired firm staff have the opportunity to ask even stupid questions (e.g. translations) thanks to the physical proximity of expatriates. Also, for an R&D designer, it's easier to ask another engineer than asking the integration manager. This also enables faster establishment of inter-site networks, as the Finnish expatriate engineers have connections across the parent firm."* (Interviewee – buying firm A)
Language translation	**Example of US multi-site acquisition.** *"Expatriates help us, as they help with interpreting Finnish, e.g. with regard to engineering drawings."* (Interviewee – acquired American multi-site firm #8)

Based on discussions with interviewees, the typical characteristics of a successful integration manager were identified, Table 21.[75] (Similar characteristics also pertain to successful expatriates.) The integration manager's key characteristics relate to a human touch and bond

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[75] The skills required of an integration manager resonate with the skills required of an international manager, identified as cognitive complexity, emotional energy and psychological maturity (Wills and Barham 1994). The importance of being culturally aware and having language skills has also been emphasised (Shanahan 1996).

with the acquired firm. Indeed, in all of the studied acquisitions where this bond existed, the integration phase was praised by the acquired firm's interviewees and much of this praise was directed to the integration manager in charge. A human touch relates to role of winning over the hearts, minds, and respect of employees in the acquired organisation. This by itself is not enough, though. It was also pointed out that in order to win the professional respect of the staff and management in the acquired organisation, the integration manager should be an expert in the business and technical area in question. Indeed, the successful integration managers in the examples studied all combined an excellent human touch with strong related business and technical expertise. In addition, successful integration managers also had some international experience and possibly also local language skills in addition to English. This enabled them to develop a relationship of trust more quickly with the acquired firm's employees in a cross-border context.

Table 21. Characteristics of a successful integration manager.

Characteristics of a successful integration manager	
1) Technical skills	
Technical competence	**Example of German-US acquisition.** *"The fact that Finland sent an experienced professional to fulfil part of the vacuum left by the departure of the founder-owner and to guide us through the start of new era was the correct solution. Most likely the respect I gained was due to my strong technical and product know how. This helped to build a relationship with staff and eased people's doubts toward the future. The founder of the company had also had strong technical expertise. This continuation of expertise at the managerial level was a factor increasing the staff's sense of security." (Interviewee – buying firm B)*
	Example of French site's acquisition. *"A major reason that I was approved among the French employees was my long background in engineering, i.e. we had one more common language! In France, people have a great respect for know-how and skills." (Interviewee – buying firm D)*
	"To calm our staff's worries, we told them in our information meetings that our integration manager has experience from our business. They were of course afraid that the new manager will be a person sent by the headquarters with little knowledge about our specific business, and only interested in its financial side! So it was important for me as the site manager to tell this reality and in fact it was not only politically useful, it really helped create a common language and also helped us to go ahead faster with the development of the site's strategy." (Interviewee – acquired French unit #7)
2) Human skills	
Chemistry with the unit	**Example of Danish unit's acquisition.** *"There was a good chemistry between the Finnish integration manager and our site. His management style consisted of walking around, talking with everybody, creating an atmosphere of trust. He was easy to access, smiling, people wanted to talk to him. He is very good at his job. He can feel if there is trouble, feel what people are really thinking about. If he could not change the situation, at least he would explain the context, hence ease our levels of uncertainty." (Interviewee - Danish acquired unit #1)*
	Example of German-US acquisition. *"He took care of us at all hierarchical levels. He talked to employees, was around, participated in our business trips and company parties. He was a part of us." (German interviewee – German-US acquired firm #4)*
Human touch	**Example of Danish unit's acquisition**. *"Success in integration is much related to the quality of human touch. It is very important to send in the right guys. Not many have the ability that our integration manager had. It needs a very delicate approach, as the M&A context is a delicate one. In our case, the integration manager had the ability to adapt to the situation. He had a human touch, he knew what to say and when, without ever pushing too far, too much." (Interviewee - Danish acquired unit #1)*
	Example of German-US acquisition. *"He made people feel trusted, recognised, heard; no-one was afraid of the big integration manager." (German interviewee – German-US acquired firm #4)*

Table 21 continued. Characteristics of a successful integration manager.

	Counter-example of British unit's acquisition. *"You need to respect the acquired unit and its qualities, to promote and respect a sense of self-worth. The soft, human aspects had not been taken into consideration in this acquisition. Integration had been managed from an engineer's viewpoint, whereas integration is about people. Engineers had handled it. Processes and procedures had been given priority over human issues."* (Interviewee – buying firm A)
Win hearts and respect of acquired firm's staff	**Example of Danish unit's acquisition.** *"The integration manager's role was very important, he did a very good job. He got the organisation's support and trust on his side and thus toward the new parent firm. He understood differences in working styles, in attitudes. He could explain why something was important, what needed to be tackled."* (Interviewee - Danish acquired unit #1)
	"We had a strong local management team, they had worked together for years, and were used to making inner circle decisions under the ownership of our former parent. This was difficult for outsiders to understand. But even these long-term local managers respected and wanted to work with our Finnish integration manager." (Interviewee - Danish acquired unit #1)
3) Intercultural skills	
International or country experience	**Example of US multi-site acquisition.** *"The influence of differences in national cultures depends a lot on the company's international experience as well as each person's personal international experience."* (Interviewee – buying firm D)
	"I had not lived abroad before, but in my prior work, I had travelled around the world. This has helped me in adjusting to the new country, as I did not have a concern about moving abroad and adapting to new situations." (Interviewee – buying firm D)
Language skills	**Example of German-US acquisition.** *"A key factor was that we always tried to speak German. Most of our managers speak German. That made communication easier, as using the local language, it is easier to get inside their culture. I think it had an indirect influence and created a feeling of belonging."* (Interviewee – buying firm B)
	"Communication is made easier as most Finns who are in touch with us speak German, this makes the contact easier." (German interviewee – German-US acquired firm #4)
	Example of French site's acquisition. *"What eased working with the unit was that most Alsatians speak German. We did not speak French and only some of their staff spoke English. Without German, we would have had no common language. Naturally, the best option would have been if one of us would have spoken French. But even with German, we were able to speak to the staff in the factory."* (Interviewee – buying firm)

As regards the role of integration managers and expatriates, the following findings summarise the above analysis:

Finding 4d-1: *Buying firm representatives* support the acquired firm in expert, managerial, or integration manager roles. At best, they support the acquired firm in the implementation of post-deal changes, and help in the cultural and knowledge transfer between the firms.

Finding 4d-2: *Buying firm integration managers and expatriates* impact the progress of post-acquisition change and the prevailing levels of uncertainty and motivation in the acquired firm positively or negatively depending on the extent to which they couple technical, human, and intercultural skills in accomplishing their post-acquisition integration tasks.

As most multinational firms' upper managerial positions are staffed by their home country managers, buying firms often select a manager from their home country as the integration manager. If a company has a long-term presence in the country where the cross-border acquisition takes place, they can choose a local integration manager and use the help of their country organisations in the acquisition process, Table 22.[76] This helps to bridge the cultural gap between the acquired and buying firms' countries' managerial practices. Thus, the immediate intercultural interface is reduced, as there are at the start of the integration only

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[76] This finding contributes to extant research. The role of the buying firm's regional or host country organisations has not been studied in research on M&A.

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few direct contacts with the buying firm's organisation. Moreover, as the integration manager's role is to a large extent a coaching and supportive one, the role might be best handled by a person with sensitivity to the local context, as summarised next:

Finding 4d-3: *The buying firm's local country organisations* impact the progress of post-acquisition change and the prevailing levels of uncertainty and motivation in the acquired firm positively or negatively depending on the extent to which they are provided the opportunity to actively support the change efforts with their local culture and market intelligence.

Table 22. The supportive integration role of the buying firm's existing country organisation.

The role of the buying firm's host country organisation in the integration efforts	
Local integration manager	A local integration manager was selected to run the integration in the US multi-site acquisition:
	"It seemed helpful to have an American integration manager, as the acquired company had been a strongly US one, with a strong organisational culture. Having a Finnish integration manager there might have been too heavy-handed, might have represented too big a change for staff. With a Finnish manager, it would have looked too much like a Finnish company; with a Finnish management style, i.e. brief, less emotion (as it is seen in Finland as a weakness to show your emotions), there is a clear line between what is right or wrong. Vs. a North-American manager who is more social, talkative, and generally more emotional than the Finns. Also, if an outsider (i.e. a Finn) would take over the integration, with no knowledge of the local culture, it would be dangerous as the local community would be looking for signs as to whether the new parent is committed to staying in the area." (Interviewee – buying firm D)
	"The Finnish parent firm's existing US staff could relate their experience in the parent firm to the newly acquired US firm's employees, as they had personal experience of having been acquired by the company earlier. Moreover, it is easier to communicate between one's nationals. Finnish expatriates here spend more time with other Finns than with Americans; it is more difficult to develop personal relationships with them, so had there been a Finnish integration manager, it would have been more difficult to relate to and develop personal relationship with him than with a North-American manager." (Interviewee – acquired American multi-site firm #8)
Active use of host country organisation	The existing country organisation supported the integration efforts in the US multi-site acquisition:
	"We would have encountered many mistakes had we not had the local knowledge within our own organisation. It was good that we had both locals (i.e. Americans) and Finns that had lived in the US for years involved in the integration efforts. As when you come into a new country as a foreigner, you do not know the rules. You need to be proud of what you know, but then again humble in terms of not being capable of knowing it all. It is smart to be able to get support from others and admitting to oneself that you do not know everything." (Interviewee – buying firm D)
	"What we learnt here is that it is best when the responsibility for the actual implementation of post-acquisition integration is handed over to the buying firm's existing local staff in the host country of the acquired firm. There are many things that local residents know better than foreigners would as regards how to operate in that country. Hopping onto the plane and coming for a few meetings and coming back, returning again .. for an acquisition it is quite a risk." (Interviewee – buying firm D)
	"It is difficult to manage such a project in a culture or style that is atypical and abnormal to that particular country. You need to adapt and convert to the local style. In this case, some of us had been in the US for some years already, and we had local help." (Interviewee – buying firm D)

5.1.4.2 The power of motivated acquired firm managers

In addition to the traditional roles of the buying firm's integration manager and expatriates, buying firms can decide to involve the acquired firm's managers in the integration effort.[77]

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[77] The importance of involving the acquired organisation has been called for in M&A research (Haspeslagh and Farquhar 1994, von Krogh 1994, Schweiger and Goulet 2000, Angwin et al. 2004, Graebner 2004) as a means of fostering integration and mutual learning. Very and Schweiger (2001) pointed to their importance especially when the buying firm was making an acquisition in a country in which it had no prior experience. Recently, Graebner's (2004) study of technology acquisitions showed that acquired firm managers have a distinct and crucial role in ensuring the successful integration of their unit into the new parent firm. The findings presented in this chapter

Without involvement, the post-deal era easily becomes the buying firm's show, a takeover that reduces the potential of building a future together. The involvement of acquired firm's managers, on the other hand, provides a powerful lever to increase the level of commitment in the acquired organisation. Once acquired firm managers are committed, they can transfer this feeling to the rest of the organisation. In what follows, some ways of involving the acquired organisation are discussed from the perspectives of 1) using integration meetings and teams, 2) empowering the local manager. To begin with, the acquired organisation's management can be involved in the early post-deal period to discuss their future as part of the parent firm, for example in an integration meeting combining managers from both firms.

> **Example of German-US acquisition.** *"The start of the integration went well. The first meeting in Finland was different enough from what we were used to and it set a good tone for the integration: start action and maintain good spirits within the group. Starting the integration efforts with a meeting in Finland was a positive sign." (German interviewee - US-German acquisition)*
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> *"The kick-off meeting in Helsinki was well-organised. We came back with a trusting and positive feeling about our new parent firm and its top management. From then on, our motivation increased continuously. Both sides wanted to work for a common future. This meeting confirmed our positive first impressions about the buying firm that we gained in the due diligence phase." (German interviewee - US-German acquisition)*

The acquired organisation can also be involved through the joint integration teams that combine members from both firms. These teams can include e.g. sales, marketing, R&D, production, branding, and financial reporting teams. The use of integration teams demonstrates a respectful integration effort based on mutual learning. Instead of the buying firm dictating the future, integration teams consist of members from both firms that jointly begin to work on their future. Integration teams were used in the German-US as well as the French multi-site acquisitions in the post-deal months as a means of planning and foreseeing the implementation of the required post-deal changes. They provided a platform for members of both organisations to get to know one another and to begin exchanging information and know-how in a friendly, sharing-based atmosphere.

> **Example of German-US acquisition.** *"The idea behind the teams was that it is important to have joint teams per function/department where issues relating to post-deal integration are discussed together, and where each team focuses on what needs to be done to align the ways of working in that function/department and how to move forward to implement these changes." (Interviewee – buying firm B)*
>
> *"I believe that the integration teams were the cornerstone of the integration work. Though each team had its own responsibilities, it was nice to ask other teams about their progress, when you would bump into them in the corridor. Thus, in addition to the official memos, you could hear about the current status of integration efforts from the team members." (Interviewee – buying firm B)*
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> **Example of French multi-site acquisition.** *"At the first post-deal meeting we announced that we will launch integration projects with the aim of mapping how we will merge the two organisations' operations together: 'These projects start now, responsible persons and deadlines are as follows. If the final report is acceptable and all agree, implementation will begin on xxx ...' For all businesses, where the dividing line was not clear, we ensured representation from both firms. Once the projects had been accepted, we decided at what stage responsibility shifts from the old structure to the new structure. Thus,*

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expand and strengthen the findings of Graebner (2004) by broadening the debate from technology to other acquisitions. It would seem that the acquired firm managers' role warrants even further inquiry.

> *we agreed on a handshake method. But the handshake would not take place before the plans for that business area had been approved." (Interviewee – buying firm C)*

Second, it is also possible to keep local management intact in the acquired organisation. This is a good choice if local managers accept and are aligned with the buying firm's ways of working and organisational culture, and are supportive of the deal. Indeed, comparing the positive and negative instances of keeping local management, the key issue revolved around the excitement and enthusiasm with which the acquired firm managers greeted the new parent and the acquisition. The lack of such feelings resulted in negative action and resistance during the integration era. The positive consequences of keeping local management are summarised in Table 23. Keeping local management is seen in the acquired organisation as a sign of trust, and thus becomes a motivating force for the acquired firm. In this sense, an acquisition can be made to look and feel like a combinatory effort, instead of being seen as a takeover. This sign of trust motivates the acquired firm. Moreover, the acquired firm's managers can drive post-deal changes locally. A local manager has the advantage of knowing the local organisation and its staff's worries better than an outsider would do, and thus is able to manage the employees' concerns in a more appropriate way. Sharing the language, a local manager can more easily establish relations of trust with employees. Importantly, a local manager does not fall into cross-cultural traps given that he knows how to deal with employees in that country.[78] Such factors are especially crucial in cross-border acquisitions, where the countries involved have distinctly different managerial styles, as is the case of France and Finland, for example.[79] The buying firm can also grant local managers a strong role in guiding the integration of their own unit into the buying firm's operations. This kind of an integration approach takes involvement to an extreme, with the acquired firm self-integrating into the new parent.

In cross-border contexts, acquired firm managers' prior acquisitive and international experience eased their integration into the buying firm, as the quotes below demonstrate.

> **Example of Danish unit's acquisition.** *"The unit was aware of its competencies, but was not proud. We had gone through lots of learning in our life with our former European owner and we had learnt to deal with multiculturality." (Interviewee - Danish acquired unit #1)*

> **Example of German unit's acquisition.** *"Our unit's management had experienced in working in international environments. We had not been a fully German company in the eight years preceding this acquisition [as we had had foreign owners]. Thus, our management was open to new challenges, open to change, they had multicultural openness. We had had enough culture shocks in the past. Thus the unit's culture is not typically German owing to its past, it had learnt to adapt! This also helped to explain management's attitude toward this acquisition." (Interviewee - German acquired unit #2)*

> **Example of French site's acquisition.** *"Our previous experience of being acquired really helped us, especially our local management team, in dealing with this acquisition." (Interviewee – acquired French unit #7)*

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[78] Very and Schweiger (2001) found that acquired firm managers tend to be used when buying firms enter countries they have no prior experience from. This finding resonates with the present one.

[79] This issue was raised e.g. in the studied French and US acquisitions, where local management acted as a buffer against a strong Finnish influence. A French manager explained that they had been able to avoid strikes and ensure a good dialogue with employees given that local management knew better how to calm employee concerns.

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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Table 23. Positive aspects in keeping local management after an acquisition.

Positive aspects in keeping local management

1) Powerful sign of respect by buying firm

Seen as a sign of trust	**Example of Danish unit's acquisition.** *"Local management was not substituted, but helped, facilitated. Although the integration manager and expatriates were responsible on paper, they did not take this role in practice. Instead, they trusted local management. This was a positive factor: our unit was trusted; our own management was kept, and we were able to make decisions on our own, according to what we felt was right. So even though the integration manager was the manager in theory, in practice it was the Danish unit manager who was managing the operations and the integration efforts. The buying firm was confident in the new unit's capabilities."* (Interviewee - Danish acquired unit #1)
The deal does not look and feel like a takeover	**Example of German unit's acquisition.** *"It was not felt to be a takeover, as project managers were local. This was a very important move. Finnish line managers were in turn supervising and supporting these local project managers."* (Interviewee - German acquired unit #2)
	Example of Finnish acquisition. *"Had we been immersed 100% into the parent firm, that would have meant great difficulties. It was good that they realised that there is no need to take us, a small young firm, into their bureaucracy, but let the firm take care of its own growing pains, entering the organisation gradually according to our degree of tolerance. So, integration was not forced, but we were provided the freedom to join the company gradually as the need arose. And ultimately, given that we were such a young company that was still in the midst of its own growing process, it would have been disastrous to dump a load of bureaucracy into it."* (Interviewee – acquired Finnish firm #6)
Motivational aspect	**Example of Danish unit's acquisition.** *"It is good to involve local management from an early stage! E.g. right after the deal, our local management team visited Finland, we spent a day together. This was a shared experience for our management team, an important experience. After that, integration became a joint challenge to our management team. We do it together!"* (Interviewee – Danish acquired unit #1)

2) Local driver of post-deal change

Active local change agent	**Example of French site's acquisition**. *"We have kept local management. The local site manager's role is crucial. He agrees with our plans, and then goes to the factory, shakes hands with all of the staff, and explains to them why we should move in this direction."* (Interviewee – buying firm D)
	"The presence of the site manager facilitated the change. As he had worked at the site for 20 years, he had the staff's support." (Interviewee – acquired French unit #7)
	"Integration management is personified a lot in the responsible manager. Thus, once we had a site manager that was positive about the acquisition, we could trust that he would in turn take this message on to staff at the site." (Interviewee – buying firm D)
Understands worries of local staff	**Example of US multi-site acquisition.** *"The use of local managers helped, as they can recall what it was like with the previous owner, thus they can sympathise with staff, understand their expectations, understand their conversations (what they are referring to) and then can consider the best route forward."* (Interviewee – buying firm D)
Ability to adapt messages to local culture and get past language barrier	**Example of French site's acquisition.** *"The French managers are more people-oriented than Finnish managers. They know their employees, they shake everyone's hands and ask about their families. Had we had a Finnish manager responsible for the acquired unit, it would not have worked. For example, with regard to layoffs: people are more tied to their work in France than in Finland. It is difficult to lay off French staff. In France, when laying off staff, their social situation is taken into account. This can also mean that the best workers are laid off. In Finland, layoffs are decided based on the firm's needs. By managing layoffs in a locally adapted way, the site has not encountered strikes. Had we had a Finnish manager heading the unit, he would not have been able to understand the staff's needs. You need to know how to play by the rules of the local game, otherwise you would run into trouble."* (Interviewee – buying firm D)
	"The site manager did an impressive job of keeping the unit informed throughout periods of uncertainty. He explained, informed and explained again. In Finland I believe we were far less informed about the progress of the acquisition than they were in the French unit! The management digged out all possible information to bring it to staff! This decreased the level of speculationt. In France, there is a great deal of talking and discussing with employees in situations of change and crisis. The site manager handled this by talking, explaining many times why layoffs were necessary." (Interviewee – buying firm D)

Table 23 continued. Positive aspects in keeping local management after an acquisition.

	Example of US multi-site acquisition. *"In my pre-deal interview, I was interviewed by Finns and an American. I had a higher comfort level when an American was present, as the Finns spoke broken English, which made it harder to understand what they were saying. Also, some of their expressions were not clear, so the American interviewee would clarify some of the questions. Indeed, I did not understand every word the Finnish interviewees said." (Interviewee – acquired American multi-site firm #8)*

3) Active driver of the unit's/firm's integration into the parent firm

Example of Danish unit's acquisition. *"The message of the buying firm was: people are most important in an acquisition. Staff need to build their networks with the parent firm, they need to cooperate in the integration efforts. The message thereby transferred was that we are building this together, it was not a 'master-servant' mentality." (Interviewee - Danish acquired unit #1)*

"'Do not forget your background, change us with new things, contribute to our organisation' - was the message from the buying firm's side in the initial phases of the acquisition." (Interviewee – Danish acquired unit #1)

"We wanted to encourage the Danes to take the first steps, we explained the importance of their initiatives toward the progress of integration and supported them by sending in expatriates that could help them to find the right connections in our organisation." (Interviewee – buying firm A)

Example of German unit's acquisition. *"The first meeting's message was a positive one: 'we need you'! The parent firm was clearly committed, as they had to incur the costs of the integration. For example, a senior manager said 'do not ask why we [the parent firm] are successful. Focus rather on contributing to its success.' It was good that we had the opportunity to actively influence our own integration." (Interviewee - German acquired unit #2)*

There were also negative aspects to keeping local management, Table 24. They related to situations in which local managers did not want to let go of their former independence and ways of working. Thus, instead of active change agents, they became passive nests of resistance. Moreover, by staying on, acquired firm managers resistant to the acquisition can act to block integration activities. In this regard, the importance of selecting and keeping the right local manager was highlighted. Finally, the buying firm needs to ensure that it can trust the acquired firm managers. This is especially the case in acquired firms with historically sour inter-unit relations. Depending on the units' historical ties, their managers might share a strong feeling of inter-organisational distrust toward one another. In the context of the new acquisition, this might translate into manoeuvring against one another instead of working together toward a joint future, and providing the parent firm with dishonest information concerning parts of, or persons in the acquired firm.

Table 24. Negative aspects in keeping local management after an acquisition.

Negative aspects in keeping local management	
Nests of passive resistance	**Example of German-US acquisition.** *"With the new owner, in principle, nothing changed in the internal power structures or ways of operating in the US unit. Efforts to get the US unit mentally deeper into our corporate family have failed due to our absence as the new owner (and the presence of the old management). Old attitudes, beliefs, and rivalry towards the German unit still exist. In short, the US unit lives its old life in the new parent firm." (Interviewee – buying firm B)*
	"The US unit's strong history of independence has made its integration impossible or difficult. In these circumstances, its full integration would have destroyed the operation. Most likely the better alternative is not to integrate by force, but slowly, through natural growth taking place with the generation change of the site's founder and manager. Currently, there is a reluctance to change and lose control of one's operations." (Interviewee – buying firm B)

Table 24 continued. Negative aspects in keeping local management after an acquisition.

Block the progress of integration	**Example of British unit's acquisition.** *"Old management that did not want to change was not replaced early enough. Following the deal in such a situation, the financial and managing directors, at least, should come from the buying firm." (Interviewee – buying firm A)*
	Example of French site's acquisition. *"In my opinion, a key reason for the successful integration was the local site manager. His professional attitude, his passion to develop the unit, his serious attitude toward working and his sense of humor.... the relevant question is...What would have happened, if we had had to do this integration with the previous, non-cooperative site manager?" (Interviewee – buying firm D)*
Provide erroneous image of the acquired firm to the parent firm	**Example of French multi-site acquisition.** *"We would have needed more presence in France in order for the parent firm to understand the French and interact with the French, so that they do not only see the French as an interference and impose things on them. Now, the parent firm took their time, but their image of the French was received via a handful of French top managers. This is very dangerous, as it provides a distorted image. They should have put more Finnish resources in France to understand the French." (Interviewee – acquired French multi-site firm #5)*
	"There is a danger with people who claim that they know a culture: they can utilise their knowledge to manipulate others. Over the years, we have seen both sides having strong impressions and stereotypes about one another: 'the French are like this', 'the Finns are like this'." (Interviewee – acquired French multi-site firm #5)

Based on the above analysis, the following finding is advanced as regards the role of acquired firm managers in implementing post-acquisition change:

Finding 4d-4: The *involvement of acquired firm managers* impacts the progress of post-acquisition change and the prevailing levels of motivation and uncertainty in the acquired firm positively or negatively depending on the extent to which they support vs. resist the change.

5.1.4.3 Importance of buying firm top management attention

The role of the buying firm's top management attention and support of the acquired organisation was also raised. This related to the direct attention of top management toward the acquired firm as well as the duration of this attention.[80]

Direct top management attention to a newly acquired firm is a visible sign of interest, trust, and commitment toward the acquisition. Interviewees from acquisitions in which such attention had been provided alluded to this as one of the success factors. Indeed, decision-making about the acquired firm's future was faster, investments flowed more easily, and critical connections to needed parts of the buying firm were established in a timely manner.

> **Example of Danish unit's acquisition.** *"A good relationship between our site's local management and the new parent's board existed. It was a wonderful experience to work with a top management that understood our concerns and the business, as compared to our former parent. We shared an honest and open connection with the parent firm's top management. They gave their full support, and responsibility to the integration manager and the local management team." (Interviewee - Danish acquired unit #1)*
>
> **Example of Finnish acquisition.** *"The best thing for the acquisition was that it had a good Chairman of the Board as a godfather. He had influence and power in the organisation. This meant that our site could be granted flexibility instead of having to strictly follow all of the new parent firm's procedures. Also, we did not have to wait for support or investments for years, they would be decided in one meeting. Through the board, it was important to have a strong bond toward the parent firm. It was important to have a senior parent firm manager heading the Board. There are always critical voices within the buying firm wondering why the newly acquired firm gets investments. We had learnt from our earlier small acquisitions how important the board's role is." (Interviewee – buying firm D)*

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[80] This contributes to extant research on M&A. The role of buying firm's top managerial support has not received explicit attention in research on M&A integration.

> *"The role of the Chairman of the Board of the acquired firm was a crucial one. He knew the parent firm well, so he knew which strings to pull on, which persons to ask for what. He was well connected throughout the company. Thus, at times we were able to get special permission to do things differently."* (Interviewee – acquired Finnish firm #6)

Typically in acquisitions there is a general flow of interest and information toward the acquired organisation in the immediate post-deal aftermath, only for this to subside over time, whilst the acquired organisation takes a year to get operational and several years to truly understand the new parent firm's ways of working. It is thus important that top management attention does not stop after the initial post-deal months, but that the newly acquired firm is supported by the buying firm's top management in the long-term. Moreover, acquired firm interviewees noted that as soon as they were doing well financially, the positive interest of the parent firm's top management was rekindled again. This is an example of the danger of diminishing the attention paid to the acquired firm too soon after the deal. Ultimately, acquired units need managerial attention for the post-deal years regardless of their financial success.

> **Example of Danish unit's acquisition.** *"At the beginning, we received a lot of management attention. Then, we were expected to become proactive. After one year, as some results could already be seen, the parent firm's interest toward us grew again as they realised our unit's potential."* (Interviewee - Danish acquired unit #1)
>
> *"After the first stage of attention, we had to fight to get attention as a normal unit."* (Interviewee - Danish acquired unit #1)
>
> **Example of French site's acquisition.** *"Now that our financial results have been positive for the last years, I have noticed a different attitude toward our site, i.e. greater level of trust, more respect, we are looked at differently now than before. This feels good."* (Interviewee – acquired French unit #7)

In sum, based on this analysis, the following finding is advanced:

Finding 4d-5: *The buying firm's top management* impact the progress of post-acquisition change and the prevailing levels of motivation and uncertainty in the acquired firm positively or negatively depending on the extent to which they provide direct and continuous long-term attention onto the acquired firm.

5.1.4.4 The integration support role of the entire buying firm

Post-acquisition integration is often considered as being the sole responsibility of the integration team and the managers directly involved in it. However, as months go by, the newly acquired organisation needs to gradually mould its ways to the buying firm's ways of working and organising in order to be able to operate flawlessly in that environment. To reach this aim, it needs the support of the whole parent firm, i.e. of all the departments and units into whose ways of working the acquired organisation will be integrated.[81] However, this support rarely occurs. The studied acquisitions pointed to this as stemming from the other units' role not being identified as being important, Table 25. In such a context, negative emotional reactions and an attitude of disinterest can easily take the lead instead.

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[81] Research on M&A has so far ignored the role of other departments or units to the success of M&A. In this context, the findings presented herein contribute a new perspective to integration management, enlarging its scope away from the immediate integration manager, team and key acquired firm managers to also include *all buying firm units, departments and employees*, who share a systemic role to ensure the success of M&A integration.

Table 25. Causes behind the buying firm's units' lack of support to the acquired firm in the integration phase.

Explaining the lack of help to the newly acquired firm from the buying firm's units

1) Integration support is regarded as necessary only to the most central integration project in the acquired firm, whereas many of its other departments undergo post-deal changes and need support as well,

2) The critical importance of each unit's and department's support to reaching the goals of the acquisition is not communicated, hence they might act against the goals of the acquisition,

3) Buying firm employees consider acquired firm employees' queries time-consuming and revert to a time-saving mode.

Looking at the way the integration role of the entire buying firm is perceived, often, the challenge that a newly acquired firm has in integrating into the daily operations of the buying firm is minimised or not fully understood. Help might be sent in with regard to those functional areas that are of greatest strategic interest, but help required in other 'everyday' areas often goes unnoticed. For example, in the acquisition of an R&D unit, technical experts might be sent in to ensure the R&D integration of the unit, whilst support to the sales and marketing, production, human resources, or finances functions might be lacking. Indeed, many of the organisational practicalities seem to be so natural to the buying firm's employees and managers that they do not realise the difficulty that a newly acquired firm has in first understanding them, and then being able to operate with them. In a sense, the buying firm can easily become blind to the challenge of integration, especially in support functions and areas of no direct strategic interest to the deal. In the studied French site's acquisition, engineers were supported in learning a new profession. However, this also had consequences for the way invoicing was organised given that the organisational structure of the new parent was more complex than what the unit was used to, so the invoicing department felt that their work had become more complicated.

> **Example of French site's acquisition.** *"We are part of a more complicated organisation now, with a lot of internal selling between units, thus the management of invoicing in sales has become more complicated. Also, we sell more products now than we used to. We keep learning [in the invoicing deparment], but it is very complicated." (Interviewee – acquired French unit #7)*

The buying firm, however, did not realise the challenge that this posed. In the absence of support, mistakes made by the new unit were, at worst, ascribed to their incompetence, whereas it was more a matter of not knowing the new parent firm's procedures well enough. This, in turn, translates into minor conflicts between the new unit and the parent firm. In the studied acquisition, problems were cleared once the parties met face-to-face to discuss the issues at stake. In sum, the buying firm needs to identify all areas in the acquired firm into which the acquisition will bring forth changes in ways of operating and working, and ensure that support is made available to all of these areas, and that buying firm employees in these areas are briefed about their role in supporting the speedy implementation of these ways of working and operating that are new to the acquired firm.

> **Example of French site's acquisition.** *"It seems that the locals remain somewhat unclear as to how internal sales function in our firm. Our Finnish staff have noticed that not everything comes to Finland*

> *in the required format, e.g. French staff are unsure about which unit to send the bill to. Things are especially unclear for those staff that have never visited Finland." (Interviewee – buying firm D)*

> *"At one point, a year after the deal, we had a fight, then they came to the site and we discussed the matter. We keep having small conflicts now and then. The core of the matter is that they want things to be provided in a very explicit format, otherwise they complain. During their visit, they explained to us what they expected of us, how they are organised, and why they need certain facts. Since then, cooperation has been easier. This also enabled us to meet certain contact persons that we did not know of. After the visit and our discussions, there have been improvements and expectations are clearer now. There is a need for more training as well as joint activities with other units, so that people would learn to know who is responsible for what." (Interviewee – acquired French unit #7)*

Moreover, whilst the goals and benefits of an acquisition might be clear to buying firm managers, they rarely are as clear to employees across the buying firm. In order to speed integration efforts and ensure that the financial benefits sought are achieved, the buying firm needs to ensure that it carries out the necessary internal marketing efforts about an acquisition, the strategic intent behind it, and its integration goals so that its own employees support the achievement of these goals in their daily work, e.g. by selling the acquired firm's products instead of a competitor's. In the example of the studied domestic acquisition (where one aim was to increase the acquired firm's products sales by selling them as part of the buying firm's product portfolio), the absence of buying firm support led the acquired firm to initiate an intensive campaign of internal marketing with the aim of increasing the buying firm's engineers' knowledge of their products. The effort turned out to be more time-consuming than expected. Instead of the buying firm automatically shifting to use the acquired firm's products as part of their sales portfolio, the effort of convincing them became almost tougher than that of convincing external clients. Indeed, some even had to be sold the idea of why they should sell the acquired firm's, and not a local competitor's products. Thus, the acquisition did not automatically translate into the acquired firm's products being sold as part of the buying firm's product portfolio.

> **Example of Finnish acquisition.** *"We did not realise at the start that selling internally is a much harder job than selling to customers." (Interviewee – acquired Finnish firm #6)*

> *"We worked really hard on internal marketing. For many in the buying firm, it was not self-evident that our products should be used. We had to sell them this idea." (Interviewee – acquired Finnish firm #6)*

> *"It was especially difficult for foreign units to stop using their local suppliers, but they are our competitors. And they still use them." (Interviewee – acquired Finnish firm #6)*

Third, if the buying firm units do not realise the acquired firm's challenge in integrating to a new parent firm's ways of working, the former might selfishly regard newly acquired units as 'difficult', as they come up with queries and questions. Such an attitude is not conducive to cooperation.

> **Example of Danish unit's acquisition.** *"As time passes since the acquisition, it becomes less easy to get help, as people are busy. As they are not dedicated toward the integration, it is an additional task for them." (Interviewee - Danish acquired unit #1)*

> **Example of British unit's acquisition.** *"It depends on the buying firm employee how easy it is to get their help. They should learn see international subsidiaries as helpful instead of seeing them as problematic." (Interviewee – British acquired unit #3)*

> **Example of buying firm D.** *"As an acquired firm, it is very difficult to get help from other units in the parent firm. They do not realise the challenge of post-acquisition integration, of learning the way of working in a new parent firm. It's frustrating not to receive responses to emails and calls." (Interviewee – buying firm D relating the experience he had had when his firm was acquired by buying firm D)*

To sum up, it seems that there is a need to expand the current view of acquisitions as being the sole responsibility of the integration manager(s), to viewing their success as ultimately dependent on the way the entire buying firm supports the integration phase. There seems to be a fundamental flaw in place that undermines the entire buying firm's role in ensuring the success of acquisitions, including cross-border acquisitions:

Finding 4d-6: *All buying firm employees in contact with the acquired firm's staff* impact the progress of post-acquisition change and the prevailing levels of motivation and uncertainty in the acquired firm depending on the extent to which the significance of their daily interactions with acquired firm employees is recognised as critical to the success of the integration efforts.

5.1.5 *Negative emotional reactions at inter-organisational interfaces*

In parallel to the management of the integration phase carried out by the buying firm's integration team, negative emotional reactions were identified as taking place in the interactions 1) between the acquired and the buying firm, and 2) within the acquired firm's subsidiaries. Often, the influence of these emotional forces was neither recognised nor accounted for. As a result, they could continue 'roaming around', causing invisible, *silent forces* of destruction that were hampering the progress of post-acquisition integration and potentially also eating up the parent firm's financial results. In this chapter, negative emotional reactions in the buying and acquired firms are looked at, together with the causes leading to such reactions, and their consequences for the progress of post-acquisition integration and both firms' performance.

Buying firm negative emotional reactions toward the acquired firm: typology and consequences

> *"The integration team was supportive of us, but the parent firm's other staff did not have as much openness and willingness toward us. Rather, the attitude was 'my way is the best way'." (Interviewee – acquired American multi-site firm #8)*

The acquisitions studied pointed to two types of negative emotional reactions emerging in the buying firm against the acquired firm: not-invented-here syndrome[82] and protective reactions.[83, 84] These emotional reactions differ from what was termed 'attitudes in post-

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[82] The concept was termed by Katz and Allen (1982), and later studied by Hayes and Clark (1985) and Szulanski (1996).

[83] The present discussion on negative emotional reactions from the buying firm's units toward the acquired firm sheds new light upon a theme that has been mentioned at times in literature on M&A. Interestingly, though, interest in the role of emotional reactions has remained minimal with regard to e.g. the interest in integration management. For one, the presence of a not-invented-here syndrome has been referred to by Blake and Mouton (1984) and Buono and Bowditch (1990), who note that relations at inter-organisational interfaces can be tense at times of M&A, even moving toward hostility; owing to group dynamics, employees are likely to resent ideas not coming from their group. The present discussion on 'not-invented-here syndromes' extends upon these findings and further broadens them by shedding light on their causes and consequences. For another, buying firms'

acquisition integration' earlier. Whilst the former reflect the behaviour of the buying firm staff responsible for the integration, negative emotional reactions reflect the entire buying firm's responses to the acquisition, i.e. the responses of those persons and units that were involved with the new acquired firm but were not part of the integration team. The finding below summarises the forthcoming analysis in this sub-chapter:

Finding 5: *The buying firm's negative emotional reactions* toward the acquired firm consist of a not-invented-here syndrome and protective reactions that have a harmful effect on the progress of post-acquisition change and ultimately on both firms' financial performance.

To begin with, not-invented-here syndrome (NIH) can be present in the buying firm's post-deal behaviour toward the acquired firm. Not-invented-here syndromes were found to relate to behaviours characterised by pride, a sense of superiority, and blindness to the opportunities present in cooperating with and listening to the acquired firm. Such behaviours run counter to the logic of mutual cooperation that would ensure the best business results in the post-deal period.

> *"The 'NIH' syndrome is a natural reaction. If someone comes up and suggests a new idea, however good, people react skeptically to it, because it comes from someone else. That is what people are like; they always find weaknesses in others' suggestions, not in their own. It is very difficult to avoid, and at times you need to bring the suggestion to the group many times before it is finally accepted. Often, over time the decision matures and opinions might change." (Interviewee – buying firm D)*

Such shows of blindness, arrogance, and resistance to others' ideas can take several forms during the acquisition process, ranging from reactions to the acquisition strategy itself, to R&D, sales, branding, and best practices. As Figure 13 illustrates, these emotional reactions would be of little interest were it not for the fact that they have potentially harmful and long-lasting consequences for the progress and outcome of the acquisition and the financial performance of both firms.

More specifically, the studied acquisitions showed that buying firms can be strategically biased against an acquisition and the firm to be acquired, in that their top management cannot see any reason to acquire it other than a defensive one. In other words, the buying firm's top management reacts to the acquisition *emotionally*, rather than rationally and guided by a strategic logic. Ultimately, this top management not-invented-here attitude tends to cascade down through the organisation as its 'official' and 'correct' reaction toward the acquisition, the acquired firm, and the know-how of the latter. This results in an organisation-wide not-invented-here syndrome exhibited towards the newly acquired firm. In such a context, the

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protective reactions toward the acquired firm have not as such been termed by prior research. Similar themes have been brought up with regard to typical inter-organisational problems at times of M&A as 'competing claims', 'secrecy vs. deception' (Buono and Bowditch 1990) and in terms of 'we vs. they', 'superior vs. inferior', 'attack and defend', and 'win vs. lose' behaviours (Marks 1991b).

[84] These findings draw close to the debate on inter-group relations in social psychology, where it is argued that certain positive conditions have to be set for inter-group encounters to succeed. Otherwise, the groups will revert to behaviour, wherein each will favour their in-group members at the expense of the out-group (Sherif 1962, Tajfel 1978, Liebkind 1988, Hewstone et al. 1996, Assaad and Klein 1998, Helkama et al. 1999).

inherent synergy and learning potential in an acquisition easily remains untapped. An example of such a reaction is provided in the next quote.

> **Example of buying firm D.** *"The guiding logic behind buying our competitor was a defensive one. We buy out a competitor and keep out new competitors. We did not see a huge combination potential for our technologies. We were not that interested in their technology itself as such. We wanted to buy it out of the market, so it doesn't end up in someone else's hands." (Interviewee – buying firm D)*
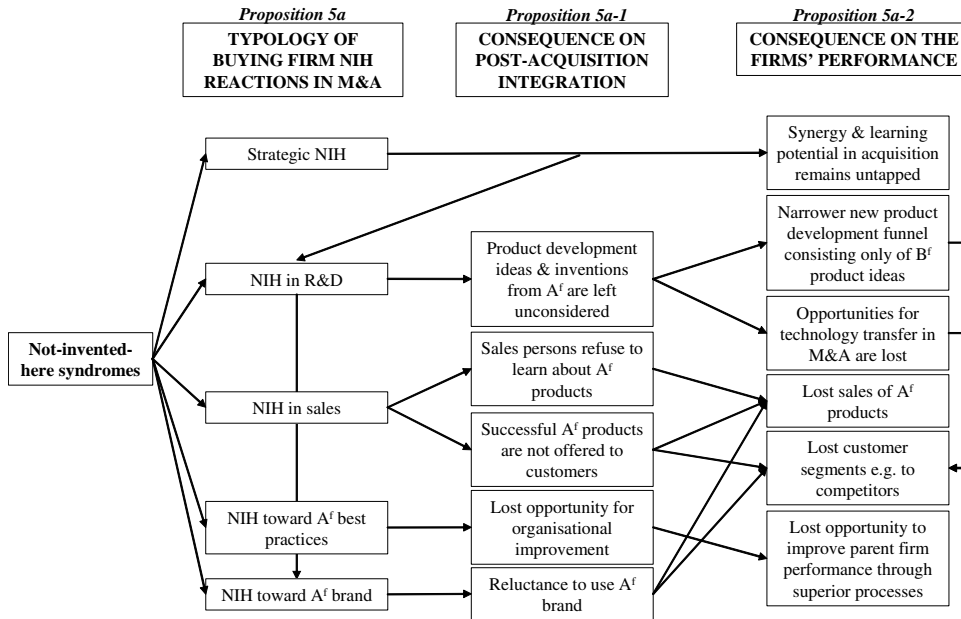
Figure 13. Typology and consequences of buying firm not-invented-here syndromes in times of acquisitions. Legend: A^f refers to the acquired firm, B^f refers to the buying firm, and NIH refers to the presence of a not-invented-here syndrome.

A second type of not-invented-here syndrome is resistance toward any idea coming from another site, i.e. in the case of an acquisition, a newly acquired firm's site. This typically occurs in the R&D function that notoriously has a great deal of pride in ideas and products developed 'in-house'. As the quotes below exemplify, this can lead to the acquired firm's engineers' product development ideas or learnings from their product development experiences not being taken into account. If such emotional reactions are left undisturbed, they can lead to suppressed product development potential, given that only the ideas developed at the parent firm's original R&D site(s) are allowed to flourish. Ultimately, the resulting narrower product development funnel translates into lost customer segments and lost sales opportunities, i.e. financial consequences, whilst in parallel disturbing the potential for technology transfer and learning that an acquisition ideally represents.

> **Example of US multi-site acquisition.** *"It was such a mistake that our engineering department operated with such a strong NIH syndrome. They saw that there is nothing good in the acquired competitor's know-how. There was arrogance in terms of 'our products are better than theirs so we have nothing to learn from them'. We have lost markets owing to this." (Interviewee - buying firm D)*

"Our staff had a strong belief that we were ahead of them technologically. What was surprising to some was that the competitor we acquired had some great ideas that we had not thought of." (Interviewee - buying firm D)

Other than in R&D, salespeople can also exhibit resistance to learning about the acquired firm's products, leading to lost sales of the acquired firm's products, as in the first quote below. The buying firm can also be lulled into such a belief in the superiority of its own know-how that it obstinately provides the acquired firm's customer base with its own products instead of the target firm's products that the customers actually want, as in the second quote below. As a consequence, the acquisition of a new firm results in the 'killing' of the acquired firm's product potential at the expense of the buying firm's. Instead of becoming stronger by combining their organisations, the acquisition has resulted in the firms' being weaker together than as stand-alone firms prior to the acquisition.

Example of US multi-site acquisition. *"It is not difficult to learn about one another's technology, if you are willing to. It is a question of attitude, e.g. some of the parent firm's existing salespersons do not want to have anything to do with us as a newly acquired firm, though this has improved over time. The integration team was supportive of us, but the parent firm's other staff did not have as much openness and willingness toward us. Rather, the attitude was 'my way is the best way'. There was a refusal to sell our engineering and products. Instead, they tried to make us do products their way, even though it required more changes and thus was more expensive to the customer .. should we not be offering the best solution to the customer?" (Interviewee – acquired American multi-site firm #8)*

"There were nests of local resistance against the acquired US firm within the parent firm's existing US organisation. Our brand and name were a taboo. Some did not like our products and did not want us to supply that kind of engineering. Consequently, we lost orders if a customer wanted our products, and we were not allowed to provide them." (Interviewee – acquired American multi-site firm #8)

Fourth, signs of not-invented-here syndrome can be noticeable in the buying firm's generic disinterest in learning from the acquired firm's ways of working and best practices, even though evidence would suggest the latter being stronger in some areas than the former. By losing out on such opportunities for organisational improvement, the buying firm ultimately misses opportunities for improving its performance through superior ways of working and processes. This is exemplified in the quote below.

Example of French multi-site acquisition. *"Our (superior) commercial know-how is not utilised in the new parent firm. No-one understands it, it is not in the new parent's culture, and some have even tried to destroy this know-how, as there is the emotional side of M&A 'I have nothing to learn from others'. Top managers preferred to keep their old commercial organisations." (Interviewee – acquired French multi-site firm #5)*

Finally, the buying firm's not-invented-here syndrome can also result in disinterest in the acquired firm's brand, be it in the short- or long-term. An immature or badly communicated post-acquisition decision regarding brand change can result in losing brand-loyal acquired firm customers and thereby to lost sales of acquired firm products. This happened in the studied US acquisition, as illustrated by the next quotes.

Example of US multi-site acquisition. *"It seemed that the Finnish parent firm had an aversion toward the acquired firm's past identity and name. Thus, it was not a business decision but a philosophy that won. This animosity resulted from years of tough competition. We lost business as we dropped the acquired firm's name." (Interviewee – buying firm D)*

"There was a negative attitude toward us: the dictated management policy (told but I never saw it written) was: we could not utter our former name, wear shirts with our former logo ... We were to

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minimise the verbal use of our former brand. There was a strong push in the new parent firm to destroy the memory of our former identity. This opened the door to our competitors to take use of the situation." (Interviewee – acquired American multi-site firm #8)

The above analysis is summarised in the following findings:

Definition 5a: The buying firm's *not-invented-here syndrome* takes the shape of disregarding the strategic potential of an acquisition, blindness toward the product development potential of the acquired firm, a refusal to sell the acquired firm's products or adopt the acquired firm's best practices, and a denial of the acquired firm's brand.

> **Finding 5a-1:** The buying firm's not-invented-here syndrome impacts the progress of post-acquisition change negatively if product development ideas from the acquired firm are left unconsidered, sales persons refuse to learn about the acquired firm's products, successful acquired firm products are not offered to customers, opportunities for organisational improvement are lost, and there is a reluctance to use the acquired firm's brand.

> **Finding 5a-2:** By impacting the behaviour of buying firm employees and managers throughout the acquisition process, the buying firm's not-invented-here syndrome ultimately impacts the performance of both firms by resulting in a narrower product development funnel, lost opportunities for technology transfer, lost sales of acquired firm products, lost customer segments, and lost opportunities to improve the parent firm's ways of working through superior processes.

In addition to the not-invented-here syndrome, protective reactions to the acquired firm can also be unleashed in the buying firm in the post-deal era. They can lead to the buying firm's subsidiaries 1) hampering cooperation with the acquired firm, and 2) out of defence, suspending information flow toward the acquired firm, both of which disturb the successful progress of the acquisition and ultimately both firms' performance, Figure 14.
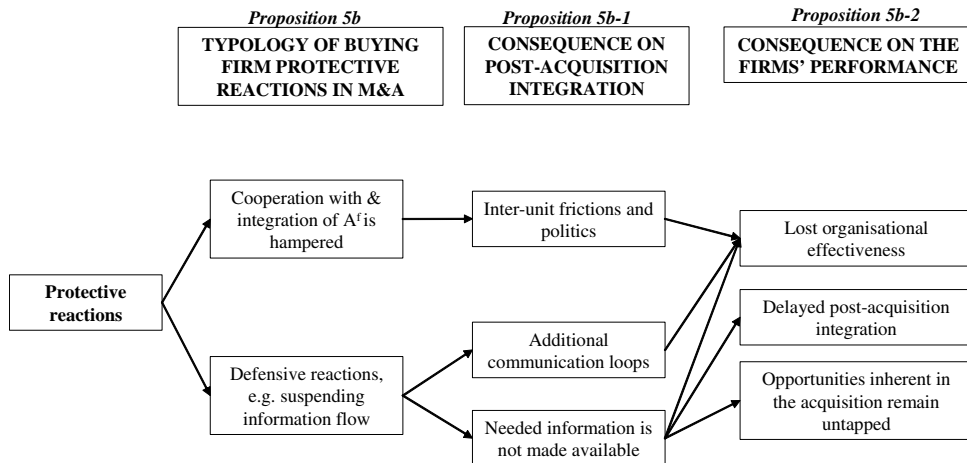
Figure 14. Typology and consequences of buying firm protective reactions. Legend: Af refers to the acquired firm.

If the acquired organisation has an edge strategically, technologically or in terms of its geographical location, the buying firm's units tend to react to the threat posed by such a competent new unit to their own future in the parent firm. They are likely to attempt to hamper the new unit's successful integration into the buying firm by creating unnecessary friction in their interactions with the new site, making it appear to be 'difficult' to work with. On the long-term, such inter-unit frictions and politics can lead to lost organisational effectiveness, as the organisation becomes more focused on politics than on getting things done. This was exemplified in the studied French and US acquisitions. In the example of the

studied French unit's acquisition, the buying firm's European units took an attitude of nagging and complaining that was different from the respectful attitude of the integration team members. The rationale for this was that the acquisition had created saturation within the parent firm's European operations, leading to territorial survival fights between sites. Owing to the acquired unit's good location and their newly-built facilities, other sites realised the danger that this site posed to their own existence as part of the parent firm and attempted to slow down the integration of the new unit.

> **Example of French site's acquisition.** *"Owing to this acquisition, the role of the parent firm's existing European sites changed and has decreased. They felt that the acquisition was a threat to their future existence. Thus, territorial fights ensued. Those sites had no incentive to support us, instead they attacked us in all possible ways, e.g. claiming quality problems. This is an example of competition between sites located too close to one another, as each tries to put forward their own competence."* (Interviewee – acquired French unit #7)

In practice, until units trusted one another, customer complaints might be too easily directed back to the newly acquired unit, for example, even when there was no need to do so. This highlights the importance and difficulty of establishing trust between sites in a large company when a new unit joins the network.

> **Example of French site's acquisition.** *"In such a multi-site structure, the customer complaints that are not addressed by the selling site but are forwarded back to us as the producing site generally come from sites that a) do not know our products, or b) do not trust us. Many complaints can be handled by the selling unit, it is a matter of knowing the product."* (Interviewee – acquired French unit #7)

> *"Relations between the acquired French and another European unit can be tight in situations of conflict. Such conflicts especially arise with regard to the roles and responsibilities of product sales and product guarantees. In these conflicts, units can get very emotional and might go as far as the Second World War in blaming one another's behaviour. Problems occur often if a unit has to let go of its profits owing to customer complaints."* (Interviewee – buying firm D)

Similar behaviour was noticed in the studied US acquisition, where one of the acquired firm's units was given a central role in the buying firm's regional organisation. This irritated existing units. They reacted by inhibiting cooperation with this newly acquired unit.

> **Example of US multi-site acquisition.** *"We have received all the support we needed from the managerial level. Resentment came from some existing parent firm units e.g. in the US."* (Interviewee – acquired American multi-site firm #8)

> *"Most internal US resistance toward the acquired firm has come from our old US unit that used to be our best American regional unit until the current acquisition."* (Interviewee – buying firm D)

Moreover, protective action can take the form of defensive behaviours toward the acquired firm's employees, e.g. as regards getting information from the buying firm's existing units. Buying firm's employees rarely realise their role in helping the integration of a newly acquired firm into their organisation and the need to explain over and over again a myriad of everyday, 'self-evident' questions to their new colleagues. This explains why acquired firm employees tend often to become regarded as 'difficult' by buying firm employees, as they keep asking too many 'self-evident' questions, thereby disturbing the progress of daily routines and work tasks.

The situation tends to be further complicated by an inherent distrust toward the newly acquired firm and its employees that makes buying firm members unwilling to help their new colleagues, let alone disclose confidential information to them. This is especially relevant in situations in which firms with a long competitive history are joined through an acquisition. As the quotes below illustrate, in such a context, engaging in a relationship based on trust and cooperation becomes difficult. Acquired firm employees mentioned how it was easy for them to have access to simple information from their new colleagues in the parent firm, e.g. names of whom to contact. However, once the information they requested related to more strategically sensitive and technical issues, buying firm employees grew distant and reluctant to share information. As a consequence, there is loss of organisational effectiveness owing to the need for additional communication loops if questions remain unanswered and if information that the acquired firm needs is not made available. Such inhibitive behaviours further result in delayed post-acquisition integration and in the opportunities inherent in the acquisition remaining largely untapped, as the parties are engaged in slowing down instead of enabling communication flows essential for reaping the potential in the acquisition.

> **Example of US multi-site acquisition.** *"There is openness up to a certain level in Finnish units: e.g. who to talk to – that's easy. But when you ask more specific questions, e.g. to learn about their technology for a customer purpose, then, there is more reluctance to provide an answer. Questions such as 'who will pay', 'what are the alternatives' are raised, and we get the feeling 'do they want us?' Also, if you need concrete action from them, they become more protective as to what they are doing. We learnt from the other US sites that it is tough to get information, they told us what it is like to be a satellite of a parent firm located on another continent."* (Interviewee – acquired American multi-site firm #8)

> *"At times, it is hard to get information, and you might have to find it in parts. Some units want to hang on to information and give only bits and pieces as though it were their domain."* (Interviewee – acquired American multi-site firm #8)

To conclude, Finding 5b sums up the analysis on protective reactions in the buying firm:

Definition 5b: The buying firm's *protective reactions* following acquisitions relate to hampering cooperation with the acquired firm as well as suspending information flow toward the acquired firm.

Finding 5b-1: The buying firm's protective reactions against the acquired firm impact the progress of post-acquisition change negatively if they cause unnecessary inter-unit friction and politics, additional communication loops, and fail to make needed information available to acquired firm employees.

Finding 5b-2: Through their impact on the progress of the acquisition, the buying firm's protective reactions against the acquired firm ultimately harm the performance of both firms through lost organisational effectiveness, delayed post-acquisition integration, and not tapping into the opportunities inherent in the acquisition.

Causes for negative emotional reactions within the buying firm

The analysis of the studied acquisitions pointed to both of the previously identified types of buying firm negative emotional reactions toward a newly acquired firm being traceable to: 1) the competitive nature of acquisitions, 2) the firms' historical relationship, 3) a long-term follower buying out its rival, 4) the acquired firm threatening the balance of power in the buying firm, and 5) the buying firm's structure incentivising such reactions.

A first cause for negative emotional reactions in the buying firm against the acquired firm can be traced back to the competitive nature of acquisitions, which ultimately reflect a battle for superiority. Thus, at worst, the buying firm perceives the deal to be proof of its superiority. This typically occurs when a buying firm acquires a company smaller than itself, or one that has suffered financially. Such emotional reactions are counter-productive to creating a good post-deal atmosphere of cooperation and trust.

> **Example of buying firm C.** *"Acquisitions are like opium to management. Managers are greedy for increased returns, they are blinded by sales volumes, as they see that the size of the company indicates the importance of the manager himself. Why? Well, you compete against your competitor for years. When you get the opportunity to buy them out, it is indeed very appealing, and it is very difficult to say no. In a way it is the last step in extinguishing your dearest competitor. The greed to extinguish your competitor as well as the opium-greed of management together explain why many mergers fail. You go into an M&A for the afore-mentioned reasons, not for the sincere interest of making the best of the deal and wanting to cooperate." (Interviewee – buying firm C)*

> **Example of buying firm D.** *"We met with internal resistance within our company, when we presented the idea of buying the small-sized domestic company – the response was 'why buy a sausage shop, let's go for a larger firm'." (Interviewee – buying firm D)*

> *"For us, buying off the American competitor was not as much an acquisition than the proof that we are now the #1 in the area, i.e. 'we managed to kill our biggest competitor'." (Interviewee – buying firm D)*

Second, negative emotional reactions toward the acquired firm can also stem from the firms' historical relationship, especially if the latter had been characterised by fierce competition and animosity. In such situations, it seems emotionally difficult for buying firms to avoid enjoying their victory over their competitor, at last, in the form of an acquisition. Hence, rather than ensuring a respectful integration phase, the latter tends to be characterised by different kinds of unintended emotional reactions that hinder the successful progress of post-acquisition integration. An example of such a situation is provided in the quotes below.

> **Example of US multi-site acquisition.** *"There is a competitive cultural difference between the firms, owing to the historical dislike and animosity between them. We used to be like a cat and a dog, or two fighting dogs. We had a very quarrelsome relationship. From the start of our competitive relationship, it was the American big brother hitting the smaller European player with a club to make it understand that its place is to be a minor player in the industry. But over the years, we became more equal players. Before the acquisition, we were the bloodiest competitors. Our relationship was not a friendly one." (Interviewee – buying firm D)*

> *"At the time of the deal, the memory of the difficult years of competition was in people's minds. For them, the acquired American firm was an Enemy with a big E, so it is difficult to acknowledge that they could have come up with anything worthwhile." (Interviewee – buying firm D)*

In particular, negative emotional reactions in the buying firm were spurred in situations, where a follower was able, after years of being a runner-up, to buy a company that had historically been its superior.

> **Example of US multi-site acquisition.** *"Remember the background – they were the market leaders and we were the follower until recently. Those who have worked here for long have a respect for the acquired company. Younger people might have the erroneous belief that we are better than we actually are." (Interviewee – buying firm D)*

Emotional reactions also occur if the buying firm's existing subsidiaries and units perceive the newly acquired organisation as likely to cause a disturbance to the balance of power in the buying firm. The greater the threat, the more protective the behaviour against the newly

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acquired firm. At worst, the post-deal years can result in a battle for managerial attention, investments, and resources aimed at optimising each unit's results at the expense of overall corporate profit. Finally, emotional reactions can result from the buying firm itself, Table 26. This was the case in organisations that had long been structured in a way that promoted the profits of individual units to the exclusion of the corporation's profits. In such instances, units had little incentive to help, let alone 'lose' profits for the benefit of another unit. Thus, if a unit's results were not dependent upon selling the products of the acquired firm, it had no willingness to do so until it was incentivised for it. Moreover, over time, units used to behaving in such a way develop a strong sense of innate superiority, imagining they are better than other units. This behaviour also holds for units that the parent has acquired over time. They might revert to this kind of behaviour to survive in the new parent's corporate environment. This shows the extent to which inter-unit emotions are rooted in organisational structures. As such, they become negative forces creating resistance toward other units, including newly acquired ones. In such situations, all units of a company act to protect themselves and ensure survival as part of the parent firm without being divested or closed. As negative emotional reactions reflect an underlying distrust toward others, they are typically reborn at every acquisition, and live on at least until the newly acquired organisation has been accepted as an equal partner in the parent firm. Indeed, as an acquisition represents a shift in the status quo of both firms, it provides an arena for power plays in which some individuals and units win, whereas others lose, Table 26.

Table 26. Causes of negative emotional reactions stemming from within the buying firm.

Causes of negative emotional reactions stemming from within the buying firm	
Buying firm's incentive structures do not support the acquisition's goals	*"Arguments about not using the acquired firm's products and technology might relate to the fact that a local unit's results are dependent on selling a certain product. Selling another would result in reduced sales for the unit." (Interviewee – acquired American multi-site firm #8)*
Each unit sees itself as the centre of the world	*"A not-invented-here syndrome is created as each unit thinks that know-how can only rest in their unit, nowhere else. In our organisation, there are many such not-invented-here poles. Each unit forms its own pole. We have n amount of poles in this company, each seeing themselves as the centre of the world." (Interviewee – buying firm D)*
	"We have most difficulties in dealing with the parent firm's previously acquired units. They still have their old culture." (Interviewee – acquired American multi-site firm #8)
Negative emotional reactions are reborn after each acquisition	*"Each acquisition recreates a new round of not-invented-here behaviour." (Interviewee – buying firm D)*
The acquired firm lacks protection against negative emotional reactions	*"The acquired firm's technology was never given ownership in our organisation, thus it was never given an identity. It did not have a representative. We should have taken a senior manager to be in charge their technology. It is difficult for staff from an acquired unit to begin actively campaigning for their rights and taking matters forward in a new parent firm they hardly know." (Interviewee – buying firm D about the US multi-site acquisition #8)*

Unfortunately, owing to the difficulty of perceiving such behavioural reactions and their consequences for the long-term, they are rarely identified. Unless they are identified, no

counter-action can be taken. If the power of emotional reactions was identified, the buying firm could think of ways in which it could protect the acquired firm's know-how. One such means would be to have a high-level manager responsible for 'fighting over the rights of the acquired organisation' so that discriminating behaviour does not take hold of the integration phase. Such ideas came too late in the example of the US acquisition studied, Table 26. The finding below summarises the findings concerning the causes of buying firm negative emotional reactions:

Finding 5c: Buying firm negative emotional reactions can be traced back to the competitive nature of acquisitions as corporate phenomena, the firms' historical relationship, situations in which a long-term follower buys out its rival, situations in which the acquired firm is regarded as threatening the balance of power in the buying firm, and buying firm structures that incentivise a focus on unit profits at the expense of corporate benefit.

Negative emotional reactions within the acquired firm

The integration period rarely takes place in an emotional void from the acquired firm's side. Instead, the acquired firm enters the deal endowed with an emotional history. These histories can cause negative emotional reactions within the acquired firm that hamper the progress of post-acquisition integration through displays of 1) distrust and competition, and 2) non-rational and biased behaviours between the acquired firm's units, Figure 15.[85] Of importance to the success of post-acquisition integration is whether the buying firm is aware of these tensions or not. In the absence of this awareness, these tensions can revert to *silent forces* slowing down the progress of integration, thereby ultimately affecting the performance of both firms.

Often, though, such shows of negative tension were blamed by buying firm representatives with little knowledge of the acquisition on the challenge of acquiring across borders and the presence of differences in national cultures therein. As this dissertation will show, however, whilst country differences do impact the challenge of acquiring across borders, they are not solely responsible for all challenges faced in a cross-border acquisition process. Countering this potential misunderstanding is one reason why these shows of negative emotions within acquired firm's units have been explicitly brought forward.

For one, the acquired firm's units can have an inherent distrust toward one another that manifests itself in strong competition between them and a difficulty in making these units work together. Forcing them to do so without understanding the types of historical emotional tension between the units might not produce expected results. In the acquisition of a small German-US firm difficulties arose, as the two acquired sites were put to cooperate in the development of a new product. This decision followed rational reasoning, as it was deemed

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[85] Whilst extant M&A research has pointed to emotional reactions taking place in the buying firm, the role of inter-unit competition and negative emotional reactions within acquired firm units has not been brought to light. In this context, the discussion presented in this section is a contribution to extant research on M&A.

more cost-efficient to develop the same product in one project, instead of having two teams working on the same project across the Atlantic. What could not be noticed by the buying firm at this stage, though, was the existing distrust between the German and US units. The units' managers also did not dare to voice these concerns.
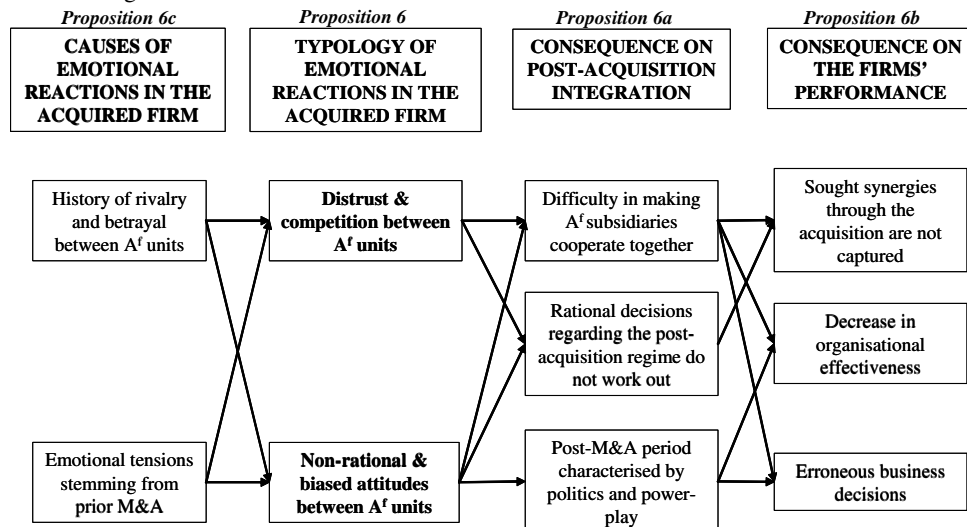
Proposition 6c	*Proposition 6*	*Proposition 6a*	*Proposition 6b*
CAUSES OF EMOTIONAL REACTIONS IN THE ACQUIRED FIRM	**TYPOLOGY OF EMOTIONAL REACTIONS IN THE ACQUIRED FIRM**	**CONSEQUENCE ON POST-ACQUISITION INTEGRATION**	**CONSEQUENCE ON THE FIRMS' PERFORMANCE**

Figure 15. Typologogy, causes and consequences of negative emotional reactions in the acquired firm. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm.

For years prior to the acquisition, the two units had operated under a customer-supplier relationship characterised by a strong mutual distrust and intense emotional tension. In order to get a higher price for the deal by giving the company a (fake) global look, the two units had been forced under one corporate umbrella only months prior to the acquisition. The buying firm fell into the trap, erroneously considering the firm as 'one' entity, not realising the power of the existing tension within the acquired firm until years after the deal.

> **Example of German-US acquisition.** *"R&D was a problem before the deal, though we did not see it, and it continues to be a problem, as the division of work between the two units has not worked out as we planned." (Interviewee – buying firm B)*

Less than a year into the project, it ran into difficulties. Cooperation reverted back to a political discourse. Despite the setback, the project was not stopped immediately, but continued to run under an atmosphere characterised by a lack of trust, where all blame for mistakes was placed on the other party. Two years later, the project was finally stalled and both units continued their independent, parallel product development projects. In other words, the existing tensions between the two units caused the unnecessary delay of an important product development project. This shows how the buying firm cannot make post-acquisition business decisions solely from a rational basis in disregard of the existing emotional tensions in the acquired firm, which, if left unacknowledged, undermine the potential success of the acquisition. Summing up, strong feelings of distrust and competition between acquired firm units entering an acquisition can impact the progress of post-acquisition integration and

ultimately the performance of both firms through lost organisational effectiveness and the sought synergies in the deal not being captured.

> **Example of German-US acquisition.** *"After the good start, the units' relationship was like that between a cat and a dog. Constant barking. Their relationship is very tense. It has not been a good partnership. There is very little trust toward the other. Maybe it is a result of the long customer-supplier relations. They should be cooperating, but at times I wonder whether it is not more fighting than cooperating."* (Interviewee – buying firm B)
>
> *"At worst, fights and discussions took up over 50% of the time, so the project was advancing slowly."* (German interviewee – German-US acquired firm #4)

Furthermore, tensions within the acquired firm can show up in non-rational and biased post-deal attitudes and behaviours. Again, until the buying firm realises what is taking place, such emotional forces are free to roam around causing damage to the firms' cooperation. Taking the example of the French multi-site acquisition, by combining units from two formerly merged, emotionally competing organisations into one business division led by a leader from one of the organisations, the post-deal organisational structure legitimised the existing emotional tensions between the organisations. Indeed, the post-acquisition years were characterised by a systematic witch-hunt toward the unit from the competing organisation that had been assigned into this division. Its performance was arranged to look poorer than it could have been, whilst in parallel the performance of the other units was theatrically inflated.

> **Example of French multi-site acquisition.** *"In the transfer to the new parent firm, only managers from one of the French organisations were left to divide top and factory management positions between themselves. These managers were united by personal anger not toward one another as managers, but toward certain factories [that their firm had previously acquired], e.g. this one."* (French interviewee – acquired firm)
>
> *"At the factory, there was a hate with regard to the power play between the French, who tried to profit from the acquisition personally at the expense of the parent firm as a whole."* (French interviewee – acquired firm)

Years later, the unit was only saved from being closed down for performance reasons when the buying firm realised the types of emotional dynamics at play in the acquired organisation, and what had been taking place. Until then, the buying firm had trusted the acquired firm's managers, not realising that they were in fact operating in two distinct camps, with one at times trying to outdo the other. Summing up, non-rational and biased attitudes toward other acquired firm units can lead to lost organisational effectiveness and ultimately erroneous business decisions, such as closing down departments or sites.

> **Example of French multi-site acquisition.** *"It has taken us years to get access to these problems. The acquired company consisted of two formerly merged organisations that formed two camps. We knew one side well, but not the other. Thus, in the initial post-deal years we could not do anything. We had to find a direction in which we could take the sites. Now, such a direction has been found, and all sites are moving in the right direction. But it took a long while until we found this direction and got commitment to it."* (Interviewee - buying firm B)

To conclude, negative emotional reactions have strong power and influence in guiding the behaviour of acquired firm members in the post-deal years. Thus, an acquisition launches a 'dance of emotional reactions' in the form of arrogance, distrust, competition, and non-rational and biased behaviours. Until the presence of these reactions is recognised, they

continue to influence the progress of integration and cooperation. More often than not, the buying firm is not sufficiently well acquainted with the internal politics of the acquired firm to be able to discern the location and strength of existing inter-unit conflicts within its organisation. The action it takes in the post-deal years is based on the assumption of good relations within units in the acquired firm. Thus, by providing 'equal opportunities' or 'keeping local management', it might be bringing forth underlying emotional forces and letting them erupt. Generally, it is only some years later, when damage has already been done that the buying firm is able to assess the reality of the situation and take measures to counter it. Such shows of emotional tensions provide an additional explanation for the challenge of acquiring across borders: not only are there country differences to account for, but potential tensions within the acquired firm that can be more difficult to discern in a cross-border than a domestic acquisition setting. To conclude, the following findings as regards negative emotional reactions within the acquired firm and their consequences are advanced:

Finding 6: *Negative emotional reactions between the acquired firm's units* relate to distrust, competition, as well as non-rational and biased post-deal behaviours within the acquired firm that harm the progress of post-acquisition change and ultimately both firms' financial performance.

> **Finding 6a:** Post-acquisition emotional reactions between the acquired firm's units have a negative impact on the progress of post-acquisition change, as cooperation between acquired firm units is hampered, rational decisions on the post-acquisition regime do not work out, and the post-deal years come to be characterised by politics and power play.

> **Finding 6b:** The emotional reactions spurred by the acquisition in the acquired firm ultimately impact the performance of both firms through decreased organisational effectiveness, the failure to capture synergies sought in the acquisition, and erroneous business decisions.

Causes for negative emotional reactions within the acquired firm

Emotional reactions in the acquired firm were traceable to 1) rivalry and betrayal in the acquired firm's pre-deal historical development, and 2) a history of rivalry stemming from the firms' prior acquisitive experience, Figure 15. Where memories of unfair treatment existed, emotional reactions were often boiling under the surface. These memories related to corporate histories of betrayal between units in their ultimate fight for victory, superiority and survival against the others. In this context, a new acquisition represents an opportunity to change the status quo.

Long-term intra-firm rivalry between units of the acquired firm can be reawakened in the post-deal era under a new parent's ownership. Generally, a new parent is not aware of the underlying historical and emotional forces at play between units of the acquired firm. By the time it realises the power of these forces, considerable damage will have been done. Until then, the buying firm can further exacerbate the situation by changing organisational and project structures in such a way that the rival units come into increasing contact with one another. Coming back to the example of the German-US acquisition, a historical cause for the inter-unit fighting and lack of trust stemmed from the fact that the joint project initiated in the

post-acquisition era concerned the development of *the core* part of the product. Prior to the project, both units had developed the product on their own, both claiming to have invented its most critical part, and both sides blaming the other for having copied it from the other. As the responsibility for developing the product was shared between the two units after the acquisition, both were unhappy about not being able to continue developing the whole product, and felt they had been deprived of their work to the advantage of the other unit.

> **Example of German-US acquisition.** *"The R&D groups in Germany and the US had a history of rivalry in product development. According to the Germans, their know-how exceeds that of the American site that had been helped by a third party. According to the Americans, the German site had copied all of their good ideas. Thus the history and the attitudes of the people toward one another were not positive."* (Interviewee – buying firm B)
>
> *"There was strong competition between the two sites with regard to the product's core technology. Added to this, there was a willingness to misunderstand the other party through political action. There was a complete lack of trust between the two sides."* (Interviewee – buying firm B)
>
> *"This has been the major disappointment in the integration and goes to show how sensitive and jealous the ownership of R&D and know-how is. R&D staff are jealous about their know-how. R&D engineers are the most emotional of all, although they do not express this openly, when it comes to sharing their know-how."* (Interviewee – buying firm B)

Moreover, prior M&A conflicts also cause emotional tension within the acquired firm. If the acquired firm consists of units / companies that it has acquired or merged with over time, it is likely that the inter-unit or inter-company relations within the acquired firm are fraught with historical negative tensions. This is especially the case if the prior integration projects have not been well managed or the acquired firm has not been treated with due respect throughout the acquisition. If the buying firm is not aware of the presence of emotional tensions within the acquired firm, these will be able to influence the progress of the acquisition. The decisions the buying firm is making with regard to the future of the acquired organisation are likely to lead to difficulties, unless the presence of emotional forces is attended to. This was the case in the studied French multi-site firm, which had been created through the merger of two local organisations, hereafter called the parent and the target firms. The tensions created at the time of the former merger were brought to the surface when the merged firm was bought by the Finnish buying firm C.

> **Example of French multi-site acquisition.** *"The relations between the Finns and the French go well, but we have more difficulties in the relations between the French ourselves: we have assisted settlements between French managers, e.g. I wanted to close your machine for a long time, and finally I am in the position to do so.' Before, two managers might have been on the same hierarchical level. Once one of them was promoted, he began to show this off to the others in a negative way."* (Interviewee – acquired French multi-site firm #5)
>
> *"From the times of the domestic merger, this site has suffered from a negative image, owing to the refusal of its management to accept changes made by the new French parent."* (Interviewee – acquired French multi-site firm #5)

Emerging from the French merger were two organisational groups that shared a long-term dislike or even hatred toward one another. In part, this hatred centreed on the closing down of the central headquarters and oldest factory of the French target firm. That would have been the ultimate sign that the French parent won the game. Interestingly, both parties reacted

positively toward the Finnish buyer, but for different reasons. The French parent's managers tried to get their ultimate revenge on the French target, whilst the latter hoped that the unfair game would end in the new regime. At the time of the acquisition by the Finnish company, the French parent had managed to 'purge' the high ranks of the target firm, and thus the great majority of French management was from the former French parent, who was not well inclined toward the acquired firm.

> **Example of French multi-site acquisition.** *"In the transfer to the Finnish parent firm, only the French parent's managers were left to divide top and factory management positions between themselves. They were united by a personal anger toward certain acquired factories." (Interviewee – acquired French multi-site firm #5)*

> *"We fought against a French leader, who wanted to close down our site. One cause was that the French former parent's management did not like the site. There was strong resentment toward the site. Now that these people are gone, the site's future is fine again." (Interviewee – acquired French multi-site firm #5)*

This context went largely unnoticed by the Finnish parent, who had historical ties to the former French parent, not the French acquired firm. Thus, they had little opportunity to receive objective accounts of the status of the French acquired firm. In the post-acquisition organisational structure, the Finnish parent deemed it fair and respectful to let the French managers take care of the French organisation. However, the power given to the French managers, all issued from the former French parent, enabled them to manoeuvre against the formerly acquired French company. As the buying firm seemingly ignored the adversarial nature of the French organisations' relationship, the conflict was allowed to continue. Thus, whilst intra-French relations were bad, relations with the buying firm's sites were sound. Consequently, sites suffering from these disputes were dissatisfied with the new Finnish parent firm.

> **Example of French multi-site acquisition.** *"Coming back to the issue of personal interest vs. group interest. How could the Finns not see this? Maybe they thought that 'let the French work out their business, they know best how to work in France.' Or they did not see and have time to see this, as the acquisition brought a lot of changes to the Finnish parent firm as well. Did they know and just think that there is no alternative, or did they not see?" (Interviewee – acquired French multi-site firm #5)*

To conclude, the findings below summarise the above findings as regards causes behind negative emotional reactions between acquired firm units:

Finding 6c: Emotional reactions within the acquired firm awakened in times of M&A can be traced back onto a history of rivalry and betrayal between the acquired firm's units during its initial founding owner's era, or during its subsequent acquisitive experiences.

5.1.6 Conclusions on the management of post-acquisition change

In this chapter, the focus has been on the management of post-acquisition change, which has been conceptualised in terms of the integration management activities pursued by the integration manager(s) directly responsible for the success of the acquisition *as well as* the indirect, yet powerful, interfacing role that the entire buying firm plays toward the acquired firm. Whilst the success of the former depends on the 'quality of integration management' it

pursues, as regards the strategic decisions to be made regarding the post-acquisition era, the extent to which the 'fundamentals of integration management' are catered for, the attitudes underlying the integration efforts, and the way the post-acquisition integration phase is organised, the effectiveness of the latter can be weakened by the presence of negative emotional inter-unit reactions. Based on the findings presented in this chapter, Figure 16 conceptualises the integrative framework developed in this dissertation as regards the management of post-acquisition change. Unless the buying firm's managers take such a perspective on the management of post-acquisition change, any neglected area has the potential to become a *silent force* hampering the progress and outcome of post-acquisition integration. This is illustrated in Table 27, which provides a comparison of the studied acquisitions along the identified dimensions of managing post-acquisition change. It shows how a negative score on any of these factors undermined the potential success of the studied acquisitions.
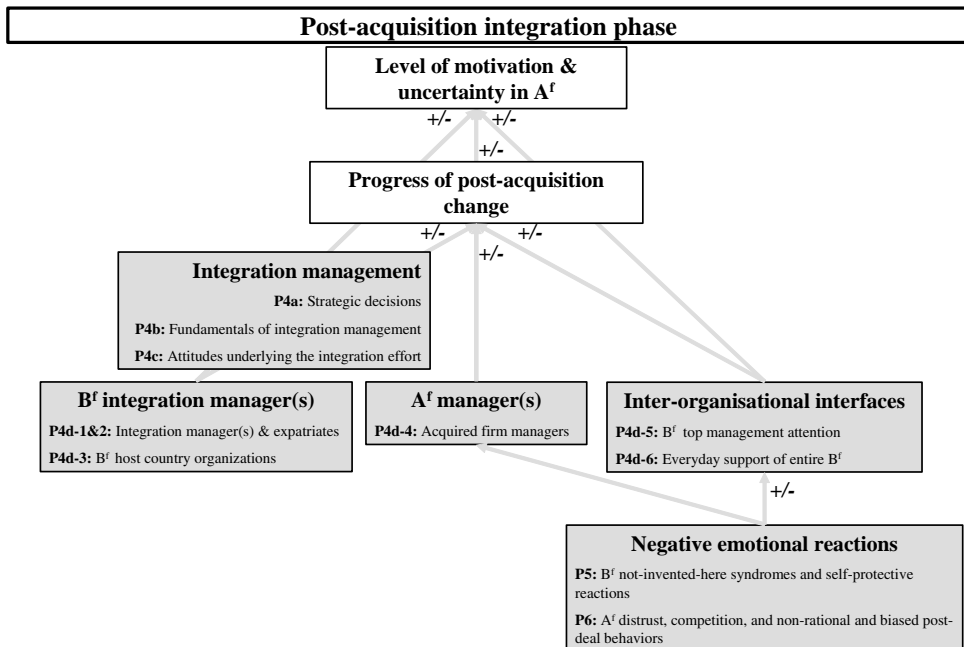
Figure 16. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on the management of post-acquisition change. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

Table 27. Comparison of the studied acquisitions along the identified factors related to the management of post-acquisition change.

MANAGEMENT OF POST-ACQUISITION CHANGE	Danish R&D unit #1	German R&D unit #2	UK R&D unit #3	German acquisition #4	US acquisition #4	Unit of French multi-site acquisition #5	Finnish acquisition #6	French site's acquisition #7	Unit of US multi-site acquisition #8
Strategic decisions regarding the post-acquisition regime									
Set integration strategy	+	+	-	+	+	+	+	+	+
Set business strategy	+	+	-	+	+	+	+	+	+
Fundamentals of integration management									
Planning	-	-	-	+	+	+	+	+	+
Timely action	-	-	-	+	+	+	+	+	+
Clarity of vision	-	-	-	+	+	+	+	+	+
Use of integration tools	+	+	+	+	-	+	+	+	+
Communications	+	+	-	+	-	+	+	+	+
Attitudes underlying the integration team's integration effort									
Attitudes enhancing cooperation	+	+	-	+	+	+	+	+	+
Attitudes spurring change	+	+-	-	-	-	+	+	+	+
Attitude to acquired firm's know-how	+	+	+	+	+	+	+	+	+
Organisation of integration									
Presence of integration manager	++	+-	-	++	-	+	+	+	+
Presence of expatriates	+	+	+	+	-	+	+	+	+
Support of country organisation	0	0	-	0	-	0	0	0	+
Top management direct attention	+	+-	-	+	-	+-	+	+-	+-
Support of entire buying firm	-	-	-	+	0	-	-	-	-
Involvement & support of acquired firm management	++	++	-	+	-	+-	+	++	+
Presence of negative emotional reactions									
Buying firm's negative emotional reactions	-	-	-	+	+	-	-	-	--
Acquired firm's negative emotional reactions	0	0	0	--	--	--	0	0	0

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Table 27 continued. Comparison of the studied acquisitions along the identified factors related to the management of post-acquisition change.

Total	81% (13/16)	56% (9/16)	17% (3/17)	88% (15/17)	41% (7/17)	64% (11/17)	87% (14/16)	87% (14/16)	76% (13/17)
Summary	The right attitudes, a respected integration manager, and active local management helped bypass the lack of planning, visioning and timely action.	The right integration attitudes helped bypass the lack of planning, visioning and timely action.	The integration phase was poorly managed, and the unit took years to be fully integrated.	A very successful integration phase with fast results, except for inter-unit tensions in the R&D project.	The unit suffered from a lack of integration into the parent firm, and hence changed little in the post-deal years.	A rather successful integration phase, but the unit suffered from intra-acquired firm emotional tension.	A very successful integration phase hampered only by a lack of support from the entire buying firm.	A very successful integration phase hampered only by a lack of support from the entire buying firm.	The integration team did a good job, but the unit suffered from emotional tensions from the buying firm's other units.

Legend:

- For *set integration / business strategy*: '+' refers to the fact that an integration / business strategy for the acquisition was set, and '–' that these were not set.
- For *fundamentals of integration management*: '+' refers to each of the dimensions being catered for, and '–' a lack of attention to one or more of these dimensions.
- For *attitudes underlying the integration effort*: '+' refers to each of the dimensions being catered for, and '–' a lack of attention to one or more of these dimensions.
- For the other dimensions: '0' refers to the dimension not being of relevance to the studied acquisition, '+/-' to a mixed result on the studied dimension, '+' or '++' to a good or very good result on this dimension, and '–' or '- -' to this dimension having been an exceptionally difficult area in the integration phase .

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5.2   The silent force of country differences

This chapter focuses on the presence and impact that differences in the buying and acquired firms' country backgrounds – namely the behavioural and systemic manifestations of national cultures and language – have on post-acquisition integration. The thrust of the chapter is that these differences are easily overlooked in the cross-border acquisition process, and are therefore allowed to become silent forces that hamper the progress and outcome of the acquisition.

This chapter begins with a presentation of the behavioural dimensions of differences in national cultures which have been identified.[86, 87, 88] Thereafter, the impact mechanisms of behavioural dimensions of national cultures on the challenge of integrating cross-border acquisitions are unearthed. Third, the role of intercultural interfaces in predicting the location and intensity of intercultural encounters is analysed. Fourth, the identified systemic

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[86] When discussing national cultures, the focus of analysis is generally at the level of *national averages*. This means that these results should not be understood or expected to reflect the behaviours of all representatives from that country. Rather, these reported behavioural differences are noticeable when comparing large samples of populations between countries: they are country-wide cultural averages.

[87] The study of culture originated in anthropology in the late 19th and early 20th century (for a history, see Keesing 1981, Marcus and Fischer 1986, Borofsky 1994, Dortier 1998, Cuche 2001, Eriksen et al. 2001). Today, culture is a fundamental concept also in the disciplines of sociology and psychology. In the latter, the stream of cross-cultural psychology studies the universal and specific aspects pertaining to human behaviour across cultures at the level of individuals (for excellent overviews of this discipline, please refer to Brislin 1990, Lonner and Malpass 1994, Berry et al. 1997a, 1997b, 1997c, Segall et al. 1999). Within social psychology, the sub-stream focusing on inter-group relations is closest to the study of intercultural management (for reviews, see Liebkind 1988, Hewstone et al. 1996, Assaad and Klein 1998, Smith and Bond 1999, Roussiau 2000).

[88] In management sciences, the notion of societal and national culture was brought to lime light with the publication of the findings of Hofstede's (1980) quantitative study of the values of IBM employees. The survey revealed there to exist cultural differences traceable to national cultures within a globally operating multinational firm. These results confirmed the earlier findings by Inkeles and Levinson (1954) on the dimensions of power distance, feminity vs. masculinity, and uncertainty avoidance, and Kluckhohn and Strodtbeck's (1961) dimensions of individualism vs. collectivism and short vs. long-term orientation. More recently, Triandis (e.g. 1993) has advanced the study on individualism vs. collectivism. Ronen and Shenkar (1985) worked on clustering countries along attitudinal dimensions. The findings of Kluckhohn and Strodtbeck (1961) were later combined with those of Parsons (1952) into the dimensional ruler of Trompenaars (1996, 1997). More recently, Schwartz (e.g. Schwartz and Sagiv 1995, Schwartz and Sagie 2000) has developed a means of measuring cross-cultural differences using values. The presence of national differences in management styles has further been confirmed in the studies of Jaeger (1983), Laurent (1983, 1986), Hall and Hall (1995), Tayeb (1988, 1996), and Lewis (1999) (for reviews on dimensions of intercultural differences, see Hui 1990, Nicholson et al. 1994, Lytle et al. 1995, Kagitcibasi 1997, Darlington 2001, and Ward et al. 2001). In parallel, the discipline of cross-cultural management has emerged (e.g. Ronen 1986, Hofstede 1989, Adler 1991, Hoecklin 1993, Newman and Nollen 1996, Hickson 1997, Schneider and Barsoux 1997, Mead 1998, Bjerke 1999, Gannon and Newman 2002, Holden 2002). For reviews of this discipline, see Ajiferuke and Boddewyn (1970), Adler (1983), Adler and Doktor (1986), Redding (1994), Sackmann (1997), Darlington (2001), and Hofstede (2001). The disciplines of international business and international management have also had an interest in the concept of national culture and more particularly on its impact on the conduct of international business (for an overview, see Ghauri and Prasad 1995, Buckley and Ghauri 1999). This work on intercultural management and national cultures has led to the realisation that much of the prevailing organisational research is *dominated by Western and more specifically, American values*, whilst it advocates for the universal applicability of its results (Hofstede 1983, Boyacigiller and Adler 1991). This explains why more recently, across different streams of management research, national culture is being used as a dependent variable to unearth cross-country variations in the study of a variety of organisational phenomena. These studies often use Hofstede's (1980) findings as their basis, as does e.g. the widely used 'cultural distance' index (Kogut and Singh 1988). Also, the concept of 'psychic distance' is used for such purposes (Hallén and Wiedersheim-Paul 1979, O'Grady and Lane 1996).

dimensions of differences in national cultures are presented. Then, ways in which buying firms deal with differences in national cultures are discussed. Finally, the role of language differences in cross-border acquisitions is brought forward. Conclusions end this chapter.[89]

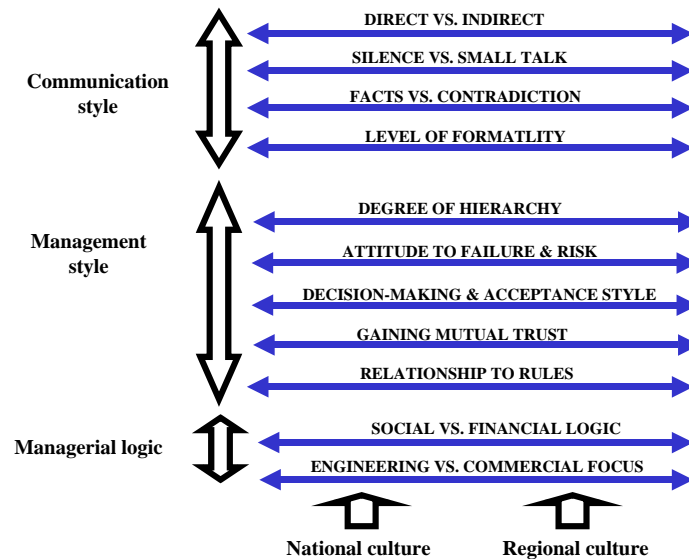### *5.2.1   Behavioural dimensions of national cultures*

Figure 17. Dimensions of behavioural differences in national (and regional) cultures.

As summarised in Figure 17, behavioural differences in national cultures identified in the research project pertained to differences in 1) communication styles, 2) management styles, and 3) managerial logics.[90] These differences were traceable to national and regional cultures.

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[89] Despite the rise of cross-cultural management as a discipline and the increase use of culture as a dependent variable in many survey-based studies since the 1990s, in research on M&A, national culture has mainly been considered in research on the culture – performance relationship in M&A, alone (Morosini and Singh 1994, Morosini et al. 1998) or combined with an analysis of the effect of organisational culture (Véry et al. 1996, Weber 1996, Weber et al. 1996, Véry et al. 1997, Larsson and Risberg, 1998, Larsson and Finkelstein 1999). In parallel, the impact of national culture on the acquisitive and integration behaviours of buying firms has been addressed (Dunning 1958, Jaeger 1983, Calori et al. 1994, Lubatkin et al. 1998, Angwin 2000, Child et al. 2000, Child et al. 2001, Faulkner et al. 2003, Pitkethly et al. 2003). Although the management of the M&A cultural change process has been addressed by several researchers, these studies have mainly taken a focus on corporate culture in domestic deals (e.g. Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1993). The works of Olie (1990, 1994) on international mergers as well as of Gertsen et al. (1998a), Morosini (1998), Gertsen and Vaara (2002), and Quah and Young (2005) on international M&A remain a rarity in that they also address the issue of national culture in the management of the cross-border M&A integration process. However, these works either focus on the management of cultural differences (Olie 1990, 1994, Gertsen et al. 1998b, Morosini 1998) or take a constructivist perspective to national cultures (Gertsen et al. 1998a, Gertsen and Vaara 2002), without further analysing their impact mechanisms (Quah and Young 2005). Summing up, regardless of this growing body of research, the questions of 1) the types of differences in national cultures present in M&A, 2) the impact mechanisms of differences in national cultures on the M&A process, and 3) how to manage differences in national cultures remain to a large extent unanswered. These questions are the focus of this chapter.

[90] Taking a critical look at the body of extant research on M&A as introduced above, what is striking is that there is little qualitative work on the types of differences in national cultures identified by the participants in M&A themselves. Indeed, most studies use Hofstede's findings and key dimensions of cultural differences as convenient proxies of national culture distance (Calori et al. 1994, Morosini and Singh 1994, Véry et al. 1996, Weber 1996, Weber et al. 1996, Véry et al. 1997, Forstmann 1998, Lubatkin et al. 1998, Morosini et al. 1998, Angwin 2000). In

This chapter begins by presenting each of the identified dimensions of behavioural differences in national cultures, and for each, provides an overview of its consequences for intercultural cooperation.[91] Thereon, the role of regional cultures is analysed. The chapter ends with an analysis of the effect of cultural distance on the challenge of acquiring across borders.

Differences in communication styles

Beginning with communication styles, differences between the studied countries were identified with regard to 1) the degree of direct vs. indirect communications, 2) the use of silence vs. small talk, 3) a focus on facts vs. debating in communications, and 4) the degree of formality in communications, Table 28.[92, 93, 94]

Of the studied countries, Finland, Denmark, Germany, and the US shared a direct communication style, as opposed to the more indirect English communication style. Regardless of their country of origin, foreign interviewees in all of the studied firms were surprised at the Finns' use of silence and had had to learn to deal with and understand it. In parallel, Finns were having difficulties in adjusting to cultural contexts in which small talk is typical, such as the US. The Finns' and Germans' focus on factual communications was also brought up. It was especially contrasted with the French communication style in which contradiction, debating, and politics play a key role, or with the Americans' ability to impress audiences. Thus, the French are open and direct in a way different from the Finns. A further difference was noted as regards the level of formality used. It was noticeable that the German, French, and English cultures have a tradition of being more formal in their communications than for example the Finns, the Danes, or the Americans.

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sum, the current understanding of cultural differences in M&A would seem to be limited to Hofstede's dimensions and it can thus be argued that there is a need for a more thorough understanding of cultural differences present in M&A (Cartwright and Price 2003). The findings presented in this sub-chapter are a direct contribution to this body of research and the question #1 introduced in the previous footnote. Moreover, these qualitative findings on differences in national cultures contribute to the need in comparative management research for more theory-building research (Redding 1994).

[91] The analysis of these impact mechanisms addresses gap #2 in extant research on M&A identified above.

[92] The work of Hall (1967) on 'high vs. low-context communication patterns' has thus far dominated research on inter-cultural communication (for a review, see Ting-Toomey 1999, Korac-Kakabadse 2001). The types of differences in communication styles identified in this research broaden the findings of Hall (1967), as they enable going beyond the currently dominating debate focused on low vs. high context communication patterns. Indeed, there is much work to do in fine-graining ways in which countries differ in their communication patterns in addition to Hall's (1967) distinction. Moreover, this enabled showing that although many Western countries share a 'low-context' communication pattern, there are nevertheless discrepancies within their communication styles that are not captured using only the high vs. low context scale.

[93] The dimension of 'direct vs. indirect communication style' reflects to some degree Hall's (1976) categorisation of 'high vs. low context communication styles', though the latter definition is a broader and more detailed one.

[94] The dimensions of 'degree of formality in communications' as well as 'directness vs. indirectness' were identified by Child et al. (2001) (see also Pitkethly et al. 2003) in their study of differences in parent firms' communication patterns with regard to their newly acquired foreign subsidiaries.

Table 28. National culture differences in communication styles.

Differences in communication styles

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1) Direct vs. indirect communication style

Indirect communication style, example of the UK	**Direct communication style,** example of Finland, Denmark and the US
Finns and the English. *"Finns speak directly, they do not consider how the way they speak affects how people feel and react to what they have said. In the UK, confrontation is not impossible, but the way things are said can dramatically affect how the message is received." (Interviewee - British acquired unit #3)*	**Finns and the Danes.** *"Finns are direct. They are monotonous. They answer to a question if you ask them the right question." (Interviewee – acquired American multi-site firm #8)*
	Finns and the Americans. *"Finns can deal with Americans, as our communication style is similar, it is direct and not too formal. It helps in working together. It is easier for us to deal with Americans than e.g. with the Swedes." (Interviewee – buying firm D)*
	"Both Finns and Americans are rather straightforward, there are no intrigues, plotting, or complications like in southern Europe or South America. That is why it is relatively easy for Finns to work in the American environment." (Interviewee – buying firm D)
	"What we liked about the Finns: they are straight and open, they go to point, they say things directly and act accordingly, you are listened to as long as what you say makes sense. This is in contrast to Germany or the UK, where a greater degree of debating is in use." (Interviewee - Danish acquired unit #1)

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2) The use of silence vs. small talk

Example of British unit's acquisition. *"The Finnish silence feels terrible if you do not understand it. Many things are left unsaid and you are expected to know what is meant." (Interviewee – British acquired unit #3)*

"There is a lack of small talk in the Finnish culture." (Interviewee - British acquired unit #3)

Example of French multi-site acquisition. *"Someone summarised that the Finns do not talk, do not smile." (Interviewee – acquired French multi-site firm #5)*

Example of US multi-site acquisition. *"There are not huge differences between the Finns and Americans, though the Finns are quieter." (Interviewee – acquired American multi-site firm #8)*

"There are small cultural issues, e.g. Americans say 'good morning' and a Finn, who has not been here for long will not reply, so the American colleagues might wonder 'why doesn't he like me?', so we tell Finnish newcomers to say good morning and they do." (Interviewee – acquired American multi-site firm #8)

"Americans are more social at the office, they talk all the time, whereas the Finns are more conservative." (Interviewee – buying firm D)

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3)Focus on facts vs. arguments or show-time

A focus on facts, example of Finland	**A focus on arguments, debating and politics,** example of France.
Example of French multi-site acquisition. *"Still quite recently (many years after the acquisition), a French executive explained how foreign and new our logic of 'fact-based reasoning' was. The French are more focused on internal politics." (Interviewee – buying firm C)*	**Example of French multi-site acquisition.** *"We, the French, are like the Gaullois in Asterix. We criticis everything, even ourselves. We fight against everything. Someone summarised that the Finns do not talk, do not smile, and said that for the Finns we must be the same as Marrakech is for the French: they must think that the French cause havoc, they criticis, someone even said in Finland 'why invest in France - they strike, it is a difficult environment' …" (Interviewee – acquired French multi-site firm #5)*

Table 28 continued. National culture differences in communication styles.

"Finns think in terms of 'what is sensible, what makes sense'. But looking back, how can they have allowed everything to happen that has happened over the years [in this acquisition], if they were reasoning with logic, because there was no logic whatsoever in what was taking place in the French organisation. In reality, there are many other things at play as well. Things are not that simple, not everything is reducible to logic." (Interviewee – acquired French multi-site firm #5)

"Over time, I have learnt to see the Finns differently, as being pragmatic, reasoning with facts." (Interviewee – acquired French multi-site firm #5)

"The French are always grumbling about something, e.g. about their own country, whilst we do not recognise enough that ultimately, things are ok in our country." (Interviewee – acquired French multi-site firm #5)

"The French have a lot of ideas, sometimes even too many ideas, they dare to express their ideas, and they express their ideas also to their boss, the boss listens to these ideas, e.g. staff can come and tell their boss that he has made a mistake. If things do not go well, we encourage people to say it, to express oneself. This marks the differences between staff syndicates in France and Finland: in Finland they are a professional organisation, in France they are organised around different opinions and in part also political differences." (Interviewee – acquired French multi-site firm #5)

"Power struggles, such as we have witnessed between the French in this acquisition, 'If I have more power, I will make sure that I get you', are typically French." (Interviewee – acquired French multi-site firm #5)

"Often in a French organisation, top management is focused on politics only. The next level does the work. In the post-deal years, we got rid of the layer doing politics and began working with those that were doing the work. This is close to a Nordic mentality. Gradually we dropped the top people." (Interviewee – buying firm C)

A focus on facts, example of Germany	**A focus on impressing audiences,** example of the US
Example of German-US acquisition. *"The Americans focus on making a good show, whereas the Germans focus on the exact and right facts." (German interviewee – German-US acquired firm #4)*	**Example of German-US acquisition.** *"The Americans are more show-time oriented than the Germans, they focus on impressing their audience." (German interviewee – German-US acquired firm #4)*

4) Level of formality, example of Finland vs. Germany

Example of German-US acquisition. *"In the German cultural tradition, you need to use 'You' or 'Mr.' forms instead of calling the person by his first name. I think that the fact that we are not as formal as they are has even been regarded as an attractive trait. We agreed that within the management team, we use one another's first names, but with staff, we remain formal." (Interviewee – buying firm B)*

"In production, between production managers, we used our first names from the start, that was no problem. But when I first visited the German factory, my German counterpart gave me a 15 minutes lecture on what I am allowed to say to whom, and what not. For example, do not just go and talk to anyone, do not call them by their first names, here everyone is 'Herr Something'. He also explained that it is not suitable in this culture for me to behave in a way that the staff are not used to. Also, I was to call managers by the more formal way if staff members are around. But you get used to it." (Interviewee – buying firm B)

"About half a year after the deal I received the first email from Germany that began with 'Dear Paul', instead of 'Dear Mr. X'. And I was happy as I realised that we had now reached such a good level of cooperation. But this depends on the person. There are people with whom we began calling one another by first names from the start, and with others it took a longer time. So you need to respect the other party to find the right tone for the relationship." (Interviewee – buying firm B)

These differences had consequences for the immediate post-deal integration phase as well as subsequent years of working together, Table 29. For one, differences in communication styles could lead to difficulty in understanding the other party. This was typically the case with the Finns' use of silence in communications, which often took years to be understood by local employees in more talkative cultures. For example, the difficulty of dealing with Finnish silence in meetings was brought up. Likewise, the Finns' lack of small talk perplexed employees in newly acquired companies.

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Example of Danish unit's acquisition. *"Typically, the Finns are quiet in meetings, and the Danes are talking. Generally, the Danes are talkative, whereas the Finns are looking at their shoes, they are not that convincing. It is hard to read their thoughts." (Interviewee - Danish acquired unit #1)*

"Silence can be difficult for Danish people. You have to learn what it means. It is especially difficult for new recruits; they need to be taught." (Interviewee - Danish acquired unit #1)

Example of British unit's acquisition. *"The Finnish silence in meetings is terrible if you do not understand it. Many things are left unsaid, and you are expected to pick up upon these unsaid words. " (Interviewee - British acquired unit #3)*

"Even today, years after the acquisition, I still have problems dealing with them." (Interviewee - British acquired unit #3)

"Cross-cultural communications caused most of the problems, e.g. how to read people. For example, Finnish employees just get along with their work, whereas English employees need to be controlled, but they will not keep you informed about the status of the work." (Interviewee – buying firm A)

Example of German-US acquisition. *"The greatest surprise in dealing with our German colleagues has been how differently people in different cultures deal with matters and how they discuss them. And then that things do not always go as we had agreed upon. Either we misunderstood one another, or then one party did not care about what was agreed upon." (Interviewee – buying firm B)*

"Our ways of communicating, between the Germans and the Finns, are different, and that at times creates misunderstandings." (Interviewee – buying firm B)

Example of US multi-site acquisition. *"Finns are unapproachable, they are hard for the general population to understand. They are not conversational, they lack social conversation, e.g. how to react to small questions such as 'how was your week-end'." (Interviewee – acquired American multi-site firm #8)*

Such misunderstandings cause an inherent mistrust, as the parties do not behave according to the other's expectations whilst each thinking that they are delivering their best.

Example of US multi-site acquisition. *"The only barriers relate to expectations, e.g. the way things are said on the phone and in emails, there is a loss in communications. There is a misunderstanding in terms of what is asked and the output, e.g. we were giving 100% but in the parent firm managers' eyes it was only 80%; with time, we learnt what they wanted." (Interviewee – acquired American multi-site firm #8)*

Second, not understanding the other party can lead to misreading the other's intentions. Thus, for example the Finns' silence was misread for intentionally hiding information, being haughty, not listening, not being genuinely interested in the new unit's integration, or being distant toward the other party. The Finns' directness was at times even perceived as rude by British employees, who are used to more diplomatic communications. Also, the Finns' sudden way of informing about new things was received with mixed feelings in foreign acquired units. Such misunderstandings hampered the swift development of a relationship of mutual trust.

Example of Danish unit's acquisition. *"There is a lack of personal openness in the Finnish culture, which can be mistaken for, e.g., sitting on important information without spreading it. In R&D, professional pride is a driver; silence could be mistaken for a hindering factor. Openness helps in avoiding this." (Interviewee - Danish acquired unit #1)*

Example of British unit's acquisition. *"There were efforts on the Finnish side to make us participate, but always in the Finnish way 'come if you want to'. This doesn't make you feel welcome! To the English, the Finns can seem very rude. The responsibility is on the acquiring company to make the integration happen." (Interviewee - British acquired unit #3)*

Example of French multi-site acquisition. *"The first six months were negative. My memory of the first meeting with the Finns was a negative one. We assisted a slide presentation in English by a Finn, who spoke English with a strong Finnish accent, talking with his mouth closed, muttering. He looked at his slides, and not at us. By looking at his slides he showed us his back. We understood this as a clear sign of 'I have the right to under-estimate you, as we have just bought you'. We all came out of the meeting*

without having understood a thing. After the first six months, having had more meetings with the Finns, we noticed that they are ok, they are able to speak ..! (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"With the Americans, you are good friends instantly, it is superficial, it is friendly from the first contact onward. The Finns are more distant, and it is harder to get into contact with them." (Interviewee – acquired French unit #7)*

"Communication styles are different. The French are talkative, whereas Finns communicate less. They inform about things suddenly, e.g. 'this has to be done for Friday'. More communication would ease our cooperation. Also, they share very little." (Interviewee – acquired French unit #7)

Example of US multi-site acquisition. *"They are introvert; they answer with yes or no. They do not talk for hours like we would. It seems like they are not listening to you, as they are not reacting to what you are saying and suggesting." (Interviewee – acquired American multi-site firm #8)*

Third, differences in communication styles can damage the flow of information exchange following cross-border acquisitions, as happened, for example, with differences in email communication cultures. Also, the Finns' silent communication style meant that they would not provide information unless specifically asked for it. Successful examples of intercultural cooperation showed that foreign parties had adapted to these differences, and had, for example, learnt to ask specific questions from the Finns to get the answer they needed.

Example of German unit's acquisition. *"At the beginning we were disoriented, as in our discussions with the Finns it was difficult to get an overview of e.g. a project or of people's roles. Then we learnt that you need to ask detailed questions to get detailed answers. Thus, it is difficult to get an understanding of what is going on, to get an overall picture of what is going on. We feel that this habit blocks the conversation." (Interviewee - German acquired unit #2)*

Example of British unit's acquisition. *"In an acquisition, a new unit needs to navigate itself in the new environment. At times, it feels like hitting a stone wall, if you keep receiving emails such as 'I'm busy'. Unless you ask them a clear question, you won't get right answer. Also, answers are generally one-line emails .. In the end, it comes down to cultural communication styles. Post-acquisition integration comes down to the management of international operations – it is fraught with the same kinds of problems!" (Interviewee - British acquired unit #3)*

Example of French multi-site acquisition. *"Over the years, we have learnt to 'deal with silence'." (Interviewee – acquired French multi-site firm #5)*

Example of French site's acquisition. *"Finns do not explain nor communicate what they are doing, they keep everything to themselves. They explain to you when you ask them, not otherwise. This becomes a problem when they do not inform us of changes that we should be aware of. Unless we keep asking them, we do not know what is taking place." (Interviewee – acquired French unit #7)*

Example of US multi-site acquisition. *"Americans are naturally inclined to give more information, and we have been able to get what we need from the Finns, but it requires a lot of questioning. You need to ask the Finns a lot of questions to get the answer whereas the Americans would be more talkative and say things naturally." (Interviewee – acquired American multi-site firm #8)*

To conclude, differences in communication styles provide an additional barrier in the process of integrating cross-border acquisitions. Even though a buying firm might have the best of intentions with regard to the post-acquisition integration phase, being unaware of the presence and impact of differences in communication styles can lead to misunderstandings and mean that it takes longer for the parties to understand and trust one another.

Table 29. Impact of differences in communication styles on cooperation during post-acquisition integration.

Impact of differences in communication styles on cooperation during post-acquisition integration

1) Difficulty of understanding the other
2) Misreading the other's intentions
3) Complicated flow of information

Differences in expected degrees of hierarchy

A second area of behavioural differences in national cultures was identified as pertaining to differences in the expected degrees of hierarchy across cultures.[95] They were found to influence the management styles in use in different countries, Table 31. Low hierarchy cultures such as Finland tend to use a participative and responsibilising management style, where the role of the manager is not an authoritative, but generally a coaching and guiding one. The manager has authority, but not every decision, nor all communications or actions have to pass through him/her. Thus, individual employees have the power to take responsibility without expecting continuous follow-up. In higher hierarchy cultures, the manager's role is a more authoritative one, and hence the role and responsibility of the employee is not to withhold and carry responsibility, but rather to execute tasks decided and allocated to by one's superior.

Table 30. Impact of different degrees of hierarchy on cooperation during post-acquisition integration.

Impact of different degrees of hierarchy on cooperation during post-acquisition integration

1) Misunderstandings, when the two management styles operate in parallel, e.g. during expatriate assignments

2) Difficulty of acquired firm managers in understanding the 'expected management style' in international managerial positions in the buying firm

3) Easier to get employees from a high power distance culture to accept post-deal changes

The preferred and expected degrees of hierarchy were found to have consequences for the post-deal combination period, as summarised in Table 30. To begin with, differences in degrees of hierarchy and the resulting differences in management styles were found to cause misunderstandings. As long as both parties operate blindfolded with regard to the influence of national culture on the management styles in use, surprises are likely to abound. Differences stemming from different degrees of hierarchy caused question marks on both sides, especially in situations where an expatriate was working in the acquired firm. The expatriate might wonder at or get frustrated with things not happening as they are used to in their home country.

> **Example of French site's acquisition.** *"There is no initiative. Unless a superior has approved an issue, the worker does not take the initiative on it. As an example, reporting at the shop floor on what has been done in the morning shift and what not. In Finland, workers would orally agree on what is work in progress that the worker can finish himself the next day. In France, this would be renegotiated at the beginning of the following shift." (Interviewee – buying firm D)*

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[95] This dimension of intercultural differences relates to what Hofstede (1980) termed 'power distance'. It is one of the most used and known dimensions of intercultural differences. Originally, this dimension was defined by Inkeles and Levinson (1954). Similar findings have also been brought forward by other researchers, such as Laurent (1983) on the extent to which organisations are considered hierarchical relationship systems: in countries where this holds, managers are expected to know more than their subordinates do. In countries scoring low on this dimension, subordinates can bypass their direct superior in the organisational hierarchy, if needed, or report to more than one superior. Also Triandis's (1982) dimension of hierarchical vs. egalitarian cultures, Haire et al.'s (1966) dimension of participative vs. directive leadership, and MacIver's (1947) dimension of democratic vs. autocratic leadership resonate with the present findings. Moreover, differences between countries with regard to preferred levels of hierarchy reflect Hofstede's dimension of individualism vs. collectivism, in that individualistic countries (such as Finland) stress initiative and empowerment more than collectivist countries.

"In my experience, in France, information flow gets stuck in the hierarchy. Unless your direct superior understands the issue, you have no right to bring the issue further up in the hierarchy, i.e. talking to the boss of your boss. This becomes a problem in cases in which your superior does not understand nor takes the issue forward." (Interviewee – buying firm D)

Table 31. National culture differences in degrees of hierarchy.

High degree of hierarchy leading to an authoritative management style, where the manager has the responsibility and all decisions and communications pass through the manager

The Germans

Example of German unit's acquisition. *"In Germany, there is a tradition of hierarchy, which is in contrast to the Finns' aversion of hierarchy." (Interviewee - German acquired unit #2)*

"Germans need structure e.g. with regard to decision-making." (Interviewee – German acquired unit #2)

Example of German-US acquisition. *"The typical German mentality is that the boss decides what is done and then the decision is implemented, i.e. it is management by dictating." (Interviewee – buying firm B)*

"The Germans are more hierarchical. In our Finnish operations, you can agree on issues with anyone, but in our German unit, you need to agree on issues with the person that is at the right hierarchical level." (Interviewee – buying firm B)

"For Germans, it is not clothing, but the hierarchy, the way of behaving that are important. They are used to asking the boss first before taking action." (Interviewee – buying firm B)

The French

Example of French multi-site acquisition. *"The French way of working is the 'old patron style' – the boss is the boss and decides everything." (Interviewee – buying firm C)*

"In Latin cultures it just works so that employees work for their boss." (Interviewee – buying firm C)

"In the French tradition, the French organisational culture is perfectly centralised. All roads lead to Rome. In France, administration is centralised, and you see it everywhere, also in organisational life. It is in this tradition that the French firm we bought was a Paris-led firm with centralised management functions." (Interviewee – buying firm C)

"For the French, who has the right to decide is important. And also, whose responsibility a project is. Once the project is handed over to someone, it is theirs." (Interviewee – buying firm C)

Example of French site's acquisition. *"The French do not respect 'soft management'. A manager who does not speak out on things is not a leader. And also a leader that does not know everything is also not a leader. The starting point is that the leader has all the power and he knows everything. This means that if you are a CEO, you need to be decisive. And that is not the typical style for Nordics, thus not all Nordics are at ease with this. In France, you need to be decisive. Otherwise they eat you. Like small children, they try to find out where the limit is." (Interviewee – buying firm D)*

"Everything takes place through the superior, all changes are brought forward for acceptance by the superior. This applies even for small changes e.g. in the factory: an employee waits to get approval by the responsible supervisor." (Interviewee – buying firm D)

The English

Example of British unit's acquisition. *"The English have a stronger sense of group, hierarchy, and history. There is a strong feeling that you have a certain place in the chain, and thus less latitude to take a decision alone." (Interviewee - British acquired unit #3)*

"An autocratic approach is abnormal in UK companies. Hierarchy is normal and accepted." (Interviewee - British acquired unit #3)

"Unless you supervise the employee's work, they will consider it an unimportant task and leave it undone." (Interviewee – buying firm A)

The Americans

Example of German-US acquisition. *"Americans are used to being given decisions, whether they like them or not. And that is what everyone was looking for in this acquisition." (American interviewee – German-US acquired firm #4)*

Example of US multi-site acquisition. *"The American culture is an authoritarian culture. In the US, staff take the attitude that the boss is the boss and the staff does what is ordered." (Interviewee – buying firm D)*

Table 31 continued. National culture differences in degrees of hierarchy.

"In the US, a respect for individuals exists, but they provide legitimate authority to the boss or an authority, so they can more directly move to the implementation phase." (Interviewee – buying firm D)

"The prevailing management style in the US is a dictating one. That also means that responsibility lies on the one who has given the orders. They prefer to avoid taking responsibility." (Interviewee – buying firm D)

"A fundamental difference relates to the fact that a Finn works for the company and the American for his boss. Thus, an American is not easily of a different opinion than his boss, but will follow orders." (Interviewee – buying firm D)

"The American firm we acquired was a purely US-type company managed in an American style, where 1) the boss is the boss, 2) all matters pass through the boss, 3) there is no responsibility at lower levels, zero responsibility. Thus, the organisation is a fragmented one, where you need managers' signatures before things move on to the next stage. There is no holistic way of working, rather an old-fashioned and traditional mentality of moving papers from one table to the next." (Interviewee – buying firm D)

Low degree of hierarchy leading to a participative and responsibilising management style, where responsibility is on each employee and the manager is more of a coach

The Finns

Example of the English unit's acquisition. *"The Finnish people tend to do their own thing, which is ok in an organisation if everyone is pointing in the same direction!" (Interviewee – buying firm A)*

Example of German unit's acquisition. *"Finns are not used to giving and getting orders, they just get along with their work. Thus, communication styles differ, and at times lead to slight misunderstandings." (Interviewee – buying firm A)*

"Certain things seem very Finnish: e.g. at their visits here, they all seem to share an aversion to organisational diagrams. Yet, it is normal to have an organisational chart, it is needed for decision-making. Showing it helps if people in the diagram have power. The chart is then communicated through individuals, e.g. through the use of titles." (Interviewee – German acquired unit #2)

Example of French multi-site acquisition. *"The Finnish management style is based on delegation and taking responsibility, openness of information and low levels of hierarchy. The acquired French units had to change in this direction to some extent, but such a change does not take place overnight. And you cannot argue that they would operate just like a Finnish unit, it just doesn't work." (Interviewee – buying firm C)*

Example of French site's acquisition. *"Finns are equal at all levels, even upper management, as compared to the American managers, for whom we had to roll out a red carpet upon their arrival to the site." (Interviewee – acquired French unit #7)*

"In Finland, workers operate independently and decide by themselves how to carry out their work, changing it, if they find another method works better." (Interviewee – buying firm D)

Example of US multi-site acquisition. *"In Finland, we expect everyone to do all their tasks independently. We expect that we need not give orders to our staff or workers. This is a fundamental difference between us and the Americans." (Interviewee – buying firm D)*

"In a positive way, the Finns have the flexibility to go solo in a new situation. The negative side is that the Finns have a greater tendency to go solo than Americans." (Interviewee – buying firm D)

Similar differences are likely to show up when comparing the expatriates' and local managers' relationships with their superiors. Indeed, if they do not share the same expectation of the degree of hierarchy to be used, they are likely to have a different relationship with their mutual supervisors. This can cause misunderstandings. The acquired firm's managers might view the relaxed behaviour of expatriates with regard to their mutual superiors with a mix of curiosity and concern, if they are themselves used to more formal lines of authority.

> **Example of French site's acquisition.** *"The Finns have an easy to short-circuit hierarchy, e.g. our expatriate Finns are at ease calling the division manager directly for questions, without passing by the site manager. In France, communication always passes from boss to boss. At the start, this took us by surprise, now we are used to it." (Interviewee – acquired French unit #7)*

Second, acquired firm managers promoted to international positions occasionally had a difficult time in adapting to the prevailing management style in the buying firm. This stemmed from the fact that the underlying assumptions guiding the 'expected management style' in a home-country dominated buying firm seemed to be rooted in its national culture. If the buying firm does not explain the underlying assumptions guiding this 'expected management behaviour' to the managers of the newly acquired firm, the latter will continue operating in the way they are used to, i.e. based on their home country's national culture. This can, at worst, cost them their managerial and professional reputation, as they do not behave according to expectations. Moreover, this can lead to misunderstandings and erroneous decisions being implemented.

> **Example of French multi-site acquisition.** *"I believe that cultural shocks have taken place. In our [Finnish] firm, a functional manager has more of an expert role and cannot give commands to the business organisation that are considered independent. In such a role, you can get your ideas through by networking and through inspiring respect. The French persons we have promoted to such roles have often had difficulties working through such a network. They are so used to bossing around and dictating. Thus, they would rather give instructions to the business organisation instead of servicing it. And this has led to conflicts."* (Interviewee – buying firm C)

> *"The French managers tend to do a lot of second guessing to find out what their superior ultimately thinks about something. For example, one manager once stalled his project as his superior had unofficially questioned a decision regarding the project. The Finn thought that he was muttering to himself as the decision had officially been made, whereas the French manager interpreted the Finnish leader's unofficial opinion as the new decision that he then followed and went on to implement."* (Interviewee – buying firm C)

Finally, a positive aspect of different degrees of hierarchy was mentioned by interviewees. For example, it seemed easier to get buy-in to post-deal integration-related changes in countries used to a high degree of hierarchy, as they respected the new owner's voice and authority.

> **Example of German-US acquisition.** *"It is rather easy to get along with the Germans, as they respect authority and thus the voice of the owner."* (Interviewee – buying firm B)

> **Example of US multi-site acquisition.** *"The positive side of the American hierarchy and the role of the boss is that in an acquisition, employees are more ready to listen to the new owner and to obey orders."* (Interviewee – buying firm D)

> *"Many changes were implemented by giving orders. We just said either the staff brings suggestions or we dictate how we do it. Actually, it is easy to do this there, as the staff are used to a dictative culture. Some enjoyed bringing suggestions, others preferred being told what to do."* (Interviewee – buying firm D)

Summing up, differences in expected degrees of hierarchy, through their impact on the prevailing management styles across countries, are likely to surface in cross-border acquisitions, especially in situations where the two countries' management styles operate in parallel without appreciation or explanation of their cultural differences. In such instances, behavioural differences with cultural roots can, at worst, be attributed to individual failure.

Dealing with individual failure

Differences were also noticed with regard to the way people across cultures deal with individual failure, Table 32.[96] This was especially noticeable when comparing the American, French, and Finnish cultures.

Table 32. Differences in dealing with failure between the Finnish, the French, and the American cultures.

Dealing with failure

The Finnish approach – a learning mindset

"The Finns acknowledge their mistakes, they say 'that was a mistake, how can we ensure from now on that we do not make the same mistake again'." (Interviewee – acquired French unit #7)

"In Finnish culture, there is no finger-pointing at mistakes: you are not shot for mistakes; so in the parent firm, you would not find 'mistake avoiding'- strategies. This enables bringing down defensive walls and building a more constructive organisation." (Interviewee - British acquired unit #3)

"As American employees tend to shun responsibility, they do not easily do something they are not fully sure of. In contrast, in a situation of uncertainty, a Finn does not think that long, he acts and sees with hindsight what the result was. In Finland you can make mistakes, they are accepted to a greater degree …" (Interviewee – buying firm D)

The French approach – failure is to be avoided

"The French have a habit of giving away responsibility, they avoid taking responsibility. This is a result of the societal system's upbringing, based on discipline and authority from school to work." (Interviewee – buying firm D)

"The significance of failure is different in France and Finland. In Finland, it is accepted more easily than in France. Having a boss say 'I do not know, but I will find out' is shocking for locals. You do not say this out loud, you do not admit that you do not know. Rather, you'd say 'I do not understand'." (Interviewee – buying firm D)

"The French do not respect 'soft management' … And also a leader that does not know everything is not a leader. The starting point is that the leader has all the power and he knows everything." (Interviewee – buying firm D)

The American approach – failure threatens job security

"As American employees tend to shun responsibility, they do not easily do something that they are not fully sure of. In contrast, in a situation of uncertainty, a Finn does not think that long, he acts and sees with hindsight what the result was. In Finland you can make mistakes, they are accepted to a greater degree than in the US, where you get fired more easily." (Interviewee – buying firm D)

"The Finnish manager goes and does. An American manager more easily goes back to the next level of management for advice. They wait for the order and obey the order. The boss decides." (Interviewee – buying firm D)

"The Finn will dare to be difficult to his boss, knowing that he will not get fired easily. In contrast, e.g. in the industrial sector, US managers shun decisions, as if the decision turns out to be an erroneous one, they get fired. Thus, they are very careful and try to have someone else take the decision. In Finland, someone would take the decision more easily and try out what happens." (Interviewee – buying firm D)

The Finnish buying firms shared a rather open mindset toward learning. Acknowledging mistakes and learning from them seemed to be a characteristic feature of Finnish organisational life. This could be related to the fact that responsibility rests at the level of individuals, thus managers have less of a task of maintaining face in front of employees. On the contrary, in countries such as France or the US, both used to greater degrees of hierarchy, failure is avoided, but for different reasons. In France, failure means the personal failure of

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[96] This dimension of intercultural differences is closely related to the degree of power distance, or hierarchy, in a country (Hofstede 1980). It also relates to the dimension of individuals' avoidance vs. acceptance of failure (Heckhausen 1968).

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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the manager, leading to the manager losing part of his/her authority. In the US, failure is related to employment security. As it is easy in the US to lay off staff, the latter will consequently avoid upsetting their superiors, i.e. avoiding mistakes, in the hope of keeping their jobs. These differences were found to have consequences for mutual cooperation, Table 33.

Table 33. Impact of different ways of dealing with failure on cooperation during post-acquisition integration.

Impact of different ways of dealing with failure on cooperation during post-acquisition integration

1) Misunderstandings – expected managerial reaction toward mistakes
2) Misunderstandings – openness toward negative news
3) Acquired firm employees' and managers' ease of learning to deal with responsibility
4) Expected degree of openness in employee-superior communications

For one, differing perceptions of individual failure lead to different managerial behaviours. In a culture where failure is accepted, a manager can officially and publicly make mistakes. However, this can be interpreted as a show of weakness in more authoritative cultures.

> **Example of French site's acquisition.** *"The significance of failure is different in France and Finland. In Finland, it is accepted more easily than in France. Having a boss say 'I do not know, but I will find out' is shocking for locals. You do not say this out loud, you do not admit that you do not know. Rather, you would say 'I do not understand'." (Interviewee – buying firm D)*

Furthermore, difficulties in dealing with failure can lead to hiding the underlying problem at stake, and subsequent miscommunications. These kinds of behaviour are not changed overnight. Unless differences in ways of dealing with failure are discussed openly between the two parties, both sides will continue to behave in their own way, causing misunderstandings and hindering the creation of a mutually trusting relationship.

> **Example of French site's acquisition.** *"The official truth is that everything is ok. Things are portrayed in an over-positive way. Gradually, they have learnt to bring forward and discuss the difficulties they face." (Interviewee – buying firm D)*
>
> *"There is a sense of misleading optimism, e.g. as regards optimising financial figures. Thus, figures of the year might be boosted, until in December they have to admit that the targets were unrealistic. In this way, they get to live 11 nice months and are only scolded during one month." (Interviewee – buying firm D)*

Third, the relationship to failure also reflects on a person's ability to deal with responsibility. Being afraid of failure translates to avoiding responsibility. This becomes an issue if the buying firm expects acquired firm managers and employees to take responsibility, when the acquired firm's national culture does not intrinsically support it. The acquired firm management and staff have to gradually be taught about this possibility, and will not learn it overnight, especially if they are not taught the cultural roots underlying the difficulty in shifting their behaviours. Hence, buying firms need to enter cross-border acquisitions with a sense of cultural awareness and sensitivity to understand that some of the behavioural changes they are bringing up need to be set against their cultural contexts.

> **Example of French site's acquisition.** *"It is good to have local management, but you also need people to take the responsibility, e.g. what happens in the French unit, if no-one knows about the new profession*

we are teaching them? If no-one admits this, no responsibility is taken and nothing happens. It is a vicious circle." (Interviewee – buying firm D)

Example of US multi-site acquisition. *"As the Americans shun responsibility, they do not easily do something they are not fully sure of or that they do not have to do. E.g. in a situation of uncertainty, a Finn does not think for that long, he acts and sees with hindsight what the result was. In Finland you can make mistakes, they are accepted to a greater degree than in the US, where you get fired more easily." (Interviewee – buying firm D)*

Finally, differences with regard to dealing with individual failure were found to impact the degree of openness in communications. In cultures in which a fear of failure persists, there is a greater difficulty in being open in communications, than in cultures where one is allowed to fail. This tends to be especially noticeable in the ease/difficulty of employees' openness toward their superiors. Consequently, when acquiring across borders, buying firms need to be cautious when interpreting their employees' lack or ease of openness. They cannot expect a similar degree of openness upfront as with employees in their country of origin.

Example of US multi-site acquisition. *"A difference that could relate to the lack of employment security in the US is that if you are not friendly, you get fired (I exaggerate here), but this kills the potential for discussion. Thus, you need to have some degree of joint history with your colleagues before they will date to confront your ideas honestly and openly." (Interviewee – buying firm D)*

"Americans do not always dare to come and ask questions, as they feel that this means they do not succeed in their work if they need to ask. In the US, if you open your mouth at the wrong moment, you might get fired. Thus, once you are in a leadership position in the US, people come and talk to you less than before. This is what I noticed, once I moved into a leadership position." (Interviewee – buying firm D)

"Owing to the lack of employment security, as a manager you easily get a crowd of 'yes' staff around you, as no-one dares to flag a problem. That is why it seems crucial to keep long-term staff and ones that have a strong temperament who are ready to talk the truth." (Interviewee – buying firm D)

This section has outlined the presence and impact of cultural differences in ways of dealing with individual failure on cross-border acquisitions. As the risk of facing individual failure differs from one cultural context to another, the presence of a new foreign parent firm provides a change of behavioural setting for acquired firm employees that both sides need to adapt to. Likewise, acquiring a foreign company means that the parent firm will have to get used to the acquired firm's cultural expectations as regards norms in making mistakes. Consequently, misunderstandings are likely to occur on the way.

Differences in decision-making and acceptance styles

Differences across countries were also identified with regard to the way decisions are made and accepted. In the studied organisations, these differences were especially brought up in the cooperation between the Finns and the French, and the Finns and the Americans. In contrast, the Finns' and the Germans' decision-making and acceptance styles were considered to be rather similar, Table 35.[97]

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[97] This dimension of intercultural differences seems not to have been noted in extant research on intercultural behaviour, be it in the cross-cultural management or the M&A literatures. Findings in a similar direction have been noted by Redding (1980), Bloom (1981), and Bond (1986), through the distinction between holistic and linear cultures. The former consider problems in their context, whereas the latter study issues in a more linear and sequential, context-free manner.
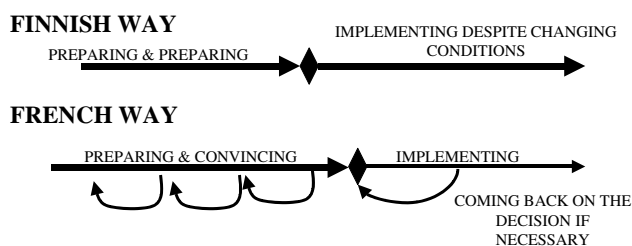
FINNISH WAY

PREPARING & PREPARING

IMPLEMENTING DESPITE CHANGING
CONDITIONS

FRENCH WAY

PREPARING & CONVINCING

IMPLEMENTING

COMING BACK ON THE
DECISION IF
NECESSARY

Figure 18. Illustration of differences between the Finnish and French decision-making and acceptance processes.

The difference was especially striking between the Finns and the French, Figure 18, as interviewees on both sides described. In sum, for the Finns, decision-making is a rational and logical process, during which necessary information is gathered in order to make a well-informed decision. Also the acquired firm's members are likely to be heard in the course of the decision-making process. However, once the decision is made, it is final. It is accepted as such, and Finnish audiences do not typically go about arguing about the decision. Moreover, Finns do not easily, if at all, change a decision once made, regardless of its consequences. On the contrary, for the French, decision-making is a discussive and argumentative process, rather than a rational analytical one that one listens to (rather than argues against). Generally, the French build consensus and acceptance for a decision by discussing it over and over again with the relevant stakeholders. Unless this happens, audiences are not likely to accept the decision easily. Once made, decisions remain open to change, if sufficient arguments for changing the decision exist. The American decision-making style was characterised as being fast and less participative, but more prone to changing the final decision, should the need to do so arise.

The impact mechanisms that these differences had on the progress of post-acquisition integration are summarised in Table 34. To start off with, both parties had difficulties in understanding and accepting the fact that decisions are not made and implemented in the same way on both sides, i.e. that there are differences in decision-making styles across cultures. It seemed that for years, instead of realising that this was a fundamental difference in national cultural orientation, both parties were blaming the other party for 'wrong behaviour'. Consequently, differences in decision-making and acceptance styles caused misunderstandings.

Table 34. Impact of different decision-making and acceptance styles on cooperation during post-acquisition integration.

Impact of different decision-making and acceptance styles on cooperation during post-deal integration
1)   Misunderstanding the other party
2)   Erroneous (negative) perception of the other party
3)   Different expectations leading to frustration, unease, and loss of face
4)   Mutual learning

Table 35. Differences between the Finns, Americans and the French cultures in the process of decision-making, implementation, and acceptance.

1) Comparing the Finnish and French styles at making, reacting to, and changing decisions made

The French way of making a decision:	The Finnish way of making a decision:
Analysis is less important in French decision-making, as a large part of the process is about convincing the stakeholders instead of analysis. Thus, even when a decision is made, it can be subject to change.	The Finns take a long time to reach decisions, preparing them well, founding them in analysis and listening to the parties involved. Once made, decisions are final and obeyed to. This pertains also to the Germans.

Decision-making is a process of convincing	**Decisions are well-prepared, using analysis and participation**
"The French have an urgency, we want things to take place rapidly." (Interviewee – acquired French multi-site firm #5) *"In France, for something to be done, you ask someone, and another one. Nothing happens, things turn in circles."* (Interviewee – acquired French unit #7) *"The Finns - BOOM - they arrive and announce their decision (having just taken 10 years to reach it), vs. the French, who take a more complicated route to arrive at the same point."* (Interviewee – acquired French multi-site firm #5)	*"The Finns use a more participative decision-making process, but it took time to get the answer. You had to explain a lot to them, during a long period before they would take a decision. But, once a decision is taken, it is not changed."* (Interviewee – acquired French multi-site firm #5) *"Our Finnish parent firm has the habit of making well-prepared decisions. They investigate a lot prior to making a decision."* (Interviewee – acquired French multi-site firm #5) *"The Finns require lots of documents, they make an in-depth analysis. If they come up with a 'yes', it is a 'yes' and they will not change it to a 'no'. The Finns require a lot of explanations on which to found their decisions, e.g. investment decisions. The result is that the decision is surely better constructed, with a greater degree of preciseness, more exactitude on all aspects. At the start, it was difficult for us to understand and to get used to this difference and this character of the Finns."* (Interviewee – acquired French multi-site firm #5) ¨ *"The modern management approach comes with negative consequences and disadvantages: in order to get a decision e.g. on an investment, you need to fill in many forms. The system is thus 'heavy', whereas in my previous job decisions were based more on good results and the humor of the day. The heaviness of the process is at times exaggerated: it creates extra positions at higher levels, with more costs: is it really worth all the cost or could we do just as well with less paperwork and bureaucracy?"* (Interviewee – acquired French multi-site firm #5)

The French way of accepting decisions:	**The Finnish way of accepting decisions:**
Fundamental need to have the decision explained to all and to provide everyone with an opportunity to contradict it.	Spirit of decision-making, employees tend to accept decisions made easily.

"Before my first contact with the Finns, I discussed with a friend who had 10 years' experience of working with the Finns. He explained to me: 1) at first sight, the Finns appear cold, 2) they talk little, but when they speak, they provide the conclusion they have arrived at, not the reasoning that has led them to this conclusion. In contrast, the French want to be convinced of a decision and of its qualities. This applies to any decision, whereas the Finns accept the decision as the truth. Discussion takes place before the decision, but when a decision is made, it is applied and discussions stop, whereas with the French, the discussion goes on. The Finns think 'the boss said it, so we execute'." (Interviewee – acquired French multi-site firm #5)

"A story we tell to illustrate our differences is the following one: a Finn and Frenchman go the station and notice that the train does not come. The Finn accepts this and waits, taking the next one. The Frenchman wonders why, he needs an explanation." (Interviewee – acquired French multi-site firm #5)

Table 35 continued. Differences between the Finns, Americans and the French cultures in the process of decision-making, implementation, and acceptance.

"In France, we do not like being imposed upon. In response, we do the contrary. There is a spirit of contradiction in France." (Interviewee – acquired French unit #7) *"Cultural differences affect people's behaviours. In France, if a decision is made, it is implemented. Everyone is loyal to the decision and implements it. The problem is to find consensus for the decision. The French want to debate the decision until they agree to it. The French act in a French way as long as the decision has not been taken, but once it has been taken, they are loyal to it and follow it." (Interviewee – buying firm C)*	*"The Finns have a spirit of decision-making: 'this is it' and things move on. Their decisions are more considerate, and once made, they are implemented." (Interviewee – acquired French multi-site firm #5) ¨*

The French attitude to changing decisions:	**The Finnish attitude to changing decisions:**
Decisions remain open to change.	Sticking to decisions made, they are not easily changed.
"The French discuss for 3 hours before taking a decision. Once the decision is taken, they might change it e.g. the next day. The Finns discuss for the same 3 hours before the decision, but once it is taken, they do not change it or come back on it. This is a point that neither side understands of the other. The difference has confused people." (Interviewee – acquired French multi-site firm #5)	*"If the Finns have made a decision and said 'yes', it is a 'yes' and won't change to a 'no'. (Interviewee – acquired French multi-site firm #5)* *"The Finns hold to their their managerial decisions although negative feedback exists and the reasons to change it exist." (Interviewee – acquired French multi-site firm #5)* *"The Finns were decisive on the direction to take and the timing, but they maintained flexibility with regard to how you arrive to your goal." (Interviewee – acquired French multi-site firm #5)*

2) Comparing the Finnish and American making, reacting to, and changing decisions made

The American way:	**The Finnish way:**
Faster and less participative in getting to decisions, but once made, the Americans would be more flexible in hearing out feedback on the decisions made.	Slower and more participative in getting to the decision, but once made, the decision is final and is executed regardless of feedback.

"In Finland, decisions are implemented, if you ask a question 'can you do it this way', they would answer, 'no, you do it this way', whereas in the US if there is another way, the attitude is one of 'let's listen to it', 'let's hear them out'. Thus, the Finns seem to see things from their viewpoint only, of what works in Finland." (Interviewee – acquired American multi-site firm #8)

"The Finns listen more. They react more slowly, yet decisively when they do: when a decision is made, there is commitment to the decision; this is the new direction. Hence, they are more arrogant and believe that they are doing the right things as regards new business decisions. They are more data-driven. Perceptions are important and play a large role, they believe and imagine that what they think is happening is the truth and reality." (Interviewee – acquired American multi-site firm #8)

This is well illustrated in the example of cooperation between the Finns and the French. When it came to accepting decisions made, cultural differences between the Finns and the French caused years of misunderstandings. Given the French need to understand and voice their arguments against new suggestions, they had difficulties in getting used to the Finnish way of being informed about decisions, and being assumed to accept them as such. Thus, instead of accepting decisions upfront, the French wanted to argue and debate, seeking to be convinced about the decision. If the Finns did not realise the need for this, a vicious cycle was born. As the last quote shows, there was a fundamental misunderstanding on the Finnish side as to why the French did not implement the Finns' decisions – as the French felt that they had not been

provided the opportunity of debating the decision, they might consider it a non-decision. Consequently, the French organisations were stereotypically portrayed as 'difficult' in the Finnish parent firm, as they did not necessarily follow corporate decisions. The question to raise is, to what extent can one expect behaviour along the buying firm's norms in a global organisation without explaining the logic behind the expected behaviour?

> **Example of French multi-site acquisition – French view.** *"The Finns had the habit of 'imposing' things on us whereas the French would have needed explanations of the decisions. If the French do not get an explanation, they will oppose the decision on a matter of principle. Why? Because they need an explanation. In contrast, e.g. the Germans would simply accept the decision. Had the Finns explained more, this would have saved time and improved efficiency.*
>
> *The Finns did not realise that they were imposing their decisions on the French, but the French experienced their approach as an imposing one. The Finns did not realise that the French did not understand things in the same way. The Finns had difficulties understanding this problem, even more so in that they work closely and often with the Germans; and the Germans resemble the Finns a lot in the sense that there is a respect of the director and that they do not question decisions made." (Interviewee – acquired French multi-site firm #5)*
>
> *"The Finns would like us to have a Finnish mentality of 'yes, boss', i.e. the Finnish sites obey orders, rather than the French, who on principle will say 'no, boss' if they are not allowed to discuss the matter first. The French want to have a decision explained to them; 'if I understand it, I will say yes, and if I do not, I will say no.' Our 'no' is not a negative one, but means that we will say 'yes' once we are convinced. When the Frenchman is convinced, he is behind you 150%. Once convinced, it is very easy to manage the French, but in order to convince them it is difficult: so that's why it is both easy and difficult to manage the French. You need to explain your decisions to the French, otherwise they get confused." (Interviewee – acquired French multi-site firm #5)*
>
> **Example of French multi-site acquisition - Finnish view.** *"We did not use debating clubs, we were focused on doing. You needed courage to say how you do things." (Interviewee – buying firm C)*
>
> *"The French are like the Italians. They claim they will do something, on the surface it is done, but in reality nothing happens." (Interviewee – buying firm C)*

In a similar vein, differences in decision-making styles and the way decisions are communicated can influence the way that the acquired firm employees react to and perceive the buying firm. For example, in one acquisition, French employees became somewhat frightened by the action-oriented and seemingly cold approach of the Finnish buying firm managers.

> **Example of French multi-site acquisition.** *"In the post-deal information meeting, we could sense a coldness, a directness, in their manners. They said themselves that 'they come from a country where there are wolves, where it is cold'. In other words, this is how things are, this is how we do things. So, there was frankness, as compared to our former French CEO's style that was more slick. The Finns said: 'if you have questions, do not be surprised at the answer as it will be what it will have to be if it is an important decision. Time is precious, let us not spend time on useless discussions, as each decision requires its time of planning, time of evaluation, so decisions are not taken easily'." (Interviewee – acquired French multi-site firm #5)*

Third, even years after the deal, different expectations as to the way decisions should be communicated caused dissatisfaction, unease, and even loss of face in the acquired firm. Indeed, it seemed that not all locations were satisfied at receiving major corporate news only via global email announcements, instead of having been pre-informed of them by upper echelons. Moreover, treating all employees worldwide as equal, e.g. through corporate email announcements, can cause the loss of managerial face in cultures in which subordinates expect managers to know more about the news than they do.

> **Example of French multi-site acquisition.** *"An example of the conflict between the advertised value of 'openness' and the everyday life in our parent firm: we received an email recently about changes in top management positions. This arrived suddenly. The reason was not explained to us. We should have been informed. At least management should have been informed, as now, local syndicates had read their emails before me (site manager), and they informed me about it. Why don't our headquarters call site managers some hours in advance to inform us of such major news? This type of news was totally unexpected. Receiving such news by email, without explanations, was a shock. We all wondered why these changes took place. Now, as we do not know the reasons, our local management is in a difficult situation, as we have to explain the news to our staff in the factory."* (Interviewee – acquired French multi-site firm #5)

> *"The problem with Internet and email is that the same email reaches all staff worldwide, but we do not know the causes behind the decisions. Our local management could help in easing the shocks that ensue from startling news if we were informed about the forthcoming news. These kinds of events affect the level of trust toward the parent firm and its top management."* (Interviewee – acquired French multi-site firm #5)

> *"We receive company-wide emails, most of which relate to Finnish events and news we do not know and do not care about. Sometimes we receive emails announcing major changes, emails that are fundamental to us. As they come through the same channel, it is lucky that we opened the newest one, titled 'major changes in management'. But we were not informed of these changes prior to the email, e.g. a manager could call us in advance, because as a consequence of such news, we get quite upset and worried."* (Interviewee – acquired French multi-site firm #5)

At best, differences in decision-making styles can result in improved efficiency, as experienced by an acquired French site after the arrival of prompt and decisive expatriates.

> **Example of French site's acquisition.** *"This differences has been a positive one, as we used to be badly organised, and suddenly, with the arrival of Finnish expatriates and experts, tac tac tac, and things start functioning."* (Interviewee – acquired French unit #7)

Ultimately, though, as long as foreign units are managed by locals that are naturally sensitive to the needs of their local staff, conflicts and misunderstandings can be avoided. They can act as a bridge between the two country cultures' decision-making and acceptance styles, lessening the potential divide between them.

> **Example of French multi-site acquisition.** *"Local management can help locally, e.g. preparing for future changes. One, you could feel them coming depending on the company's results. Second, we can ensure discussions with staff so that decisions are reached together."* (Interviewee – acquired French multi-site firm #5)

To conclude, differences in decision-making and acceptance styles were found to impact the ease of mutual cooperation and the subsequent acceptance of the other party. As long as the cultural roots of this difference are not identified, the parties remain in a cycle of misunderstandings, erroneous perceptions, and frustration.

Gaining mutual trust

Differences between the countries involved also related to the way trust is granted to a previously unknown party.[98] Such differences were noticeable between the Finns, the French, and the Americans, Table 36. Differences especially pertained to ways of achieving trust across cultures. What works in one culture in terms of achieving trust might not work in

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[98] Despite a wealth of interest in the significance of trust in interpersonal relationships (e.g. Kramer 1999), it has been noted that there is little research on the impact of national culture on the development of trust (Ross and LaCroix 1996, Kramer 1999), apart from Almond and Verba (1963), Whyte (1963), Johnson et al. (1996), Doney et al. (1998), and Johnson and Cullen (2002). The notion of trust has received particular attention in the context of research on international joint ventures.

another. The Finns are generally slow at developing a relationship of trust with another party, and this seemed to be emphasised when Finns encounter foreigners. The French and Americans, on the contrary, have greater ease at trusting another party, but their trust is not as long-lasting as that of the Finns. These issues were not raised in interviewees of German firms acquired by Finnish firms. Instead, the German interviewees emphasised the similarity between the two cultures in terms of keeping one's promises as a factor easing mutual cooperation.

Table 36. National culture differences in the types of trust.

Types of trust

The Finns

"At the start, it took time until the Finns gave us their confidence. They wanted to ensure that we are trustworthy. Once you get a Finn's trust, it is long-standing, durable. Once they notice that the people are ok and the files are ok, you become predictable in their eyes and they accept you. Then, they also accept some mistakes, you can say negative things, you can be against their decisions, and be yourself and they keep trusting you. But they need confidence in people before they really start to work with you." (Interviewee – acquired French multi-site firm #5)

"It required over three years to instill the confidence with the new parent firm's Finns, and still today, we do not enjoy the full trust of all of them." (Interviewee – acquired French unit #7)

"Still now, several years after the acquisition, we still do not have the full trust of Finns. Other foreign sites have told us that this is normal .. "(Interviewee – acquired French unit #7)

The Germans

"The Germans and the Finns do their work until the end, i.e. we finish what we have promised to deliver. We think a lot before we act, maybe too long, but we deliver our work in time." (German interviewee – German-US acquired firm #4)

"There is this similarity in our ways of thinking, e.g. we mean what we say, we stick to our words, we are honest about what we say and do. As compared to France, how would we survive there as we do not even speak the language!" (Interviewee – buying firm B)

The French

"The Finns' way of developing trust is in contrast with the French, who trust more easily, but whose trust is more ephemeral, it can last 1-2 months." (Interviewee – acquired French multi-site firm #5)

"For the French, it is typical to doubt and suspect new things. Now, several years after the deal, we are ready for a change, and almost want the Finns to help us!!" (Interviewee – acquired French multi-site firm #5)

The Americans

".. the Americans readily believe what you tell them, their trust is more superficial ..." (Interviewee – acquired French unit #7)

"Americans are very optimistic. They do not consciously give empty promises, but they really believe that they can fulfil them. If they do not fulfil them, it is not a matter of life and death as it is to the Finns ..." (Interviewee – buying firm D)

Differences in methods of establishing a trusting relationship become a challenge in intercultural cooperation if the parties misread one another, owing to both sides judging the other based on their own expectations. This is what seemed to be happening, when a foreign acquired unit was not trusted by its new parent firm. For example, for the Finns, keeping promises is an indicator of one's trustworthiness. As this is not as important in all cultures, representatives of such cultures would find it more difficult to establish a trusting relationship with the new parent firm. However, in situations in which the foreign party learnt to operate

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according to the new parent firm's way, e.g. by keeping promises, they would ultimately gain the trust of the parent firm.

> **Example of US multi-site acquisition.** *"If you are honest and follow through, this makes it easier to work with Finns and gain their trust, i.e. you have one chance to make it work." (Interviewee – acquired American multi-site firm #8)*
>
> *"The opportunities in the new parent firm are wonderful if you keep your promises and follow through on what you have promised. If you have the trust of the staff on your side, they will do a lot for you." (Interviewee – acquired American multi-site firm #8)*
>
> *"Americans are very optimistic. They do not consciously give empty promises, but they really believe that they can fulfil them. If they do not fulfil them, it is not a matter of life and death as it is to the Finns. And this leads to differing behaviour in the early and implementation phases of projects. Finns are very strict with promises, as compared to most countries." (Interviewee – buying firm D)*

The importance of a trusting relationship was emphasised, as when it existed, mutual cooperation was much smoother and satisfying, as the quote below illustrates. In contrast, a lack of trust was often raised by acquired firm interviewees. Based on their experiences with other cultures, foreign interviewees found the Finns' slow approach to developing a relationship of trust confusing and frustrating, Table 37.

> **Example of French multi-site acquisition.** *"If there is trust between yourself and a Finn, it is a good thing, as if they trust your knowledge and that they can get an answer from you, it becomes easier to work together." (Interviewee – acquired American multi-site firm #8)*

The lack of trust was noticeable in buying firm managers who did not trust the information communicated by managers of foreign acquired firms. Instead, all information, even provided by a site manager, would subsequently be verified with another Finn, e.g. an expatriate working onsite. Moreover, it was felt that lacking trust made the acquired organisations' managers feel like inferior or lower class citizens in comparison to the buying firm's employees.

The difficulty of being trusted by a parent firm manager could possibly be misread as the parent firm being generally unsupportive of the acquired firm's actions. Finally, the lack of trust was manifested in there being two organisations within the organisation: the official chart and the unofficial one, populated only by those trusted by the buying firm's managers, which in the case of a home-country dominated firm are the buying firm's home country managers.

To sum up, this section has illustrated the power of trust in a cross-border context in which both parties develop trust differently. Unless their cultural roots are recognised, such differences can lead to misunderstandings and frustrations that hamper the progress of mutual cooperation, and the ultimate goal that partners in a cross-border acquisition be treated equally.

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Table 37. Consequences of lacking trust toward the acquired firm.

Consequences of lacking trust toward the acquired firm
1) Being suspected and needing verification
"Until the Finns trust you, they suspect what you do and check-up on you. It takes time to gain their trust." (Interviewee – acquired French unit #7)
"There is a lack of trust toward the non-Finns. We had noticed it in the past with regard to our former Finnish agent. Today, it is the same with our parent firm's Finns. They ask us something, but then verify it again with e.g. our Finnish expatriates, or by asking us for greater details. They doubt anything that is not said by a Finn. At the start, we took offence at this, and now we are used to it." (Interviewee – acquired French unit #7)
2) Making the other feel inferior
"We have a saying that we are to the Finns what Moroccans are to the French. i.e. they consider us as being inferior to them. E.g. our local notary wondered why we required so many details and documents from him and said he had never had to produce so many documents [to make a certain decision]. We answered it was because 1) the Finnish system works on a lot of details, and 2) they want details as we are their non-trusted Moroccans..." (Interviewee – acquired French multi-site firm #5)
"The lack of trust is very strong, and it hurts you." (Interviewee – acquired French unit #7)
3) Parent firm's seeming lack of support
"Finns could be seen as not supportive, but it is not true as once they say yes, you can trust it; it is difficult to get their commitment but once you get it, you have it. But getting to this level of understanding, you might get frustrated at times." (Interviewee – Danish acquired unit #1)
4) Parallel official and unofficial organisations
"The Finns have difficulties trusting non-Finns. We have discussed this with managers from different countries, and they all agree: 1) There is the official network = the official organisation chart, and the unofficial one that works between Finns, e.g. through expatriates, as Finns can call one another at any level of hierarchy easily; 2) All news is verified at foreign sites through the local Finnish expatriates, as Finns do not believe what a foreigner says, but they check what you have said with the expatriate of your site …" (Interviewee – acquired French unit #7)

Relationship to rules

Differences between the countries studied also pertained to their relationship toward rules. This reflected the degree to which the cultures in question felt that it was important that daily organisational life be steered by rules and procedures, and the extent to which employees abide by these rules.[99] This dimension showed up between the Finns, the Germans, and the French. In the organisations studied, the Germans seemed the ones most looking for rules and abiding by them, followed by the Finns, both being in stark contrast to the French.[100, 101, 102] As Table 38 illustrates, these differences related to the extent to which laws and regulations are

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[99] This dimension of differences in national cultures is close to Trompenaars's dimension of universalism vs. particularism (Trompenaars 1997) and to Hofstede's dimension of uncertainty avoidance (Hofstede 1980).

[100] On Hofstede's scale, there is highest uncertainty avoidance in France (86), followed by Germany (65), and Finland (59). The deviation of the current findings from the national averages posted by Hofstede is acceptable given that this study focused on the firm-level of analysis. This represents a limited country sample and hence the findings cannot be expected to equal those from studies that seek a nationally representative sample.

[101] As compared to Hofstede's numerical findings, the seemingly small distance between Germany and Finland on his cultural scale is in practice reflected in major behavioural differences. Hence, one needs to consider small cultural distances between countries on culture scales as representing in reality a larger amount of behavioural differences than the scale lends one to imagine.

[102] In the M&A literature, Schoenberg and Norburn (1998) articulated that the only dimension cultural differences to affect M&A performance relates to the attitude to risk across national cultures.

followed, the importance of punctuality, as well as the need for structure in organisational life, for example in the post-acquisition integration period.

Table 38. National culture differences with regard to relationship to rules.

Differences with regard to a culture's relationship to rules
1) Following laws and regulations
The Germans vs. the Finns. *"Germans might be strict and rigorous, and also more bureaucratic than the Finns are." (Interviewee – buying firm B)*
The French vs. the Finns. *"The Finns are more rigid, more strict [than the French are], they follow laws and procedures." (Interviewee – acquired French unit #7)*
"The Finns have a disciplinary side. When you work with them, you notice that they are strict, e.g. 'the comma is here, not there'. They are straight in their thinking 'this is the way, there is no other way'. You need to follow their procedures strictly, and you cannot change these procedures. The French tend to navigate between things. For us, what counts is the result, not the way of getting there. Thus, it is not impossible for us not to follow rules, whereas the Finns are strict with regard to rules. With Finns, you have to follow rules, and if you do not, you will hear about it." (Interviewee – acquired French unit #7)
2) Punctuality
The Germans vs. the Finns. *"A key difference between the Finns and the Germans is accuracy and promptness. For a German, a deadline is a deadline. For the Finns, it is not so strict. The French work to live, but Germans live to work." (German interviewee – German-US acquired firm #4)*
The French vs. the Finns. *"We notice the difference between the Finns and the French with regard to punctuality and exactness, e.g. the Finns keep strictly to the promised delivery dates, we do not!" (Interviewee – acquired French unit #7)*
"The Finns have a different kind of rigor, they have a way of implementing things that is more rigorous, e.g. meetings starting at 9:00 not at 9:10 and following a clear and efficient agenda." (Interviewee – acquired French unit #7)
"In meetings, Finns would finish off in one hour, whereas the French need three hours, as everyone wants to talk and provide their opinion. For this reason, working hours are longer in France." (Interviewee – acquired French unit #7)
3) Seeking structure
The Germans vs. the Finns. *"The difficulty stemmed from there being many unexplained things in the buying firm's organisation. There were no organisation charts. This makes navigation in the organisation difficult. It is difficult to understand this organisation. The German cultural heritage is in strong hierarchy, in structure, we are not as dynamic. The parent firm's managers keep saying that the organisation is a networked one without a strong structure, but beneath it all, a structure must exist! So why do they not state that this is today's organisation chart, which is often changed owing to the dynamic nature of business. This would be especially helpful for acquired units, where a whole unit starts from zero." (Interviewee - German acquired unit #2)*
"Germans need structure e.g. with regard to decision-making. The management of the integration phase could have been done in a better, more coordinated way. Final decisions should be taken, not ½ or ¼ decisions. At present, it remained unclear who has the authority to make decisions." (Interviewee - German acquired unit #2)
"You cannot have an organisation without hierarchy!" (Interviewee - German acquired unit #2)

Such differences were noticeable in everyday interactions, beginning with different ways of organising meetings, to the foreign party's expectations and surprises in working in a new parent firm. The contrast was noted in instances in which a highly organised firm was working with a less organised one, with both parties surprised and even frustrated at the other's different way of working. The interesting feature of this dimension of national cultural differences is that the extent to which one is perceived to be organised and following rules is regarded in some cultures as a sign of professionalism. Hence, representatives of such countries tend to have difficulties appreciating the presence of professionalism in countries

where organisation, rules and structure are not considered as important. Consequently, unless they change their viewpoint, they will not be able to appreciate and utilise the opportunities inherent in working with cultures different from one's own.

Managerial logic: financial vs. social logic

Underlying managerial logics were also found to differ, Table 39.[103] Here, the contrast was greatest between an American tradition of financial logic, increasingly in use throughout the world, e.g. in Finland, and a French humanistic tradition combining the human and financial logics of management.[104] Such differences explain the kinds of decisions made and implemented by organisations from both countries.

Table 39. National culture differences in managerial logics.

Differences in managerial logics

The Finns' financial and engineering approach

"The Finns should accept and understand that you cannot have everything with money. Money is a means but it is not everything, by itself it is not enough." (Interviewee – acquired French multi-site firm #5)

"The Finnish team was more profit-minded than the French organisation. Thus, on many issues and subjects, the French had difficulties in understanding if a decision was made based on money, and not based on the totality of things." (Interviewee – acquired French multi-site firm #5)

"We had the feeling that our Finnish parent firm was oriented toward the American management style, e.g. the management tools they were using, they almost over-utilised management tools." (Interviewee – acquired French multi-site firm #5)

The French tradition of accounting for social and human aspects of business

"In France, the human being is more important than the company's benefit. Thus, humanity is in high regard, hence also the importance of maintaining social relationships, and e.g. shaking hands with colleagues and employees." (Interviewee – buying firm C)

"The French managers are more people-oriented than Finnish managers. They know their employees, they shake everyone's hands and ask about their families. It would not have worked to have a Finnish manager responsible for the acquired unit." (Interviewee – buying firm D)

"There is a great level of talking and discussing with employees in situations of change and crisis, e.g. when the unit faced layoffs. The site manager handled this by talking again and again, explaining many times why layoffs were necessary ... In France, people are more tied to their work than in Finland. It is difficult to lay off French staff, e.g. it they have a child, an unemployed husband, are old, you cannot lay them off. When laying off staff, their social situation is taken into account. This can also mean that the best workers are laid off. In Finland, layoffs are decided based on the firm's needs. By managing layoffs in this way, the factory has not encountered strikes. You need to know how to play the rules of the local game here, otherwise you would run into trouble." (Interviewee – buying firm D)

Differences in managerial logics can cause misunderstandings between the parties, unless the source of these differences is understood. The quotes below illustrate the difficulty that one buying firm had in accepting and appreciating the French system. In the absence of a true appreciation of the other, mutual cooperation will not flourish, as the quotes illustrate.

> **Example of French multi-site acquisition.** *"In France, you need to cooperate with trade unions in a different way. Our biggest challenge in the post-acquisition years, in my view, was the trade unions, their way of working, and the extent to which they remain bound to traditions, to the point of being old-*

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[103] This dimension of intercultural differences seems not to have been noted in extant research on intercultural behaviour, be it in the cross-cultural management or the M&A literatures.

[104] It needs to be noted that in the current economic climate, the global managerial culture is moving toward the American-style shareholder-value driven financial logic.

fashioned. In contrast, with the Finnish or German trade unions, we have more the feeling of being in the same boat." (Interviewee – buying firm C)

"The French trade unions do not want to be in the same boat. They see the financial figures presented by management as figures made up by management, as propaganda. Thus, they might strike for the strangest reason. They believe that they can strike when they want, and they are very emotional with their strikes. We have not had any physical violence at our factories, but at one time the gates were closed and the management team was locked up in a meeting room." (Interviewee – buying firm C)

"In France, there is an old-fashioned culture of negotiations in the employer – employee relationship. The trade unions still look for the patron. They would like the factory and the company to have one face, one opponent. They would like to negotiate with the patron. And they have great difficulties in understanding the current system, where there is no representative of the employer other than the site manager." (Interviewee – buying firm C)

"Contrary to Finland and Germany, there are no collective labor agreements in France, but all contracts are made locally. Thus, anything can happen at the local sites. But we do not have top management or the company's CEO present locally. And this has been our greatest surprise, the extent to which trade unions remaintraditional, political and full of surprises." (Interviewee – buying firm C)

"An example of the different tradition in trade unions is a 15 minute speech held by a trade union representative at our yearly meeting between staff representatives and management. It was a written speech that brought us back the memories of 1968, as though we had gone back in time by 35 years. We heard of capitalists and exploiters, the conflict of interests between employers and employees. That is an example of how the trade unions work in France." (Interviewee – buying firm C)

"It has come as a total surprise to us how blind the society is to an economic and rational logic as compared to an emotional and political logic. This has been a big disappointment to us." (Interviewee – buying firm C)

Hence, it seems that differences in managerial logics represent fundamental differences as regards the way the nature of the managerial function is conceived from one culture to another. As there are no 'right' or 'wrong' cultures, a country's dominating managerial logic needs to be respected in order for a parent firm to succeed in the long-term in that country.

Managerial orientation: technical vs. commercial orientation to management

Finally, an area of cultural difference related to the prevailing orientation toward engineering and a technical focus vs. a sales and commercial focus, Table 40.[105] This was noticeable in comparing the French and the Americans against the Finns and the Germans. Both of the former seemed, in general, to be more commercial and sales oriented, as compared to the latter, which were characterised as being more technically oriented.

Unless the two parties identified and appreciated these culturally rooted differences separating them, they tended not to be able to utilise the opportunity inherent in acquiring a foreign firm. At worst, this translated to the buying firm seeking to push its own managerial orientation onto the acquired firm, without appreciation of the acquired firm's superior skills in certain areas. For example, a useful combination would be to utilise the German technical skills in product development in combination with the French or Americans' strong sales and marketing capabilities. However, buying firms rarely seemed to have the required cultural neutrality to make such decisions. The question then becomes – why acquire across borders if the inherent power therein is not utilised?

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[105] This dimension of intercultural differences seems not to have been noted in extant research on intercultural behaviour, be it in the cross-cultural management or the M&A literatures.

Table 40. National culture differences in commercial vs. technical orientation.

Cultural differences in commercial vs. technical orientation

A commercial orientation

Example of France. "*A key issue in the post-deal years related to different company orientations, as the French company was commercial-oriented and the Finnish parent firm was oriented toward an industrial logic. This is linked to the management style prevailing in each company: whether directed by an engineer or a commercial manager, the approach in the company will be different ...*" (Interviewee – acquired French multi-site firm #5)

"*The French acquired firm was more advanced on the commercial side than we were. For example, they were better at customer relationship building and management, e.g. they focused on service and the social entertainment of customers, whereas we tended to focus on the customer from a technical perspective, and had a good technical service offering to customers.*" (Interviewee – buying firm C)

"*All of the French are very capable of positioning themselves and presenting themselves. E.g. as regards wine and tourism: they do not necessarily have the best country and best resources, but they are able to advertise it better than others. They are good at positioning themselves.*" (Interviewee – buying firm C)

"*Our firm's view of a commercial culture is the following: 1) how to sell your products, 2) how to service your customers, 3) how to develop products to meet your customer's and market's needs, 4) create meeting points for clients, 5) pricing so that it becomes interesting for customers, how to position the product with regard to the market so that the customer can also save money by using your product.*" (Interviewee – acquired French multi-site firm #5)

Example of the US. "*In the US, salespersons work with commissions, whereas in our Finnish firm, we use a monthly salary. This does not work in the US. Even now, we have several available posts for salespersons just at one site. With the current hiring policy, it will be difficult for us to find competent sales staff.*" (Interviewee – buying firm D)

"*Americans are sales-oriented.*" (Interviewee – buying firm D)

A technical orientation

Example of Finland. "*The Finnish parent's sites are more engineer-oriented, the focus is on productivity, the logic is one of industrial economics.*" (Interviewee – acquired French multi-site firm #5)

"*Finnish managers seem to share an industrial production economics philosophy, the culture of markets is not theirs, i.e. they think that economic activity takes place in factories, that an investment is an industrial one, and do not see possibilities for commercial, strategic investments, an approach toward clients and markets is not of interest to them. On the commercial side it is a disaster.*" (Interviewee – acquired French multi-site firm #5)

"*A strong engineering culture sees a commercial culture as only nurturing a good relationship with clients, they do not understand our holistic view of commercial operations, e.g. they see pricing as = cost + profit.*" (Interviewee – acquired French multi-site firm #5)

Example of Germany. "*Technically and operationally, the German acquired firm's product was good. But the negative sides that we had to work on related to design and an unknown brand.*" (Interviewee – buying firm B)

"*The difference in goals (business vs. quality engineering) has caused tensions between our German and US units.*" (German interviewee – German-US acquired firm #4)

To conclude, the previous sections have illustrated the presence of differences in national cultures between the buying and acquired firms during the post-acquisition integration phase. The findings showed that unless the presence of differences in national cultures is recognised, they are allowed to become *silent forces* slowing down the establishment of a relationship of trust, hampering the progress of cooperation, and ultimately resulting in the buying firm being unable to reap the benefits inherent in acquiring across borders.

Definition 7a: Behavioural manifestations of national cultures relate to *communication styles* with regard to the degree of directness vs. indirectness, the use of silence vs. small talk, a focus on facts vs. contradiction, and the appropriate level of formality; *management styles* with regard to the degree of hierarchy, the attitude to risk and failure, the preferred decision-making and acceptance style, the approach to gaining trust, and the prevailing relationship to rules; and *managerial logics* with regard to a focus on social vs. financial reasoning, and a commercial vs. technical orientation.

The regional dimension of national cultures

In order to fine-tune the analysis of national culture, the emphasis in this chapter is on regional cultures.[106] The importance of regional cultures within countries became apparent when looking at the way in which interviewees described meaningful similarities and differences between their own and the new parent firm's behaviours. In four of the eight acquisitions studied, interviewees instinctively introduced the notion of regional culture to further elaborate on the cultural distance between themselves and the parent firm.[107]

> **Example of France.** *"There are large differences between regions in France. Thus, the 'deep France' in the south is very different from northern France. The French population is the result of a mixture." (French interviewee)*
>
> *"The French culture is a big mixture of Latin and Anglo-Saxon cultures. Also, there are many different regional cultures within France. There are enormous differences within the French. The Northern French are diligent, work hard, whereas the Southern French are more strikers. France is a large country: there are as many differences within France as there are within Scandinavia, e.g. regions of Bretagne, Alsace, south, ... In the North of France, there is a pride in one's work, work is like a religion." (French interviewee)*

Table 41. Manifestations of regional cultures.

Manifestations of regional cultures
1) Means of expressing one's organisational identity
2) Means of disassociating from other regions in the country
3) Provides a further axis of similarity/difference with the national culture of the buying firm

Table 41 summarises the meanings that interviewees attributed to regional cultures. For one, regional cultures were brought forward as a means of expressing the interviewees' organisational identity. Instead of being a 'typical American firm', interviewees saw their organisational identity as being a 'typical region x firm' or 'an American firm with region x characteristics'.

> **Example of a French company.** *"Staff in the French unit seemed almost prouder to be Alsatians than they were of being French." (Finnish interviewee – buying firm)*
>
> **Example of a German company.** *"We are a Franconian company." (German interviewee)*
>
> *"More than Germans, the staff feel that they are Franks." (Finnish interviewee – buying firm)*

Regional culture was also a means for interviewees to disassociate themselves from other regions in the country. What was interesting, though, was that from the buying firm's side, only those managers that had spent a lot of time in the acquired firm were able to locate the cultural difference to the level of regional cultures, whereas more distant persons would speak in broader terms, talking of differences in national cultures only. Hence, regional cultures provide an additional factor that make the analysis of a foreign organisation difficult, in that persons distantly involved with the acquired firm are not aware of the presence and impact of

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[106] Regional culture has been brought up by extant research in organisations (Dalton 1971, Zeldin 1983, Schneider and Barsoux 1997, Au 1999). However, in the field of M&A, it has not explicitly been brought up.

[107] In order to preserve the identity of the buying and acquired firms, in this chapter, references to them have been minimised. Thus, the identity of the acquisition or buying firm is not given.

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regional culture. This further explains the challenge and myth of national cultures as a concept that takes time to understand, disassociate, and relate to neighboring concepts.

> **Example of the Mid-Western United States.** *"Work ethics in the Mid West are reputedly the best in the USA, e.g. employers prefer hiring them rather than southerners, as they are willing to work harder. This has a historical reason, as with hard winters, we needed to prepare for the winter season, 'you do it now or you do not have another chance before winter', and we have had traditionally manufacturing and farming as activities, both of which require hard work."* (American interviewee)
>
> *"Our regional culture ... We are known as hard workers, we have good work ethics. Even in other parts of the USA, people want to hire staff coming from our region as we are known to be good workers. We are labeled as farmers, which reflects hard, physical work, we are loyal and committed, whereas the southerners are not as hard-working, they have a different culture, are not as fast-moving as we are, you see these regional differences e.g. when comparing our staff here and in southern locations; they are not as fast and make lower profits."* (American interviewee)
>
> *"The migrant history of the Mid West; it is a melting pot, with a strong Scandinavian and German heritage."* (American interviewee)
>
> **Example of the Franconian region in Germany.** *"It is a region that is inward-oriented, e.g. people do not easily move out. They are loyal to their employers, and this was noticeable in our acquired German staff. They are loyal and like to work hard."* (Finnish interviewee – buying firm)
>
> *"Franconians are a separate culture from the Bavarians. The Franconian is quiet, but tough. You need to know Franconians well before you can find them humorous."* (Finnish interviewee – buying firm)
>
> *"The Franconians are not easy to get in touch with. Historically, it took time for the Germans to integrate into Franconia."* (German interviewee)
>
> *"The Franconians are quiet. They do not speak a lot but are hard-working, but they talk straight when they need to."* (German interviewee)
>
> *"They have at first a negative and distant attitude to new things. They keep their distance and observe until they buy into something new."* (German interviewee)

Third, the impact of regional cultures was highlighted to explain the ease of some of the studied acquisitions. The experience of buying a firm in Northern, Southern or Eastern France can be different, making the acquisition easier or more difficult depending on the amount of similarities or differences between the regional culture and the buying firm's national culture. Thus, one should not consider a country's national boundaries as the sole means of assessing managerial behaviour in a country. Though it sets similarities across the country, there is typically also within-country variation that needs to be considered. This was exemplified when comparing the studied French acquisitions, one located in Northern France and the other in the Alsace region. The analysis showed that the latter was easier to integrate owing to the similarity of the regional culture with the Finnish culture, given the Alsatian culture's Germanic roots and influences.[108] Thus, comparing the region with other parts of France, there is likely to be a greater similarity between Alsace and Finland than between other French regions and Finland. The Alsatians described themselves as more serious with regard to work and more distant in their personal relationships. The Finns added that the Alsatians kept their promises. Indeed, the Alsatian unit met with less cultural discrepancies with the buying firm than the other studied French unit did, though many of the differences between the French and the Finns were noted there as well.

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[108] This is a commonly accepted fact when discussing the Alsace region and its culture.

Experience from the Alsace region in France. *"The Alsatians share more similarities with the Finns than other French regions would do." (Interviewee – acquired French unit #7)*

"There is a Germanic influence in Alsace, if you compare it to the rest of France." (Finnish interviewee – buying firm)

"There are strong variances within regional cultures in France. The Alsatian culture is more discreet, closed off, a bit like in Finland. We do not offer our friendship immediately, we are serious with regard to work, we work hard. The culture is somewhat Germanic given the impact of the German tradition throughout our history." (French interviewee)

"Alsace is much more Germanic than the rest of France. As most people understand German, we were able to hold post-acquisition speeches in German [to counter for a lacking mutual language]." (Finnish interviewee – buying firm)

"In practice, the Alsatian position between France and Germany means that if Germans generally stick to their promises and the French less so, the Alsatian is somewhere in between. The Alsatian would at least feel bad for not keeping to the promise, e.g. sending an email and setting a new deadline." (Finnish interviewee – buying firm)

"I would point here that Alsace is different from the rest of France, we respect rules better, we respect order better, we are cleaner and more disciplined. So we do share the French spirit of contradiction, but in Alsace, whilst the decision might be difficult to accept, we might take longer to implement it but we will implement it. So, our spirit of contradiction is not as heated as it might be in other parts of France." (French interviewee)

In a similar vein, the experience of buying a firm from the Midwest of the United States was deemed to be different from buying a company in other parts of the country. One reason was the immigrant history of the state, granting it a strong Nordic influence. Thus, the underlying core values of the employees there were felt to resemble Finnish values.

Experience from the US Midwest. *"The American Midwest received migration from the North in the 19th century: hard-working people, who enjoy their free time. Midwestern people like to stay in the Midwest (it's like in Europe, where your home country is your home), and the region is different from the rest of the USA where there is a lot of migration within the country. Here, there is a greater sense of a community and an enjoyment of hobbies, of staying where you are. This is similar to the Finnish culture. The Finns here have received a good level of acceptance, a sign of which is that we make jokes about them, just as we joke amongst ourselves. The acquisition would have been more difficult had it been made in California or in the south of USA." (American interviewee)*

"It has helped us that the acquired firm was located in the Midwest, which has a Nordic and Finnish tradition. People there are hard-working, there is the tradition of the Protestant work ethic in the background." (Finnish interviewee – buying firm)

"I find that there are more similarities than dissimilarities, e.g. in terms of work ethics, work practices … the way we do things is similar." (American interviewee)

As a third example, in a German acquisition, the similarities between the Franconians and the Finns, i.e. not only between the Germans and the Finns, was deemed a success factor explaining why the two sides got along well together. The Franconians were described as quiet, hard working, distant until you know them, reliable and loyal, and skeptical of new things. These Franconian characteristics share similarities with the Finnish culture. The attitude to work and communication style were especially regarded as being similar.

Experience from German Franconia. *"The Francs resemble the Finns, e.g. in terms of communication style." (German interviewee)*

"The Finns are similar to the Franconians. They are quiet, do not use many words but are hard working. Our cooperation and relationship worked out really well." (German interviewee)

"The Francs and the Finns are a good fit, owing to similarities in their culture, e.g. as regards quietness, a dislike for loudness, not over-talking; being open-minded." (German interviewee)

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> *"Another success factor is that our cultural behaviour is quite the same. At the beginning of a new relationship, we do not speak too much, we listen, but if our hearts have melted, we can work very well together." (German interviewee)*

This section has illustrated that in addition to national cultures, at times one might also need to account for the presence of regional cultures. The concept helps to fine-tune one's understanding of organisational behaviour in a particular region of a country. One needs to bear in mind, though, that within a country there are often greater similarities than between countries, i.e. countries are likely to be on average more similar within themselves than as compared to other countries. In sum, the following definition and finding are advanced as regards regional cultures:

Definition 7b: In addition to behavioural manifestations of national cultures, *regional cultures* also explain the cultural distance between the participating firms.

Finding 7b: Owing to regional cultures, a buying firm from a certain country can find a cross-border acquisition in a certain region of a country easier than would a buying firm from another country.

Concluding – does cultural distance matter?

Figure 19 summarises the discussion on the types of differences in national cultures identified between the countries studied in the context of this research, i.e. Finland, Germany, Denmark, the United Kingdom, the United States, and France by plotting these countries on a 'cultural ruler'. What the dimensional analysis of the cultural ruler points to is that the closer the profiles of two countries are to one another, the less misunderstandings and cultural difficulties they are likely to face in their interactions. In such instances, national cultures might not become an issue, even though they might be left unconsidered. For example, Germany and Denmark are most aligned with the Finnish managerial culture. As the quotes below emphasise, there were generally few difficulties in Finno-German and Finno-Danish interaction.

> **Example of Danish unit's acquisition.** *"The basic values between the Finnish and Danish cultures are similar." (Interviewee – buying firm A)*
>
> *"The Danes and the Finns are a good match. To the point, open, and frank in their communications. Stubborn, yet in a different way. Finns have 'sisu', Danes do what they have to do. So, if you find innovative people in these two countries, they are bound to be similar owing to the industry and the deep-rooted feeling of 'want to prove', 'Can do will Do', and an 'I dare you' attitude'." (Interviewee - Danish acquired unit #1)*
>
> *"Overall, the Finns are close to Danes, much more so than the English, the Germans, or the French." (Interviewee - Danish acquired unit #1)*
>
> **Example of German unit's acquisition.** *"Different cultures are always a challenge. The Finnish and German cultures are closer to one another than the German and the French cultures. We have similar mindsets. Thus, for us, the Finnish culture is easy. The Finns' frankness helps in getting business done." (Interviewee - German acquired unit #2)*
>
> **Example of German-US acquisition.** *"A key success factor throughout the acquisition was that the Finns and Germans got along together culturally quite well." (Interviewee – buying firm B)*
>
> *"The Finns and the Germans have a lot of similarities." (German interviewee – German-US acquired firm #4)*
>
> **Example of French multi-site acquisition.** *"The Finns get along well with the Germans, do they not?" (Interviewee – acquired French multi-site firm #5)*
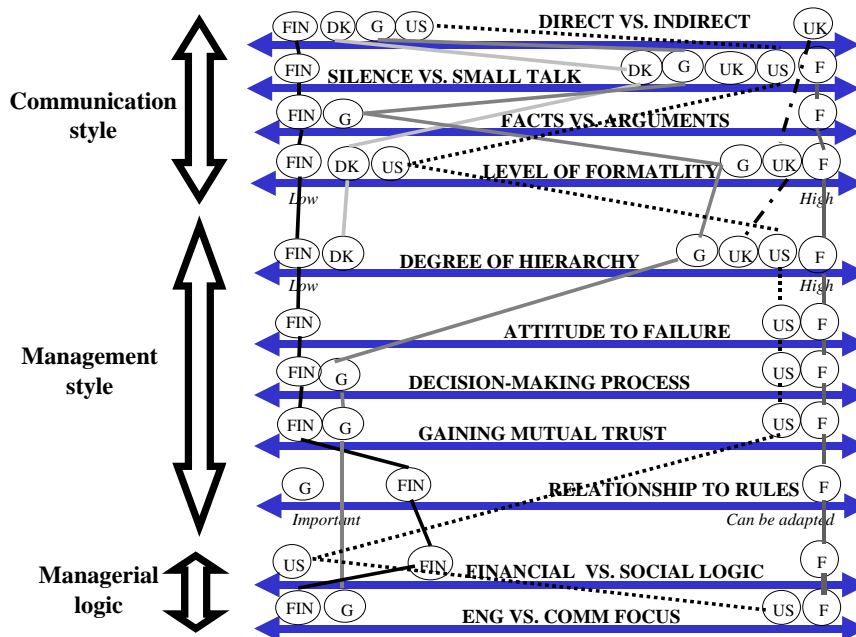
Figure 19. Comparing the countries studied along the identified dimensions of differences in national cultures.
Legend: FIN refers to Finland, G to Germany, US to the United States, F to France, DK to Denmark, and UK to the UK. Only the most relevant dimensions of cultural differences per country have been included in this profile.

In contrast, countries with divergent profiles are likely to clash on most of the dimensions of national cultures. As Figure 19 highlights, the Finnish and French cultures stand as polar opposites to one another on all of the identified differences in national cultures. This was reflected in one of the studied acquisitions, but less in the other one, given that this firm was located in the region of Alsace that shares a Germanic tradition. Hence, one needs not only to look at differences in national cultures, but also to think of how the regional culture of the company in question impacts their behaviour. In addition to comparing the overall profile of countries on the cultural ruler, it is useful to highlight how any one dimension of difference between two national cultures, if left unconsidered or unnoticed, can become an area of challenge that hinders the development of a successful relationship between the two parties.

The cultural distance separating France and Finland.[109] *"We want to understand the French. It is not easy. Operating in France is still a challenge for us." (Finnish interviewee - buying firm)*

"We are very different." (French interviewee)

"You can notice at every encounter how different we are." (French interviewee)

"There is an enormous difference between the French and the Finns." (French interviewee)

"These same key cultural issues have been there since the beginning of the acquisition, and continue to exist. Have the Finns understood the French so far, yet?" (French interviewee)

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[109] The quotes provided here do not specify which of the studied French acquisitions is in question in order to protect the identity of both firms.

The findings show that the notion of distance in national cultures is not synonymous with the notion of 'psychic distance'.[110] Indeed, geographical distance between the countries studied did not explain the identified behavioural discrepancies. Thus, one should not lure oneself into thinking that buying a company from a nearby country is likely to be easier than buying a company from a faraway country. To conclude, it seems that the overall mixture of differences and similarities between two particular national cultures helps to explain why certain national culture dyads seem to work better than others:[111]

Finding 7c: A cultural ruler can be used to represent the distance between the buying and acquired firms' national cultures. Each dimension of intercultural differences represents an area in which cooperation will be potentially challenging.

5.2.2   The impact mechanisms of national cultures

In the analysis of the studied acquisitions, national cultures were found to impact 1) the intercultural interaction between the two parties, and 2) the integration behaviour of the buying and acquired firms. These form the focus of this chapter.

Impact mechanisms of national cultures on intercultural interaction

Based on the presentation of the dimensions of national cultures along which the studied firms were found to differ and the parallel analysis of their impact on cross-border acquisitions in the previous chapter, an overview of these impact mechanisms is now provided, Table 42.[112]

For one, national cultures were found to impact the effectiveness of the inter-organisational interface between the buying and target firms through the misunderstandings caused. Such misunderstandings were deemed rarer in domestic settings, as both parties knew how to interpret the other's communications and behaviours. In a cross-border setting, though, both parties would need to understand the presence of national cultural differences. Unless this happens, these differences are allowed to blur the intercultural interface. Differences in communication styles, decision-making styles, ways of relating to failure, and expected degress of hierarchy, unless identified, caused misunderstandings with the other party. Such misunderstandings related to the difficulty of understanding the other party correctly, possibly misreading the other party's intentions, or even to information flow being more complicated

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[110] The notion of psychic distance has been studied in the international business literature (Hallén and Wiedersheim-Paul 1979, O'Grady and Lane 1996).

[111] These findings draw light onto the discussion on the impact that differences in national cultures have on M&A (for reviews on the existing literature, see Stahl and Voigt 2003, Teerikangas and Véry 2003). Indeed, research findings have provided differing views as to the nature of this impact and the difficulty of cross-border vs. domestic M&A.

[112] Despite the commonly accepted myth that national cultures influence the progress and outcome of intercultural encounters and cooperation, there is little qualitative research looking into the kinds of *impact mechanisms* at play. The findings presented here therefore provide such a contribution to both the cross-cultural management and the M&A literatures.

than between one's fellow nationals. At worst, such misunderstandings can lead to the buying firm's post-acquisition integration behaviours and communications being misinterpreted as disinterested or disrespectful, providing an erroneous perception of the other party. These findings would seem to point to the potentially dangerous role of national cultures in cross-border acquisitions in that, unless they are recognised, they can hurt the potential effectiveness of the post-acquisition phase by disabling the parties' genuine understanding of one another's behaviours.

Differences in expected communication and management styles seemed to be at the core of the issue. Indeed, as the analysis in the previous chapter showed, both parties tend to engage in cross-border acquisitions with their own mindset, disregarding the fact that one's mindset might have a cultural bias. The analysis showed how national cultural differences lead to different expectations as to the 'correct' way of communicating, the 'correct' degree of hierarchy, the 'correct' way of dealing with failure, the 'correct' way of making and communication decisions, the 'correct' amount of rules and regulations, the 'correct' way of developing a trustful relationship, and the 'correct' managerial logic and orientation. Unless both parties understand the cultural roots of these expectations, they are likely to misread one another's behaviours, resulting potentially in frustration, loss of face, or blaming the other party as the other party fails to meet the behavioural expectations set to it. Indeed, buying firms tend to expect certain managerial behaviours and are surprised, and possibly angry at this not happening. In parallel, the acquired firm representatives react to the buying firm's actions possibly with frustration and resignment, as the management style in the new parent firm is different from what they had expected.

What the analysis in the previous chapter pointed to is that the management style in use in any parent firm is generally traceable back to its home country's national culture. This was noticeable throughout the analysis of the dimensions of differences in national cultures. The cultural roots of a parent firm's management style are all the more important depending on the amount of interactions between the firms in the post-deal era. The parent firm's culturally rooted management style is often unconsciously brought forward by the buying firm's expatriate managers. Indeed, more often than not, buying firms fail to realise the impact of their home country on their management style.

The cultural roots of the parent firm's management style explain why acquired firm managers and employees need time, even years, to get used to and to understand the 'expected' behaviour in the parent firm. This might relate to the way in which decisions are communicated, or the expected level of hierarchy vs. responsibility in the parent firm. Such differences are especially critical in situations in which acquired firm managers are promoted to international management positions in the parent firm. Such managers are likely to use a

managerial style typical to their country's culture, which in turn is not welcomed in the new parent's logic. If neither party realises the cultural context of their differing managerial behaviours and expectations, any deviation from the parent firm's (unconsciously) expected management style is likely to be misinterpreted as erroneous action.

Table 42. Impact mechanisms of national cultures on intercultural interaction in cross-border acquisitions.

Impact mechanisms of national cultures on intercultural interaction in cross-border acquisitions

Misunderstandings

- Misunderstanding the behaviours and actions of the other party (e.g. different communication styles, decision-making styles, relationship to failure, degrees of hierarchy)
- Difficulty of understanding the other (e.g. different communication styles)
- Misreading the other's intentions (e.g. different communication styles)
- Erroneous perception of the other party (e.g. decision-making styles)
- Complicated information flow (e.g. different communication styles)

Different behavioural expectations on both sides

- Expected way of communicating
- Expected management styles in terms of degrees of hierarchy
- Expected managerial reaction to mistakes and expected degree of openness in employee-superior communications (i.e. dealing with failure)
- Expected decision-making, decision-acceptance, and decision-communication style
- Expected significance of rules and regulations in organisations
- Expected way of developing trust
- Expected managerial logic
- Expected managerial orientation

Management style in the buying firm

- The parent firm's management style impregnates the firm (e.g. communication styles, decision-making styles, degrees of hierarchy, relationship to failure, managerial logic, managerial orientation)
- Expatriates' management style reflects their home country origin (e.g. different degrees of hierarchy)

Post-acquisition managerial challenge for the acquired firm

- Getting used to requirements and ways of working in the buying firm (e.g. decision-making styles, different degrees of hierarchy)
- Difficulty in understanding the 'expected management style' in international managerial positions (e.g. different degrees of hierarchy)

Management style in the acquired firm

- Foreign subsidiaries retain a local management style (e.g. communication styles, decision-making styles, relationship to failure, degrees of hierarchy)
- Local managers can act as cultural buffers between the firms (e.g. decision-making style)

→ 'Dance' of national cultures in the parent firm: different organisational behaviours within the parent firm traceable to differences in national cultures (e.g. communication styles, decision-making styles, relationship to failure, degrees of hierarchy, managerial orientation, managerial logic, gaining trust, significance of rules and regulations)

Finally, as regards the acquired firm, as long as local management is allowed to continue, and the less interaction there is between the acquired unit and the parent firm, the former is likely to continue managing the local subsidiary in a manner consistent with the country's

management style. This was especially noticeable in acquisitions in which a large cultural distance separated the home countries of the buying and acquired firms. For example, in French acquisitions, local managers would take a strong role toward their employees, leading the change, representing the new owner, and being respectful of the local culture, they would work hard to maintain a strong line of communication toward employees, e.g. by keeping weekly or monthly information meetings. In these meetings, the impression given of the deal, the buying firm, and the future, could at times be pictured as rosier than it actually was in order to allay staff worries and avoid strikes that are not abnormal in French organisations in times of change. Thus, whilst communications between local management and the new parent might change to reflect the style of the new parent's home country's culture, the management style in local subsidiaries can continue to reflect local cultural traditions to some degree. The local management's role is to translate the message coming from the buying firm into a format understandable and acceptable by the acquired firm's employees.

To summarise, the findings show that national cultures are present in global organisations, impacting the behaviours of the parent and acquired firms, headquarters, and overseas subsidiaries alike. Thus, one assists a 'dance of national cultures' in today's multinationals: the number of countries the parent firm operates in reflects the diversity of management styles in use, and therefore there are many managerial approaches and logics at work in parallel. Yet, the logic used by the parent firm's home country managers is the one that prevails. This is the unconscious and implicit assumption made and brought forward by parent firm managers, though it tends to be presented in the culture-free form of 'our company's management style'.

The impact of national and organisational cultures on the buying firms' behaviour

The buying firms' cultural background, in terms of both its organisational and national culture, seemed to explain the integration behaviour adopted by the studied buying firms. These cultural influences seemed to a large extent unconscious, as no buying firm interviewee took them up in the interview phase. They were noticed in the analysis of the interviews. Once presented with the results of the analysis, all second-round interviewees agreed that the integration behaviour of the buying firm had characteristics of both its national and organisational cultures. Given the difficulty of separating the roles of national and organisational cultures in practice, the conclusion is that their intertwined influence is noticeable in the behaviour of the buying firm's representatives in the post-deal integration period. In the following, for the sake of analysis, these influences have been separated.

> *"All Finnish companies share the Finnish cultural background that steers us to think in a certain way, and hence there are parallels between Finnish companies' behaviours." (Interviewee – buying firm D)*

Beginning with national culture, the studied buying firms all seemed to share certain characteristics in the way they managed the post-acquisition integration period.[113] Indeed, interviewees from the acquired firms used similar terms to describe the integration behaviours adopted by the Finnish buying firms studied. These behaviours differed in turn from the acquired firms' employees' accounts of prior experiences of being acquired by e.g. American, French, or Dutch buying firms. It thus seems that the national origin of the buying firm has an impact on the way firms from a country are likely to behave when acquiring. This is understandable, as the buying firms' managers have grown up in the same home country, having been socialised into, and having inculcated the society's values.[114] Thus, despite differences in their individual experiences and personalities, they are likely to share - to some extent - the value basis prevalent in that country.[115] This value basis, in turn, is reflected in their behaviours during the post-acquisition integration period.

Table 43. Overview of the typical Finnish approach to post-acquisition integration.

Recurring themes in accounts of being acquired by a Finnish buying firm
1)   A gradual approach to integration vs. abrupt change
2)   Involvement of the acquired units vs. a takeover mentality[116]
3)   Degree of freedom granted to acquired units vs. imposed regime[117]
4)   Keeping promises
5)   Down to earth, humble, fact-based approach
6)   Open and honest communications

Experiences of being acquired by a Finnish buying firm had the following characteristics, Table 43. For one, the approach to integration tended to be gradual, instead of forcing abrupt changes. Though some change did take place in the immediate post-deal aftermath, the interviewees' impression was one of gradual, 'soft' change, as the quotes below exemplify.

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[113] The impact of the national cultural background of the buying firm on the way it manages the M&A integration phase has been addressed. This was first noted by Dunning (1958) in his study of foreign acquirers in the UK, further evidenced by Jaeger (1983). Later, Calori et al. (1994) showed how informal and formal control mechanisms used by French, British, and American buying firms were embedded in their respective home countries' cultural heritage. Also Lubatkin et al. (1998) found that French and British buying firms used different kinds of administrative practices during M&A integration. These practices reflected their differing home country cultural heritage. In their study of US, Japanese, German, and French buying firms in the UK, Child et al. (2000) showed that the post-deal integration managerial practices differed. They further used these findings to portray per country integration typologies (Child et al. 2001, Faulkner et al. 2003, Pitkethly et al. 2003).

[114] Berger and Luckman (1964) introduced the notions of primary and secondary socialisation processes to account for the ways in which individuals grown up in their respective national cultures are impacted by these cultures.

[115] This line of thinking is prevalent in literature on cross-cultural psychology (e.g. Brislin 1990, Lonner and Malpass 1994, Berry et al. 1997, Segall et al. 1999) and cross-cultural management, (e.g. Hofstede, 1980, 2001, Adler 1991, Schneider and Barsoux 1997, Gannon and Newman 2002), as the aim of both streams has been to show how differences in national cultures influence the behaviours of their members.

[116] This dimension was also noted in Child et al.'s (2001) studies as the degree to which acquired firm managers are kept vs. replaced by buying firm executives.

[117] This dimension was also noted in Child et al.'s (2001) studies as the degree of autonomy granted to the acquired units to make financial decisions and the amount of strategic and operational control that the buying firm retains over acquired firms.

Example of French multi-site acquisition. *"The integration in the post-deal years took place softly, gradually. So, instead of a rapid approach, the buying firm preferred to take a medium to long-term approach, in order to build a solid basis in France before moving forward. In this way, people accepted the change more easily. There was no phenomenon of rejecting of the change, as there had been in an earlier domestic acquisition we had undergone."* (Interviewee – acquired French multi-site firm #5)

"The integration approach was a gradual one. At the time of the deal, the French managers expected a tempest. But, to our surprise, the buying firm did not immediately break everything, they approached the acquisition in phases. Because of this gradual approach, people do not have the impression that the Finnish parent firm has broken up everything." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"It was a soft approach. Things were not urged upon, but proceeded normally. It was a process of how to put things into place normally. They left us time before things were changed, thus the changes were not abrupt. They looked at how we go about our work, and then gradually, they brought in their methods, and ways of working. Thus, we gradually came to accept the changes. And there have been large-scale changes, e.g. our way of thinking about our work has changed, e.g. whereas we refused the notion of being multi-skilled before, now we seek it."* (Interviewee – acquired French unit #7)

Furthermore, there was a strong sense of involvement of the acquired organisation, instead of the integration period taking place with a takeover mentality. Thus, a participative rather than dictated management style was used. This often came as a surprise to the interviewees, as buying firms from other countries might have used a more hierarchical management style. A participative style resulted in respect, involvement, and interest in the acquired organisation that helped to convince them of their new owners, making them more likeable. This differed from the experiences of previous owners from other countries, as the last quote exemplifies.

Example of Danish unit's acquisition. *"The message transferred was that we are building this together, not a 'master'-mentality."* (Interviewee - Danish acquired unit #1)

"The Finnish expatriates said that 'we have come to do things, not to tell how to do things'. The integration manager was a great help; without him, things would not have worked as well. He did not have a typical boss-style, he explained how to do things. Also, the Finnish expatriates took a facilitator's role, leaving final decision-making authority to us, giving hints such as 'perhaps you should call ...', a humble attitude. He would ask questions, using a subtle way of giving a solution. He gave us a lot of space; told which way to move toward." (Interviewee - Danish acquired unit #1)

Example of German unit's acquisition. *"The first meeting's message was a positive one: 'we need you'! The parent firm was clearly committed. For example, a senior manager said 'do not ask why we are successful. Focus rather on contributing to its success.' It was good that we had opportunity to actively influence our own integration."* (Interviewee - German acquired unit #2)

Example of British unit's acquisition. *"The parent firm's style has been quite gentle: independence, patience, own pace, persuasion – not telling; so people did not feel like being dictated. This attitude helps in an acquisition as people allowed to change their culture gradually."* (Interviewee - British acquired unit #3)

Example of German-US acquisition. *"What was very good was that they lived this and they showed us, they never gave us the feeling that we are the boss company, but they gave us the feeling that we are involved, and it was at all levels, even at the manufacturing staff level."* (German interviewee – German-US acquired firm #4)

"Apart from the accounting department, the other departments have not felt as much of an impact. The Finns used a laissez-faire, a hands off, 'I do not bother you' – attitude with us. They have let us do what we need to do in the US markets, they have not told us what to do, and that is the laissez-faire approach. This approach was so extreme that we ourselves had to call our new colleagues in the US to go to trade shows together. Finland did not order us to go together. Rather, now we had a new email directory through which we could contact new colleagues and introduce ourselves." (American interviewee – German-US acquired firm #4)

"There was nothing of this conquering or enslaving attitude. Rather, we looked for good sides from both companies." (Interviewee – buying firm B)

Example of French multi-site acquisition. *"We were allowed to propose things, i.e. the buying firm was not blindly imposing its will. Our perception of our sister French business lines was that they*

imposed things, e.g. decisions without any prior communication, let's stop x, y, z." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"What I mean by a gentle integration approach is: they do not impose themselves, they arrive with their ideas, not imposing them, but letting us accept these ideas by ourselves. It is a very fine approach. Should they present their ideas in another way, we would not change. This approach is noticeable in all that they do." (Interviewee – acquired French unit #7)*

"The Finns went on less noisily about their presence at the start as compared with our previous American owners who arrived with their caps on their heads." (Interviewee – acquired French unit #7)

Example of US multi-site acquisition. *"The integration team's key message for the new staff was that you are valuable people, as you used to be the leaders in this industry. We want to utilise your knowledge and thus we hope that you would actively participate in our company's life. We will treat you as equal partners, as experts in your area." (Interviewee – buying firm D)*

"The Finnish buying firm took more the tip-toe than the aggressive way. They did not say 'this is our way and you better follow it'. They needed us to help them to understand the market place; they then evaluated the situation and reacted." (Interviewee – acquired American multi-site firm #8)

Third, Finnish buying firms tended to grant the acquired firms significant degrees of local and corporate freedom, as compared to an imposed post-deal regime. This meant that the acquired firm's management was generally left intact, and where possible, they were left to manage the acquired firm. This differed from the acquired firms' experiences with some previous parent firms that had exerted a greater control of overseas subsidiaries, as the last quote illustrates.

Example of Danish unit's acquisition. *"Local management was not substituted, but helped and facilitated by the parent firm's expatriates; although they were responsible on paper, they did not take this role in practice. They trusted the local management team." (Interviewee - Danish acquired unit #1)*

Example of French multi-site acquisition. *"The integration approach surprised us as we expected to have Finnish site managers, but the Finns did not arrive as imposers. They explained to us that following their experiences, it is better to keep local management, and supplement them with a global management structure." (Interviewee – acquired French multi-site firm #5)*

"The approach chosen was to let the French work things out amongst themselves. This surely made the integration easier and faster. It also lessened the culture shock and differences between organisational cultures. It made the change smoother, as the integration took place on the upper end – in terms of reporting systems, board work, upper management, and whom they report to. So, integration happened at a superficial level." (Interviewee - buying firm C)

Example of French site's acquisition. *"We have perfect autonomy, e.g. we report our figures to the parent firm, but our decisions are autonomous, we do not need to ask for the decision, whereas with our previous American parent firm, each level of management was in touch with the next level of management, e.g. in financial matters. Now, only the site manager is in constant touch with his superiors, but other management members need not be. All management team members have contacts with the parent firm and get support, if required, but we need not report to them all the time." (Interviewee – acquired French unit #7)*

Finnish buying firms also tended to keep their promises. Interviewees appreciated this. Keeping promises is important in times of change, e.g. acquisitions. It is interpreted as a sign of trust, seriousness, and commitment to the new unit.

Example of French site's acquisition. *"At start, staff were worried whether the buying firm will keep its promises, as our previous owner had not. It was extremely positive that they did, and that they approved of the investment plan just months after the deal. This was exceptionally good behaviour from a buying firm!" (Interviewee – acquired French unit #7)*

"The visits of Finnish managers here have been well received, as they have provided us with both ideas and the means to implement them. The latter was new to us. They also kept their promises, unlike our previous parent." (Interviewee – acquired French unit #7)

Example of US multi-site acquisition. *"Promises have been kept. There is no iron-hand approach, not demanding things. There is an attempt to make it smooth." (Interviewee – acquired American multi-site firm #8)*

> *"We did as we promised. And they learnt that if we say something, we mean it. There is no lip-service."* (Interviewee – buying firm D)

This was coupled with a generally humble, fact-based, and down-to-earth approach, as compared to a management style fraught with emotions and politics. This was contrasted with memories of some former parents' arrogant behaviour and greater managerial distance; the quotes 3-5 from the French site's prior experience with a previous American parent illustrate this point.

> **Example of German-US acquisition.** *"Quite soon from the start it was visible where synergies are possible and which integration teams are obsolete. This needs attention and management as otherwise one easily shifts to a hype integration mode, instead of focusing integration on the most needed tasks. It is important to keep integration separate from seemingly fashionable M&A integration activities."* (Interviewee – buying firm B)

> **Example of French site's acquisition.** *"We do not brag and boast. You need to be humble. At the start, maybe we tried to advertise our ways of doing things, but since then, we have learnt that things do not change in an instant."* (Interviewee – buying firm D)

> *"They had a reserved approach – i.e. they exercised their responsibility whilst staying simple, they did not advertise their hierarchical position (as the American owners did), we appreciated this. Even the important managers have a simple way."* (Interviewee – acquired French unit #7)

> *"As compared to our previous American owner, the current buying firm has a more humble approach. This is seen at both the management and staff levels. E.g. the CEO arrived once at the site without informing us in advance. He was not recognised by the receptionist, so he was made to walk to our administrative building by himself. This is a show of humbleness. Thus, the integration approach of the Americans and the Finns has been different in our experience.*

> *With our American owner, there was a touch of arrogance. E.g. the red carpet had to be rolled when they arrived. They stated what we do wrong, they believed that cultural differences are reducible to language differences."* (Interviewee – acquired French unit #7)

> *"I have heard as an example the story of how some employees were so surprised in the early days at seeing an important manager coming over with his own car, parking it and walking in and saying 'Hi, I am x y', whereas in the former American owner's times, managers would fly in with helicopters and they took a business leader's approach, whereas our managers came in more with a hands-on approach, they were ready to walk the talk with staff, visit plants, with the attitude that no-one is better than others. People liked this."* (Interviewee – buying firm D)

> **Example of US multi-site acquisition.** *"We wanted to take a fact-based approach. We went straight to the point, so that we could get rid of all suspicions they might have had."* (Interviewee – buying firm D)

> *"It is typical for Scandinavian firms to remain realistic when entering deals such as M&A. Our progress followed logical steps."* (Interviewee – buying firm D)

> *"Maybe we did not have too much time to think about these things. We were more in the mode of 'how to get this done, and let's go for it'. The acquisition did increase the size of that business significantly, so it was a significant acquisition."* (Interviewee – buying firm D)

Finally, Finnish buying firms' communications in the integration phase were perceived as open and honest. This supported integration, as it avoided situations in which information seemed to be lacking or hidden.

> **Example of German unit's acquisition.** *"Openness was a winning point of the new parent's culture: openness of discussion, honesty. It is important, it was a helpful point."* (Interviewee - German acquired unit #2)

> **Example of US multi-site acquisition.** *"Open communication was a culture shock to the acquired firm's American staff, they were used to being managed in the traditional hierarchical way, the troops get the information and that's it, there is no further discussion or debate about things. Factories need not worry, as management makes decisions. It was like in the army. In our integration work, communication was more open. We talked to staff on the shop floor, we held hamburger luncheons, we provided staff with the opportunity to ask questions: we felt that it was easier to accept bad news than to deal with an unreliable upper management. In this way, they saw that we are not a bunch of barbarians, but we are humans."* (Interviewee – buying firm D)

In parallel, the studied buying firms were also found to differ in their handling of the integration phase.[118] These differences, when not traceable to the integration leader or prior acquisition experience, could be traceable to the organisational culture of the buying firm's product- or business line responsible for the acquisition.[119] Thus, these behaviours rarely reflected a corporate-wide organisational culture, but rather a business or product-line specific organisational culture. In practice, acquisitions are undertaken by a specific business or product line. As each of these product line and businesses has a different history, they have developed their own respective organisational cultures. It is to these business- or product-line specific organisational cultures to which part of the integration behaviour of the buying firm can be traced back.

Table 44. Organisational culture further explaining the buying firms' behaviour in the post-acquisition integration phase.

Buying firm	Organisational culture	Type of integration behaviour practiced
Buying firm A's product line x	Respect for people, freedom, pragmatism, openness, flexibility, focus on learning, dynamic	Participative, open, respectful of acquired unit's know-how, trustful
Buying firm B's product line y	Informal, relaxed, open information flow, comradery, discussive atmosphere, everyone's contribution is needed	Openness, respect, 'trust and care', sensitivity
Buying firm C's product line z	History of decentralised operations, delegation of power, focus on financial figures, engineering focus vs. commercial focus	Involving acquired organisation's top management, granting the acquired firm freedom to operate, focus on industrial vs. commercial changes
Buying firm D's product line w	Customer-oriented business, where speed, action, expertise, individual responsibility, cost effectiveness are key	Fact-based approach, quick action, listening, involvement, coaching, openness, honesty, determination, cost effectiveness, empowerment

Table 44 illustrates the organisational cultures of the buying firm business lines involved and compares this against the adopted integration behaviour. In the example of buying firm B, the types of values that characterised its product line y's organisational culture – relaxed, informal, open and discussive – were the kinds of behaviours and values that were reflected in its integration behaviour. The following quotes on being acquired by buying firm A's product line x further mark this point.

> **Example of Danish unit's acquisition.** *"The integration manager had not trained nor informed people to 'be nice to the new ones'. It is natural behaviour from people in the buying firm." (Interviewee - Danish acquired unit #1)*
>
> *"A key success factor was that the integration was organised in a way typical to the buying firm: this thing needs to get done! Who would be most suitable for the job? Persons suitable for that job were selected, i.e. the were not merely technical, but more the human-oriented persons." (Interviewee - Danish acquired unit #1)*

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[118] Buying firms were not conscious that the way the integration phase was managed reflected the practiced values of their organisational culture. However, they recognised the influence of their organisational culture once presented with the findings of the study, calling this 'natural'. This leads to the conclusion that M&A, as any kind of corporate behaviour, are not value-free. Instead, they are laden with the influence of the participants' organisational and national cultural backgrounds.

[119] Extant M&A research has not focused on the effect of organisational culture on the buying firm's integration approach. The findings presented herein therefore draw new light to research on M&A.

> *"The buying firm's approach is to be close to people. No consultants nor manuals were used, simply common sense." (Interviewee - Danish acquired unit #1)*

> *"The values present in the integration were the parent firm's values, this contributed to the integration's success." (Interviewee - Danish acquired unit #1)*

The same was noticeable in the example of buying firm D, three of whose acquisitions were studied. Its integration behaviours showed remarkable similarities across the three acquisitions, though these acquisition projects had not been coordinated, nor were the persons involved in active contact with one another. Instead, they were all doing their best to ensure the success of each acquisition. Interviewees agreed that the organisational culture driving the integration teams' behaviour in the three examples did not reflect the buying firm's corporate culture, as there was not one overriding corporate culture, but rather, it reflected the involved product line's organisational culture. The pragmatic and responsibilising management style typical to a product line was transferred to the way its managers managed their acquisitions.

> **Example of buying firm D.** *"The integration approach adopted by the teams in the French, Finnish and US acquisitions did not stem from our core product line's culture, which is more arrogant and proud. Rather, all managers involved had a history in and came from a smaller product line, more directly involved with the customer interface. The culture there is more dynamic, action-oriented, less proud, as we have a shorter business history. It seems clear to me that the similarities in the integration behaviours across the three acquisitions reflected this joint product line background." (Interviewee – buying firm D)*

> *"The three acquisitions were all handled by managers from the same product line who have known one another for years, have sat next to one another, share a similar mindset." (Interviewee – buying firm D)*

Moreover, as many sites from the buying firm can be involved in the integration effort, each of them is likely to bring in their own organisational culture to the integration phase. This was exemplified in the case of buying firm D, wherein both Finnish managers from product line W as well as local US managers from the buying firm's regional organisation were involved. Consequently, both the aforementioned product line's culture and the regional organisation's cultures explained the adopted integration behaviour.

> **Example of buying firm D.** *"In our North-American organisation, respect for others is a key value. Thus, we did not specifically consider the human question in this deal, rather it was a natural way for our organisation to operate. We were naturally the way we are, without faking." (Interviewee – buying firm D)*

> *"Our current US management team's multicultural background helped us when approaching the acquisition. We were able to understand both parties, and were able to describe both parties to one another. It is important in this role to be able to translate messages." (Interviewee – buying firm D)*

> *"People in our regional organisation are not arrogant, not dominant, but honest, not nasty but helpful: it is a nice place to work. Respecting people – that is the way we are: we show that we care about people; now that I explain this to you, I understand that this is part of our culture, although we never say it out aloud." (Interviewee – buying firm D)*

To conclude, the cultural influence guiding a buying firm's integration behaviours relates to the involved product line's (and regional organisations') national and organisational cultures.

Impact of national and organisational culture on the acquired firm's integrative behaviour

The acquired firm's managers' behaviour in the post-deal era was also found to reflect the firm's cultural background in terms of both national and organisational cultures. This was

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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noticeable in 1) an acquired firm's attitude toward post-acquisition change, 2) the way an acquired firm organised itself during the integration phase, and 3) an acquired firm's expectations of the post-acquisition regime, Table 45.

Table 45. Impact of national and organisational culture on the acquired firm's behaviour in the post-acquisition integration phase.

Impact of national and organisational culture on the acquired firm's behaviour in the integration phase
1) Acquired firm's attitude in the post-deal era
2) The way the acquired firm organises itself in the post-deal era
3) Acquired firm's staff's expectations toward the post-acquisition regime

Starting with attitude, in the Danish unit's acquisition, the Danish national culture and the unit's organisational culture both explain its positive behaviour in the integration phase. The Danish positiveness was reflected in the unit's organisational culture, described as 'fun', 'openness', a 'let's give it a try – attitude', 'not proud but experienced', and 'a flexible unit'. These in turn explained the drive with which the unit began to integrate itself into the buying firm. This resulted in the local management team wanting the new unit to rapidly build itself a new identity in the buying firm. They encouraged staff to actively build their networks in the buying firm. Altogether, the unit was extremely active in ensuring its integration, whilst keeping to a very positive mindset about the change.

> **Example of Danish unit's acquisition.** *"Our unit took a very positive attitude to integration, making extra efforts, e.g. organising meetings, visits. On the day of the deal, we sent a fax with the buying firm's logo to their headquarters. This was a sign of commitment! We really worked for this integration." (Interviewee - Danish acquired unit #1)*

An acquired firm's cultural background was further found to explain the way an acquired firm organises itself in the post-deal phase. Taking the example of the German unit's acquisition, the local management team wanted to manage the interface between the buying and acquired firms, instead of allowing for individual responsibility of all employees as advertised by the Finnish parent firm. As hierarchy is typical in German firms,[120] the management knew that their staff would not be comfortable in quickly shifting to a culture of individual responsibility, let alone enjoy it, unless provided with guidance. Thus, the unit's management provided an organisational buffer between the two firms to facilitate the gradual cultural change advocated by the Finnish buying firm.

> **Example of German unit's acquisition.** *"The staff's reaction to cultural change and to the need to network was filled with uncertainty at the beginning – 'how can I deal with this?' The individual is supposed to take the initiative. So, we initiated a process of many initiatives, controlled by our unit's line managers." (Interviewee - German acquired unit #2)*

In contrast, in the absence of such steering, the British acquired firm took years to adapt to the Finnish buying firm's culture. The latter rested on responsibilising individuals, i.e. having the acquired firm driving its integration rather than being pushed by the buying firm. In the

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[120] Hofstede (1980, 2001).

absence of strong local managerial presence, the employees in the acquired firm had great difficulties in making this transfer, as they were used to a greater degree of managerial guidance stemming from a stronger hierarchical orientation than is typical in the Finnish culture.

Finally, the acquired firm's cultural background was also found to influence the kinds of expectations and preferences that acquired firms have toward the integration period.[121] The example of the French multi-site acquisition illustrates how the employees had erroneous expectations about the future. Given their organisational history and the French management style, they were expecting a lot of change and a takeover. They were surprised at the softness of the Finns' approach in terms of keeping local managers and providing them with a wealth of responsibility from the start instead of the parent firm firmly imposing its will.

> **Example of French multi-site acquisition.** *"For the French, it is typical to be suspicious of new things. Now, many years after the deal, we are ready for a change, and almost want the Finns to help us!!" (Interviewee – acquired French multi-site firm #5)*
>
> *"The integration approach was a gradual one. At the time of the deal, the French managers expected a tempest, as there was going to be double-resourcing for certain posts. But, to our surprise, the Finnish parent firm did not immediately break everything, they approached the change in phases. Because of this gradual approach, people do not have the impression that the buying firm has broken up everything." (Interviewee – acquired French multi-site firm #5)*

In the example of a German acquisition, the acquired firm felt rather ill at ease with the lack of support during the integration. Whilst two other acquisitions made by the same buying firm were studied, these complaints were most strongly voiced in the German firm. This could stem from the Germans' high degree of uncertainty avoidance,[122] making the presence of structures and the structuring of activities important.

> **Example of German unit's acquisition.** *"Staff need structure, or else there is rising uncertainty. From past experiences with unsafe situations, everything implying uncertainty causes arousal of unease in staff. It is documented at the back of our engineers' brains: all signs of failure make alarm bells ring, staff are afraid of bad feelings. The alarm levels of staff increase in such a situation. So there would have been a need for more control, structure, and communications, clear managerial statements. Not messing around, running several activities in parallel." (Interviewee - German acquired unit #2)*
>
> *"The difficulty stemmed from there being many unexplained things in the parent organisation. There are few organisation charts, yet there is a need for them and we all know it. This makes navigation in this environment difficult. It is difficult to understand this organisation. The German cultural heritage is in strong hierarchy and structure, and is not as dynamic." (Interviewee - German acquired unit #2)*
>
> *"An organisation needs rules. At present, without them, flexibility is going too far. We are told to get involved with integration, but 'how, where do I get information?' Is this anarchy?" (Interviewee - German acquired unit #2)*

To conclude, this chapter has studied the impact of national culture on intercultural encounters and the integration behaviours of both buying and acquired firms. The underlying challenge seems to stem from the fact that the impact of national culture is rarely recognised

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[121] This has been suggested by extant research. Target firms from different countries have been found to prefer different kinds of integration approaches, in line with their home country national culture (Morosini 1998).

[122] Hofstede (1980, 2001).

in today's organisational life. It is allowed to become a *silent force* hampering the development of positive relationships based on mutual trust. In summary:

Finding 8: Behavioural manifestations of national cultures have the following *impact mechanisms* on the progress of post-acquisition integration in the context of cross-border acquisitions:

> **Finding 8a:** Unless the presence of regional and national cultures is accounted for, any behavioural dimension of cultural differences along which the firms participating in a cross-border acquisition differ becomes a negative force causing misunderstandings and thereby blurring the efficiency of interaction at cross-border inter-firm interfaces. In parallel, any dimension of cultural similarity becomes a positive force supporting mutual interaction.

> **Finding 8b:** A failure on the part of the buying firm to realise that the expected managerial behaviour in its organisation reflects its home country origin translates into a post-acquisition managerial challenge for the acquired firm, resulting in misunderstandings and delayed integration until either side understands the cultural roots of this challenge.

> **Finding 8c:** The buying firm representatives' behaviour throughout the integration phase reflects their national cultural heritage. This approach is further impacted by the buying firm's corporate or its involved business or product line's organisational culture.

> **Finding 8d:** The behaviour of acquired firm members is representative of their national and organisational cultural heritage in terms of the attitude taken in the post-deal era, the way the acquired firm organises itself in the post-deal era, and the staff's expectations regarding the integration phase.

5.2.3   *Locating intercultural encounters*

The concept of intercultural interfaces arose in the analysis of the interviews to explain the location and likely frequency of intercultural encounters in a global organisation.[123] Thus, instead of global organisations being melting pots of cultures, intercultural encounters would seem to be a situated factor. The aim of this chapter is to explore the location of intercultural interfaces in global organisations. Table 46 provides a summary of the analysis.[124]

The existence of intercultural interfaces was found to stem from the extent of cross-border activities a firm has. Naturally, a multinational has more intercultural encounters within its firm than a local, domestically operating firm. Thus, domestic firms had less or little knowledge of the challenges inherent in internationalisation, and shared a domestic mindset.

Table 46. Factors predicting the location of intercultural interfaces in global organisations.

Factors predicting the location of intercultural interfaces in global organisations
1)   Amount of firm's cross-border activities
2)   Organisation structure of the firm: integration vs. decentralisation
3)   Department, e.g. production vs. R&D, marketing and sales, and person's hierarchical position
4)   Times of M&A, firm internationalisation, knowledge transfer

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[123] This notion seems to be a novelty in research on intercultural management, where the focus has thus far been on the types of differences in national cultures (e.g. Hofstede 1980, 2001, Lewis 1997, Trompenaars 1997) as well as ways of dealing with these differences (Adler 1991, Schneider and Barsoux 1997). The prevailing understanding seems to be that differences in national cultures are an issue in global organisations. However, there seems to be a lacking understanding of the nature of this challenge. Tayeb (1996) refers to 'interfaces', but discusses them at the level of 1) customers, trade partners, the public at large, 2) advertising and negotiating, and 3) within organisations in highly internationalised firms. However, he does not go further and specify these interfaces within firms, as is done in the present chapter.

[124] However, areas in an organisation that are less impacted by direct contact with other cultures do feel an indirect impact of national cultures on their work if they are working for a parent firm from another country. Here, reference is made to the types of impact mechanisms of national cultures identified earlier in this chapter.

Second, the amount of intercultural encounters was found to depend primarily on an organisation's structure in terms of whether it has opted to organise itself in an integrated or decentralised way. In a decentralised structure, interfaces are rare, as each business segment or subsidiary operates independently. In a more integrated structure, business segments and subsidiaries need to be in greater contact. Thus intercultural interfaces occur at multiple levels of the organisation and across its departments. One of the studied buying firms had operated in a decentralised structure for years, with interfaces across country organisations being rare. As the firm moved toward a greater degree of organisational integration, this was later reflected in an increase in cross-departmental and cross-site communications across countries.

> **Example of German-US acquisition.** *"The only link to an outside American world is through Germany. The role of Finnish people in the business is much more limited. And so in terms of the actual contact that the inventory, marketing, service, production, and general warehouse type of employees have with Finland, for them Finland is non-existent." (American interviewee – German-US acquired firm #4)*

> **Example of French multi-site acquisition.** *"We operate in a decentralised structure. The management of sites is done locally, e.g. a French site is run in a French way and an Italian one in an Italian way. Also the US operations are very independent." (Interviewee – buying firm C)*

To be more specific, though, the location of intercultural interfaces within a larger organisation also differs across the organisation's business segments. Thus, different organisation structures within a corporation will define the location of intercultural interfaces per business segment.

> **Example of French multi-site acquisition.** *"The approach chosen in the post-deal years was to let the French work things out amongst themselves in their own business segment. This surely made the integration easier and faster. It also lessened the culture shock and differences between organisational cultures. There was little mingling of nationalities to form a multinational organisation." (Interviewee – buying firm C)*

This is illustrated in Figure 20, wherein two business segments with different amounts of intercultural interfaces are represented. The cross-border one consists of subsidiaries located in several countries. The segment has an international management team. Intercultural interfaces exit at the level of the business segment management, but also between subsidiaries and business segment management. In the opposite example of a domestic business segment, intercultural interfaces do not exist within the organisation, but might exist toward overseas customers if the segment is involved in exports.

Moreover, a global firm's management team is generally in greater contact with other cultures than other members of organisation, as they need to be in touch with management spread across the world. The amount of intercultural encounters of top managers is even stronger in global organisations that aim to be globally integrated. This was the case in one of the studied buying firms. When the make-up of the executive team was rather international, there was a wealth of intercultural encounters at the level of the company's executive team and its business segment management.

Example of French multi-site acquisition. *"Intercultural encounters have taken place mainly at the level of top management." (Interviewee – buying firm C)*
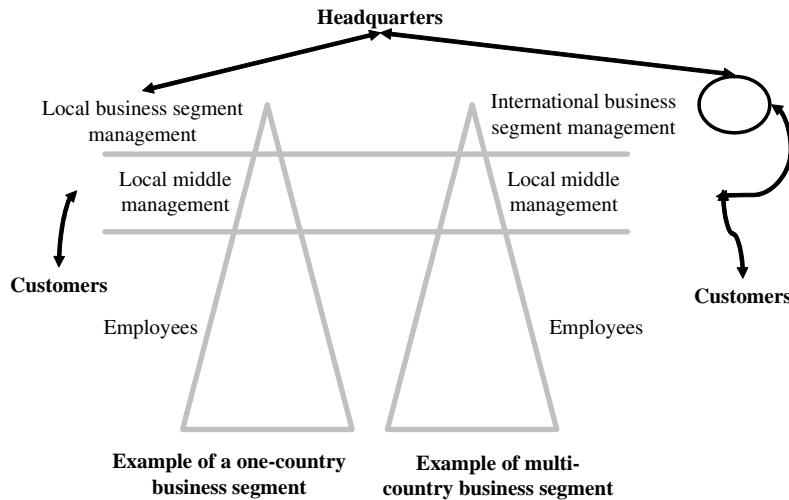

Figure 20. Comparing two organisations with regard to the extent of intercultural interfaces.

At the level of departments within organisations, there is further variety with regard to the location and amount of intercultural interfaces. The amount of these interfaces will be mediated by the organisation structure of the business line with regard to independence vs. integration. In factories, intercultural interfaces take place mainly at the level of the factory's management team. Staff generally meet top managers once or a few times a year. In other words, the bulk of the company's staff in manufacturing industries are not directly involved in intercultural encounters.

> **Example of German-US acquisition.** *"In production we have very little cooperation between our Finnish and US sites. I have never been to our US unit and have talked to very few of their representatives." (Interviewee – buying firm B)*
>
> **Example of French multi-site acquisition.** *"Communication from our management in Finland came to us through the site manager. Staff knows things only through the site manager. Staff onsite have few direct contacts with the parent firm's other sites." (Interviewee – acquired French multi-site firm #5)*
>
> *"The amount of culture shock depends on the style of the acquisition. If the acquirer invades the acquired company, there will be a cultural shock. Here, no Finns came to interfere in France, factory heads and managers were not replaced by Finns, so there was no huge culture shock." (Interviewee – acquired French multi-site firm #5)*

Instead, in the research and development function interfaces are likely to be manifold, e.g. if international projects are worked on or if know-how is exchanged. This was noticeable when comparing the acquisitions of R&D units and production sites. The same holds for the sales and marketing function that is in touch with the parent firm, the foreign distribution and sales network, and clients in different countries, thus it tends to have a broad intercultural interface.

> **Example of German-US acquisition.** *"Yes, the amount of contact depends on the department. Most cooperation takes place in R&D, sales and marketing. R&D is probably where there is most cooperation. In contrast, in production and purchasing, I believe cooperation has been marginal." (Interviewee – buying firm B)*

> *"Apart from the joint German-US R&D project, most of the rest has been local. Interfaces are always a challenge. It is important for interfaces to work, as if they do not, staff will not be happy." (German interviewee – German-US acquired firm #4)*

There are also moments in an organisation's life where it suddenly comes into greater contact with other cultures. One such occasion is during and after cross-border mergers and acquisitions. The post-deal integration period is one in which an increased amount of intercultural encounters take place. The integration strategy adopted will dictate the degree of integration or independence of the acquired firm's operations into the buying firm. Where integration is sought, the post-deal integration activities will bring together staff from various functions, including finance, accounting, sales and marketing, or engineering. Moreover, expatriate managers or experts might be sent in to support the site's integration into the new parent firm. Hence intercultural encounters are likely to abound. A company's internationalisation process (often spurred by an acquisition) is another example of a situation wherein intercultural encounters increase. It is especially the case with small local companies that begin to expand abroad either independently or spurred by an acquisition. Often, the domestic position has created a blindness and pride that translates into a difficulty of understanding and accepting that other markets might operate differently. Exposed to new market requirements and different selling processes across countries, they, as a product supplier, need to adapt. This requires an increase in intercultural sensitivity. A third example relates to situations of knowledge transfer, e.g. technology transfer, when experts from other locations come to a foreign location to teach staff about a technology. In these instances, R&D engineers or factory workers get the opportunity of working with foreign colleagues.

> **Example of German-US acquisition.** *"Now, we need to see the company as a global company, thus our mindset has to change. Our market is no longer Germany, but the world. We have grown from a small to a more important player. This requires a change of mindset. So, we need to start to cooperate with new colleagues and to work with our area managers." (German interviewee – German-US acquired firm #4)*
>
> *"There was a certain self-centredness in the German unit, as they were used to working on one product only. It was new to them that they had to start thinking internationally." (Interviewee – buying firm B)*
>
> *"We had to learn how to understand foreign markets, that the Italian, French, Asian, German markets are all different." (German interviewee – German-US acquired firm #4)*

To conclude, organisations, depending on their industry and market characteristics but also depending on the ways they have opted to organise themselves, exhibit intercultural interfaces of varying importance. The concept of interfaces enables the prediction of the location of intercultural encounters, instead of viewing global organisations as constant melting pots of different cultures. Indeed, direct intercultural contact does not take place at random.

Finding 9: The impact of behavioural differences in national cultures on intercultural encounters depends on the amount of *intercultural interfaces* in the buying firm.

5.2.4   Systemic dimensions of national cultures

In addition to behavioural manifestations, differences in national cultures were also found to have systemic manifestations that impact cross-border acquisitions.[125] These were identified with regard to the competitive, customer, industry, organisational, and legislative characteristics of the studied countries, Figure 21:

Definition 7d: *Systemic manifestations* of national cultures relate to differences in the prevailing competitive, customer relationship, industry, organisational, and legislative characteristics in a country.
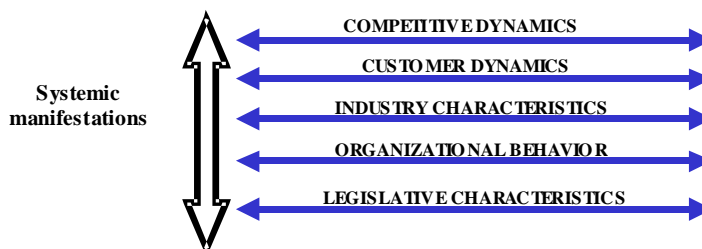

Figure 21. Systemic dimensions of differences in national cultures.

Beginning with *competitive characteristics*, countries were found to differ in the dynamics of inter-firm competition, and the threshold to copy competitors. In some countries, competition is fierce, and it is typical to copy competitors, whilst in other countries this happens less. This has consequences for a firm that enters a new market by acquiring a foreign company, or has itself been bought by a parent firm that aims to internationalise the firm's product offering. In order to successfully compete against local competitors, a firm will need to account for the different nature of the competition than that which it faces on its home market, Table 47.

Successful international sales also means understanding that *customer relationship characteristics* can differ across countries in terms of what customers value in a service or a product, and in terms of what is the typical sales process. Consequently, firms acquiring foreign firms need to realise the difference in customer relationship characteristics at play in other countries, if they want to succeed on those markets. This same holds for domestic firms acquired with the aim of internationalising them. Moreover, in most countries, customers typically tend to prefer local suppliers to foreign ones.[126] This challenges a company's internationalisation process, explaining why companies might not reach the same results

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[125] This reflects the work in the field of institutional theories (e.g. Davis and North 1970, Porter 1990, DiMaggio and Powell 1991, Whitley 1992, Biggart and Guillen 1999, Evans and Rauch 1999, Peng 2000) in that countries' institutional environments affect the locally prevailing market dynamics as well as the behaviour of firms in those countries. In the field of M&A, the focus has been more on the differences in management styles across countries, often using Hofstede's (1980, 2001) findings, rather than at looking at systemic differences in country characteristics and their effect on the challenge of acquiring across borders.

[126] Based on the work of Mazzolini (1974), Olie (1990) referred to the presence of nationalism in the success of international mergers.

abroad as they have done domestically, where they enjoy the 'domestic' label at the expense of their foreign competitors.

A third systemic manifestation is related to an *industry's relative priority* and importance per country. Countries tend to favour those industrial sectors that are most critical to their economic strength. Hence, in a foreign market, a firm used to being in a top position in its home market might be surprised at not enjoying the same position abroad, and hence not being able to reap the same benefits from this position. This can have consequences e.g. on the firm's ability to attract top talent. *Organisational characteristics* also differ, as regards compensation structures or the employees' relationship to company intellectual property. This means that when acquiring abroad, buying firms need to consider whether they will amend their compensation structures to fit local needs. As regards company intellectual property, buying firms need to beware that the importance of company intellectual property differs from one country to another. Hence, the standards that work in their home country might be too tight or not tight enough in other country settings. Firms seemed to struggle with the ultimate 'balance' herein – whether to adapt to every market or globalise one's ways of working.

Finally, *legislative characteristics* showed differences across countries as regards the importance of legislation and the use of lawsuits, whether written or verbal contracts are used, and the significance of patenting to a firm's technical success. In the studied acquisitions, this difference was especially marked when comparing the Finnish and US country settings. Subsequently, Finnish firms operating in the US market were at times surprised by the behaviours of their US counterparts, traceable to different legislative characteristics prevailing in that country. In a similar way, some US employees of a studied Finnish buying firm were surprised at the firm's laxity as regards taking issues to court.

In sum, systemic manifestations of cultural differences provide a further dimension of challenge when acquiring a firm abroad. The buying firm needs to be aware of possible differences in ways of operating in a foreign country and on a foreign market, instead of expecting each country's ways to be similar to and resemble its own. Likewise, formerly domestic firms acquired for the purpose of internationalising their product offering are especially prone to the systemic challenges introduced above. Indeed, it often takes years of experience before firms start to unearth the logic required to succeed in a new country and hence are able to (somehow) deal with the systemic dimensions of cultural differences in that country. However, unless they are accounted for, such systemic differences can hamper the parent and acquired firms' profitability and foreign sales potential. Moreover, they can make the parent firm's foreign operations more challenging than they would need to be.

Table 47. Systemic manifestations of differences in national cultures.

Systemic manifestations of differences in national cultures

1) Competitive characteristics	
Differences in competitive dynamics	**Example of US multi-site acquisition.** *"The mistake has been not to understand the North-American market: The markets are very different, but the Finns need to understand these differences. Here, there is more competition, the markets are more mature, and they have been around longer, hence there is more competition and customers take more risks to make money."* (Interviewee – acquired American multi-site firm #8)
Threshold to copy competitors	**Example of Finnish acquisition.** *"Many of the ideas of the Finnish acquired firm were theirs. Today, their concept has been copied by most of our competitors in Europe and the US."* (Interviewee – acquired Finnish firm #6)
	"In the US, competitors are very fast at copying you." (Interviewee – acquired Finnish firm #6)
	"One of our sales engineers left our company and set up a competing company. If he were infringing on a patent, it would be easier to catch him. But we do not have patents. The threshold to set up a business in the US is very low." (Interviewee – acquired Finnish firm #6)

2) Customer relationship characteristics	
Differences in what is valued in a product / service	**Example of German-US acquisition.** *"There are different sales approaches per country. Different arguments are used, different models of the product are used depending on the application. Also competitive and price dynamics differ."* (Interviewee – buying firm B)
	"Their engineers and product support staff had had difficulties to understand that some markets have a different perception of the product's quality than the Germans do. This has been difficult for the staff to understand – that things that they held to be important are not as important in other markets." (Interviewee – buying firm B)
	Example of French site's acquisition. *"Here, the markets are different from the Nordic countries. The products look different, and the customers use many different manufacturers. Thus, it would be important for our Finnish designers to visit our foreign sites so that they would understand the different market requirements and products available. Currently, they easily answer 'impossible', if asked for slight product changes. Changing sites is an eye-opening experience."* (Interviewee – buying firm D)
	Example of US multi-site acquisition. *"In this sector, North America has long been a high cost market, the focus has been on cost cutting, and there has been little investment in the equipment base, as a lot of manufacturing has been moved to lower cost countries. Currently, customers are in a cost-cutting mode ..."* (Interviewee – acquired American multi-site firm #8)
Sales process: amount and type of contact expected by customer	**Example of German-US acquisition.** *"The way that the product is sold differs per country. It took a while before the Germans understood this, that the selling process can be different from what they have been used to in the domestic market."* (Interviewee – buying firm B)
	Example of US multi-site acquisition. *"In the US, the sales process depends on face-to-face contact: the customer expects a lot from you; you call them, and then visit them. The customers need conversations; emails (like it seems to be done in Finland) are not enough; the customer will choose the supplier that supports them best. The US is a very competitive environment, where you need to work a lot to get customer orders, they do not just come; if you want to grow and expand in the USA; you need to work on it."* (Interviewee – acquired American multi-site firm #8)
	"The US market requires a lot more activity than the European market does. Especially in the current market conditions." (Interviewee – acquired American multi-site firm #8)
Domestic suppliers preferred over foreign suppliers	**Example of Finnish acquisition.** *"Domestic sales are easier than international ones as we are a domestic supplier, and customers favour the domestic option."* (Interviewee – acquired Finnish firm #6)
	"The business culture in this industry relies a lot on Who You Know and how you have worked with your customers in the past, rather than looking only at the bill. Given that we had a good reputation and sound relationships with locals in our customer sites, we had helped them with their production problems, they 'owed us' the favour of buying our products. In such a situation, the foreign competitor stands no chance." (Interviewee – acquired Finnish firm #6)
	Example of US multi-site acquisition. *"Patriotism is high – Koreans buy Korean, Germans buy German, the French buy French..."* (Interviewee – buying firm D)

Table 47 continued. Systemic manifestations of differences in national cultures

	"Patriotism is also strong in the US. It is important to buy local brands." (Interviewee – buying firm D)
	"There is a strong sense of nationalism in the US, e.g. in terms of whether products are made in the USA." (Interviewee – buying firm D)

3) Industry characteristics

The industry's importance in the country	**Comparing Finland and the US.** *"The industry we work in has a different status in the US and Finland. That has an impact on the way we are perceived as a potential employer." (Interviewee – buying firm D)*

4) Organisational characteristics

Compensation structures	**Experiences from a Finno-US multi-site acquisition.** *"We haven't adapted to the US sales approach, which is based on commission. We work on a monthly salary. This does not work in the US. Currently, we have several sales positions open. With this salary policy, we cannot get competitive staff to work for us." (Interviewee – buying firm D)*
Relationship to company intellectual property	**Example of US multi-site acquisition.** *"As employees were fired by the former parent in the pre-deal phase, imagine what this means in terms of material losses. There is a CYA (Cover Your Ass) mentality in the US, i.e. people took a lot of material with them, making their own archives, so that they could ensure their next jobs. A lot of information was burned on CDs. Thus, a lot of intellectual property leaked out prior to the deal." (Interviewee – buying firm D)*
	"In the pre-deal era, there was uncertainty as to which buying firm was going to win. Lots of intellectual property (e.g. boxes of film cards, disks) were carried out daily, copied or disappeared. We would see the daily erosion of intellectual property." (Interviewee – acquired American multi-site firm #8)
	"As a lot of material was available electronically, what you saw in those months was a huge amount of intellectual property being taken out of the door, through electric lines, and on CDs. As a result, a number of pirate competitors have been set up, but it is difficult to prove that they use our drawings." (Interviewee – buying firm D)

5) Legislative characteristics

Importance of legislation and use of lawsuits	**Example of US multi-site acquisition.** *"The American culture is lawyer-centreed, in all things, you easily involve a lawyer." (Interviewee – buying firm D)*
	"Our American competitor used to sue us for all kinds of matters, and that actually creates the feeling of being mortal enemies" (Interviewee – buying firm D)
Written vs. verbal trust	**Example of US multi-site acquisition.** *"In Finland, we are very flexible in contract negotiations, we often base contracts on mutual trust in addition to the deal itself. We still prefer to trust the person than the deal. In the US, the use of contracts is very important. There is always a lawyer helping you." (Interviewee – buying firm D)*
	"American contracts are very long and extremely detailed, not leaving anything open to interpretation. And still in parallel, they do try to leave in aspects that are open to interpretation, that they can come back to later. Cooperation is not based on mutual understanding. Rather, both sides admit to 'being criminals', whilst being on good terms together." (Interviewee – buying firm D)
Approach to patenting	**Example of US multi-site acquisition.** *"In the past, we used to be very passive with regard to protecting our intellectual property. We were strong at patenting, but we were not a consciously patenting firm, whereas our US competitor was strong at strategic patenting. They focused their patents in certain areas and thus were able to make it look like the patents had been infringed. Our view of patenting and its use was more a layman's view." (Interviewee – buying firm D)*

5.2.5 *Working successfully across cultures and countries*

Example of French site's acquisition. *"Openness, taking others into account, as well as respect are behaviours that help when you are dealing with people from other cultures. We are all human beings, and each one of us is different." (Interviewee – buying firm D)*

The analysis of the studied acquisitions enabled the identification of the characteristics of successful or unsuccessful means of dealing with differences in national cultures during

cross-border acquisitions. Despite the international experience and global reach of many of the studied buying firms, the findings showed that differences in national cultures, be they traceable to behavioural or systemic dimensions, tend to be *overlooked* in the management of international operations. The focus in this chapter is on understanding how to deal with the national cultural challenge[127, 128] in 1) the management of cross-border acquisitions, 2) capturing the potential in international sales through cross-border acquisitions, and 3) whether and how prior intercultural experience helps in these endeavours.

Taking behavioural differences in national cultures into account when acquiring abroad

> **Example of British unit's acquisition.** *"If the buying firm is building on people, they are also building on cultures. Thus, cultural understanding should be of greater importance. If there is tension, there is potential to utilise the energy that stems from cultural differences." (Interviewee - British acquired unit #3)*

The extent to which differences in national cultures were recognised explained negative experiences, misunderstandings, and slower post-acquisition integration. Indeed, in the studied acquisitions, a common approach to cultural differences was a seemingly negligent one, wherein the presence of national cultures was not actively accounted for. Their influence might be noticed after years of mutual cooperation. In the meantime, they had caused misunderstandings, and led to behaviour being interpreted as 'deviant' on both sides. In such situations, differences in national cultures were allowed to become *silent negative forces* causing misunderstandings owing to different expectations on both sides. Rare were the exemplary situations wherein both sides would attempt to understand the impact of national cultures on their own behaviour and management style, try to foresee and address the impact that differences in national cultures might have in the cross-border acquisition process, and mutually attempt to *understand the other party*.

> **Example of British unit's acquisition.** *"Our cultural differences were discovered one by one. The initial assumption in the integration had been that the Finnish and English cultures are similar and then we realised to our surprise that they were not." (Interviewee – buying firm A)*
>
> *"The cultural difference was an unknown, unexpected complication, realised only after the first six months of working together." (Interviewee - British acquired unit #3)*
>
> *"Slowly, senior managers realised this difference. It was a gradual process. The topic began appearing in discussions and meetings. Later, we organised sessions on Finnish culture. But it was too late. There would have been a greater benefit to organising them earlier." (Interviewee - British acquired unit #3)*
>
> **Example of French multi-site acquisition.** *"The Finns and French, we are very different. However, our differences should be a means of uniting us instead of dividing us. Differences should carry a positive message. If differences are not accounted and cared for, they start carrying a negative stigma and are perceived as being something negative." (Interviewee – acquired French multi-site firm #5)*

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[127] Literature in cross-cultural management has addressed the management of cultural differences (e.g. Ronen 1986, Adler 1991, Hoecklin 1993, Schneider and Barsoux 1997, Hofstede 2001). The underlying message centres on the need to see the impact that one's cultural heritage has on one's own (e.g. O'Neil 1991) and others' thinking and attempt to utilise instead of minimise or avoid the presence of cultural differences.

[128] Given the lack of research on cross-border M&A, there is little research on the managerial *means of dealing with differences in national cultures* other than the need for a national culture compatible integration strategy (Morosini and Singh 1994, Forstmann 1998, Morosini 1998) and the need for pragmatic cross-cultural execution skills (Morosini 1998). The findings presented throughout this chapter are a contribution to this stream of research.

Example of French site's acquisition. *"During our cohabitation, we have never discussed the issue of differences between the French and Finnish cultures openly. In practice, we have lived cultural differences through cohabitation and through difficult times and misunderstandings. If we could have talked about our differences, it would have avoided the wrong interpretations." (Interviewee – acquired French unit #7)*

"We have encountered several situations of wrong interpretations that have then never been debriefed, though there was a cultural difference behind them. Afterward, we might have separated with mixed feelings on both sides, whereas had we confronted these differences openly (as we talk of technology or finances), it would have eased our mutual understanding. But we do not talk openly of culture." (Interviewee – acquired French unit #7)

"Misunderstandings occur often at the level of middle management (and below), e.g. if Finnish experts are on visits here. Whilst they are here, they do not say anything, so we think that everything is ok. They leave and three days later, there is an email, copied to many people saying that this and this and this does not work in the French unit, and they 'strongly advise something'. We feel bad about this, we feel hurt. Our managers have difficulties understanding this. After such an experience, they have difficulty trusting Finns, as they feel that the Finns had lied to them whilst being here, why else would they act in this way?" (Interviewee – acquired French unit #7)

Ultimately, such an approach did not matter as much in instances in which the two organisations were culturally similar, as was the case in the Danish acquisition. Despite some cultural differences, the fact that they were not taken into account throughout the acquisition did not matter because the countries shared similarities on many dimensions. Thus, differences in national cultures almost became an invisible support factor behind the integration. Hence, it needs to be noted that differences in national cultures are especially acute as regards those dimensions along which two countries differ.

Example of Danish unit's acquisition. *"Compared to other integration projects, the organisation of this one was too loose. Here this type of integration worked as we were a well-functioning unit. With small input, we could change our direction. We are used to little external input. E.g. In the UK, or Germany, there is a need for more steering and specification." (Interviewee - Danish acquired unit #1)*

Instead of the parties being unable to identify the presence of differences in national cultures, what seemed to be at stake was the recognised difficulty of addressing a topic as implicit and complex as that of national cultures. Indeed, taking up the topic would mean having to understand one's own cultural programming, wanting to understand the other party's culture, and being able to facilitate the ensuing discussion. This can explain why one buying firm said that throughout the years of working together, no-one dared to take up the topic, preferring to revert to politeness and diplomacy instead of dealing with the challenge itself. Interestingly, as the quotes from the French site's acquisition below illustrate, based on their experience with American and Finnish parent firms, the parent firms' inability to tackle the topic of national cultures was traced to different reasons. The American parent firms did not seem to see an issue with culture, given the dominance of one American culture in the US. In contrast, with their European counterparts, the challenge of addressing the topic was eased only after years of working together onsite with colleagues. In other words, tackling the topic of differences in national cultures seems to require a secure comfort zone.

Example of French multi-site acquisition. *"The problem caused by cultural differences is that the opportunities and synergies available are left unused, as people are afraid of possible cultural accidents or culture shocks, misunderstandings, fights, they are afraid of new things, changes, negative feelings*

and experiences. Often, when working with foreign cultures, people take an overly-polite approach, and as a result, the team does not truly work together.” (Interviewee – buying firm C)

Example of French site's acquisition. *“With our American parent firm, we did not talk about cultural differences either. I think this was for different reasons. For the Americans, culture means language and currency; there was a refusal to see and accept cultural differences as they see that there is only one culture, which is the American culture. In contrast, the Finns do not refuse cultural differences, but I think it is owing to their timidity that they have a difficulty in approaching culture, in talking about it.*

We can talk of these themes with some more open Finns, but not with the more reserved, silent ones. It would be good to talk these matters through. We have been able to discuss these with hindsight with our expatriates, 2-3 years after they had adapted to our site and culture, and understood us. Then, we talked about these matters and could laugh together about them. This was possible as we sat physically on the same site, whereas with other Finns, with whom we are in a virtual contact, it is more difficult to talk about culture. We should be able to make culture into a dimension of management in global organisations.” (Interviewee – acquired French unit #7)

Moreover, the analysis of the studied acquisitions showed that parent firms are generally unaware of the cultural roots of their organisational behaviours and management styles. Indeed, it was rare that buying firms utilised the inherent diversity of behaviours available within its organisation.[129] Instead, unwillingly and unconsciously, many of the buying firms were implementing a uni-cultural 'our way is the best way' approach across their foreign operations, expecting behaviour similar to their home country from their foreign locations. This was done seemingly out of a lack of appreciation to the cultural dynamics at play. This is exemplified in the quotes below that relate the experiences of the French multi-site acquisition with its Finnish parent firm, as well as the French site's previous experience with its American owners.

Example of French multi-site acquisition. *“The buying firm seeks 'one organisational culture'. However, it has difficulties to integrate cultural differences. In essence, it wants all its sites to resemble their typical Finnish sites. They would like us to have a Finnish mentality of 'yes, manager', i.e. just as Finnish sites obey orders.” (Interviewee – acquired French multi-site firm #5)*

“.. this everyday practice that we see is in stark contrast to the official values and practices of the Group, where we talk of 'respect for the individual'. In practice, this translates to 'respect for the Finns'. There is a contradiction. These slogans do not live in practice.” (Interviewee – acquired French multi-site firm #5)

“Their not understanding the French and wanting them to adapt to the Finnish way is not in line with the company policy, which states that 'all are equal, we respect one another, we are a transparent company'. This is what is said, but the reality behind it is different. E.g. with regard to transparency: is there really transparency?” (Interviewee – acquired French multi-site firm #5)

“An example is the French legislation: the Finns would almost like to change it to become Finnish legislation. E.g. one Finn asked on the phone 'what is this law?' (e.g. with regard to how investments are included in taxation at the end of the year). There was incomprehension of the French law. He said 'in Finland we do it this way, why do you do it another way? From what I have heard, give me one reason why we should invest more in France!' ” (Interviewee – acquired French multi-site firm #5)

“We have not been integrated into the parent firm. There is not a strong feeling of belonging to a group. We have not been provided with the opportunity to integrate into this group. If a few French managers had been better integrated into higher managerial positions, it would have helped. With this approach, the company does not utilise the cultural richness it could have access to.” (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *“Both our former American parent firms were arrogant in their approach. They were paternalistic and 'protective' of their knowledge, and they were doing well financially, so they could take the attitude that 'we have proven our success recipe in North-America, so*

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[129] This contradicts the finding of Larsson and Risberg (1998), who argued that greater cultural awareness explains the better success of cross-border vs. domestic M&A.

it will work in Europe', so they just applied their model as such to Europe." (Interviewee – acquired French unit #7)

"Our previous American owner wanted us to adopt their way of doing, they wanted us to work they way they did. To make profits, you needed to follow the American model." (Interviewee – acquired French unit #7)

"The American approach is that 'in the US, we are the best, if the product works one way it is enough and we do not care about the 50 other ways in which it does not work, it works and we are very proud of it', so they are sure of themselves." (Interviewee – acquired French unit #7)

"American managers came here with their grandiose ideas, as American companies do, e.g. they made a small speech, wearing the company hat and then left. This did not work with staff here, it was a failure." (Interviewee – acquired French unit #7)

Such behaviour was noticeable in that parent firms would not attempt to adapt their management style to foreign acquired units, even if only for a medium-term, to enable the latter to understand and adopt the managerial logic of the parent firm. This meant that some acquired firms were allowed to under perform, if the parent firm's management style did not enable getting the best out of the foreign location. Indeed, as the quotes below point out, buying firms need to adapt their management style to fit the needs of foreign acquired units instead of expecting the latter to immediately conform to new ways of behaving. Subsequently, one can wonder why acquire a firm abroad if the buying firm is not willing to understand the foreign acquired firm's mentality, partially adapt its managerial approach to get the best out of the firm, or gradually coach the firm toward a change?

Example of British unit's acquisition. *"The parent firm is not taking an interest in studying cultures; thus it is not imposing itself strongly enough compared to the needs of local culture. The management culture should be changed to suit the local culture's needs to get the most out of local staff. Now, nothing is done to reach the expectations of the parent firm." (Interviewee - British acquired unit #3)*

"The parent firm's gentle approach, giving us independence, patience, our own pace, persuasion –was not strict enough in its expectations. English engineers need to be strongly led, they need strong leadership and hierarchy; otherwise they do their own things and not always in the best way, e.g going down to the pub, taking a 9-5 mentality." (Interviewee - British acquired unit #3)

"You need to adapt to local values; you cannot expect behaviour that is too different from national culture's values!" (Interviewee - British acquired unit #3)

Example of French multi-site acquisition. *"The Finns do not understand foreigners, they do not understand the French. They cannot change the French. Instead, they should try to utilise cultural differences. I, as a Frenchman, cannot become Finnish." (Interviewee – acquired French multi-site firm #5)*

"In a foreign country, you cannot impose your way, you can only adapt to the local conditions, and then you can get excellent results from the French. Once you know the local way, you can get excellent results in France." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"The French do not respect 'soft management'. A manager that does not speak out on things is not a leader. And also a leader that does not know everything is not a leader. The starting point is that the leader has all the power and he knows everything. This means that if you are a CEO, you need to be decisive. And that is not the typical style for Nordics, thus not all Nordics are at ease with this. In France, you need to be decisive. Otherwise they eat you. Like small children, they try to find out where the limit is." (Interviewee – buying firm D)*

Example of US multi-site acquisition. *"In Finland, we use a more team-oriented management style, where with half a word you get things done. In the US, you need a direct approach, where the leader decides, staff do not have the willingness to make decisions. In the US, unless you give a direct order and provide a strict schedule, follow-up, and kick them, nothing happens." (Interviewee – buying firm D)*

This at worst led to situations in which foreign locations that did not conform to the parent firm's home country management style were being labeled as 'difficult' and 'deviant'. This

generally resulted from a lack of discussion about the cultural lenses through which both sides were interpreting one another's behaviours. As long as both sides keep to their view of the world, assuming theirs to be the 'correct' one, misbehaving parties can always be termed 'deviant'.

Often, at the core of the non-conformity, was a lack of understanding of the cultural roots of both sides' behaviour. They believe they are behaving 'correctly', 'following good managerial practices', 'following the firm's typical behaviour' without realising what kinds of cultural forces these are endowed with. This reflects a perception of the operational and managerial logic of a multinational as being 'culture-free', as though it were guided by a universal logic. The danger with the view is that it does not account for the ways in which one's own behaviour is cornered by one's cultural background, and thus does not enable getting the best out of the firm's foreign operations. Such buying firms behaved ethnocentrically, expecting their behaviours and management styles to be universal.[130] Again, the question can be raised, do today's global organisations realise the extent to which their behaviours and management styles are culturally rooted in the country of their origin – and do they realise the challenge that this poses when acquiring abroad?

> **Example of French multi-site acquisition.** *"This acquisition has been a French tragedy. Owing to cultural differences and a lack of understanding of the French, the significance of French operations in the parent firm's future has been overlooked." (Interviewee – acquired French multi-site firm #5)*
>
> *"The buying firm has not recognised that each culture has certain capabilities. One has to respect them, to utilise them. With its current approach, the company is undermining its opportunity to enjoy the opportunities brought by diversity, e.g. by making the top management team almost entirely Finnish." (Interviewee – acquired French multi-site firm #5)*
>
> *"The French want to discuss, always. This is part of French culture, we cannot change it, it is part of the mentality here. The top management's task should be to know how to utilise differences, instead of trying to put every country into the same mould." (Interviewee – acquired French multi-site firm #5)*

Instances where the presence of differences in national cultures had been acknowledged and discussed openly were acclaimed.[131] Indeed, if the buying firm was able to explain its behaviour and the cultural roots of the changes it was implementing, the acquired firm had an easier time accepting the changes and adapting to them. This was what happened in the studied German-US acquisition, where the integration manager explained the behaviours required in the new parent firm. This was well accepted by the acquired firm managers, who

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[130] The history of the word can be traced back to Summer's work *Folkways* (1906) (Cuche 2001). Ethnocentrism means that a person believes that one's own group's way of living is better than another's. The term originated in anthropology, where it is both an aspect to consider when doing ethnographic research and a means of delineating one's approach to other cultures: is it ethnocentric or a culturally relativistic one (Keesing 1981, Schultz and Lavenda 2001)? Thereon, it has become a key variable in the work of cross-cultural psychologists, whose aim is to avoid an ethnocentric bias to psychology research (Jahoda 1982) and in whose work the term occupies a central position (Segall et al. 1999). For a review of the term, see Triandis (1990) and Hofstede (2001). The term has also been transferred into international management research (Ronen 1986, Adler 1991, Schneider and Barsoux 1997, Hofstede 2001, Alvesson 2002).

[131] In Morosini's (1998) terms, such firms had aligned their execution skills with the needs of the target country.

were in turn then better equipped to explain the logic to their employees. Subsequently, post-acquisition change progressed rather smoothly.

> **Example of German-US acquisition.** *"At the beginning I did not realise that I had to explicitly tell the German staff that they need not pass all information via a manager, that the tradition in our company is for employees to directly work together. I explained this time after time, e.g. with a manager, then an assistant, .."* (Interviewee – buying firm B)

> *"The integration leader was often in discussion rounds, in meetings with us. We had a lot of feedback discussions afterwards, which was good and not good, because our tone here used to be much harder. He tried to explain the values, as we could not handle a value like 'human touch', it was very strange to us and he explained it. It was in contrast with our culture, where if someone talks, you give a very short answer."* (German interviewee – German-US acquired firm #4)

> *"We had nights of talks with the Finnish managers .. we talked about management behaviour, common goals, cultural behaviour, all these things that you care about when you work in a company, you discuss about your problems and they listen, they try to help, they give you advice."* (German interviewee – German-US acquired firm #4)

> *"I think the main means of driving change was personal talks at both managerial and blue-collar levels. The Finnish integration leader went around in the workshop and talked to people in the workshop. These talks concerned everything. He was around when we discussed special problems with blue-collar workers, he was a part of the discussion. He was able to come in and he was not a disturbing factor, he was in the team, everyone said what they had to say and everybody liked the way he managed .."* (German interviewee – German-US acquired firm #4)

> *"We held a few sessions at the managerial level and told them of our management philosophy. We explained, for example, that during the former owner's times, no attention to quality was made given that he was not interested in growth. As we, the current owner, are interested in growth, this requires a mindset focused on improvements, e.g. in terms of quality."* (Interviewee – buying firm B)

However, if the buying firm failed to do so, the acquired firm's foreign employees were left to question the buying firm's ways of managing and operating, some of which seemed foreign to them. This is exemplified in the quotes below from the British and German units' acquisitions.

> **Example of British unit's acquisition.** *"The Finns accept a degree of uncertainty, they are in line with it. English staff need structure, they have an expectation of hierarchy, i.e. it is strange to have lunch with the company's president. So the parent firm could have sold itself better, explained the positive side of informality and management visibility."* (Interviewee - British acquired unit #3)

> *"The main challenge of the integration related to cultural differences. Our mindsets had to be changed. The parent firm's way seems obvious for Finns. But it is not obvious for UK staff!"* (Interviewee - British acquired unit #3)

> **Example of German unit's acquisition.** *"How to understand the parent firm's values? The buying firm managers are blind to explaining them, as they live by these values. Our challenge is to correctly understand the values: the right boundaries of freedom and individual responsibility have to be learnt. E.g. can engineers take a decision in front of managers?"* (Interviewee - German acquired unit #2)

To this end, the importance of taking differences in national cultures into account throughout the planning and management of cross-border acquisitions was highlighted.

> **Example of British unit's acquisition.** *"You need to prepare an integration plan recognising cultural differences, addressing them, trying to find ways of being more proactive, not waiting until something happens."* (Interviewee - British acquired unit #3)

> *"The real challenge has been: how to recognise, harmonise, compensate for cultural differences. Honest answer: the thing that we would do differently next time is have more sensitivity to human issues."* (Interviewee - British acquired unit #3)

> *"The further away from your own country you make the acquisition, the less you can underestimate the power of cultural differences."* (Interviewee - British acquired unit #3)

> **Example of French site's acquisition.** *"We have had some small clashes, and consequently have tried to see why this happened and what can we do in the future to avoid the same happening again, what is*

our joint way of working together. In this way, this has been an ongoing learning experience. Often, each side has taken certain things as being natural, not realising that they are not typical behaviour for the other party." (Interviewee – acquired French unit #7)

Dealing with systemic differences in national cultures in international sales

The analysis of the studied acquisitions further pointed to the need to also account for the systemic dimensions of differences in national cultures to utilise the potential inherent in international sales. This applies as much to buying a domestic player to transform it into an international one, but also with cross-border acquisitions where the aim is to use the acquisition to penetrate new markets. In sum, firms need to adapt their sales approach to the needs of their respective foreign markets and customers.

As long as the firms involved did not realise that they needed to adapt their approach to foreign markets, they did not reach outstanding results, and were losing customers to competitors. This was the case of acquired domestic firms having to learn an international mindset, as happened to the acquired German and Finnish firms, both of which had been largely domestic players until the acquisition.

> **Example of German-US acquisition.** *"Now, we needed to see the company as a global company, thus our mindset had to change. Our market is no longer Germany, but the world. We have grown from a small to a more important player. This requires a change of mindset." (German interviewee – German-US acquired firm #4)*
>
> *"Despite their willingness to grow, it took a while before the staff understood the new requirements." (Interviewee – buying firm B)*
>
> *"They seemed to think, mistakenly, that if this is done in this way in Germany, that is how it should be done elsewhere as well. Thus, humbleness toward local conditions was missing at the beginning. In a way this is understandable, as the company used to be strong domestically." (Interviewee – buying firm B)*
>
> *"There was a certain self-centredness in the German firm as they were used to working on one product domestically. It was new to them that they had to start thinking internationally." (Interviewee – buying firm B)*
>
> *"There was a certain attitude problem. In these kinds of acquisitions, we should make sure that attitude issues do not prevent international expansion." (Interviewee – buying firm B)*
>
> *"We had to learn how to understand foreign markets, that the Italian, French, Asian, German markets are all different." (German interviewee – German-US acquired firm #4)*
>
> **Example of Finnish acquisition.** *"It is difficult at times to have our Finnish operations understand the challenge we face when operating abroad. They might not realise that we are serious in what we ask. If you have not visited e.g. the US, and have only seen Hollywood movies, you cannot have an understanding of reality here. Gradually our Finnish side is also beginning to understand that e.g. the US markets need products that compete on price." (Interviewee – buying firm D)*

More strikingly, this is also applies to buying firms operating internationally that might use a 'mono-cultural'[132] approach to their international operations and thus were not able to capture the hidden potential available in their foreign market operations. In either case, companies need to be able to shift their mindset to being able to deal in foreign environments instead of

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[132] Schneider and Barsoux (1997).

applying one's domestic model on foreign environments and wondering why it does not work.[133]

> **Example of French site's acquisition.** *"The way we as the parent firm behave toward new units is a problem. Especially, if they are foreign units, we often tend to have the attitude that 'they do not know anything', and the same goes for our domestic acquisitions, we also take an arrogant approach. We tend to think that we are much better than the rest. The company has done well domestically, so people assume that this means that we are good internationally as well." (Interviewee – buying firm D)*

> *"We, as the parent firm, should organise more exchange and rotation of staff, so that employees would realise how many different opinions of the same theme exist! They would realise that Finland is not the core of the world, though they think that way. Finns seem to have too high expectations of themselves, and looking at it from abroad, these expectations seem too high. Finns think that they can dictate to others how to do things, that their way is the only way, so they do not even need to listen to the customer. Looking at our French operations, you realise how there are many ways of solving problems, and not the solution that our Finnish units promotes. There is a need for a greater ability to listen to local differences and understand them." (Interviewee – buying firm D)*

> *"In France, the markets are different from the Nordic countries. Thus, it would be important for our Finnish designers to visit our foreign sites so that they would understand the different market requirements and products available. Currently, they easily answer 'impossible', if asked for slight product changes. Changing sites is an eye-opening experience." (Interviewee – buying firm D)*

> *"Unless we are able to listen to customer requirements across the world, we will not get sales. Customers do well without us." (Interviewee – buying firm D)*

> **Example of US multi-site acquisition.** *"For several years the product development ideas that we pushed from the US were not taken seriously in our Finnish parent firm. They did not believe us. It was quite a fight to get them to develop them. Finally, with the help of upper management we got there." (Interviewee – buying firm D)*

> *"As an organisation, we should focus more on an international outlook. Often we seem to believe that we Finns are able to conquer the world." (Interviewee – buying firm D)*

> *"In our Finnish operations, we know the product, but we do not know foreign ways of working. And we will not succeed in international sales as long as we focus only on our products. We need to focus more on country-specific product launches." (Interviewee – buying firm D)*

The impact of prior international exposure

In analysing reasons why some of the acquisitions did well despite the intercultural cross-border context of the deal, factors relating to the involved parties' prior international experience were raised. These related to the prior international or country experience of the buying and acquired firm managers, as well as the buying and acquired firms themselves, Table 48.

> **Example of French multi-site acquisition.** *"In intercultural encounters, it comes down to getting along with people. The difficulty is in reading other cultures. Unless you have experience, the signs are not visible." (Interviewee – acquired French multi-site firm #5)*

Indeed, the involved managers' prior international experience, or direct regional or country experience ensured an easier starting point, as compared to a person with hardly any international or direct country experience. The quotes in Table 48 illustrate the power that an expatriate assignment culminating in intercultural awakening and competence has on the person's mindset.

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[133] *Ways of dealing with systemic manifestations of national cultures* have not been dealt with in research on M&A. Therefore, the findings presented herein are a contribution to extant research on M&A.

Table 48. Factors easing working across cultures.

Factors easing working across cultures

1) Factors relating to the buying firm staff involved

Involved staff's international experience	**Example of US multi-site acquisition.** *"The impact of differences in national cultures depends a lot on the company's international experience as well as each person's personal international experience." (Interviewee – buying firm D)*
	"I had not lived abroad before, but in my prior work, I had to be travelling around the world most of the time. This has helped me to adjust to the new country, as I did not have a barrier to going abroad and adapting." (Interviewee – buying firm D)
	Example of French site's acquisition. *"Being an expatriate has been an illuminating experience, to see how many things depend on people and our psychology: if you have grown used to something in your country, you mirror your past." (Interviewee – buying firm D)*
	"Being on an expatriate assignment makes you more global. Your way of viewing the world changes, you attach meaning differently. It feels like blinkers have been taken away from your eyes and as though you have a larger field of vision. This has been a broadening and instructive experience." (Interviewee – buying firm D)
	"You learn that there are many different ways of doing things, not just one, as our colleagues think in Finland. You need a lot of flexibility to be able to understand others." (Interviewee – buying firm D)
	"The [expatriate] Finns onsite changed a lot in the three years they spent here, they became French. At the start, they came here to work on technology transfer, with the ideology that the Finns do it right. After some customer visits, they realised rapidly how different the customer requirements were here from the Finnish ones as regards products and markets. They realised that the products need to be adapted to local market needs." (Interviewee – acquired French unit #7)
Involved staff's country / regional experience	**Example of US multi-site acquisition.** *"It was good that we had both locals and localised Finns involved, especially having locals. As always when you come in as a foreigner, you do not know the rules. You need to be proud of what you know, but then again humble in terms of not being capable of knowing it all. It is smart to be able to get support from others and to admit to oneself that you do not know everything." (Interviewee – buying firm D)*
	"It is difficult to manage such a project in a culture or style that is atypical and abnormal to that particular country. You need to adapt and convert to the local style. In this case, some of us had been in the US for some years already, and we had local help." (Interviewee – buying firm D)

2) Factors relating to the buying firm's experience

Buying firm's country experience	**Example of US multi-site acquisition.** *"Our firm has worked in the US for a long time, so that helps." (Interviewee – buying firm D)*
Buying firm's country organisation	**Example of US multi-site acquisition.** *"The human and cultural sides are important in M&A. We had it easier, as we had an existing organisation in the region, so we were not going into a totally new environment." (Interviewee – buying firm D)*
	"What we learnt here is that it is best when the responsibility for the actual implementation of acquisition integration is handed over to the firm's existing local staff. There are many things that local residents know better than foreigners would, e.g. as regards how to operate in that country. Hopping onto the plane and coming for a few meetings and coming back, returning again .. for an acquisition is quite a risk." (Interviewee – buying firm D)

3) Factors relating to the acquired firm's previous experience

Acquired firm's international experience	**Example of Danish unit's acquisition.** *"The unit was aware of its competencies, but was not proud. We had gone through lots of learning with our previous European owner, and we had learnt to deal with multiculturalism." (Interviewee - Danish acquired unit #1)*
	Example of German unit's acquisition. *"Our unit had experience of working with different cultures and managers, in an international environment." (Interviewee - German acquired unit #2)*

Table 48 continued. Factors easing working across cultures.

> *"Our unit's management was experienced in working in an international environment. It had been owned by different parent firms for several years prior to the Finnish acquisition. Thus, the unit's management was open to new challenges and to change. It had multicultural openness." (Interviewee – German acquired unit #2)*
>
> **Example of French site's acquisition.** *"In a way it was good that they had had the experience of a foreign owner before, so they had been used to working with a non-French owner." (Interviewee – buying firm D)*
>
> *"Our previous experience of being acquired really helped us, especially our local management team in dealing with this acquisition." (Interviewee – acquired French unit #7)*

A buying firm's international, regional, or country experience also gave some advantage over firms with little international experience. However, one needs to consider the buying firm's level of international experience with care, as it can reside both at the corporate and the business unit levels. The former, however, rarely transfers into international expertise at the level of the different business units. Thus, a buying firm's intercultural experience tends to reside *at the level of individual managers* unless measures are taken to transfer this knowledge toward organisational-wide intercultural competence.

Moreover, the studied acquisitions showed that a buying firm's international experience in one country does not translate per se into the intercultural understanding of how to deal in another country. This was illustrated in the example of the studied French multi-site acquisition, where the buying firm's acquiring division had no prior experience from France, despite its otherwise extensive international exposure. In contrast, in the US multi-site acquisition studied, the buying firm's experience in the country meant that not only did Finnish top managers have personal experience from the US, but also that local managers were available to support the post-acquisition integration phase in a manner consistent with local needs. Finally, the acquired firm's and especially its management team's prior international experience of working in a global organisation and with members of other cultures will also help it in adapting to a foreign parent firm's ways of working.

To conclude, this chapter has illustrated the impact of national cultures on cross-border acquisitions, especially in situations where their presence is left unrecognised. Finding 10 summarises the analysis:

Finding 10: In cross-border acquisitions, *working across national cultures* has the following characteristics:

> **Definition 10a:** Working successfully across cultures means the acknowledgment and recognition of the presence of national cultures, a respect for and attempts to utilise cultural differences, adapting to local conditions, being able to openly discuss differences and explain the logic behind one's way of thinking.
>
> **Finding 10b:** Buying firms rarely take behavioural differences in national cultures into account when acquiring across borders as they a) do not perceive there to be any, b) do not dare or know how to tackle the issue, c) do not realise the cultural roots of their organisation's management style.
>
> **Finding 10c:** The consequence of not recognising and dealing with behavioural and systemic dimensions of differences in national cultures is that they become negative forces that hamper the flow of mutual interaction at inter-organisational interfaces, the potential of foreign subsidiaries remains untapped, and international sales suffer.

> **Finding 10d:** Individuals' or firms' prior international or direct country experience eases their dealing with international colleagues and foreign acquired / parent firms.

5.2.6 *The silent force of language*

In addition to differences in national cultures, interviewees also brought up the presence and influence of language on intercultural encounters following cross-border acquisitions, Table 49.[134]

When dealing with employees at the local level, the importance of being able to speak a joint language was emphasised as a means of establishing a mutual relationship of trust, especially in countries where the native tongue was not English. In the absence of a joint language, the progress of integration and cooperation was slowed down. This was noticeable e.g. in Finno-French acquisitions, where the managerial level spoke English, but the employees did not. As a result, these employees did not have as broad an access to the parent firm's know-how, expertise, and contact base.

Interviewees found that it easier to communicate in English with other non-native speakers than with native speakers, as both are 'equally incompetent' in the foreign language. A joint non-native language can thus provide a bridge between (otherwise distant) cultures. However, given that a lot of employees in global organisations do not speak English fluently as a foreign language, the use of a non-native corporate language (e.g. English) does create a language barrier. This is especially noticeable in roles where cross-border interaction is needed. Also, interviewees emphasised that it was more difficult to develop a relationship of mutual trust in a foreign, rather than in one's own language. Hence, getting to know new colleagues abroad would not be as easy for employees from a newly acquired firm, unless they were fluent in English. Misunderstandings can also occur, especially when speaking long-distance over the phone. Native speakers of a language were regarded as having an advantage in such organisations, as they can communicate their thoughts in a clearer way and thus promote a better image of themselves and of their work as compared to non-native speakers.

In situations where the parent firm's unofficial language, i.e. its home country language, is not the native language of the acquired firm (e.g. being acquired by a Finnish firm), a language barrier is created. Indeed, in many unofficial situations, the parent firm's home country's native speakers revert to speaking their native tongue, leading to interviewees complaining of missing out on information. At worst, this arouses suspicion and a feeling of

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[134] The importance of language in international business has been addressed (Bruce 1973, Marschan 1994, Marschan et al. 1997, Feely and Harzing 2003). However, in the M&A literature *the impact of language* has not been studied, though its importance has been referred to in passing, e.g. in work on communication following M&A (Gertsen and Söderberg 1998), by Moss-Kanter and Korn (1994), Angwin and Savill (1997), Vaara et al. (2001), and Quah and Young (2005).

being lost, as those not understanding the language cannot get a grasp of what is being said. Interviewees felt that it was more cumbersome to climb up the organisational hierarchy in such organisations. Finally, issues related to erroneous translation of documentation were brought up. If materials were available in the parent firm's local language only, this created an obstacle for foreign employees to use the material. Overall, having all corporate-wide communication materials translated into the local language, e.g. German or French, was greatly appreciated. This was seen as a sign of appreciation toward the countries the parent firm was operating in.

Table 49. Impact of language on intercultural encounters during cross-border acquisitions.

Impact of language on intercultural encounters during cross-border acquisitions	
1) Communicating with foreign acquired firm employees	
Advantage of speaking the local language with locals	**Example of German-US acquisition.** *"A key factor was that during integration, we always tried to speak German." (Interviewee – buying firm B)*
	"We spoke German with the average German employee that did not understand English. In addition, our materials had been translated into German. At least that gave them the feeling of homliness." (Interviewee – buying firm B)
	"Most of our current management team speaks German. That makes communication easier. It is easier to get inside their culture. I think it has an indirect influence and creates a feeling of belonging." (Interviewee – buying firm B)
	"Communication is made easier as most Finns who are in touch with us speak German, this makes the contact easier." (German interviewee – German-US acquired firm #4)
	Example of French site's acquisition. *"What eased our working with the unit was the fact that a lot of staff spoke German. We did not speak French and only some of their staff spoke English. Without German, we would have had no common language. Naturally, the best option would have been if one of us had have spoken French. But even with German, we were able to speak to the staff. This has meaning, to understand the language and thus also some of the culture and the region's history." (Interviewee – buying firm)*
Vs. lack of a joint language slows down the progress of cooperation	**Example of French site's acquisition.** *"Traditionally, Finnish firms have internationalised their operations through Sweden, the UK, and Germany. But in France, Finnish firms have had a very weak position. The Finnish corporate world has been afraid of France and has avoided France by going to locations that are easier in terms of language and culture." (Interviewee – buying firm D)*
	"Language barriers have slowed down the integration of organisational cultures and the creation of a common organisational identity. The French do not speak Finnish and the Finns do not speak French. It is just so much easier with an English or German person. This has made integration more difficult." (Interviewee – buying firm D)
	"An additional problem at this site is the fact that hardly any of the workers speaks English. This complicates technology transfer." (Interviewee – buying firm D)
	"The big issue with our former American and current Finnish owners has been language, as few employees are able to speak English. Also most of our documentation is in French." (Interviewee – acquired French unit #7)
2) The parent firm's official language is not the acquired firm's native language	
Bridge between countries	**Example of French site's acquisition.** *"In a sense, the fact that English is not the mother tongue of either us or the Finns eases our communication. We understand one another better and it is easier to speak English with a Finn rather than with the native American speakers." (Interviewee – acquired French unit #7)*

Table 49 continued. Impact of language on intercultural encounters during cross-border acquisitions.

Language barrier	**Example of German-US acquisition.** *"The language barrier (i.e. our bad command of English) is an essential hindrance in cross-Atlantic cooperation, especially if you do not trust the other party." (German interviewee – German-US acquired firm #4)*
	Example of German unit's acquisition. *"It is easier to make new connections and network in the new parent firm in your own language. In a foreign language, it does not give the same feeling. A foreign language is sufficient to exchange information, but not enough to convey the contextual message behind it." (Interviewee - German acquired unit #2)*
	"As a foreigner, it is more difficult to have good communication with the parent firm's managers, to read between the lines, and hence get to know them." (Interviewee – German acquired unit #2)
	"In R&D, some staff speak good English, so they can lead discussions and attend meetings. 60% of our R&D staff get along well in English." (German interviewee – German-US acquired firm #4)
Difficulty of creating a comfort zone	**Example of US multi-site acquisition.** *"In interviews, I was interviewed by Finns and an American. I had a higher comfort level as an American was present, as the Finns spoke broken English, making it harder to understand. Their expressions were not clear so the American interviewee would clarify some of the questions." (Interviewee – acquired American multi-site firm #8)*
Potential for misunderstan-dings	**Example of German-US acquisition.** *"We communicate in English between our Finnish and German locations. English is not the native language of either party. Unless we are specific enough, it happens that we run into misunderstandings." (Interviewee – buying firm B)*
	Example of French site's acquisition. *"We have difficulties in communicating with Finland, especially over technical questions on the phone. This results in misunderstandings." (Interviewee – acquired French unit #7)*
Disadvantage with regard to native speakers of the language	**Example of German-US acquisition.** *"The Americans always 'win the show' as they are better at making shows and making a good oral performance. In such a situation, we always lose." (German interviewee – German-US acquired firm #4)*

3) The parent firm's unofficial (home country) language is not the acquired firm's native language

A language barrier	**Example of French multi-site acquisition.** *"We have a language barrier: it is impossible for us to learn Finnish." (Interviewee – acquired French multi-site firm #5)*
	"The difficulty for all of us is to manage our lives in English." (Interviewee – acquired French multi-site firm #5)
	Example of French site's acquisition. *"It is more difficult to understand Finnish, thus we have a language barrier, whereas with the Americans, we could understand all that they said, as they spoke English(Interviewee – acquired French unit #7)*
Missing out on information	**Example of US multi-site acquisition.** *"Communication issues – the Finns' ability to speak English, e.g. at meetings in Finland, they would look for the right word, then ask it in Finnish, and switch back to English again. This happens in many situations, e.g. as when someone is telling a joke, they would switch to Finnish, if they cannot find the English word. So, as a non-Finn, you miss out on information. This is noticeable with Finns in Finland, the ones here are good at English." (Interviewee – acquired American multi-site firm #8)*
Feeling lost	**Example of German-US acquisition.** *"As we travelled to meetings, it was always visible, as there would be crowds speaking German, or Finnish, but if you are the only one speaking English, then you feel 'oh-oh'. This is psychological, not that you are 'lower' but that you are 'different', because you are not able to communicate, you do not even understand what is being communicated." (American interviewee – German-US acquired firm #4)*
Arousal of suspicion	**Example of US multi-site acquisition.** *"The Finns speak a language you do not understand. People are naturally suspicious of things they do not understand, that is part of human nature." (Interviewee – acquired American multi-site firm #8)*
Difficulty climbing in the hierarchy	**Example of German unit's acquisition.** *"Our business line board is Finnish. The barrier to climbing the ladder is language, as you cannot express yourself as fluently in a foreign language and establish such good connections." (Interviewee – German acquired unit #2)*

Table 49 continued. Impact of language on intercultural encounters during cross-border acquisitions.

Translation mistakes	**Example of French site's acquisition.** *"There are at times misunderstandings and translation mistakes when originally Finnish documents have first been translated to English, then to French." (Interviewee – acquired French unit #7)*
	Example of US multi-site acquisition. *"At times, with language, some things get lost in translation." (Interviewee – acquired American multi-site firm #8)*
	"Language creates a barrier, i.e. documents, print-outs might have lacked a correct translation at the start and it was hard to find someone to translate them for us." (Interviewee – acquired American multi-site firm #8)
Difficulty of using documentation	**Example of French site's acquisition.** *"At the start, clients suffered from not getting documentation in French. The French mentality is to have documentation in French. This is now improving, as we are getting documents translated into French." (Interviewee – acquired French unit #7)*
	"What is positive is that all internal public relations material is now published in French, whereas with our previous American owner, all was available only in English." (Interviewee – acquired French unit #7)
	Example of US multi-site acquisition. *"Reading e.g. product drawings is an issue owing to language." (Interviewee – acquired American multi-site firm #8)*

Summing up, this section has highlighted the impact of language as another *silent force* that has the potential to slow down the progress of mutual cooperation in the post-acquisition years. The issue is especially relevant in cross-border acquisitions, where the parties rarely share a native language. Hence, language differences further complicate the effectiveness of the inter-organisational interface between the firms. Based on this analysis, Finding 11 is advanced:

Finding 11: The presence of *language* differences impacts the progress of post-acquisition integration of cross-border acquisitions by blurring the effectiveness of the intercultural interface between the parties:

> **Finding 11a:** Buying firm managers that do not speak an acquired unit's local language have more difficulty in establishing a trusting relationship with local employees than those that do.
>
> **Finding 11b:** Working in a parent firm whose official corporate language is not the acquired firm's native tongue puts such acquired firms at a disadvantage. Moreover, it creates a language barrier, results in misunderstandings, makes it more difficult to establish a relationship of trust, and to create a comfort zone between the parties.
>
> **Finding 11c:** Working in a parent firm whose unofficial (home country) language is not the acquired firm's native tongue results in experiencing a language barrier, missing out on information, feeling lost, the arousal of suspicion toward the parent firm representatives, difficulty in climbing the hierarchy, translation issues, and difficulty in using corporate documentation.

5.2.7 Conclusions on the silent force of country differences

This chapter has focused on country differences, unearthing their manifestations and their impact mechanisms on the progress of post-acquisition integration in the context of cross-border acquisitions. Country differences were conceptualised in terms of the behavioural and systemic manifestations of differences in national cultures as well as language.

Only too often, as buying firms fail to recognise the presence and impact of differences in national cultures on cross-border acquisitions and take them into consideration, they are allowed to become *silent forces* that exert an influence upon the behaviours of both parties. The 'noise' thus created disturbs the swift progress of the acquired firm's integration into the

parent firm, causes misunderstandings in all interactions between the firms, hampers the development of a mutually trusting relationship, and ultimately harms the success of the potential for international sales through the deal. In addition, parallel language difficulties blur the communications between parties engaged in a cross-border acquisition. Ultimately, the question to raise is: why engage in cross-border acquisitions if the national culture dimensions of the deal is not accounted for? Indeed, it seems that national cultures bring a seemingly complex piece into a global organisation's puzzle. Its role therein is rarely understood, recognised, let alone appreciated. Figure 22 situates these findings onto the theoretical integrative framework developed throughout this dissertation and thereby helps to further develop the framework toward completion.
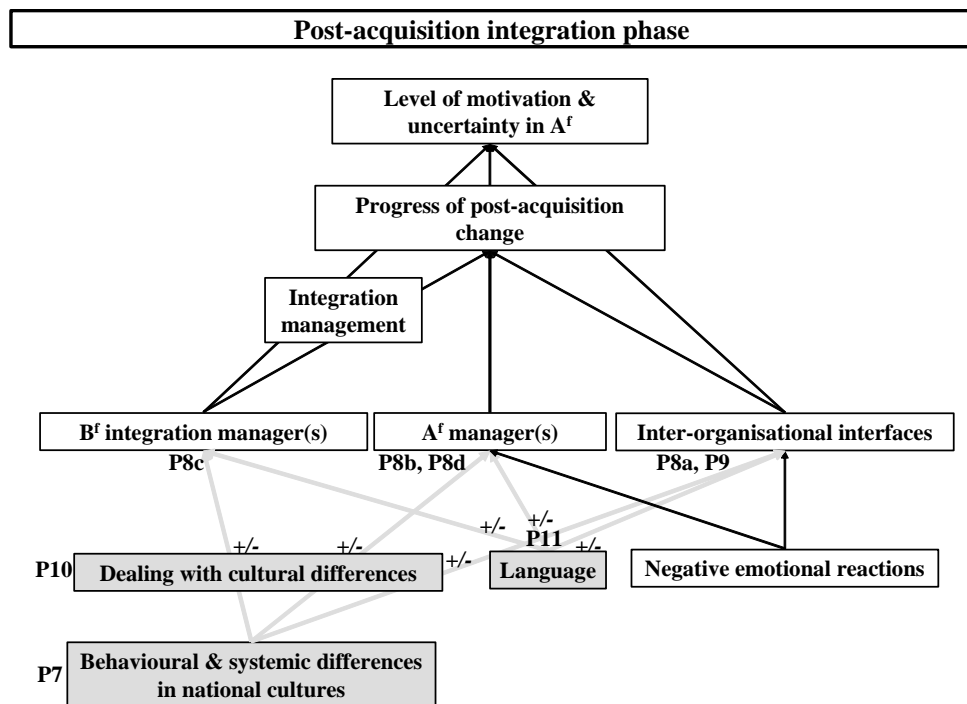

Figure 22. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on country differences and their impact on the integration process. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

5.3   The silent impact of culture on structural change

This chapter looks at the dynamics of post-acquisition change following cross-border acquisitions. To this end, the notion of 'integrative challenge' is first introduced. Thereon, the cultural dimensions of post-acquisition structural change are analysed.

5.3.1   The notion of 'integrative challenge'

As defined in Chapter 4, 'organisational fit' refers to a *static* representation of the differences between the participating firms at the time of the deal.[135] In practice, though, organisational fit was found to translate into the subsequent challenge of post-acquisition integration, that is, the '*integrative challenge*'[136] of an acquisition. Integrative challenge is defined here as the difficulty of implementing post-acquisition change in the acquired firm. In other words, it captures the likely extent and ease of implementing post-deal change. It is dictated by the post-acquisition strategy adopted by the buying firm, i.e. the target state of post-acquisition change, and the extent of inter-firm differences, i.e. organisational fit, at the time of the deal, Figure 23.[137]
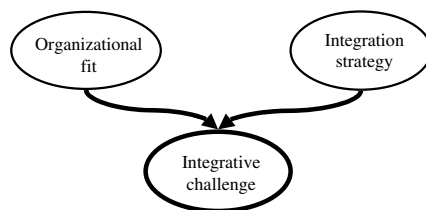

Figure 23. Defining integrative challenge.

By accounting for the adopted integration strategy, the notion of integrative challenge provides a *dynamic* perspective on the impact of organisational fit on the post-deal integration phase.[138] Based on the definition of organisational fit in Chapter 4, dimensions of integrative challenge have been represented in Figure 24 at the highest conceptual level.[139, 140] Thus, for an acquired firm, its integrative challenge in a particular acquisition is likely to depend on the extent of inter-firm structural and cultural differences at the national, corporate, unit, and

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[135] The notion of organisational fit was discussed in Chapter 4.

[136] This notion has been coined to reflect the findings of this research project and was first introduced in Teerikangas and Laamanen (2002).

[137] Extant research has confirmed that the most significant variable dictating the degree of post-acquisition change is the integration strategy adopted by the buying firm (Cartwright and Cooper 1992, David and Singh 1994, Olie 1994, Bower 2001): in other words, will the acquired unit continue on an independent basis, or will it be fully merged into the operations of the buying firm? The notion of organisational fit has also been regarded as a significant variable likely to impact the ease of post-deal integration (Datta 1991, Cartwright and Cooper 1992, Chatterjee et al. 1992, Weber 1996, Weber et al. 1996, Larsson and Finkelstein 1999).

[138] As was noted with regard to organisational fit in Chapter 4, a dynamic view on how inter-firm organisational fit manifests throughout the post-deal integration phase is lacking in extant M&A research (David and Singh 1994, Stahl and Voigt 2003). Prior research has shown that buying firms recognise the impact of (a lack of) organisational fit over time, as the firms begin working together after the deal (Greenwood et al. 1994). A dynamic perspective on organisational fit is the focus of this chapter. These findings extend present M&A research.

[139] This representation is sufficiently generic to allow for variation in the amount of inter-firm differences per buying and acquired firm dyad.

[140] As the degree of inter-firm organisational fit was found to differ depending on the level of analysis adopted, i.e. the corporate, unit, or departmental level of analysis, the resulting 'integrative challenge' can also differ from one business to another, from one unit to another, and within a unit, from one department to another. In other words, there can be several different integrative challenges at work in one acquisition.

departmental levels of analysis,[141] *and* the degree to which the acquired firm is to be integrated into the buying firm. In this way, the notion of integrative challenge translates the static representation of pre-deal organisational fit into a dynamic view of post-acquisition change, conceptualised in terms of the structural and cultural post-acquisition change processes. Based on this analysis, the following definition is advanced:

Definition 12a: The degree of organisational fit between the buying and target firms at the time of the deal, combined with the set organisational integration strategy for the post-acquisition regime, translates into the experienced 'integrative challenge' for each of the acquired firm's units. Integrative challenge reflects the degree and likely difficulty of the structural and cultural integration required to align the acquired firm's structural and cultural profiles with those of the buying firm.
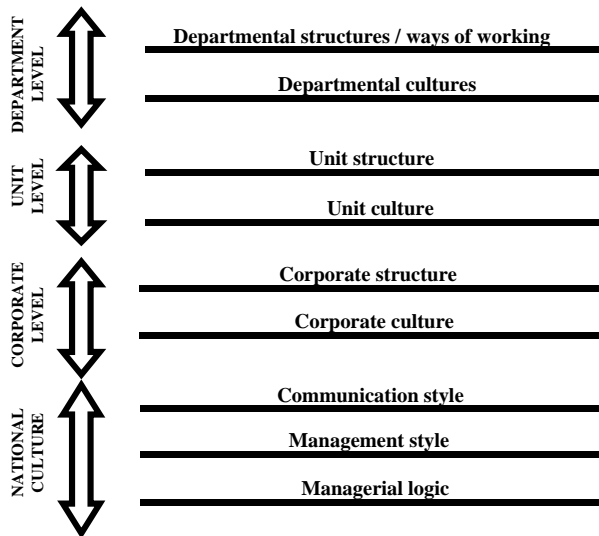

Figure 24. Conceptual dimensions of integrative challenge.

To reflect these words with an illustrative example, Figure 25 represents the profiles of an imaginary acquired and buying firm in an acquisition in which the aim is to fully integrate the acquired firm into the buying firm's operations. The discrepancies between the firms' profiles reflect the integrative challenge in that acquisition. In other words, the closer the acquired firm's profile is to the buying firm's profile, the easier the integration phase and the implementation of post-acquisition change is likely to be. Any dimension along which the two firms differ provides an arena for post-acquisition change. Unless the buying firm recognises the extent of per-dimension fit between the firms, any unrecognised dimension

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[141] Differences between the participating firms have been looked at in a similar manner, though in a shorter, one-dimensional format in Cartwright and Cooper (1992), where the organisational cultures of merging companies were compared and the impact of distant vs. similar cultures on the likely ease of integration was assessed. Here, the representation of Cartwright and Cooper (1992) has been expanded beyond the corporate level of analysis to also include inter-firm differences at national, unit, and departmental levels of analysis. This enabled, for each of the acquisitions studied, to provide an illustration of the likely areas of challenge when implementing post-acquisition change. Indeed, the challenge of post-acquisition integration cannot be reduced to the corporate level of analysis only.

will turn into a potential difficulty in the integration phase. In parallel, dimensions along which the two firms are similar are likely to be easy to integrate. They can therefore become factors that speed and support the integration work, as changes in these specific dimensions appear to take place smoothly.
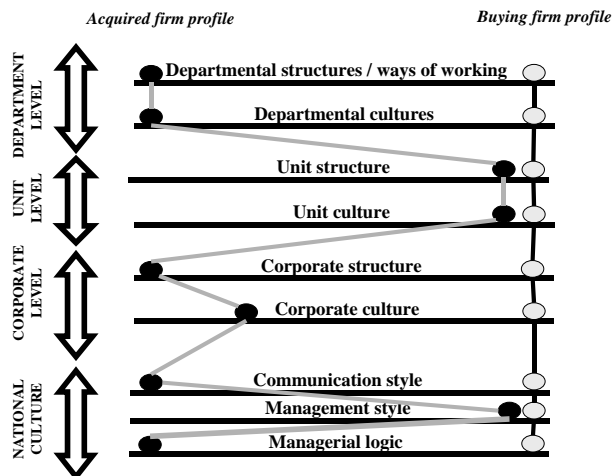

Figure 25. Illustrative profile of the integrative challenge for an acquired firm.

Interestingly, buying firms typically acknowledged only the explicit, i.e. structural, dimensions of inter-firm differences, omitting the cultural ones. Indeed, differences in departmental, unit, organisational, and national cultures tended to take months or years to recognise. For example, a production department's focus on manual vs. automated processes was easy to notice, as compared to their lack of focus on quality. However, unless the acquired firm's way of operating is understood in terms of its cultural and structural profile at national, corporate, unit, and departmental levels of analysis, the selected integration approach might not correspond to its needs. Taking an example, this ultimately resulted in the acquired British unit's longer integration time, as the means of integrating the unit followed a Finnish logic and did not match the managerial needs of the unit. It took years for the Finnish buying firm to recognise how different the management style required for the British unit was and to adapt its approach accordingly. It is thus argued that there is a need to go beyond tangible dimensions of inter-firm differences to also include intangible ones in order to understand the challenge of post-acquisition integration, i.e. including cultural differences at the departmental, unit, corporate, and national levels of analysis. By so doing, the buying firm will be equipped to adapt its integration approach to the particular needs of the acquired firm and avoid being caught by suprises in the post-acquisition integration phase that could potentially slow the progress of implementing post-acquisition change.

5.3.2   *Cultural dimensions of structural change*

The aim of this subchapter is to provide an enriched understanding of the ways in which the cultural dimensions of inter-firm differences are related to the progress of post-acquisition structural change.[142, 143, 144] Indeed, the findings suggest that underlying all post-acquisition structural change was a logic that was traceable to each firm's organisational and/or national cultural roots.[145] In other words, post-acquisition structural changes were not only structural per se, but always reflected a specific organisational and/or national culture logic. The difficulty of implementing post-acquisition structural changes seemed to stem from the fact that the existence of this underlying cultural logic was rarely recognised. As long as buying firm representatives assumed that both firms' organisational logics were 'universal' or 'culture-free', they were not able to fully appreciate the cultural challenge and cultural consequences of post-acquisition structural change for the acquired firms. In order to reflect the research findings, the influence of organisational and national cultures on the progress of post-acquisition structural change will be looked at in the context of structural changes in 1)

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[142] The relationship between culture and structure has been central in the historical development of sociology and anthropology.

[143] Support to the need to relate culture and structure can further be found in organisational research. Willmott (1997) notes, though, that the intensity of this debate is not as high as it is in sociology and anthropology. Indeed, for a large part, organisational culture has been studied separately from other organisational concepts such as structure, strategy, or leadership (Alvesson and Berg 1992, Malekzadeh and Nahavandi 1998). Yet, the interdependent nature of the culture - structure relationship has been called for by several authors (Kotter 1992, Anthony 1994, Bate 1994, Cooke 2000, Hofstede 2001) and the difficulty of separating culture from other phenomena has been highlighted (Louis 1985). Following the lines of Archer (1998) and Giddens (1984) in sociological integrative theories, Bate (1994) and Parker (2000) note that culture, structure, and agency are facets of one phenomenon, thus to talk about one is to talk about the other. However, when analysing them, their separation has proven useful. Another lineage has followed systems theory, claiming for the importance of understanding the role of culture within an organisation's context, including its structure, size, technology, and leadership patterns (Woodward 1965, Fiedler 1967, Pugh and Hickson 1976).

[144] The interdependency between culture and structure could further explain existing findings relating to culture in M&A research. For one, the culture shock taking place in the merging of two organisations has been identified (Marks 1982, Buono et al. 1985, Buono and Bowditch 1989). Given the interdependency of culture and structure, the strength of the ensuing culture shock would seem to stem from the cultural and structural distance of the firms and the amount of cultural and structural change forged onto the acquired firm. In other words, 'culture shock' would have both cultural and structural components. For another, the process of acculturation (Berry 1983, Nahavandi and Malekzadeh 1988) in M&A would seem to reflect the process of post-deal structural and cultural change as depicted throughout this chapter.

[145] Earlier research on M&A has characterised the types of post-deal changes into the physical, procedural, and managerial and socio-cultural (Shristava, 1986) or the technical, procedural, and managerial and socio-cultural integration processes (Håkansson, 1995). In other words, there would seem to be both structural (i.e. technical and procedural changes) and cultural integration-related changes taking place in the post-deal era. These studies, however, do not address the relationship between these cultural and structural changes, assuming them to take place in parallel. Other studies on M&A have addressed the relationship between culture and structure as follows. In their definition of organisational culture, David and Singh (1994) note that culture is interwoven with business activities. Deiser (1994) argues that post-deal changes relate to changes in structures, mechanisms (i.e. systems), and cultures. Moreover, Greenwood et al. (1994) found that it is difficult to separate structures, processes, and culture from one another, as they are mutually related and reconstitutive. They identified that factors leading to a loss of commitment following M&A were cultural, not structural ones, leading them to conclude that "culture may manage us more than we can manage it" (quoted from Buono and Bowditch 1989). These findings echoed Datta's (1991) findings on the greater impact of differences in management styles (i.e. culture) vs. reward and compensation systems (i.e. structure) on the performance of M&A. Thus, extant research in M&A would seem to give initial support to the idea of culture and structure being enmeshed. Despite this recognition, the dynamics of

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firm size, 2) a firm's ownership structures, 3) a firm's international reach, 4) organisation structures, 5) ways of working, and 6) financial reporting structures. Before concluding, this section further analyses the interdependencies between the cultural and structural dimensions of post-acquisition change across levels of analysis.

The cultural consequences of changes in parent firm size

A structural change in firm size was found to have cultural consequences for an acquired firm. This was especially noticeable in acquisitions of formerly small founder-owner firms that changed to become owned by a larger multinational firm. This generally meant that the entrepreneurial dynamism the acquired firm was known for was not likely to survive in the long-term, unless especially sheltered. The following quotes from the studied Finnish acquisition provide a typical description of a small, dynamic, entrepreneurial company's organisational culture prior to an acquisition.

> **Example of Finnish acquisition.** *"The founder of the company was a very tough business leader, who would recognise if something was well done. He was demanding, which is natural as he had invested his fortune in the company. The company would follow his thoughts, even if it meant taking the wrong direction. Still, the working atmosphere was free and relaxed." (Interviewee – Finnish acquired firm #6)*
>
> *"We have aimed at being flexible. We do not intervene in small matters, everyone does their work the way they do as long as the job gets done. We do not have any forced procedures – they do not fit our organisation. Employees are flexible – if need be, they might come to work at 4 a.m." (Interviewee – Finnish acquired firm #6)*
>
> *"In our small company, each one of us knows our product, what it is used for, how it is produced, why it needs to be done this way … It is very clear for everyone. When a salesperson hands in an order, it is crystal clear for everyone what to do. As we are a small company, we know one another and each other's roles, who is responsible for what, and the feedback from the customer comes quickly to the responsible person. We have a short command chain. Thus, even our production staff often ask how we are doing financially, everyone has a gut feel about our financial health. Financial numbers of a small company are manageable. We are of a suitable size, we have a clear product." (Interviewee – Finnish acquired firm #6)*
>
> *"And it is a fair culture – you do not need to pretend to be doing something. When we are busy, we work hard." (Interviewee – Finnish acquired firm #6)*

In the post-acquisition years, the cultural consequences of a structural shift in firm size in the example of small entrepreneurial companies are detailed in Table 50. To begin with, as a buying firm introduces its ways of working to the acquired firm, they begin to mold the acquired firm gradually toward greater bureaucracy. Moreover, working as part of a larger firm typically means the loss of independent and autonomous decision-making. Ultimately, ownership by a larger firm was reflected in a loss of innovation, flexibility, and even efficiency in the smaller acquired firms. Understandably, such changes are generally not welcomed in the acquired firms.

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the culture – structure relationship during M&A integration have not been addressed in prior M&A research. This dynamic relationship is the focus of this chapter.

Table 50. Cultural change in shifting from a small to a large firm.

Cultural change in shifting from a small to a large firm	
Greater degree of bureaucracy	**Example of British unit's acquisition.** *"The acquisition was reflected in the introduction of a large organisation's practices. There was stress partly due to the large organisation and the related bureaucracy: more barriers, a different view of the world."* (Interviewee - British acquired unit #3)
Lost independence	**Example of German-US acquisition.** *"From being used to having the President of our company making decisions and having authority, our staff had a difficult time in understanding, and still do, that we now get our orders from Helsinki. It was a big cultural change that they could no longer go to one person in the company for a decision."* (American interviewee – German-US acquired firm #4)
	"Certain decisions were hard for us to accept. They made sense from a global standpoint for the company as a whole, but did not make sense here locally. What was a revelation to employees was that North America now had to conform with other sectors of the world. But for some people, it was difficult and they would think, 'I do not care about Africa, I only care about the North-American market, why should we do this extra feature. It does not help me as I only have to worry about Arizona, who cares about Madrid'." (American interviewee – German-US acquired firm #4)
	Example of Finnish acquisition. *"We now have a faceless owner. Before, it was the founder-CEO's voice that was heard and followed. Now, it is the parent firm, i.e. several managers, an organisation that gives orders."* (Interviewee – acquired Finnish firm #6)
	"Yes, our culture and spirit have changed [since the acquisition]. Business-wise, we are more global, we have invested in R&D. On the other hand, we now have a faceless owner. I believe that in some ways our spirit has faded away. The parent firm is too much involved in what we do, whereas they need not be as involved. We have now this 'owning oddity' [new parent firm], as in many things, we depend on them. We have lost our independence, e.g. if they are downsizing worldwide, we cannot recruit here … Thus, their operations reflect on ours. And that is how gradually, day by day, our culture here changes." (Interviewee – acquired Finnish firm #6)
Lost flexibility and efficiency	**Example of British unit's acquisition.** *"Our former entrepreneurial culture is gone."* (Interviewee - British acquired unit #3)
	Example of Finnish acquisition. *"We have lost flexibility. We might not get what we need, e.g. if we want a certain kind of a report, we need to ask the owner for it first. The owner then analyses the overall situation, we cannot go solo. We are only some tens of employees in the parent firm's thousands of staff. We need to comply with their rules."* (Interviewee – acquired Finnish firm #6)
	"Before, we used to be very efficient in the way we worked. Now, in my opinion this is decreasing, as we are gradually moving toward the parent firm's ways of working, we are supposed to operate like they do." (Interviewee – acquired Finnish firm #6)
	"The acquired firm has become much more serious with regard to its way of working." (Interviewee – buying firm D)
	"The company is more systematic in the way that it works now. The former recklessness is dying out." (Interviewee – buying firm D)

Changing to become part of a larger firm can have further cultural consequences regarding a unit's status in the parent firm. This was found to be the case with former 'core' sites or headquarters of companies that after an acquisition became 'average' units under the steering of a new parent. For example, this was what happened with the studied site of the acquired US organisation, as its former headquarters were transformed into a locally operating unit. Such a change also tends to be a difficult one for acquired firm representatives to accept.

> **Example of US multi-site acquisition.** *"We used to be the headquarters of a company, whereas now we are an outpost of the new parent firm, far from its headquarters. We do not have our finger on the pulse as we used to have."* (Interviewee – acquired American multi-site firm #8)

> *"The biggest change is that before we were the centre of the organisation, at the hub, whereas now, we are a tentacle in the network, so you cannot get all the needed information on the company from just talking to your neighbors." (Interviewee – acquired American multi-site firm #8)*

> *"Decision-making processes are different as today we are a satellite, not the centre of the company; thus more and more decisions reach us through the Intranet, out of the blue.." (Interviewee – acquired American multi-site firm #8)*

In sum, the seemingly small act of changing firm size was found to have long-term consequences with regard to the make-up of an acquired firm's organisational culture. Buying firms would benefit from recognising these consequences upfront in order to understand the reactions that the changes are likely to cause in the acquired firm, and by their interventions, be possibly able to avoid unnecessary outcries of demotivation. Furthermore, an awareness of the cultural consequences of changes in firm size can possibly avoid the destruction of valuable aspects of the acquired firm's organisational culture.

The cultural consequences of changes in a firm's ownership structure

A change in a firm's ownership structure was also found to have cultural consequences for an acquired firm. Indeed, changes in ownership structures reflected underlying changes in governance and management styles. This was especially the case with acquired firms shifting from formerly family-owned and managed (prevalent during the 20th century until the 1980s-1990s) to shareholder-owned multinational parent firms. In the studied research setting, the French multi-site acquisition, the US multi-site acquisition, and the French site's acquisition had experienced these changes during their historical development.

Broadly speaking, the interviewees described family-owned and managed firms as being more interested in the well-being of their employees and the long-term profitability of the firm, whilst shareholder-owned multinationals focus on shorter-term profitability at the expense of employee concerns. Though the trend is towards the latter type of ownership, this shift seems not to be appreciated by the employees. Invariably an attitude of 'regretting the past' prevailed.

> **Example of French multi-site acquisition.** *"In the past, in this business, family-owned companies distinguished themselves from multinationals that operated only with regard to profit. The multinationals' management style was a financially-oriented one, where the role of managers is to ensure profits and pay-back on investments, whereas the traditional family-owned companies saw the business activity as an 'industrial adventure', they had a more sensitive social approach as they were interested in the staff." (Interviewee – acquired French multi-site firm #5)*

> *"Looking back, it was an euphoric time. Everything goes well, and we do not need to care or worry. Our products sell well. We cannot compare those times to today. We were not conscious of other countries, of global competition." (Interviewee – acquired French multi-site firm #5)*

The era of 'family-owned and managed' companies was described as a social and humane, in contrast to a financially performance-oriented one, Table 51. Employees enjoyed long-term job security, while jobs stayed in families and the local community. Moreover, such companies were strongly embedded and involved in the lives of local communities. Family-owned companies were characterised by a care for employees that interviewees warmly

remembered. The owning family was actively involved in the management of the company. In sum, family-owned companies, be they in the US or France, seemed to share a certain humane and social orientation that characterised their organisational culture that was different from a shareholder-owned parent firm's orientation and organisational culture.

Table 51. Experiences from life in family-owned companies.

Experiences from life in family-owned companies	
Family-type management	**Example of French multi-site acquisition**. *"The family-owned company is one that takes staff into consideration in its decision-making. It is concerned with the social issue at stake in management, not only the financial side. At the extreme opposite you would find American pension funds that are located far from sites, and as owners are thus granted the help of physical distance in not seeing the sadness that accompanies decisions to shut down plants or machines." (Interviewee – acquired French multi-site firm #5)*
	Example of French site's acquisition. *"[Until the 1990s] I remember hearing old stories about how we used to be a small company, in which everyone knew one another, everyone came from the same village, there were many were members of the same family. Thus, the company had a strong family aspect at the time." (Interviewee – acquired French unit #7)*
Job security, jobs flowing within a family	**Example of French multi-site acquisition.** *"In the past, in our company jobs went from father to son." (Interviewee – acquired French multi-site firm #5)*
	"Until the 1990s, the company was a web of family relations spanning generations. E.g. an assistant in the human resources department had worked for the company for 50 years, and her father had worked at the site as well." (Interviewee – acquired French multi-site firm #5)
	"In the past, we did not use the kinds of official recruitment channels we use today. The site manager helped members of your family to work at the site, e.g. my father used to work at this factory, and that is how I got the job." (Interviewee – acquired French multi-site firm #5)
	Example of US multi-site acquisition. *"They did not fire you. If you were not competent, a position would be created for you until your retirement; thus, if you were hired, you would stay on until your retirement. Very few were fired." (Interviewee – acquired American multi-site firm #8)*
	"It was a big family-type organisation (e.g. my family worked there, as did my husband and my brother, ..)." (Interviewee – acquired American multi-site firm #8)
Strong ties to the community	**Example of French multi-site acquisition.** *"The life of the factory blended in with the life of the village, as the company owned the cinema, the sports facility, etc. Thus the factory belonged to the district." (Interviewee – acquired French multi-site firm #5)*
	"In the past, the management of the company participated in the community's life with their families, so the culture was a relational one. Hence our relations with the management were also different from what they are today." (Interviewee – acquired French multi-site firm #5)
	Example of US multi-site acquisition. *"The company was important to the community, given the number of staff it employed, at best thousands."(Interviewee – acquired American multi-site firm #8)*
	"It was the largest employer in the city; both family ties and the size of the company explain its strong ties to the community." (Interviewee – acquired American multi-site firm #8)
Performance was a managerial concern	**Example of US multi-site acquisition.** *"It was a family business, owned and operated by the XY family. As a family-owned company we did not need to answer for certain things as we have to in a state-owned company." (Interviewee – acquired American multi-site firm #8)*
	"Business was doing well, but as staff, we did not know how much money the company was making, no information was given, but the company took care of its staff in good and bad times." (Interviewee – acquired American multi-site firm #8)
Caring for employees	**Example of US multi-site acquisition.** *"Until the mid 1980s the corporation was like a family. The management took a personal interest in the family of staff members, e.g. you could talk to senior managers about anything, walk into their office." (Interviewee – acquired American multi-site firm #8)*
	"The company was family-oriented, this is something that is not seen anymore." (Interviewee – acquired American multi-site firm #8)

Table 51 continued. Experiences from life in family-owned companies.

	"It was a good, warm company, with personal things to do, e.g. golf competitions, thus there was a family-feeling to it." (Interviewee – acquired American multi-site firm #8)
Involvement of the owning family in the company's management	**Example of French multi-site acquisition.** *"There were many of the owners' family members working on the site. The family was present throughout the company." (Interviewee – acquired French multi-site firm #5)*
	"The CEO was listening to everyone, and close enough to be able to intervene, when necessary. Today's management has much less visibility." (Interviewee – acquired French multi-site firm #5)
	"The old CEO was a very good man, I regret losing this person. As he was living just behind the site, if he saw that there was no smoke from the factory in the middle of the night, he would come down and help us set the machine running again. His heart was beating for the company, for the factory. It was another generation altogether." (Interviewee – acquired French multi-site firm #5)
	Example of US multi-site acquisition. *"The owning family was involved in the business. They were nice, they knew the staff and their children even years later." (Interviewee – acquired American multi-site firm #8)*
	"It was 'homely': the managers would go around and shake the employees' hands, and remember everyone's name at the next year's Xmas party." (Interviewee – acquired American multi-site firm #8)
	"You would see them every day as they walked through your department." (Interviewee – acquired American multi-site firm #8)
	"The family members would come over and talk to staff, so you would get to know the owners. As a family-owned business, it was a caring company." (Interviewee – acquired American multi-site firm #8)

As a result, the acquired firms' experiences of changing from family to shareholder-owned parent firms were coupled with cultural changes, Table 52. For one, managerial distance increased over the years as top management no longer sat onsite but at corporate headquarters. This resulted in a loss of a personal relationship between senior managers and local employees. Furthermore, the parent firm's focus was more strongly set on profitability and less on the social aspects of management. In the long-term, this resulted in decreased employee motivation levels.

Table 52. Changing from family-to multinational firm governance.

Impact of changing from family-to multinational firm governance	
Greater managerial distance	**Example of French multi-site acquisition.** *"There used to be the owning family in management positions. They also participated in communal life with their families, so it was more relational than it is now, our relations with management were different than they are now." (Interviewee – acquired French multi-site firm #5)*
	"With the ownership changes, we have gradually experienced a decline in top management visibility. Now, on the negative side, there is little listening and the message from the CEO comes through intermediaries. We get the message, but not directly." (Interviewee – acquired French multi-site firm #5)
	Example of US multi-site acquisition. *"As we shifted to our first shareholder owned parent firm (a US one), its headquarters changed from being local to being two hours' drive away. No managers were sitting onsite anymore. People were wondering, as they were used to seeing the company President. It felt like the main control of the firm had moved away from its core locations to the new headquarters." (Interviewee – acquired American multi-site firm #8)*
	"At the time [of the first ownership change], our management became less visible, we did not know really who they were." (Interviewee – acquired American multi-site firm #8)

Table 52 continued. Changing from family-to multinational firm governance.

Focus on profitability	**Example of French multi-site acquisition.** *"After the acquisition by the Finnish parent firm, we moved from a culture of being a family company, with a love of your profession, to the culture of an international company with the development of 'profit-mindedness', the need to make money. There was an increasing pressure on the financial side." (Interviewee – acquired French multi-site firm #5)*
	"Today, our parent firm will not worry about selling a unit if it is the financially wise decision to do. This is the multinational company's vision of today – the end of an era?" (Interviewee – acquired French multi-site firm #5)
	"The race for greater productivity has been emphasised over the years. The interest in productivity has always existed, but today, it is more visible, more present, you feel it more. " (Interviewee – acquired French multi-site firm #5)
	Example of US multi-site acquisition. *"With our first shareholder owned parent firm, their way was to look at things from a bottom line perspective, not having ties with people, whereas before, the contribution of every person was valued, and the balance sheet was not the only thing that counted." (Interviewee – acquired American multi-site firm #8)*
	"With the first shareholder-owned US parent firm, it became a 'chore' to work here, it was not as much fun anymore, but it was still ok, as the people working for the company resembled a big family, so the good feeling remained among staff and staff worked well together, but the parent was not a nice one." (Interviewee – acquired American multi-site firm #8)
	"With shareholder ownership, there was a loss of the 'personal effect' we used to have in the company. As a staff member, you were less a member of a family, but more just an individual whose job is to make money." (Interviewee – acquired American multi-site firm #8)
	"Staff became numbers. When the company is on the stock market, everything is driven by shareholders. It was business-like, you are a number, in contrast to the former homely-feeling." (Interviewee – acquired American multi-site firm #8)

In sum, changes to the parent firm's corporate ownership structure were found to have consequences for the cultural make-up of acquired firms. As with the cultural dimensions of changes in firm size, buying firms generally paid no attention to the cultural dimensions of changes in ownership structure. As a change in ownership structure is a seemingly self-evident change following certain kinds of acquisitions, its manifold consequences for the employees' daily experiences of working in the new parent firm, and, perhaps most importantly, their level of motivation toward working in the new parent firm, tend to go unnoticed.

The cultural dimensions of changes in a firm's international reach

A structural change in a parent firm's international reach was also found to have cultural consequences for an acquired firm. This related to the acquisitions of domestic firms by buying firms boasting a greater degree of international reach. A change in a firm's international reach is typically reflected into a mindset shift that tends to go unnoticed and unsupported by buying firms. Indeed, formerly domestically operating companies tend to have a strong belief in their ways of working and in their products. In the pre-acquisition era, they are likely to have succeeded on the domestic market, resulting in an organisational culture characterised by pride and a belief in the quality of their work.

> **Example of German-US acquisition.** *"There was a certain self-centreedness at the German site as they were used to working on one product only. It was new to them that they had to start thinking internationally." (Interviewee – buying firm B)*

> **Example of Finnish acquisition.** *"The current challenge is for the firm to learn how to operate internationally, distributing their products worldwide." (Interviewee – buying firm D)*

A shift in mindset is needed as such companies begin to internationalise. It is reflected in a need to be sensitive to the needs of foreign customers in different countries, instead of believing that one's sales approach, products, or services are suitable as such for the international market. This cultural challenge needs to be placed in today's global business context. Indeed, formerly domestic firms not only need to learn to be interculturally sensitive, but moreover, they need to learn the *specific* sales and customer dynamics in *each* of the market environments they operate in, be it a European, Asian, American, or African country. The extent of this challenge tends to be largely underestimated. This was exemplified in the studied German-US and Finnish acquisitions, both of which had formerly been operating mostly domestically, and for whom the acquisition required a gradual shift of mindset, as the quotes below illustrate.

> **Example of German-US acquisition.** *"Now, we need to see the company as a global company, thus our mindset has to change. Our market is no longer Germany, but the world. We have grown from being small to become a more important player. This requires a change of mindset .." (German interviewee – German-US acquired firm #4)*
>
> *"We had to learn how to understand foreign markets - that the Italian, French, Asian, German markets are all different." (German interviewee – German-US acquired firm #4)*
>
> *"There are different sales approaches per country. Different arguments are used, different models of the product are used depending on the application. Also, competitive and price situations differ." (Interviewee – buying firm B)*
>
> *"Their engineers and product support staff had had difficulties in understanding that some markets have a different perception of image quality than the Germans do. This has been difficult for the staff to understand – that things that they held to be important [on the domestic market] are not so in all markets." (Interviewee – buying firm B)*
>
> *"The way the product is sold differs per country. It took a while before the Germans understood this, that the selling process can be different from that which they have been used to on the domestic market." (Interviewee – buying firm B)*
>
> *"They seemed to think, mistakenly, that if this is done in this way in Germany, that is how it should be done elsewhere as well. Thus, humbleness to local conditions was missing at the beginning. In a way this is understandable, as they had been so strong in Germany." (Interviewee – buying firm B)*
>
> **Example of Finnish acquisition.** *"It is difficult at times to have our Finnish operations understand the challenge we face operating abroad. They might not realise that we are serious in what we ask. If you have not visited e.g. the US, and have only seen Hollywood movies, you cannot have an understanding of the market reality here. Gradually our Finnish side is also beginning to understand that the US markets need products that are different from ones that work on the Finnish market." (Interviewee – buying firm D)*
>
> *"It took several years in which the product development ideas that were pushed from the US were not taken seriously. They did not believe us. It was quite a fight to get them to develop it. We had to push the idea through. Finally, with the help of upper management we got there." (Interviewee – buying firm D)*
>
> *"We should focus more on an international outlook. Often we seem to believe that we Finns are able to conquer the world. But in China, no mid-sized town is as small as the entire Finnish population!" (Interviewee – buying firm D)*
>
> *"In our Finnish operations, we know the product, but we do not know the local ways of working. And we will not succeed in international sales as long as we focus only on our products. We need to focus more on country-specific product launches." (Interviewee – buying firm D)*

It took these firms years to fully appreciate the differences in sales processes and customer requirements across countries, resulting in international sales figures not being as high as

expected, and hence the financial performance expectations for the acquisitions not being met as rapidly as initially forecasted, or never reaching the sought targets.

> **Example of German-US acquisition.** *"Despite their willingness to grow, it took a while before the staff understood international product and sales requirements." (Interviewee – buying firm B)*
>
> **Example of Finnish acquisition.** *"In international sales we have not reached at all what we dreamt of. We are not even close to this." (Interviewee – buying firm D)*
>
> *"At the start, international sales grew well, we almost reached our targets and then, they became constant and grew less, or even zero." (Interviewee – acquired Finnish firm #6)*

The example of changes in firm international reach is another example of the cultural consequences of post-acquisition structural change. Unless the cultural components of post-acquisition structural change in a firm's international reach are recognised and supported, the resulting cultural change takes place at a slower pace, meeting a greater amount of difficulties on the way. This ultimately results in the performance expectations for the acquisition being realised less rapidly than expected.

The cultural dimensions of changes in organisation structure

Changes in organisation structure were found to be undermined by the firms' organisational and national cultures.[146] Unless these cultural dimensions of structural change were supported, the required structural shift did not take place as smoothly and swiftly as expected, resulting in delayed integration. This was especially noticeable in the studied British and German R&D unit's acquisitions, as well as the French multi-site acquisition, in which the impact of the underlying differences in organisational and/or national cultures in slowing down the pace of change was not recognised. In contrast, a good fit ensured the Danish unit's successful post-acquisition integration. Each of these examples is considered in the following.

Differences in national cultures impacted the progress of implementing changes in organisational structure in the example of the British acquisition. The unit had to shift from a previously strong authoritative owner's sporadic leadership style coupled with a functional, bureaucratic line organisation, to the new parent's global matrix organisation coupled with a networked structure.

> **Example of British unit's acquisition.** *"We used to have a project organisation. It required a lot of work to transfer this into the new parent firm's matrix organisation." (Interviewee - British acquired unit #3)*
>
> *"The parent firm's organisation structure has not been implemented as well in the British unit, which has remained very functional." (Interviewee - British acquired unit #3)*
>
> *"The unit was organised along projects. It required a lot of work to transfer this into a matrix organisation and add a line organisation to the unit. Still today, there is an uneven balance between programmes and lines, with programmes in the lead. The change confused people, it lacked clarity." (Interviewee – buying firm A)*

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[146] These findings echo the words of Hofstede (2001), who argues that differences in national cultures, especially along the dimensions of power distance and uncertainty avoidance, have an impact on the choices of organisation structures made by firms across countries. The relationship between national culture and organisational structures has not been explored in research on M&A to date. This is the contribution made by the present findings.

Interviewees on both sides highlighted that the distance between the English and Finnish cultures hindered the progress of this structural shift. First, transferring to a matrix structure was deterred by the English stronger sense of hierarchy, as exemplified in the former parent's management style. The English are more used to an autocratic management style, whereas the matrix structure of the Finnish parent firm introduced the complexity of several superiors. The buying firm's Finnish members seemed more at ease with this, as the Finnish management style is based on individual responsibility with minimal supervision.

> **Example of British unit's acquisition.** *"There is a more hierarchical mentality in Britain. This makes it difficult to establish a matrix organisation, as it means that 1) there are several bosses, whereas the English are used to having one clear boss, 2) there is free information flow versus the control of peers." (Interviewee - British acquired unit #3)*
>
> *"The English and German cultures are not used to a matrix structure. People get mixed up from having two bosses. This is still a challenge for them, so they still do not have a real matrix organisation in place." (Interviewee – buying firm A)*
>
> *"The change confused people, owing to a lack of clarity. A matrix organisation is complex, as it has two dimensions, as compared with our former structure, where we had a clear sight of the boss, a clear line of commitment." (Interviewee - British acquired unit #3)*

Second, transferring to a network-type organisation, as compared to the clarity of the former functional structure, was difficult owing to the English attitude toward risk and uncertainty. The buying firm's organic network structure without clear lines of control seemingly fit the Finns, but was difficult to understand for the English staff that were used to and expected clear lines of authority. In the absence of these, they had a hard time involving themselves into the buying firm's networks. This development in turn slowed down the progress of integrating organisational structures.

> **Example of British unit's acquisition.** *"Decision-making in the buying firm seems more cumbersome than in other big companies. For example, there is no process to cope with different ideas. In a more organised company, processes would be in place and decisions would be made immediately. Here, we have no decision-making body. Instead, we have a committee mentality." (Interviewee - British acquired unit #3)*
>
> *"Today, the centre still has a hangover of old times, things are not working as well as they could. The problem stems from not concentrating on what is being done, but on status and 'who' has authority over what." (Interviewee – buying firm A)*

Overall, the progress of changing organisational structures was cumbersome. Seven years after the deal, the unit still had not adapted to the buying firm's matrix structure. The former organisational structure remained inflexible. The challenge of the structural shift depended not only on the firms' initial distance in organisational structures; it was further complicated by differences in national cultures. Both firms' structural choices were embedded in their countries' preferred management styles. Whilst on the artifact level the change was structural, at the level of behaviours and values, the challenge was a cultural one. As this was not recognised, no effort was made to adapt the integration approach to the unit's needs, and the implementation of the structural change was slowed down, causing frustration on both sides.

> **Example of British unit's acquisition.** *"Even though this change has been positive, it has taken years to implement. The unit has evolved slowly toward a matrix organisation, and still today there exists an*

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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uneven balance between the two sides of the matrix organisation, with one side being stronger than the other." (Interviewee - British acquired unit #3)

In the example of the German unit's acquisition, the progress of changing organisational structures was undermined by differences in both national and organisational cultures. The unit had operated independently within its previous parent's multinational structure. Its own unit structure was a line organisation in contrast to the buying firm's networked matrix structure. For the German unit, structural integration translated into a shift to a matrix structure with increased interaction and interdependency with other units within the buying firm.

> **Example of German unit's acquisition.** *"The new parent firm asks for a more flexible organisation. This is a learning process. Decisions are taken in teams, not top-down. Power is not concentrated. Yet, in our unit, power concentration has not disappeared as of yet. How to do it?" (Interviewee - German acquired unit #2)*

The impact of national culture on the implementation of these structural changes was noted, in that the shift to a matrix structure, resulting in the loss of one authoritative manager, runs contrary to the German cultural tradition of getting orders directly from one's superior. The matrix structure was perceived to complicate the decision-making process that the Germans were used to. Thus, instead of changing swiftly to a matrix organisation, the unit continued to work along its former functional structure.

> **Example of German unit's acquisition.** *"The German culture is not used to a matrix structure. People get mixed up by having two bosses. This is still a challenge for them, so they still do not have a real matrix organisation in place." (Interviewee – buying firm A)*
>
> *"There is a concentration of power in the line organisation. They are driving the integration." (Interviewee - German acquired unit #2)*

Second, the Germans' higher degree of risk and uncertainty avoidance (Hofstede 1980) translated into a continuing search for structure in the buying firm's networked organisation. They found the networked structure confusing and questions were raised, such as "Who makes decisions?", "Is there structure in the company?", and "There must be a structure somewhere ...". Moreover, the Germans kept complaining and questioning the buying firm's integration approach, which lacked a clear strategy as well as structured integration support. They were quite uneasy with the fact that each acquired unit was responsible for its own integration. Thus, the German unit's interviewees found the concept of networking perplexing. Not only were they confused about the feasibility of the network approach to organisational structure, but they were individually also supposed to begin forming their own networks, which runs contrary to the Germans' more hierarchical tradition.

> **Example of German unit's acquisition.** *"The difficulty stemmed from there being many unexplained things in the buying firm's organisation. There are no organisation charts. This makes navigation in the organisation difficult. It is difficult to understand this organisation. The German cultural heritage is in a strong hierarchy, in structure, we are not that dynamic. The parent firm's representatives keep saying that their organisation is a networked one without a structure, but beneath it all, a structure must exist! So why do not they state that this is today's chart but it is often changed owing to the dynamic nature of business. This would be especially helpful for acquired units, where a whole unit starts from zero." (Interviewee - German acquired unit #2)*

> *"Germans need structure e.g. with regard to decision-making. The management of the integration phase could have been done in a more coordinated way. Final decisions should be taken, not ½ or ¼ decisions. It is unclear who has the authority to make decisions." (Interviewee - German acquired unit #2)*
>
> *"Networking – it was not transparent how we should do it: we had the feeling that everything is based on networking and personal relationships. There was no streamlined top-down approach in this integration." (Interviewee - German acquired unit #2)*

What smoothed the progress of these structural changes was the way in which both the buying firm as well as the unit's management team behaved throughout the integration. This behaviour, in turn, was representative of both firms' organisational cultures. The German unit characterised itself as 'a team of fighters that like to drive things forward'. This mindset prevailed throughout the integration. The German unit's management wanted the integration to succeed and took measures in this direction. The buying firm's integration approach was also described as a humane one, reflecting an organisational culture of respect and openness.

> **Example of German unit's acquisition.** *"Our unit has a long history of working together and we have undergone several acquisitions. Still today, despite all these changes, our team remains together. We see ourselves as a team of strong fighters." (Interviewee - German acquired unit #2)*
>
> *"If you want to be integrated, you need to build links, to know people, to be recognised. We have taken most initiatives, based on the idea of networking. Why have we taken such a proactive role? It is part of our mentality: we want to drive things." (Interviewee - German acquired unit #2)*
>
> *"The first meeting's message was positive: 'we need you'. There was a clear commitment. They said 'do not ask why we have been successful, rather contribute to the company's success'." (Interviewee - German acquired unit #2)*

The progress of the change in organisational structures in the German unit was deemed rather successful, even though it was by no means easy. The difficulty of transferring to a networked matrix structure resided ultimately in differences between the German and Finnish cultures' preferences for hierarchy and uncertainty avoidance, which in turn were reflected in the types of structural choices that both firms had made. Despite the lack of structural fit, the progress of the change in organisational structures was assisted by the fighting spirit of the acquired unit – they wanted to make it work – as well as the buying firm's humane integration approach, representative of its organisational culture.

In contrast to the German and British units, the Danish unit faced the smallest degree of change in organisational structures, given the extent of structural fit between the firms: the unit was already structured along a matrix organisation. The unit was only to shift from a local to a global matrix structure, and toward an organic organisational structure characterised by networking. The implementation of these changes was facilitated by the closeness of the Danish and Finnish national cultures, as well as the similarity in the firms' organisational cultures. Indeed, the Danes were at ease with the buying firm's structural choices, as the Danish culture resembles the Finnish culture in regard to degrees of hierarchy and the acceptance of risk and uncertainty.

Finally, the example of the French multi-site acquisition illustrates the power of organisational cultures in inhibiting the progress of post-deal structural change. The aim of

the post-deal years was to induce change in both the buying and acquired firms by introducing a new 'One Company' organisation structure. Difficulties in the post-deal years resulted from both organisations' distance from the new organisational structure. The Finnish buying firm's subsidiaries were traditionally used to operating independently and resented the potential loss of autonomy in the new more integrated structure. Subsequently, despite attempts at developing a 'One Company' structure, existing subsidiaries of the parent firm continued operating with an autonomous 'all for our subsidiary' attitude. Thus, the shift of mindset was slowed down by the historically rooted local subsidiary-level organisational cultures.

> **Example of French multi-site acquisition.** *"At the time of the deal, the parent firm's foreign locations reflected its acquisitive path. Each site had its historical organisational culture. Such units strongly resisted any changes. Within the new structure, they found again the independence they thought they had lost. This made the discussion of corporate-wide organisational culture and rules difficult." (Interviewee – acquired French multi-site firm #5)*

> *"It is a difficulty with the parent firm that the organisation does not want rules. There are always people or divisions against this..." (Interviewee – acquired French multi-site firm #5)*

> *"Maybe we should have mixed up the teams earlier on, i.e. not leaving our foreign locations so autonomous. I believe it is easier to create One Company and an international company that truly thinks globally, if we mix the teams." (Interviewee – buying firm C)*

Consequently, whilst the official talk was about being united, in practice, a myriad of organisational cultures were fighting their way around the company. The practical organisational reality and the targets set sent mixed signals. In such a situation, it is understandable that staff had difficulties following the official mantra of being 'One Company'. The difficulty of changing organisation structures reflected fundamental differences in both firms' pre-deal corporate structures, which in turn had translated into subsidiary-level organisational cultures that fought their way against the new changes.

> **Example of French multi-site acquisition.** *"In reality, the new structure created divisions, i.e. we were divided in all meanings of the word, whereas the new structure was supposed to be a means of uniting our forces. Instead, leaders of the new business lines did not get along, and this created divisions. These misunderstandings had repercussions throughout the company, at all levels. As an example, inter-personal conflicts transformed into a war between business lines. This in turn had repercussions on relationships between subsidiaries. Such fights have created barriers so that people do not get along between subsidiaries. This is not constructive and it is not in accordance with the company's policy of openness and transparency." (Interviewee – acquired French multi-site firm #5)*

> *"The parent firm is like a firm without a soul, there are no links between people, there is no company culture. Instead, each division has its own culture, thus there are many cultures in the company." (Interviewee – acquired French multi-site firm #5)*

These examples of changes in organisational structures show that such changes are undermined by differences in national and organisational cultures. However, the studied buying firms rarely took notice of this interdependency between culture and structure. It seems that post-acquisition structural changes, e.g. in organisational structures, are made without consideration of the cultural context in which they take place. This does not matter as much in instances in which the acquired and buying firms enjoy a good degree of cultural and structural fit, as was seen in the example of the Danish unit's acquisition. By contrast, in situations in which the firms' participating in an acquisition differ on dimensions of their

corporate profiles, the areas of not only structural but also cultural differences are likely to translate into a difficulty in implementing post-acquisition structural changes. Indeed, certain structural changes, e.g. as regards organisation structures, can be particularly difficult for firms with organisational or national cultures that are intrinsically different from the sought regime.

The cultural dimensions of changing ways of working

In the structural shift in changing ways of working from a functional orientation toward a process orientation, a lack of attention to the cultural side of the change was found to result in the slower progress of the change efforts. This shift was undermined by the firms' differences in both organisational and national cultures.

The shift to a process orientation from a previously ad hoc or a strictly hierarchical and functional way of working reflected not only structural, but also cultural changes, Figure 26. In terms of structure, a process orientation means some degree of formalism coupled with a greater degree of efficiency as compared to either ad hoc or step-by-step functional operations. Examples of the studied US and French acquisitions further illustrate this point.

> **Example of US multi-site acquisition.** *"They used to operate in a very functional and fragmented way. E.g. 1) on the worker side, they used 105 different job classifications; we brought that first to three, then to just one, i.e. now we have multi-skilled workers; 2) for product x, the delivery process used to have 18 phases, with different persons responsible for the each phase. Currently, we have reduced these to three. Thus, the previous organisation was like a bureaucratic and fragmented machine."* (Interviewee – buying firm D)

> **Example of French site's acquisition.** *"Before, they did not use specifications to order the flow of work in this department. Now, we have introduced the specifications that we use in Finland to organise the work: e.g. a work flow diagram and a meeting memo per order."* (Interviewee – buying firm D)

> *"Before, our way of working was more anarchistic, today, it is more orderly."* (Interviewee – acquired French unit #7)

> *"Gradually, we have introduced the parent firm's way of thinking, as technically and in terms of processes, we were further ahead than their previous owner was. Thus, there was room for improvement."* (Interviewee – buying firm D)

Such structural choices were found to be paralleled with cultural choices. To begin with, decision-making is related to the way work has been organised. Thus, a change to ways of working was found to have consequences for the way decisions are made, as the quotes below exemplify in the example of a German acquisition. Such changes do not take place overnight.

> **Example of German-US acquisition.** *"This was the first time that a formal way of working was implemented, i.e. when something is agreed upon, this is what will take place even though the boss thinks differently, and changes cannot be made unless they follow the decision-making procedure of the process. This was a big change for staff."* (Interviewee – buying firm B)

> *"In the new process there are milestones to reach from early research to applied development. At each milestone the senior management involved can make the decision to stop or change things. Also the project's staff is involved in decision-making. The milestones are decision points to say 'yes or no' as to whether we continue with development or not."* (German interviewee – German-US acquired firm #4)

Second, management styles in functional vs. process-oriented ways of working differ, the former being hierarchically and the latter more democratically managed. Such a change, though welcome, takes a while to be understood, appreciated, and applied by employees.

> **Example of German-US acquisition.** *"The cultural change has been great: before, we had only responsibility, no power, whereas now, we have not only responsibility but also power. Before, our owner, Mr. W always had the last word, but if he made a bad decision, the manager carried the responsibility for it. Now, we can make decisions ourselves and we carry responsibility for them."* *(German interviewee – German-US acquired firm #4)*

> *"Naturally the Germans are more hierarchical than we are, thus you need to agree certain things with a person from a certain hierarchical position. But even that has changed over the years, our German staff have gradually adopted a more open way of working."* *(Interviewee – buying firm B)*
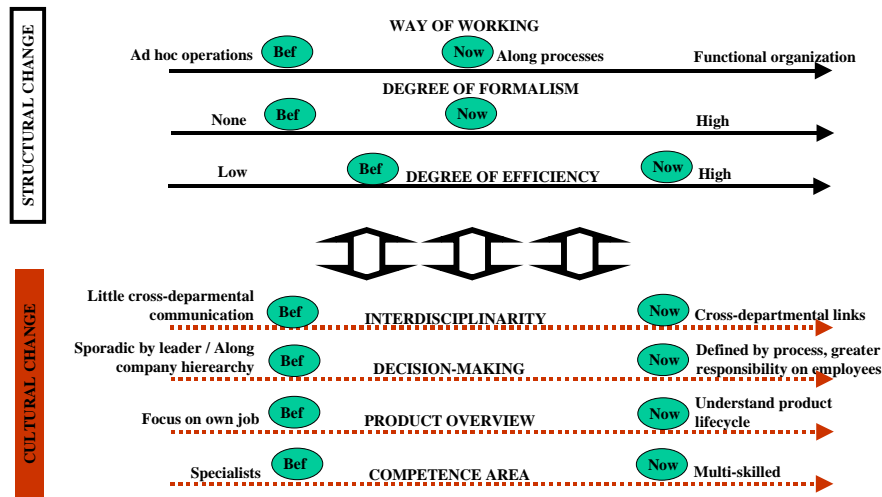

Figure 26. Structural and cultural consequences of shifting to working along a process-orientation. Legend: 'Bef' refers to the way the acquired firm was organised prior to the acquisition, and 'Now' to the way it was expected to be organised in the post-acquisition years.

Further, process thinking introduces the notion of interdisciplinarity, i.e. that departments have to start working together, whereas before, all communications might have been managed through a hierarchical or an ad hoc structure. This can be a challenge in situations in which the staff is used to and comfortable with a silo-mentality. Enlarging one's interaction base means surrendering some control of one's own area.

> **Example of German unit's acquisition.** *"There is a team spirit in our R&D department. Engineers have changed their attitude, they communicate more with factories than before."* *(Interviewee - German acquired unit #2)*

> **Example of German-US acquisition.** *"Now, the new process defines how cooperation between R&D, production and sales takes place during different phases of product development."* *(German interviewee – German-US acquired firm #4)*

> *"Now, the whole company is involved in new product development from the very start: this is the biggest change for us."* *(German interviewee – German-US acquired firm #4)*

> *"The buying firm brought the feeling that departments should handle each other as partners, and what was very good was that they lived this and they showed us, they never gave us the feeling that they are the bosses. Instead, they gave us the feeling that we are involved, and it was at all levels, even at the manufacturing staff level. And so they brought this rule that everyone is responsible for what we they are*

doing, there is no R&D that helps or commands us, and this has changed totally." (German interviewee – German-US acquired firm #4)

"The other big change was this process orientation, it was a very hard thing for us, as Germans like to live in departments, they need their order, they need their safe area, they love it, and to get them out of it and make them responsible for things that are beyond their role, it was hard work." (German interviewee – German-US acquired firm #4)

Fourth, process thinking is also coupled with staff shifting from being specialists in an area to working as multi-skilled production cell members.

Example of US multi-site acquisition. *"Now, we get to work on different jobs without getting complaints from management, we have more freedom, hence it is more relaxed now, whereas before, you would be stuck in one department, you would stay there, and you could not work on things other than your job." (Interviewee – acquired American multi-site firm #8)*

"As a supervisor, I can be close to my staff; staff can think for themselves and can try out an idea even if they make a mistake. In contrast, before you had one job and one task to do. Now, we have broader job responsibilities that encompass more tasks. Before, you were not allowed to learn about your neighbor's way of doing, whereas now it is welcomed." (Interviewee – acquired American multi-site firm #8)

"We now work in teams of 2-3 persons, and we are taught to be multi-skilled instead of being specialists." (Interviewee – acquired American multi-site firm #8)

Employees also need to broaden their understanding of the whole product process, including not only their own work, but the work of all departments involved in the making of the product. In parallel, employees in any one department can no longer shift responsibility for mistakes onto other departments. Instead, they need to cooperate to solve the issue at hand.

Example of German-US acquisition. *"In former times, we had a quality assurance department, and they were responsible for everything that related to quality. That meant that if there was a quality problem somewhere, the worker himself was not responsible for the failure, it was not his responsibility to correct the mistake, his only responsibility was to say to the quality department that hey, there is a mistake. Today this has changed dramatically, as we do not have such a department anymore, everybody tries to correct his mistakes and not to let these mistakes pass through. This has changed dramatically." (German interviewee – German-US acquired firm #4)*

"We recognised that it is not enough if the specialist knows his own area, he has to have an overview of the entire product. So, gradually, they start to understand more of what happens before and after their own work phase. They get informed about the company's operations. So the specialists are still specialists, only now they have a broader view, a broader perspective of the whole process. Before, we all came to work in the morning, went to our work bench, got to work and left at 5 pm, not knowing what happened behind our work phase or door." (German interviewee – German-US acquired firm #4)

Example of French site's acquisition. *"There was a tradition in the unit of not seeing the way the products they manufactured would be used by the customer, i.e. how a specific change made here would impact the customer. For example, they might focus on a certain change, whereas in practice it might have been irrelevant for the customer. Thus, they would do things without thinking 'Why'? They were more concerned with their own product than the product's customer relevance. We have tried to bring in a broader view, providing training as to how their work relates to the customer's business." (Interviewee – buying firm D)*

To conclude, this section has illustrated how changes in a company's ways of working, though structural, are undermined by cultural changes. Unless the cultural consequences of these structural changes are taken into consideration, the implementation of the latter is likely to be more time-consuming. Moreover, this section has provided another illustration of the degree to which buying firms tend to omit the cultural dimensions of post-acquisition change, treating the latter as purely 'structural' phenomena.

The cultural dimensions of changes in financial reporting structures

In this section, the cultural dimensions of changes to financial reporting structures are considered. Two illustrative examples are looked at. The first is of an acquisition in which the acquired firm changed from being a small private firm to belonging to a multinational. The second example is of an acquired firm that shifted from a family-type to a financial and shareholder-oriented governance style.

In the example of a private firm shifting to a multinational firm's shareholder ownership, i.e. the German-US acquisition, changes to financial reporting structures were undermined by cultural changes. The structural change from a founder-run and privately owned company to the structure of an international group translated itself to the integration of the acquired firm into the global financial system of the buying firm. The new financial reporting system represented a shift in finances being controlled personally by the founder owner to being controlled by the parent firm's corporation. Whereas before, no strict financial reporting procedures existed, these were now put into place. Consequently, financial management became a more strategic issue than it had been in the past, when the main concern had been the personal profitability of the owner. These structural changes were coupled with cultural ones. For one, the transparency of financial reporting increased, as before staff did not know the company's financial situation. This change was greeted with enthusiasm.

> **Example of German-US acquisition.** *"Monthly reporting did not exist before. Personnel were not allowed to have an understanding of the company's numbers, nor was there a qualified person to compute the reports. Financial reporting was done by an external company." (Interviewee – buying firm B)*
>
> *"As regards company finances, in the past, no-one knew how much money was flowing in. We received our salary at the end of the month, but did not know how much money the company was making." (German interviewee – German-US acquired firm #4)*
>
> *"Before, the founder-owner Mr. W earned the profits, whereas now, our unit manager deals with them as part of the parent firm's profit structure. Today, we all have a clear view of the company's finances, they are open to all. It is transparent, and this is a total change as compared to the former times. This is better for all." (German interviewee – German-US acquired firm #4)*
>
> *"I believe the greatest change, as compared with before, concerned transparency. Mr. W's way was not informing staff about the financial results of the company or of the trends in the industry, he saw that it is none of their business. This changed totally. Consistent with our way, we began informing the whole staff about the exact financial situation of the company, how much profit we are making, what is our budget, what are our goals and how we intend to approach them." (Interviewee – buying firm B)*

Furthermore, given the greater importance placed on profitability, employees and managers alike learnt to understand the financial and monetary consequences of their actions, e.g. of keeping too much stock in the warehouse.

> **Example of German-US acquisition.** *"It changed a lot. It began with just understanding the current situation, the numbers, creating a system so that they are able to report to the headquarters in a transparent way, to understand the unit's financial standing." (Interviewee – buying firm B)*
>
> *"The biggest change was the financial part: it caused no big reactions, except for those whose work was affected by it; the resistance to change was also eased as new people were hired into this department. The biggest change was that from now on, all we do has to do with money. We see the connections between our work and the financial result of the company, as compared to the darkness in which we*

> *dwelled before. Before, there was no open discussion about money, now it is open and transparent."* (German interviewee – German-US acquired firm #4)

> *"Transparency is a change. People know now what is taking place, the communication flow is freer, staff understand what other departments are doing and why, what their goals are, how their work relates to the company as a whole, what is their role, etc. All this has been internalised."* (Interviewee – buying firm B)

However, the challenge of the underlying cultural change was underestimated, and staff had difficulties understanding the significance of accurate financial data for the reporting of the entire Group. This showed up in, e.g., mistakes in the valuation of inventory.

> **Example of German-US acquisition.** *"The main difficulty related to creating a respect for accurate inventory valuation. This was never an issue earlier and none of the personnel were able nor allowed to see financial numbers. This is why there was no respect for monetary numbers, such as inventory value ... We underestimated the difficulty of creating a thorough understanding of accurate financial numbers, especially on inventory control in a culture where it did not exist before."* (Interviewee – buying firm B)

> *"There was no respect for accurate financial figures. At the start, there was some resistance as to why do we need such procedures, why follow them, it is a waste of time. Staff had a hard time understanding why the entire parent firm is interested in these figures. Once they realised the importance of accurate numbers to reporting and to the parent firm, implementation became easier."* (Interviewee – buying firm B)

Third, the attitude toward money changed from a saving attitude to a strategic long-term investment mode. For example, staff had a difficult time in understanding why administrative personnel numbers were increased, as they were used to saving money and needing to be careful with hiring more staff.

> **Example of German-US acquisition.** *"We have more administrative staff today in controlling, i.e. we need more bureaucracy as we belong to a large corporation."* (German interviewee – German-US acquired firm #4)

> *"This increase in personnel was not understood by the managers in the company, who have a tradition of using money and head count carefully."* (Interviewee – buying firm B)

> *"The increase of personnel in administrative functions had to make sense to the staff in order not to destroy the existing money-saving morale."* (Interviewee – buying firm B)

This example has illustrated the subtle linkages between the structural changes made in the post-deal era and the ensuing cultural ones. The focus of the buying firm was more on the structural implementation of the change rather than on its cultural dimensions. However, in the long-term, the success of the structural shift depended on the extent to which the acquired firm staff had been able to understand the cultural change that the new reporting structure required from them. In sum, even changes to financial reporting structures have cultural consequences.

The second example is that of the French multi-site acquisition, where a firm with a tradition in family-ownership was bought by a firm with a shareholder- and financially driven logic. For the acquired firm, a major change related to a move from social and industrial reasoning toward financial reasoning that was reflected in the financial reporting structures in use.

> **Example of French multi-site acquisition.** *"The acquisition happened at a time when the world was changing a lot, e.g. the importance of money and efficiency increased. Today, these are normal things, but at the time, it was new for us. The Finns made us feel the importance of money and efficiency, as their focus was on money."* (Interviewee – acquired French multi-site firm #5)

> *"With the acquisition, we moved from an industrial phase to a financial phase." (Interviewee – acquired French multi-site firm #5)*

> *"With the arrival of the Finnish parent firm, we moved to financial, not industrial, reasoning that focused on what our EBIT and RONA figures are. This means that if our site's EBIT or RONA is not good, we will be a) sold, or b) closed down. This happened to some of our operations." (Interviewee – acquired French multi-site firm #5)*

> *"In the buying firm, the focus is set on productivity, more so than we were used to with previous owners." (Interviewee – acquired French multi-site firm #5)*

> *"The arrival of the new parent firm makes us more rational, economic-minded, mathematics-minded. But we were not ready to change our character totally and become like them." (Interviewee – acquired French multi-site firm #5)*

The difficulty of implementing post-deal structural changes as regards financial systems stemmed from the cultural logic underlying the changes not being explained to the acquired firm. In other words, post-deal structural changes were implemented as though they were taking place in a cultural and behavioural void. The buying firm did not appreciate the challenge that this structural transfer represented to the acquired firm. Indeed, the new financial structure was largely different to that which the acquired firm managers were used to, as it, e.g., represented a change in the site manager's role. Underlying this challenge was the fact that the financial logic itself differed from the industrial and social logic that had been in use so far. The financial changes also reflected a different culture of the controller.

> **Example of French multi-site acquisition.** *"With the new parent firm, we have begun talking about EBIT, RONA, Net Working capital, Cash Flow, Asset Turnover. These are new words for people. They wonder, what do they mean? E.g. we might be told – 'your EBIT is ok, but your RONA is not ok'; or 'you need to diminish your stocks'. Our reaction: 'What? How?' Thus the reaction here is question marks, what does it mean, even a certain fear coupled with the arrival of the new financial elements." (Interviewee – acquired French multi-site firm #5)*

> *"Before, the engineers and directors of sites were responsible for the financial result of the site as well as its productivity, thus responsible e.g. for investments, but not for ROI. You produced, and that was all." (Interviewee – acquired French multi-site firm #5)*

> *"This approach is different from what we were used to. E.g. in the past, the manager of a site was the king of his site, he could do what he wanted. Today, he is an 'instrument', with no financial or commercial responsibility, seeing his role thus diminish." (Interviewee – acquired French multi-site firm #5)*

> *"There are differences in the culture of the controller. This is an important post in the new parent firm. In France, traditionally the post of controller is seen and perceived as the policeman, whereas in Finland, it is an 'advisor' role. The Finns use their controllers a lot. The French had difficulties at the start living with the idea of business controllers, until they understood the difference between Finnish and French business controllers. These differences created problems and became manifest, because the parent firm set up a new organisation structure after the acquisition with new managerial posts, but did not explain why and how to work in this organisation, thus there was a lack of pedagogy with regard to the new organisation." (Interviewee – acquired French multi-site firm #5)*

Ultimately, the differences between the two sides were traceable to their different regard on the importance of monetary vs. social reasoning. The Finnish owner was more financially oriented, whereas the French acquired firm came from a tradition of family-type management with social reasoning. Misunderstandings and a lack of true appreciation of the other party prevailed, as neither party understood the other's cultural background. The implementation of the new financial system happened fast on the surface, but the related cultural changes took a longer time to implement and be understood by the acquired firm managers. More

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fundamentally, the differences between the French and Finnish parent firms' were traceable to their national cultural orientations as regards the prevailing managerial logics in the two countries. This shows how apparently minor or superficial-level changes, such as those in financial reporting, have historically embedded long-term roots in the firms' organisational and national cultures.

> **The French viewpoint.** *"The Finns should accept and understand that you cannot have everything with money. Money is a means but it is not everything, by itself it is not enough." (Interviewee – acquired French multi-site firm #5)*
>
> *"The parent firm's team was more profit-minded than the French organisation. Thus, on many issues, the French had difficulties in understanding if a decision was made based on money, and not based on the totality of things." (Interviewee – acquired French multi-site firm #5)*
>
> *"We had the feeling that the parent firm was oriented toward the American management style, e.g. the management tools they were using, in a way they over-utilised all types of management tools." (Interviewee – acquired French multi-site firm #5)*
>
> **The Finnish viewpoint.** *"It has come as a total surprise to us how blind French society is to economic and rational logic. They operate more with an emotional and political logic. This has been a disappointment to us. Some years back, they passed to the 35-hour week. Also, protection against unemployment rose. This means that it is very expensive to fire staff in France. But the negative side is that it discourages foreign investors from investing in France." (Interviewee – buying firm C)*
>
> *"In France, you need to cooperate with trade unions in a different way. Our biggest challenge in the acquisition, in my view, was the trade unions, their way of working and the extent to which they remain bound to traditions, to the point of being old-fashioned. In contrast, with the Finnish or German trade unions we have more of a feeling of being in the same boat." (Interviewee – buying firm C)*
>
> *"There is an old-fashioned culture of negotiations in the French employer – employee relationship. The trade unions still look for the patron. They would like the local site and the global corporate parent to have one face, one opponent. They would like to negotiate with the patron. And they have great difficulties in understanding the current system, where there is no representative of the employer other than the site manager." (Interviewee – buying firm C)*

These two examples have illustrated how a seemingly 'structural' change, i.e. that of the financial reporting system, is undermined by the underlying cultural logic. Unless buying firms recognised these cultural dimensions of post-acquisition structural change, the progress of the change efforts was slowed down, whilst in parallel, misunderstandings and a lack of appreciation of the other party prevailed.

Relationships between levels of analysis

A more detailed analysis of the examples provided previously shows that not only was there a mutual interdependency between cultural and structural dimensions of post-acquisition change, but moreover, there seemed to be a certain 'hierarchy' between the national, corporate, unit, and departmental levels of analysis, as exemplified in Figure 27.

Importantly, several examples of acquisitions in this chapter showed how post-acquisition structural changes introduced were embedded not only in corporate, unit, or departmental cultures, but ultimately in the firms' national cultures. Thus, in many instances, firms' differences in national cultures need to be accounted for when implementing post-acquisition structural changes. This was noticeable, e.g., as regards changes to organisation structures, ways of working, and financial reporting systems. In other words, differences in national

culture not only influence firms' members' behaviours, but more fundamentally, the ways in which both firms have opted to structure themselves. Subsequently, any analysis of post-acquisition structural change in the context of cross-border acquisitions should not omit the potential influence of national cultures on the challenge of implementing these changes.

Second, the types of strategic choices that a parent firm has made with regard to its corporate-level structure and culture were found to reflect on its subsidiary/unit level structures and cultures. For example, this pertains to the degree to which parent firms operate in an integrated vs. decentralised structure. The former gradually induces a corporate and local organisational culture based on sharing, whereas the latter creates turfs and local chiefdoms at the expense of corporate benefit. This is further reflected in changes in ownership and firm size, both of which are corporate-level structural changes that ultimately impact upon the acquired firm's subsidiaries. In a similar vein, the cultural and structural profile of a subsidiary or unit was found to influence the cultural and structural profiles of its departments. Thus, a unit's strong dependence on its leader is likely to be felt across its departments in terms of structural choices and cultural behaviour.
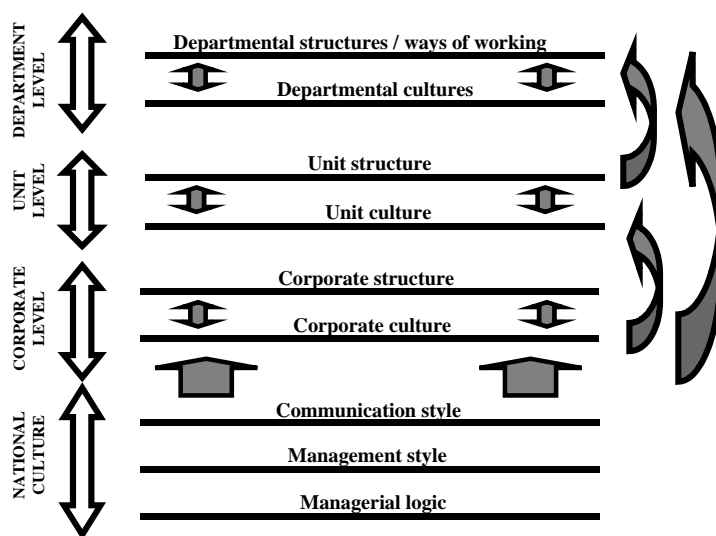
Figure 27. The relationships between structure and culture along national, corporate, unit, and departmental levels of analysis.

To conclude, this section has exemplified the cultural dimensions of post-acquisition structural change, whether the latter relate to changes in financial reporting structures, ways of working, changing organisation structures, ownership structures, firm size, or international reach. These structural changes were found to have roots in the firms' national and/or organisational cultures. Indeed, both firms' structural choices were embedded in a cultural context that needed to be appreciated and accounted for in order to further the progress of

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post-acquisition change, meet targets set for the acquisition, avoid unnecessary misunderstandings, and escalating levels of demotivation. Moreover, all post-deal structural change was found to result in a change in the organisational cultural make-up of the acquired firm, whether this change was sought by the buying firm or not.

However, the studied buying firms rarely, if ever, took note of the cultural roots of post-acquisition structural change. Consequently, the cultural dimensions and consequences of post-acquisition structural change could not be supported, and these were allowed to become *silent forces* impacting the progress of post-acquisition (structural) change efforts. Overall, it seems that the prevailing corporate mindset is one wherein post-acquisition change is considered as purely 'structural', its cultural dimensions ignored. Consequently, the determinism inherent in a lack of initial organisational fit between the acquired and buying firms is allowed to materialise, translating into a challenging integration phase. The following findings summarise the analysis made in this chapter:

Finding 12b: Any kind of post-acquisition structural change reflects an underlying cultural logic at either the national, corporate, unit or departmental level of analysis, and has cultural consequences for the acquired firm.

Finding 12c: Unless the structural and cultural dimensions of integrative challenge are recognised, the acquired firm cannot be adequately supported in the difficulties it faces during the implementation of post-deal structural changes, and the fatalism inherent in a lack of initial organisational fit materialises in a difficult post-acquisition integration phase.

Finding 12d: The departmental, unit, corporate, and national levels of analysis of integrative challenge are interrelated hierarchically, as a change at a higher level of analysis has cascading-like consequences on the structures and cultures at the lower levels of analysis, with the hierarchy of levels of analysis ranging from high to low as: national, corporate, unit, and departmental.

5.3.3   Conclusions on post-acquisition structural change

In this chapter, the dynamics of post-acquisition change have been analysed. This prompted the definition of 'integrative challenge' to represent the likely degree of difficulty in implementing post-acquisition changes in the acquired firm. Moreover, the cultural dimensions and consequences of post-acquisition structural changes were highlighted. These findings have enabled to further develop the integrative framework of this dissertation by incorporating the aspect of post-deal structural change into the framework, Figure 28.

Unless buying firms realise the dyadic relationship between cultural and structural differences between the acquired and buying firms, they tend to treat post-deal changes from a 'structural' perspective only, failing to recognise its cultural dimensions. Consequently, they will not be able to attend to the difficulties experienced by the acquired firm in complying with and getting used to the post-acquisition structural regime, given that its logic is culturally embedded. In such instances, the cultural dimensions of inter-firm differences become *silent forces*, resisting and fighting against the sought structural changes. In other words, the often-implied fatalism inherent in a lack of organisational fit between the firms will have manifested itself in practice in a difficult integration phase.
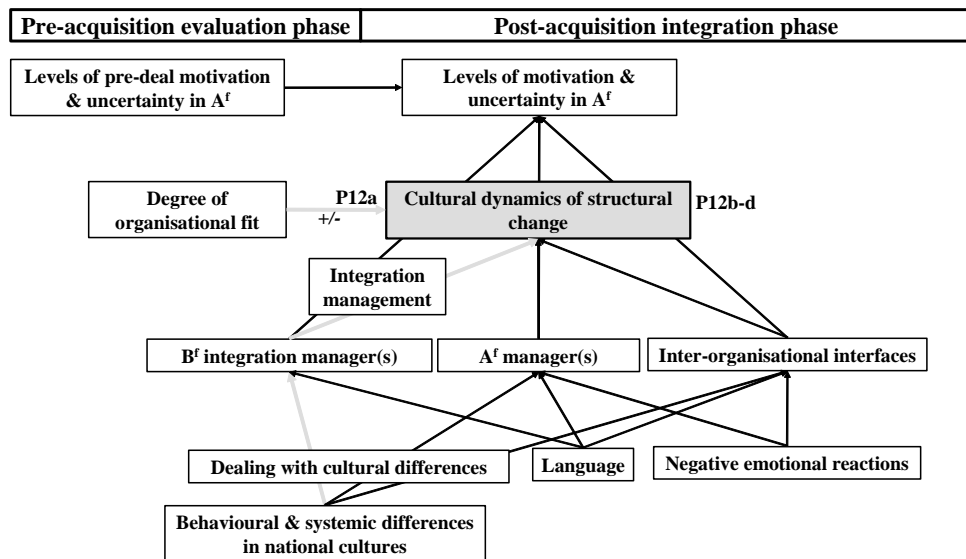
Pre-acquisition evaluation phase	Post-acquisition integration phase

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┌─────────────────────────┐        ┌─────────────────────────┐
│ Levels of pre-deal       │        │ Levels of motivation &  │
│ motivation & uncertainty │ ────►  │ uncertainty in Aᶠ       │
│ in Aᶠ                    │        │                         │
└─────────────────────────┘        └─────────────────────────┘
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Figure 28. *Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on the cultural dynamics of structural change.* Legend: Aᶠ refers to the acquired firm, and Bᶠ refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

5.4   Uncertainty and motivation levels across the acquired firm's units in the post-acquisition integration phase

In this subchapter, the focus shifts to an analysis of the uncertainty and motivation levels prevailing in the acquired firm's units in the post-deal integration phase. The chapter begins with a generic overview of the typical fluctuations in an acquired firm's uncertainty and motivation levels during an acquisition process. Thereon, the focus shifts to understanding the factors that explain these fluctuations in the post-deal integration period.[147, 148]

The reader is advised that the unit of analysis throughout this chapter is a subsidiary or unit of the acquired firm, not the acquired firm as a whole. Moreover, in some instances it can be

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[147] A lot of research has focused on the impact on M&A on individual employees, e.g. in terms of increased stress and uncertainty, and managerial implications, e.g. in terms of careers. However, less research exists as regards factors explaining fluctuations in uncertainty and motivation levels in the acquired firm following M&A. Similarly, the notions of uncertainty and negative reactions to M&A have received greater attention (Marks 1982, Buono and Bowditch 1989, Napier 1989, Schweiger and Denisi 1991, Véry et al. 1997, Larsson and Finkelstein 1999, Risberg 2001, Schuler et al. 2004) than possible positive reactions and the critical need to ensure employee motivation. These form the contributions of the present chapter.

[148] Extant research has found that the amount of culture shock (Buono et al. 1985, Buono and Bowditch 1989) and the progress of acculturation (Berry 1983, Nahavandi and Malekzadeh 1988, Véry et al. 1996, Ward et al. 2001) typically have a negative impact on acquired firm employees. The findings of this research project pointed to integration management and the kinds of post-deal change as impacting levels of uncertainty and motivation across an acquired firm's units. Culture shock and acculturation did not arise in the interviews or the analysis of the results as impacting upon the levels of uncertainty and motivation of acquired firm employees. In practice, the impact of culture shock was felt indirectly through integration management, as cultural differences were reflected in the way the integration phase was managed. Acculturation was likewise perceived indirectly by the types of changes that were inflicted upon the acquired firms. Consequently, it would seem that culture shock has a more subtle and indirect influence on M&A than has been led to assume by prior research.

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beneficial to further distinguish between uncertainty and motivation levels within a subsidiary, e.g. between its departments.

In the analysis of the studied acquisitions, the concepts of prevailing levels of uncertainty and motivation arose as means of representing the human challenge inherent in managing acquisitions. Indeed, in all of the studied acquisitions, the human challenge following the deal had characteristics of anxiety, high stress levels, worries, and questioning toward one's future (i.e. uncertainty levels tended to be high). In parallel, throughout the post-deal period, the studied acquired firms varied in the extent to which their staff were willing to stay on with the new parent firm and contribute to its success (i.e. the prevailing level of motivation). High degrees of uncertainty and low degrees of motivation are not conducive to enjoying one's workplace, working hard, and being dedicated to one's employer.[149]

To understand the nature of the human challenge in the acquisition process, an uncertainty–motivation curve was used as a tool in the interviews of acquired firm employees and managers.[150] In the early interviews, the aim of this tool was to capture fluctuations in an acquired unit's 'psychological well-being', and each acquired firm interviewee was asked to draw a curve representing the experienced fluctuations in their unit's psychological well-being throughout the acquisition process. Whilst drawing the curve, each interviewee explained the reasons that they had drawn the curve in a particular way, what the fluctuations meant, and what had been the key moments that had caused major fluctuations in the unit's[151] psychological well-being. It quickly became apparent in this exercise that in these representations of psychological well-being, highs represented high levels of motivation and lows represented high levels of uncertainty. Hence, the tool was termed an uncertainty–motivation curve.

The curves drawn by employees and managers across the studied units' departments tended to share similarities,[152] and differed only where departments and hierarchical levels had had

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[149] The financial resonance stemming from continuing low motivation levels have been found to result in decreased financial results, as reported by Davy et al. (1988), Buono and Bowditch (1989), Napier (1989), Cartwright and Cooper (1992), and Larsson and Finkelstein (1999).

[150] Somewhat similar representations are used in Schweiger and Denisi (1991), who surveyed the level of uncertainty and the degree of job satisfaction over time. Moreover, in M&A literature, different phase models have been brought forward to show how the reactions of employees in acquired firms change in the course of the acquisition process from extreme denial to gradual acceptance (e.g. Graves 1981, Mirvis and Marks 1985, Hunsaker and Coombs 1988, Buono and Bowditch 1989).

[151] Interviewees alternatively drew these curves at the level of their hierarchical position, at the level of their department, or of the entire unit.

[152] This contradicts existing findings, as Risberg (2001) found employee reactions to M&A to be ambiguous for any individual employee, between individuals, and between groups. She argued for the need to avoid seeing that acquisitions provoke single type reactions within the acquired firm. The difference in findings can possibly reflect the fact that the present study is based on a larger amount of interviews and acquisitions, which provide a means for identifying causes behind possible ambiguities that emerge in smaller interview and acquisition samples.

largely different experiences in the post-deal era.[153] After the interviews in each acquisition were over, a summary uncertainty–motivation curve was developed for each acquisition. Based on these per-acquisition summary curves, a conceptual representation of an uncertainty–motivation curve was developed, Figure 29. It is argued that the uncertainty and motivation levels in any acquisition are likely to be a variation of this curve, depending on the way the acquisition process is managed in each case. Thus, whilst they might not follow the fluctuations in Figure 29, it is argued that the reasons for up- or downward fluctuations can be traced to the factors presented throughout this chapter.
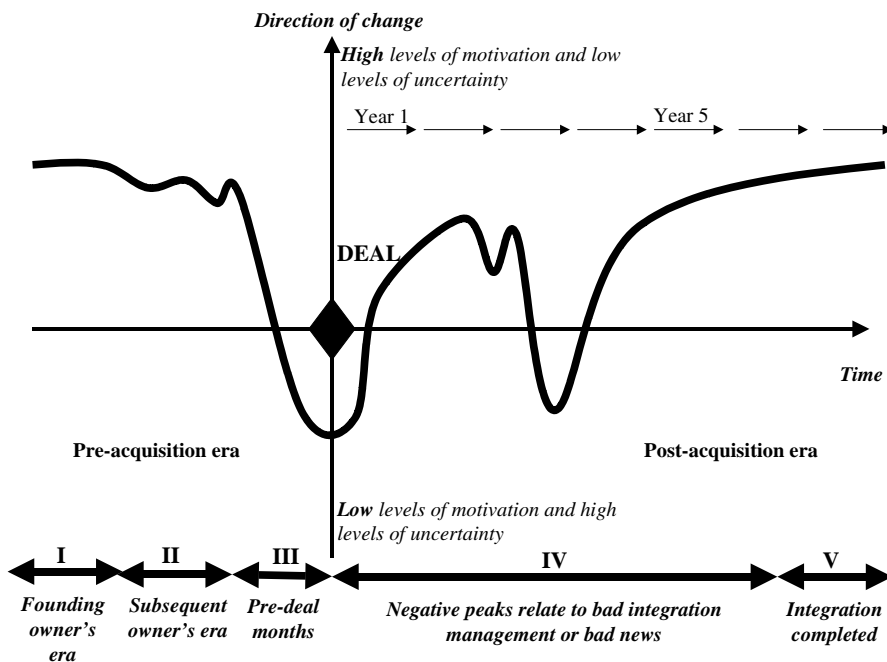

Figure 29. A generic uncertainty–motivation curve in an acquired firm's unit throughout an acquisition process.

More specifically, the era preceding the acquisition (and the deal) is characterised in the acquired firm by different ownership eras, each era having been experienced differently in the acquired organisation. Generally, the founding owner's era is remembered with warmth, as are the eras of subsequent owners that have treated the acquired firm and its units well. The extent to which this era has been enjoyed is directly reflected in the degree of motivation across an acquired firm's units.

As the news of a new acquisition becomes reality in the months preceding the deal, uncertainty levels rise. Depending upon how the acquired unit reacts to the news of being acquired and to the identity of the buying firm, it will become more or less motivated to join

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[153] In one instance, managerial representatives explained that the curve for employees and managers was different in their unit.

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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its new parent firm.[154] As Figure 29 shows, the levels of pre-deal uncertainty and motivation act as a lever on the post-acquisition levels of uncertainty and motivation. A low level of pre-deal motivation means that the buying firm sees a resistant acquired firm enter its organisation, and hence has to focus its early post-deal efforts on winning the hearts of these employees. Often, such situations are coupled with high degrees of uncertainty about the future. In turn, a high level of pre-deal motivation means that the acquired firm's employees are motivated toward the acquisition and are more likely to accept forthcoming changes. Typically, in such instances, uncertainty levels tend to be lower. In such a context, the buying firm does not have to engage in firefighting to manage the new employees' uncertainty and motivation levels. This explains why it is in the buying firm's interest in the pre-deal phase to avoid acting or behaving in a way that might increase the level of uncertainty in the acquired firm, or decrease their motivation to work for the buying firm. Moreover, this explains why the buying firm can benefit from understanding the kinds of factors that impact on pre-deal levels of uncertainty and motivation in an acquired firm, so that it is better equipped to deal with possible questions and worries from the employees' side.

During the post-deal integration phase, several factors were identified as impacting fluctuations in an acquired unit's uncertainty and motivation levels. These were found to relate to 1) the way the integration was managed and organised, 2) the direction of post-deal structural and cultural change, 3) the presence and impact of country differences, and 4) contextual factors.

To begin with, the extent to which the integration phase was well managed reflected directly on the speed at which the acquired organisation's employees got past feelings of uncertainty related to the immediate pre-deal period.[155] Thus, in all the studied acquisitions where planning, communications, a future vision, and timely support were provided for, acquired firm employees' uncertainty levels went down rapidly, and in turn they gained motivation to work for the new parent firm. On the contrary, any major mistake in the implementation of the integration phase, be it a lack of swift action, communications, targets, or a vision of the future, translated into prolonged periods of uncertainty in the acquired organisation, leading to demotivation.

Planning vs. lack of planning

"The integration phase .. I am not sure if it was organised. There never seemed to have been a plan, things were just happening. But people get worried if nothing is organised!" (Interviewee - Danish acquired unit #1)

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[154] This was the focus of Chapter 4.1 with regard to pre-deal levels of uncertainty and motivation across acquired firm units.

[155] Extant research confirms that the way the M&A integration phase is managed has an impact on employee well-being (e.g. Schweiger and DeNisi 1991, Lohrum, 1996). In this line, the importance of buying firm 'fairness' has been flagged (Hambrick and Cannella, 1993). Also, calls have been made to manage and plan the human side of M&A (Burke 1987, Schweiger et al. 1987, Cartwright and Cooper 1992).

Timely vs. delayed post-deal actions

"After the deal had been signed, one morning, staff were all summoned to a meeting room, which was packed. We had to wait for one hour to hear two short speeches. After this, nothing happened for the next six months. This situation was unnerving for staff, as we did not know what was happening. During these months, the unit drifted. No work was cancelled, yet nothing new was started. This situation started to feel very odd. People started asking questions. This was a period of uncertainty, and it was a long period of silence from the buying firm's side. It was difficult to understand what it was all about." (Interviewee –British acquired unit #3)

"Staff need structure, or else there are rising levels of uncertainty. From past experiences with unsafe situations, everything that implies uncertainty increases the staff's unease. It is documented at the back of our engineers' brains: all signs of failure make alarm bells ring, as staff are afraid of bad news. The alarm level of staff increases in such a situation. So there would have been a need for more control, structure, communication, clear managerial statements. Not messing around, running several activities in parallel." (Interviewee - German acquired unit #2)

Vision vs. lack of vision

"You need to have clear rules of the game. This would reduce uncertainty. Why? If people see a clear plan, a clear strategy, they know the direction towards which they are working. It gives the feeling that the buying firm knows what to do with the acquired firm and that it will help us with the first steps until we can walk on by ourselves." (Interviewee – German acquired unit #2)

Sufficient vs. insufficient post-deal communications

"The site manager did an extremely good job of keeping the unit informed throughout the period of uncertainty. He explained, informed, and again explained. This decreased the level of speculation at the factory." (Interviewee – buying firm D)

"Despite the many ownership changes at the site, motivation has remained relatively high given that so far, people have not been affected by the changes. Through clear and regular communications, staff have come to trust local management, and local management trusts the site and its know-how, so the local management found arguments both to defend the site to the parent firm and to reassure staff. Our key message was that this business remains local, so there will not be mass layoffs." (Interviewee – acquired French unit #7)

The attitudes that integration manager(s) responsible for the acquisition from the buying firm took in the post-deal integration period were also found to impact the motivation levels in acquired units. Hence, an integration phase managed with respect, that prompted action and mutual learning, tended to result in motivated employees, whereas in contrary situations, employees lamented the attitudes of buying firm representatives and did not feel as motivated to work for the new parent firm.

Example of Danish unit's acquisition. *"The buying firm had a lot of respect for our unit's competence. So they came and took the attitude that 'we take you and use you in the way that you are best'; it was an amazing start." (Interviewee - Danish acquired unit #1)*

Example of US multi-site acquisition. *"From a cultural and people standpoint, the integration went very well, as the Finns cared for and showed interest in people. We were valued, they continued to show interest in us. We felt that we were important to the success of the company. They would talk to every engineer individually, not just to us as a group, e.g. they would come around and say 'you are doing great'." (Interviewee – acquired American multi-site firm #8)*

Counter-example of French multi-site acquisition. *"Our accumulated commercial know-how has not been utilised in our new parent firm, as no-one understands it, it is not in their culture. Some persons even tried to destroy this know-how, as there is the emotional side in M&A of 'I have nothing to learn from others'." (Interviewee – acquired French multi-site firm #5)*

The involvement of acquired firm managers in integration activity was regarded a sign of trust and respect. Hence, it tended to represent a motivational boost in the studied acquisitions, instead of the acquisition being experienced as a takeover. However, in instances where acquired firm management was kept but remained resistant to the integration activities,

as in the British unit's acquisition, the presence of local managers contributed to the development of an atmosphere marked by demotivation.

> **Example of Danish unit's acquisition.** *"It is good to involve local management from an early stage! E.g. right after the deal, our local management team visited Finland, we spent a day together. This was a shared experience for our management team, an important experience. After this, integration became a joint challenge to both management teams - we do it together!" (Interviewee – Danish acquired unit #1)*

> **Example of German unit's acquisition.** *"It was not felt as being a takeover, as project managers were local. This was a very important move. Finnish line managers were supervising and supporting them." (Interviewee - German acquired unit #2)*

> **Example of Finnish acquisition.** *"Had we been immersed 100% into the parent firm, that would have meant great difficulties. It was good that they realised that there is no need to take us, a small young firm, into their bureaucracy, but let the firm take care of its own growing pains, entering the organisation gradually according to our degree of tolerance. So, integration was not forced, but we were provided with the freedom to join the company gradually as the need arose." (Interviewee – acquired Finnish firm #6)*

> **Counter-example of British unit's acquisition.** *"It has to be ensured that people with a personal agenda are taken out of the picture, as they can create damage that takes years to repair. As a buying firm, you need to look at an acquired unit's people carefully, and be ready to eliminate those people that will potentially cause problems. People have power to spoil the whole thing!" (Interviewee –buying firm A)*

Even if the integration team has successfully managed the integration phase, other units within the acquired or buying firms can influence the motivation of a newly acquired unit through negative emotional reactions toward them. These reactions are often the result of historical ties and emotional tensions between the sites. Thus, it is not enough for the integration team to manage the integration phase well if the rest of the buying (or acquired) firm does not respond accordingly. Thus, the responsibility for integration ultimately rests on the entire buying firm, with the integration team and manager being its spearheads but not solely responsible for its success. The behaviour of acquired firm units towards one another also needs to be monitored.

> **Example of French multi-site acquisition.** *"The organisational structure was badly perceived in France. We had the impression that this created separation within the company, as cooperation between business lines and especially business line managers became difficult. They were fighting amongst one another, trying to ensure their own business's profit even at the expense of others." (Interviewee – acquired French multi-site firm #5)*

> **Example of US multi-site acquisition.** *"There has been animosity with some of the local units; there remains an uneasy, distrustful feeling until you know the people you deal with." (Interviewee – acquired American multi-site firm #8)*

Second, the direction of post-deal structural change was also found to impact the uncertainty and motivation levels in acquired firms. Indeed, acquisitions that represented immediate positive benefits for the acquired organisation were well received, as the future with a new parent firm was perceived to be endowed with opportunities, possibly more so than with the previous owner.[156] Thus, the prospect of business growth, e.g. through internationalisation or other opportunities, represented a motivational boost to the acquired organisation and was greeted with enthusiasm.

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[156] The significance of the kind of post-acquisition change on employee uncertainty and motivation levels has not been brought forward in extant research on M&A

Example of German-US acquisition. *"Our motivation increased as international sales expanded and we saw a better future. The positive news through the acquisition was internationalisation. The novelty for us was the possibility of going overseas, as the new owner could provide us with a dream distribution network. Formerly, overseas expansion on this scale would not have been possible, and no real attack nor efforts had been made in this regard." (German interviewee – German-US acquired firm #4)*

Example of Finnish acquisition. *"As a small firm, we had limited resources, we were only operating in Finland .. With the acquisition, we could get positive injections into our company's operations, and yet we could control what takes place. We were getting involved with international business .. this was a boost to our morale." (Interviewee – acquired Finnish firm #6)*

In parallel, the degree of interest, involvement, commitment, and investments by the buying firm in the acquired organisation were factors that further positively bolstered the acquired firm's motivation to work for the new parent firm.[157]

Example of French multi-site acquisition. *"Now, as we look into the future, we see things in a positive light, we are going toward the better. We tell this to the staff and they believe us. E.g. the annual investment budget for the site shows that the new parent firm believes in us, and we want to show that we are worth it. The fact that there are investments in the site is a sign that they believe in us. This creates a positive cycle of mutual confidence and trust: if we are trusted, we want to show that we are worth this show of confidence." (Interviewee – acquired French multi-site firm #5)*

"An investment is a sign of confidence in a site." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"Could the integration have happened better? From being in an impossible pre-deal situation, immediately after the deal we received significant investment." (Interviewee – acquired French unit #7)*

"Overall, people have been excited as the site had not received investment for a long time. At the beginning, there was also a lot of disbelief, as with the former parent, despite promises, investment had never materialised. But, once staff saw the big investment we [as the new parent firm] were making .." (Interviewee – buying firm D)

"The Finnish parent firm reimbursed the site's incurred debt and invested in the site. This has made it easier for us to reassure people that there would be work in the future." (Interviewee – acquired French unit #7)

Even the smallest positive signs of change, such as company t-shirts, new logos, or better premises were welcome positive notes in times of uncertainty.

Example of Danish unit's acquisition. *"Our parent firm wanted the unit to move to a new building, in order to make the change more visible and permanent. Owing to growth, we had to build a new building. This boosted the energy levels of the Danish engineers'." (Interviewee – Danish acquired unit #1)*

Example of French site's acquisition. *"These small details, such as buying overalls, T-shirts and having company signs on the roof, they are small things, but they are really important to staff at the site during times of uncertainty. Through these small things, such as our signs being raised to the roof, the local manager asking them about sizes of overalls, e.g. what types of overalls would you like to have .. really minor things ..." (Interviewee – buying firm D)*

Example of US multi-site acquisition. *"In the first year, people were concerned as to whether the parent firm will stay in the area or pack up. The news of the new building changed things for staff: it was a new, clean building: our morale changed instantly as we saw it!" (Interviewee – acquired American multi-site firm #8)*

"The move to the new building was a huge lift for spirits and morale, a relief for us, and ensured us that the new parent was here to stay." (Interviewee – acquired American multi-site firm #8)

In contrast, news regarding deparment or site closures or layoffs were followed by an outcry of negative feelings, high levels of uncertainty, and a lack of motivation to work for the parent firm, as the quotes below from the French and US multi-site acquisitions illustrate.

Example of French multi-site acquisition. *"The decision to stop one of our departments was sudden and radical. It created a major shock. There was a 24h strike. There was anxiety. We could not*

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[157] Ibidem.

understand it. It was brutal. Even the site manager was unaware of the decision. We did not understand why we had been promised six months earlier that all will be well and then suddenly, part of our site was closed." (Interviewee – acquired French multi-site firm #5)

"The closing of this department was a negative experience for staff and it did not give a positive image of the Finnish parent firm. A certain regret has remained." (Interviewee – acquired French multi-site firm #5)

"During closures of departments, staff have been worried with regard to the future. During some periods, we have hit low very levels of motivation, 'we have been on the black side'." (Interviewee – acquired French multi-site firm #5)

"It took a long time to negotiate the details regarding layoffs. It became unbearable. It is like having cancer, the end of the process was somewhat easier." (Interviewee – acquired French multi-site firm #5)

"I carry a very bad memory of the former organisation structure. Since recent years, I have confidence in the company. Before this, I had confidence in our site and its products; they were the only reasons that motivated me to stay. At the time, I had doubts about the parent firm given the difficulties in working in the set organisation structure." (Interviewee – acquired French multi-site firm #5)

Example of US multi-site acquisition. *"All change is stressful to people. Currently, with the news of layoffs, it is stressful to people and it decreases their confidence level. Also, there have been many management changes that have decreased the confidence levels. Does management listen to what the staff are saying? Recently, there has been too much change!" (Interviewee – acquired American multi-site firm #8)*

"The motivation curve would currently climb were it not for the layoff announcements, people are worried as to where the new parent is going, what is going to happen, is the parent firm committed to the US, will our site be shut down?" (Interviewee – acquired American multi-site firm #8)

"There is currently confusion, e.g. with regard to the recent corporate email on layoffs. The news came through email. Now, the laying off is not taking place in the informed quantities. Who and from which units will people be laid off? There is lots of uncertainty at the moment, people feel that 'here we go again ...'. Thus, the unit is now in a 'maintenance mode' instead of being in a 'building for the future' mode, as, if we have no clear indications toward the future, how can we work toward the future? All was going well until we received this corporate email about layoffs; now, people are more focused on change than work; uncertainty remains as long as we are not further informed. These times are tough, as people would like and want to know when is change going to take place, what change will take place. The current level of uncertainty is hurting our business, and some people are quitting the organisation in such uncertain times." (Interviewee – acquired American multi-site firm #8)

In turn, the change in governance structures away from family ownership toward shareholder ownership resulted in higher levels of uncertainty and lower levels of motivation, especially in the ranks of employees. Indeed, it was perceived that such an ownership change would result in lower managerial interest and presence at sites, paralleled with less concern for employees and greater emphasis on financial profitability and performance. A decrease in the communication flow toward the acquired organisation[158] was also bemoaned.

Example of French multi-site acquisition. *"As compared to the 1970s and 1980s, when management lived next door and was always at the site shaking hands with employees, current top management passes like a gust of wind. Staff miss the daily contact they used to have with management onsite. Through the ownership changes over the years, we have witnessed a gradual diminishing of top management visibility. In the past, the head of the site was also its owner and was available and ready daily to listen to staff concerns onsite." (Staff Interviewee – French multi-site firm #5)*

"We hope for greater top management interest. Either they are not interested in us or they trust our superiors. Top management has visited the site twice since the deal [some years ago], middle management visits twice a year. It would be good, if top management would visit us at least yearly, as for the staff this is a show of their interest. Last time they came, half a year later, contrary to their promises, part of the site was shut down .. This left a bad feeling for many here." (Interviewee – acquired French multi-site firm #5)

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[158] The significance of communications has been repeatedly emphasised by extant research (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Schweiger et al. 1987, Napier 1989, Marks 1991a, 1991b, Schweiger and Denisi 1991, Marks and Mirvis 1997, Cartwright and Cooper 1993).

"The communication chain between the headquarters and local subsidiaries erodes the closer one gets to the subsidiary. From top management to the country organisations, there is good communication, but within the country organisation, communication stops, the intra-French communication channels do not work, and messages do not come to subsidiaries." (Interviewee – acquired French multi-site firm #5)

Example of US multi-site acquisition. *"The American staff talked with great warmth of the initial founding family, how they saved money in a fund to cover salaries in bad times. And how everything changed with the next owner, who did not focus on employees, but on money. The atmosphere grew colder." (Interviewee – buying firm D)*

"With the first new domestic owner, you see a changing of the guard. There is a different comfort-level in working for a family-owned company vs. a public-owned company, so this represented a change for us. By comfort level I refer to a feeling, what word to use - fear of the unknown, there was a change as to the way the business was run and how you as a staff member fit in with the business. Now, we were held more accountable than in the former times."(Interviewee – acquired American multi-site firm #8)

Becoming part of a foreign-owned parent firm generally has the consequence that career opportunities are limited for other than the parent firm's home country nationals. This is likely to create some degree of personal uncertainty and demotivation in the ranks of acquired firm managers.[159]

Example of French multi-site acquisition. *"Now, if you are not a Finn, you will not get promoted to top positions. It is like with women in work life, you either have to be superior to the Finns to get promoted or to be a Finn. There is a cultural barrier. You find the same phenomenon in all multinationals - those from the country of the headquarters are preferred, thus this is not our problem only." (Interviewee – acquired French multi-site firm #5)*

"The image we have of the Finnish parent firm today: if you want to succeed, you need to be either a Finn or a German. But, being French, you will not succeed. This is the reason why many French managers have left the company. Now, the top management team is Finnish, and mid-management level is local, but the French have little motivation to go beyond this level, as there is a lack of career potential for the French. This does not motivate us to stay in the company in the long-term." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"There is a strong Finnish presence in the parent firm, all management above site managers are Finns. This means that there is a ceiling beyond which you cannot develop your career as a non-Finn. Currently, open resourcing also only applies to jobs within sites, not to managerial posts. Thus, as local managers we do not even get the opportunity of applying for higher managerial positions." (Interviewee – acquired French unit #7)*

Example of US multi-site acquisition. *"Do we have advancement opportunities? Finns are in managerial positions." (Interviewee – acquired American multi-site firm #8)*

"If one wants to make a career in the Finnish parent firm, it is difficult unless one is ready to move to Finland. Upper managerial positions are mainly given to Finns. This is typical in all multinationals." (Interviewee – acquired American multi-site firm #8)

In parallel to structural post-deal changes, the direction of induced cultural change was also found to impact acquired firm motivation levels. Indeed, a cultural regime that increased the levels of employee involvement on the one hand, and the openness and transparency of organisational communications on the other, was generally well received.

Example of German unit's acquisition. *"It is positive that we can take part in decisions about the future. Decisions are not dictated, rather it is a joint process of decision-making." (Interviewee - German acquired unit #2)*

Example of German-US acquisition. *"The greatest change as compared to before concerned transparency. Mr. W's way was not to inform staff about the financial results of the company or about the trends in the industry, he saw that it is none of their business. This changed totally with us as the new parent firm. Consistent with our way, we began informing the whole staff about the financial situation of*

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[159] Decreased career opportunities have regularly been flagged by research on the human side of M&A (e.g. Cartwright and Cooper 1992, Hambrick and Cannella 1993, Véry et al. 1997, Larsson and Finkelstein 1999, Schuler et al. 2004).

the company, how much profit we are making, what is our budget, what are our goals, and how we intend to approach them." (Interviewee – buying firm B)

Example of US multi-site acquisition. *"We have lots of freedom now: you have your area, and within that you can do your best; you are given the desired target and you can decide yourself how to get there, if it does not work, then you try another way; hence our staff gains business knowledge. In contrast, formerly we were told how to do olur work, and what is the target: if you do not get there, you are fired." (Interviewee – acquired American multi-site firm #8)*

Third, a buying firm's inattention to differences in national cultures was found to impact motivation levels in acquired firms. Indeed, the kinds of difficulties experienced owing to differences in national cultures, as brought forward in the previous chapter, also had motivational consequences. If the post-acquisition phase was marked by misunderstandings, a failure to adapt the management style to the acquired firm's needs and to explain the cultural logic behind the parent firm's way of working, a monocultural approach to international operations, and a lack of genuine respect for national cultural differences, the more likely it was that motivation levels in an acquired firm would not climb to their highest levels.

Misunderstandings

"We have encountered several situations of wrong interpretations that have then never been debriefed, whilst there was a cultural difference behind them. Afterward, we might have separated with mixed feelings on both sides, whereas had we confronted these differences openly (as we talk of technology or finances), it would have eased our mutual understanding. But we do not talk openly of culture." (Interviewee – acquired French unit #7)

Failing to understand acquired firm employees' managerial needs

"The parent firm's gentle approach, providing us with independence, patience, allowing us to go at our own pace, persuasion, not telling; was not sharp enough in its expectations. English engineers need to be strongly led, they need strong leadership and hierarchy; otherwise they do their own thing and not always in the best way, i.e. they would go down to the pub, or take a 9 to 5 mentality toward work." (Interviewee - British acquired unit #3)

Failing to explain parent firm's management style to acquired firm employees

"Finns accept a degree of uncertainty, they are in line with it. English staff need structure, they have an expectation of hierarchy, i.e. it is strange to have lunch with the company's president. So the parent firm could have sold itself better, they could have explained the positive side of informality and management visibility to us." (Interviewee - British acquired unit #3)

A monocultural approach to international operations

"The buying firm seeks 'one organisational culture'. However, it has difficulties in integrating cultural differences. In essence, it wants all of its sites to resemble their typical Finnish sites. They would like us to have a Finnish mentality of 'yes, manager', i.e. just as Finnish sites obey orders easily." (Interviewee – acquired French multi-site firm #5)

".. this everyday practice that we see is in stark contrast with the official values and practices of the Group, where we talk of 'respect for the individual'. In practice, this translates in 'respect for the Finns'. There is a contradiction. These slogans do not live in practice." (Interviewee – acquired French multi-site firm #5)

In a similar vein, the reported language barriers, misunderstandings, arousal of suspicion, and missing out on information, which stem from the lack of a joint language, also have the potential to impact an acquired firm's motivation level. The quote below provides an illustrative example of the discussion in the previous chapter.

Example of German-US acquisition. *"And also, as we would travel to meetings, it was always visible, as there would be crowds speaking German, or Finnish, but if you are the only one speaking English, you would feel 'uh-oh'. This is psychological, not that you are 'lower' but that you are 'different',*

because you are not able to communicate, you do not even understand what is being communicated." (American interviewee – German-US acquired firm #4)

Finally, a drop in motivation can be further explained by contextual factors, such as industry downturns, a general economic slow-down, or the parent firm's bad financial results.

> **Example of French site's acquisition.** *"With the new parent firm, our motivation went up immediately, then came down as we did not have enough work, and more recently, there is distrust owing to the bad economic situation and news of more layoffs coming." (Interviewee – acquired French unit #7)*

Such contexts tend to lead to reorganisations, another motivational blow to the newly acquired firms that were found to result in rocketed uncertainty levels. Indeed, not only are reorganisations stressful for the parent firm's existing units and employees, but they are especially so for newly acquired units that have hardly had time to adapt to one organisational structure before this is changed again. This was made worse by the fact that many of the studied firms seemed to be in an ongoing reorganising mode, with one change following the other. Hence, the acquired firms' efforts to integrate with the operations of the parent firm were made more difficult by the latter's continuing reorganisations.

> **Example of French multi-site acquisition.** *"The downside of many successive organisational changes is that they have been sudden, brutal, characterised by a phenomenal management turnover. We have seen our organisational structure and management change often. The company has had difficulties installing a durable organisational structure. The challenge with organisational changes is that we do not get time to get to know our superiors." (Interviewee – acquired French multi-site firm #5)*

> **Example of French site's acquisition.** *"An organisation that changes too often is an organisation that prevents you from working. It begins cultivating demotivation. Now, with all the reorganisations, it is getting more difficult. People want to be reassured, but we cannot always do this. As long as we provide the staff with clear and coherent messages, we do not run into conflicts with them." (Interviewee – acquired French unit #7)*

> **Example of US multi-site acquisition.** *"There is frustration at the amount of change taking place currently, e.g. with reorganisations. This is especially frustrating for older staff, e.g. if you are over 50 and have no degree, are paid well now, and would like some continuation for a while. These changes represent major strategic shifts, not just small changes, and there is nothing you can do about it as there is unemployment in the region, so you do not have options." (Interviewee – acquired American multi-site firm #8)*

As a summary of the analysis in this chapter, Table 53 and Table 54 provide cross-case comparisons of the studied acquisitions with regard to the factors identified that influenced fluctuations in the studied acquired units' uncertainty and motivation levels respectively throughout the acquisition process. The argument is that unless the acquired firm's uncertainty and motivation levels are accounted for, they are allowed to become *silent forces* that lead to demotivation, rumor-mongering, and uncertainty which in turn disturb the progress of post-acquisition integration. As the following chapters will show, low levels of motivation and high levels of uncertainty further impact the degree of organisational identification and cultural change achieved in the acquired firm.

Summing up, this chapter has focused on the fluctuations in the levels of uncertainty and motivation across an acquired firm's units in the post-acquisition era, and, more specifically, on factors impacting this fluctuation. In so doing, the role of the pre-deal uncertainty and motivation levels, the way in which the integration phase is managed and organised, the

direction of post-deal structural and cultural change, attention to country differences, and contextual factors turned out to be of significance. The following findings summarise the analysis:

Finding 13a: During the post-acquisition era, fluctuations in an acquired unit's *uncertainty levels* can be traced back to their levels of pre-deal uncertainty, the extent to which the integration phase has been well managed (as regards the 'fundamentals of integration management'), the extent to which the unit has received integration support from a wide array of inter-firm interfaces, the direction of post-acquisition structural and cultural change, language differences, and contextual factors such as economic downturns and reorganisations.

Finding 13b: During the post-acquisition era, fluctuations in an acquired unit's *motivation levels* can be traced back to their levels of pre-deal motivation, the extent to which the integration phase has been well managed (as regards the 'fundamentals of integration management'), buying firm integration managers' attitudes in the integration effort, the extent to which the unit has received integration support from a wide array of inter-firm interfaces, the amount of negative emotional tension hampering the integration phase, the direction of post-acquisition structural and cultural change, inattention to differences in national cultures, and contextual factors such as economic downturns and reorganisations.

Figure 30 provides a representation of how the present findings fit into the integrative framework on post-acquisition integration being developed in this dissertation. For the sake of clarity, the concepts of the prevailing uncertainty and motivation levels have been analysed together, rather than separately, in the framework.
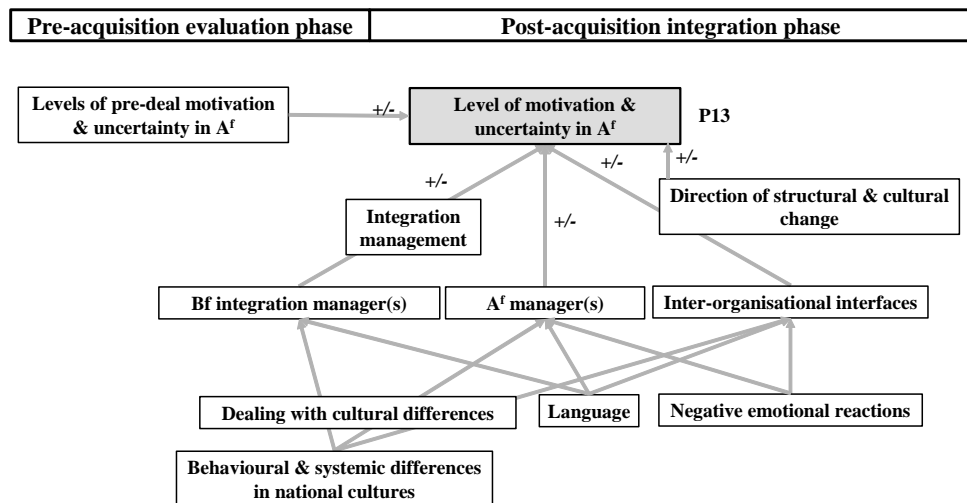
Figure 30. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on the acquired firm's uncertainty and motivation levels during the post-acquisition integration phase. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

Table 53. Comparing motivation levels in the studied acquired firms in the post-deal years.

ANTECEDENTS TO POST-ACQUISITION MOTIVATION LEVELS	Danish R&D unit #1	German R&D unit #2	UK R&D unit #3	German acquisition #4	US acquisition #4	Unit of French multi-site acquisition #5	Finnish acquisition #6	French unit's acquisition #7	Unit of US multi-site acquisition #8
Pre-deal level of motivation in A^f (*)	++	++	-	+	+	+	++	++	-
Fundamentals of integration management catered for (*)	-	-	-	+	+	+	+	+	+
Integration team's attitudes toward the A^f (*)	+	+	+	+	+	+-	+	+	+
Inter-unit negative emotional tensions (*)	-	-	-	+-	+-	--	-	-	--
Organisation of integration efforts, i.e. roles involved (*)	++	+	-	+	-	+	+	+	+
Direction of post-deal structural change	+	+-	-	+	0	-	+-	+-	+-
Direction of post-deal cultural change in management style	+	+-	-	+	-	+-	-	+	+
Non-attention to differences in national cultures during integration phase	-	-	-	-	-	-	0	-	-
Contextual factors, e.g. economic downturn, reorganisations	+	+	+	+	+	-	0	-	-
Tendency in post-deal motivation levels	High levels of pre-deal motivation and successful integration management ensure high post-deal levels of motivation.	Post-deal levels of motivation fluctuate owing to perceived lack of support to the unit.	Low levels of post-deal motivation owing to a lack of integration and support to the unit that is allowed to drift.	High levels of post-deal motivation, owing to successful integration management and change efforts.	Post-deal levels of motivation are correct, but staff suffer from a continuing lack of attention from the parent firm.	Medium levels of post-deal motivation with some lows owing to emotional tension within the acquired firm and the difficulty of belonging to a foreign firm.	Post-deal levels of motivation would be high were it not for a lack of interest in being integrated into a large bureaucratic parent firm.	Post-deal levels of motivation suffer from contextual factors and negative emotional reactions from other units.	Low levels of pre-deal motivation climb up owing to successful integration, but staff suffer from negative reactions of other units.

Legend:

- The figures provided in this table are averages over a several-year period, i.e. any acquisition might have experienced highs and lows beyond the present annotations.
- (*) refers to dimensions that have been covered in previous summary tables of this manuscript and have been imported from these tables (Table 12 and Table 27).
- A '-' or ' - ' score on any dimension means that it had a negative, or very negative effect on the motivation of employees, a '+' or '++' score points to a (very) positive effect on employee motivation levels (i.e. the absence of trouble on this issue), and '+-' to a mix of both. '0' means that the dimension in question is not relevant for the studied acquisition.

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Table 54. Comparing uncertainty levels in the studied acquired firms in the post-deal years.

ANTECEDENTS TO POST-ACQUISITION UNCERTAINTY LEVELS	Danish R&D unit #1	German R&D unit #2	UK R&D unit #3	German acquisition #4	US acquisition #4	Unit in French multi-site acquisition #5	Finnish acquisition #6	French unit's acquisition #7	Unit in US multi-site acquisition #8
Pre-deal level of uncertainty in A^f (*)	++	++	--	-	-	-	++	++	-
Fundamentals of integration management catered for (*)	-	-	-	+	+	+	+	+	+
Organisation of integration efforts, i.e. roles involved (*)	++	+	-	+	-	+	+	+	+
Direction of post-deal structural change	+	+	+	+	+	+	+-	+-	+-
Direction of post-deal cultural change in management style	+	+-	-	+	-	+-	-	+	+
Language differences	-	-	+	-	+	-	0	-	-
Contextual factors, e.g. economic downturn, reorganisations	+	+	+	+	+	-	0	-	-
Tendency in post-deal uncertainty levels	Some degree of post-deal uncertainty stemming from the lack of structure in the integration phase, otherwise the integration phase is praised.	Some degree of post-deal uncertainty stemming from the lack of structure in the integration phase and the challenge of shifting to a new corporate way of working.	High level of pre-deal uncertainty remains owing to lacking integration and poor integration management.	Pre-deal uncertainties wade out, as the post-deal era is well experienced.	Pre-deal uncertainties wade out, as few changes take place in the post-deal era.	Pre-deal uncertainties wade out during integration, but rise again owing to difficult decisions concerning the site, contextual factors, and the difficulty of belonging to a foreign firm.	Some degree of post-deal uncertainty relating to the direction of post-deal change.	Rather low levels of post-deal uncertainty that rise only owing to some changes and contextual factors.	Pre-deal uncertainties wade out during integration, and rise again owing to contextual uncertainties.

Legend:

- A^f refers to the acquired firm, and B^f to the buying firm.
- The figures provided in this table are averages over a several-year period, i.e. any acquisition might have experienced highs and lows beyond the present annotations.
- (*) refers to dimensions that have been covered in previous summary tables of this manuscript and have been imported from these tables (Table 12 and Table 27).
- A '-' or '- -' score on any dimension means that it had a negative, or very negative effect on the uncertainty of employees (i.e. uncertainty levels rose), a '+' or '++' score points to a positive (or very positive) effect on employee uncertainty levels (i.e. decreased uncertainty), and '+-' to a mix of both. '0' means that the dimension in question is not relevant for the studied acquisition.

6 Silent forces and the outcome of cross-border acquisitions

Having analysed the dynamics inherent in the pre-and post-acquisition phases, the focus in this chapter shifts to the outcomes of post-acquisition integration. The analysis of the studied acquisitions showed that the outcomes of cross-border acquisitions can be conceptualised in terms of the degree of cultural change and organisational identification induced in the acquired firm in the post-deal years, as well as the financial performance of the acquisition. Each of these outcomes will be looked at next.

6.1 Toward cultural change

The focus of this chapter is on understanding the nature and progress of post-acquisition cultural change in firms acquired by multinational buying firms that aim to integrate the acquired firm into their operations.[160, 161, 162] In the following, cultural change refers to changes in management styles, organisational behaviours, ways of working, i.e. ultimately, changes in the practiced organisational culture of the acquired firm following the acquisition. The studied acquisitions pointed to there being three kinds of cultural change processes at work in the post-acquisition era in the acquired firm.

The first two types of cultural changes identified related to ones that were gradually, emergently induced into the acquired firm, as it starts to work for and be integrated into a new parent firm' corporate environment. The analysis thus far has shown how the post-acquisition integration phase is characterised by structural change implemented in the acquired firm and interactions between the buying and acquired firms. Indeed, both of these were found to bring forth cultural change into the acquired firm. In other words, the mere fact of working in a new

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[160] Cultural change (referring to change in organisational culture) has been the object of study in M&A research. These works have focused on domestic M&A and the clash of organisational cultures (Sales and Mirvis 1984, Buono and Bowditch 1989, Cartwright and Cooper, 1992, 1993). The few existing studies on cross-border mergers (Olie 1990, 1994) and cross-border M&A (Morosini 1998) focus on challenges of post-deal integration, not cultural change per se. Thus, the progress of cultural change in the post-deal integration period has not been addressed using in-depth case study evidence in the context of cross-border acquisitions. This is the focus of the present chapter.

[161] Extant research on means of achieving cultural change in M&A has addressed: 1) cultural integration strategies (Buono and Bowditch 1989, Cartwright and Cooper, 1992, David and Singh 1994, Forstmann 1998), 2) rotation and mutual interaction (Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1994, Larsson and Lubatkin 2001), 3) the removal of deviants (Buono and Bowditch 1989), and 4) communication and the management of the change process (Sales and Mirvis 1984, Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1994). In other words, current work has provided *tips* for the buying firm to manage the cultural change process, treating organisational culture and cultural change separately from integration management. This leads one to assume that cultural change takes place in parallel or separately of integrative efforts. The gist of this chapter is to show how change in organisational culture following cross-border acquisitions takes place within the acquisition process itself, being the result of a successful integration process.

[162] In a broader sense, cultural change following M&A can be seen as an acculturation process (Herskovits 1958, Berry 1980, Nahavandi and Malekzadeh 1988, 1998, Rieger and Wong-Rieger 1991), a process during which one or both of the participating cultures change as a result of their mutual interaction.

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parent firm was found to result in gradual cultural change in the acquired firm,[163] whether this is consciously sought by the buying firm or not. On the one hand, when introduced, post-acquisition structural changes bring forth cultural change. On the other hand, inter-firm interactions with buying firm members enable cultural change that is rooted in the buying firm's national culture. What is striking in both kinds of cultural change is that their progress, nature and dynamics often go unrecognised by the parent firm. In other words, buying firms rarely realise the extent of the cultural change that they are bringing forth in the acquired firm through post-acquisition structural change and inter-organisational interactions. The third type of cultural change was found to relate to cultural change that is sought by the buying firm in order to align the acquired firm with the corporate values of the parent firm. Whilst the latter is recognised as 'cultural change', the former rarely are.

This chapter proceeds as follows. After an overview of the three types of post-acquisition cultural changes, this chapter will take a look at buying firms' cultural change strategies. The following finding summarises the forthcoming analysis in this chapter:

Finding 14: *Post-acquisition cultural change* in the acquired firm takes place as a consequence of post-acquisition structural changes implemented in the acquired firm, changes in management and communication styles resulting from inter-firm interactions, and efforts to align the acquired firm with the new parent firm's corporate value base.

6.1.1 The nature and progress of post-acquisition cultural change

6.1.1.1 Cultural change resulting from structural change

The analysis in Chapter 5.3 showed how post-acquisition structural changes implemented in the acquired firm were paralleled by cultural change. In other words, any structural change implemented in the post-acquisition era was found to have cultural consequences. Whilst the analysis in the previous chapter focused on proving the kinds of cultural dynamics at work during post-acquisition structural change efforts, the aim of this section is to highlight the kinds of cultural changes that these structural changes bring forth in the acquired firm.

> **Example of German-US acquisition.** *"Sure, all of the changes that were implemented have advanced the buying firm's thinking in the unit. This began with the first shock they received, when we informed them at the first integration meeting that we will restructure part of the office layout. This was a sign that times were about to change. It is clear that all these actions had an impact on the organisational culture of the German unit." (Interviewee – buying firm B)*

> **Example of French site's acquisition.** *"Gradually, through structural changes, the unit has begun to change toward our firm's culture automatically, without violence, and will continue to do so within the next five years. I find that now, some years after the acquisition, the unit begins to be close to our culture. It began with small things, such as the signboards, the overalls, certain ways of operating, a certain structure, quality issues (e.g. this is the level of quality we expect, you need to have certain certificates). But we do not interfere with people's individual ways of working, e.g. with regard to our sales staff. I think they still deal with their customers as they have always done." (Interviewee – buying firm D)*

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[163] Note that this only holds for acquisitions that are integrated into the operations of the buying firm, i.e. not ones that are kept independent of the parent firm's operations and allowed to continue operating autonomously.

To this end, Table 55 summarises the kinds of post-acquisition structural changes identified in Chapter 5.3 together with their cultural consequences. In brief, these resulted in changes to the acquired firm's management style, organisational culture, and ways of working. First, the change from working for a small to a large company was found to impact the organisational culture of the acquired firm. Whilst the former tends to be characterised by an entrepreneurial, aspirational, flexible, and possibly even reckless organisational culture, the latter represent greater formalism and bureaucracy. Moreover, given the significance of each individual employee's input to the success of a small company, employees are likely to be more committed to their work than in larger organisations, where the impact of one's work on the overall success of the company is more difficult to discern. Smaller companies also are more likely to be innovative rather than conservative and to enjoy decisions and actions taken at a higher speed coupled with a greater degree of independence. Such changes were exemplified in the studied British, German and Finnish acquisitions, all of which represented a move from a formerly small company to a larger parent firm.

Another type of structural change resulting in cultural change was found to relate to the acquisition of a formerly domestic company that is integrated into a parent firm with greater international reach. Such situations typically result in the internationalisation of the acquired firm. In so doing, the cultural shift required of the acquired firm tends to be underestimated. Indeed, formerly domestic firms typically have a domestic and not international mindset, lacking not only intercultural awareness, but also an understanding of foreign market dynamics and an appreciation of customer needs in foreign markets. This was the case with the studied acquired German-US and Finnish firms, both of which had to learn how to operate in a more international environment. Such a shift of mindset does not take place overnight.

Third, governance structures were found to have consequences for a firm's organisational culture. Here, a typical structural change concerned moving from being privately-owned to become a shareholder-owned company. This change was found to impact the practiced organisational culture in the acquired firm, given the strong influence that private owners, especially founders, tend to exerce on the firm's leadership style and organisational culture. New employees are recruited through personal networks, rather than through a formal process adhered to across the firm's sites. What is more, privately owned firms are less likely to be characterised by 'managerial professionalism' as regards the firm's orientation to the efficiency of operations, quality management, and their attitude to money. Such differences were noticeable in the studied British unit's, the German-US, and the Finnish acquisitions, all of which experienced a cultural shift following the acquisition by a shareholder-owned buying firm. Moreover, family-owned firms tended to typically be more concerned with social and local issues than firms owned by shareholders, where the firm's global corporate

profitability is likely to take the lead. Owners of privately-owned firms further tend to be more physically present and available in the company than are managers of shareholder-owned companies. These differences were noticeable in the studied French multi-site acquisition, the French site's acquisition, as well as the US multi-site acquisition that all had experience from a former era of private family ownership, with interviewees reflecting back on the differences between the previous era and the current one.

Many of the identified post-acquisition structural changes related to changes in organisational structures. For one, moving from an independently structured parent firm to one preaching global integration was a cultural change for acquired firms. In practice, it meant an end to an era of independent subsidiary cultures and a move toward a corporate-wide organisational culture. In parallel, acquired firm's units needed to shift from thinking in terms of subsidiary profits to thinking in terms of corporate profits, be it at the expense of their unit's profitability. Such units further needed to learn how to interact and work in project teams with members from other units from the new parent firm, instead of enjoying their local autonomy. This was exemplified in the studied Danish unit's and French multi-site acquisitions, where not all of the acquired firm's units were used to working in an integrated global structure and had to get used to doing so. For another, shifting from a functional toward a matrix structure introduced complexity in reporting structures, itself a cultural change. This was the case in the studied British and German R&D unit acquisitions. A third type of change in organisational structures concerned changes to the orientation/organisation of work. The studied firms differed in terms of whether they had opted to organise their work along processes, whether they worked functionally, or possibly 'ad hoc' without particular structures in place. In the studied acquisitions, following the deal, acquired firms tended to change from working ad hoc or functionally to working along interdisciplinary processes. For units used to working in an ad hoc way, this introduced formality, as was the example in the studied British R&D unit's and the French site's acquisitions. For units used to working in silos, this introduced interdisciplinarity across functions, meant that management needed to concern itself more with general rather than specialist tasks, and that employees moved from being uni- to multi-skilled. Consequently, they gained a more holistic understanding of the organisation and the product. This was exemplified in the German-US and the US multi-site acquisitions. Firms also differed in their organisation structures with regard to the importance of the informal vs. the formal organisation. Whilst the former is concerned with ensuring that staff actively build networks and relationships spanning the organisation, the latter prefer communications to pass through stated lines of authority as defined in the organisation chart. Such a structural change means a change of focus with regard to the importance of informal relationships vs.

following a strict organisational hierarchy. This was illustrated in the Danish, German and British R&D unit acquisitions.

Table 55. Impact of structural changes on the prevailing organisational culture.

DIMENSIONS OF STRUCTURAL DIFFERENCES	Impact on the prevailing organisational culture, i.e. management style, ways of working, organisational behaviour	Evidence from studied acquisitions
Basic structural differences		
Small vs. large firm	Entrepreneurial, high-aspiring, reckless, flexible culture vs. formalism and bureaucracy Degree of commitment to firm success and survival Innovative vs. conservative mindset Speed of action and decision-making Degree of independence in decision-making	Acquired British R&D unit #3 Acquired German-US firm #4 Acquired Finnish firm #6
Domestic vs. international reach	Domestic vs. international mindset Intercultural awareness and understanding Understanding of foreign market dynamics Appreciation of customer needs in foreign markets	Acquired German-US firm #4 Acquired Finnish firm #6
Governance		
Private (family- or founder ownership) vs. shareholder ownership	Strong influence of private owners' personality on practiced leadership style and organisational culture Management concerned with social and local issues vs. corporate profitability Physically present owner vs. faceless far-away steering Recruitment based on personal networks vs. through formal procedures Degree of professionalism in management of firm, e.g. as regards the firm's orientation to quality, attitude to money, focus on efficiency of operations	Acquired British R&D unit #3 Acquired German-US firm #4 Acquired French multi-site organisation #5 Acquired Finnish firm #6 Acquired French site #7 Acquired US multi-site organisation #8
The way the unit / organisation is structured		
Decentralised vs. integrated organisation	Independent subsidiary cultures vs. a shared corporate culture Subsidiary profits vs. corporate profits Autonomous units vs. inter-unit interaction and project work	Acquired Danish R&D unit #1 Acquired German R&D unit #2 Acquired French multi-site organisation #5
Functional vs. matrix organisation structure	One line of managerial authority vs. several lines of authority	Acquired Danish R&D unit #1 Acquired German R&D unit #2 Acquired British R&D unit #3
Ad hoc vs. silo vs. process orientation	Amount of formality Amount of interdisciplinarity across functions Generalist management vs. specialist management Uni- vs. multiskilled employees Silo vs. holistic understanding of organisation and product	Acquired Danish R&D unit #1 Acquired German R&D unit #2 Acquired British R&D unit #3 Acquired German-US firm #4 Acquired French site #7 Acquired US multi-site organisation #8
Emphasis on informal vs. formal organisation (*)	A focus on building informal relationships between individuals throughout the organisations vs. following the strict organisational hierarchy	Acquired Danish R&D unit #1 Acquired German R&D unit #2 Acquired British R&D unit #3
Importance of the unit in the former parent firm: regional or global headquarters vs. support unit	Ease of accepting decisions coming from other units Ease of interacting with other units	Acquired British R&D unit #3 Acquired French multi-site organisation #5 Acquired Finnish firm #6 Acquired French site #7 Acquired US multi-site organisation #8

Finally, a structural change for an acquired firm can relate to its relative importance in the parent firm: is it used to being a regional or global headquarters or a mere support unit. The

former tend to find it more difficult to accept decisions coming from other units and to interact on an equal basis with other units, given that they are used to being at the 'centre of the world'. This was the case in the studied French and US multi-site acquisitions, both of which included units used to being the former headquarters of the company. Being acquired meant a change in this status.

Finding 14a: Cultural change induced as a result of post-acquisition structural change results in changes to the acquired firm's management style, organisational culture, and ways of working.

6.1.1.2 Cultural change to reflect the parent firm's management style

Post-acquisition cultural change in the acquired firm was also found to stem from the firms' interactions in the post-deal era. The analysis in Chapter 5.2 showed that these interactions are influenced by the national cultures of both parties. Subsequently, post-acquisition inter-firm interactions were found to result in cultural changes in the acquired firm that are rooted in the national culture of the new parent firm.[164] This process of cultural change is the focus of the present section.
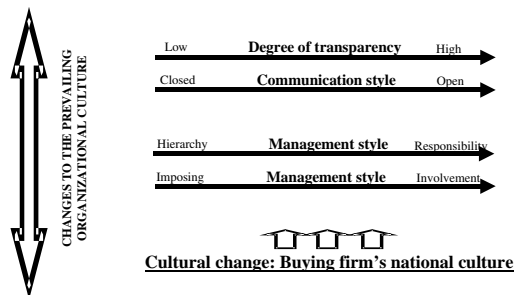

Figure 31. Cultural change induced in the acquired firm in the post-deal era through inter-firm interactions.

Out of the identified dimensions of national cultures (see Chapter 5.2), post-acquisition cultural change resulting from inter-firm interactions was found to pertain to differences along the dimension of expected degrees of hierarchy, resulting in cultural change as regards 1) a management style based on hierarchy vs. responsibility and a management style based on imposing vs. involving, and 2) an open vs. closed communication style coupled with a low vs. high degree of transparency in corporate communications, Figure 31. In other words, these findings would point to differences in management styles between the parent and acquired firms remaining intact as regards the other identified dimensions of differences in national cultures (see Chapter 5.2). The only area of cultural change and alignment between the two firms' national cultures would seem to concern the practiced degrees of hierarchy.

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[164] This does not hold for acquisitions that retain their independence as part of the new parent firm and share little if any operative connections and communications with their new parent.

This kind of cultural change was found to be induced indirectly through all the interfaces of the parent firm with which the acquired firm came into contact with after the deal. Here, expatriate managers played a key role as indirect cultural transfer agents. However, buying firms tended not to be conscious of the impact of national culture on the management style practiced in their organisation. They believed they were implementing 'post-acquisition changes' or 'organisational cultural change' per se, without realising that the roots of these changes lay in the buying firm's home country's national culture.

As regards management style, cultural changes to the acquired firm under the new parent's era related to 1) the degree of hierarchy vs. responsibility and 2) the degree of involvement vs. imposing. These changes reflected the buying firm's national culture, Figure 31. Indeed, all studied Finnish buying firms were, to different degrees, characterised by a corporate management style based on individual responsibility instead of a strict hierarchy. In the post-deal years, this meant that acquired firm managers and employees learnt to take on more responsibility, make decisions on their own, solve problems they faced on their own, as compared to following the strict orders from their superiors. This is further illustrated in the quotes below, where interviewees from the studied acquisitions describe this kind of cultural change in their firm in the post-acquisition era.

> **Example of Danish unit's acquisition.** *"The role of local management with regard to decision-making has increased with time." (Interviewee - Danish acquired unit #1)*
>
> *"In our new parent firm, the responsibility for individual decisions is impressive, and a high degree of responsibility is given to each employee, delegated to each team member, unlike with our previous European owner." (Interviewee - Danish acquired unit #1)*
>
> *"There is less hierarchy today." (Interviewee - Danish acquired unit #1)*
>
> **Example of British unit's acquisition.** *"We had been a one-man company, under the control of one man, whereas with our current parent firm, everyone makes decisions." (Interviewee - British acquired unit #3)*
>
> **Example of German-US acquisition.** *"We enjoy greater responsibility now than before. There is an area to move in, with solid walls at the boundaries, so you know when you have hit them." (German interviewee – German-US acquired firm #4)*
>
> *"People in the German unit have learnt to take responsibility and are allowed to think independently." (Interviewee – buying firm B)*
>
> *"The culture in the German unit has begun to change; staff take more responsibility as there are things that they need to decide because the 'Omniscient founder-owner Mr. W' has gone." (Interviewee – buying firm B)*
>
> *"Cultural change has been the greatest change: before, we had only responsibility, no power, whereas now, we have not only responsibility but also power. Before, our founder-owner always had the last word, but if he made a bad decision, the manager carried the responsibility for it. Now, we can make decisions ourselves and carry responsibility for them." (German interviewee – German-US acquired firm #4)*
>
> *"At the beginning, we had really big problems because now you had to solve your problem by yourself, bring in ideas about how to solve the problem, and not just ask the question. Before, you had a question and got an answer." (German interviewee – German-US acquired firm #4)*
>
> *"It was funny, as we were accustomed to getting orders from our founder-owner. And now, somebody from the buying firm comes in and you ask 'I have this problem, what should I do?' and you get the answer 'how could I know the answer, you are the specialist'. That is the difference. You are responsible for bringing the solution, not the question. This has totally changed. Today staff come around and say*

'we have this and this idea or event, we propose to do it this way', they bring around arguments, alternatives and the manager decides which alternative is the best. This is the biggest difference. And this is what the Finns have taught us." (German interviewee – German-US acquired firm #4)

Example of French site's acquisition. *"We have more responsibility with regard to rules and procedures, coupled with flexibility." (Interviewee – acquired French unit #7)*

Example of US multi-site acquisition. *"We can make more decisions ourselves. We have the freedom to go outside of guidelines. We are accountable ourselves, we make our own decision if needed, whereas before, specific guidelines were set and you did not and could not change certain things; some decisions were dictated (like a dictatorship), e.g. that you sell this product at this price." (Interviewee – acquired American multi-site firm #8)*

"Now, as a supervisor, you can be hands on at work, rather than before, you were only a supervisor and were not allowed to work on other tasks or the union would yell at you." (Interviewee – acquired American multi-site firm #8)

"We have lots of freedom now: you have your area, and within that you can do your best; you are given the desired target and you can decide for yourself how to get there, if it does not work, you try another way; hence our staff gain business knowledge. In contrast, formerly we were told how to do our work and what is the target, and if you did not get there, you were fired." (Interviewee – acquired American multi-site firm #8)

Secondly, the Finnish parent firms tended to involve the acquired firm in post-acquisition decision-making, providing acquired firms with autonomy instead of imposing the parent firm's way on them. This corporate management style was reflected in the way the acquired firm was managed in the post-deal era, as the quotes below exemplify. It was often contrasted with the corporate management style of previous parent firms from countries used to greater degrees of hierarchy.

Example of Danish unit's acquisition. *"There is a larger degree of freedom at the local level: if a good solution is found, it can be suggested to other sites!" (Interviewee - Danish acquired unit #1)*

Example of German unit's acquisition. *"It is positive that we can take part in decisions about the future. Decisions are not dictated, rather it is a joint process of decision-making." (Interviewee - German acquired unit #2)*

Example of German-US acquisition. *"As compared with the very tight management team before, today it is less tight, we are allowed to go in different directions. There is more democracy: we see decisions, we see processes, and we can have influence over decisions." (German interviewee – German-US acquired firm #4)*

"The communication and management style are more open today. In this way we have the feeling of being involved in the process." (German interviewee – German-US acquired firm #4)

Example of French site's acquisition. *"In terms of budgeting, the policy is different. We are now freer than during our former parent's era, we are less constrained. The system is more flexible and our current parent firm trusts us more, we can discuss with them. With the former American parent, we had the feeling that they were systematically degrading us, that they were inflexible." (Interviewee – acquired French unit #7)*

"In the new parent firm, we are more involved in company politics and we enjoy this more than we did with the previous American parent. We are well informed, there are no secrets. If there are problems, it is explained why." (Interviewee – acquired French unit #7)

Thus, through their interactions with buying firm representatives, the management style in use in the acquired firms gradually began to change. The parent firm's expectations of the subsidiaries' behaviours further speeded this change. The resulting cultural change was noticeable in not only the managerial culture of the acquired firm, but also in its representatives' interactions with the parent firm.

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Interestingly, despite the distance between the studied acquired and buying firms' national cultures as regards expected degrees of hierarchy, the above changes in management style tended to be well received, given that they increased the degree of freedom in the acquired firms.[165] However, this cultural distance also meant that the acquired firms' employees and managers experienced difficulties in transferring to the buying firm's management style. Often this stemmed from the fact that the buying firm had not made an effort to make the cultural roots of its management style explicit. The quotes below from the British, German, and French acquisitions exemplify how change from the practiced management style toward the buying firm's Finnish management style did not happen overnight. This meant that even years after the deal, managers and employees from the acquired firm had difficulties in dealing with the buying firm's employees in a way, which was typical to the national culture of the buying firm's home country.

> **Example of British unit's acquisition.** *"There was a great fear of authority; people did not understand that it was possible to communicate directly across hierarchical boundaries. They always tried to go through the secretary when talking to a senior manager." (Interviewee – buying firm A)*
>
> *"There is a cultural difference in that the Finns can contact persons at any level of hierarchy directly, whereas the English staff pass gradually through each layer." (Interviewee – buying firm A)*
>
> **Example of German-US acquisition.** *"The tradition in our Finnish operations was to be very non-hierarchical, informal and free. This was at first difficult for our German staff. They had a difficult time understanding how to operate in such a free way, they wanted to listen to what the owner had to say. Thus, some integration teams operated very informally, whereas others listened to the new parent firm's voice." (Interviewee – buying firm B)*
>
> *"At the beginning, I did not understand what was meant when they asked me about limits to authority. For me, it was not an issue, thus such limits or borders can be pretty vague. We seek consensus, not a strict limit. This authority thinking is a difference. But it changed over time." (Interviewee – buying firm B)*
>
> *"It was not easy for the German staff to adapt to a more responsibilising way of working, in which upper management does not make all decisions. A year after the deal in a discussion, a local middle manager thought it wise to ask my boss whether this is the right direction. And I replied, 'I can make the decision, you need not go up another ladder of hierarchy'." (Interviewee – buying firm B)*
>
> *"Naturally the Germans are more hierarchical than we are, so you need to agree certain things with a person at a certain hierarchical level. But even that has changed over the years, the staff have gradually adopted a more open way of working." (Interviewee – buying firm B)*
>
> **Example of French multi-site acquisition.** *"As an example, with one of my French employees, when I asked him what the department wants to do, in which direction do they want to go, he answered that he does not know. He wase expecting the leader to say what he should do next." (Interviewee – buying firm C)*

Furthermore, the degree of hierarchy in a parent firm was also reflected in the degree of openness and transparency of its intra-firm communications. As the studied acquired firms were all from higher power distance countries than the studied parent firms, in the post-acquisition era the former underwent a cultural change in terms of communication styles. As compared to the communication style prevailing during their former owners' eras, the

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[165] This finding resonates with the work of Cartwright and Cooper (1992) who looked at the impact of the direction of change in organisational culture in the acquired firm on the perceived ease of this cultural change. Their level of analysis was the corporate one, whereas in the present study similar findings were received by studying cultural change by considering both corporate and national levels of analysis.

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acquired firms experienced the Finnish parent firms' communication style as a more transparent and open one. Consequently, all of the studied acquired firms noted that their managerial culture had shifted toward greater openness since the acquisition, as illustrated in the quotes below.

> **Example of Danish unit's acquisition.** *"The cultural change since the acquisition? Openness." (Interviewee - Danish acquired unit #1)*
>
> *"Today, our unit shows and champions openness, e.g. through its layout, as project teams are made to sit together." (Interviewee - Danish acquired unit #1)*
>
> **Example of German unit's acquisition.** *"As compared to our parent firm, engineers in our [acquired] unit are not as open. It is challenging to learn to be more open. You need to keep learning." (Interviewee - German acquired unit #2)*
>
> **Example of British unit's acquisition.** *"It was about changing the acquired firm towards a more open, Nordic culture." (Interviewee – buying firm A)*
>
> **Example of German-US acquisition.** *"The buying firm told us that we can work openly together, that we have nothing to hide from one another." (German interviewee – German-US acquired firm #4)*
>
> **Example of French multi-site acquisition.** *"Information flow has changed. Formerly, information was concealed, and managers' doors were closed. Today, the information flow is more open, e.g. managers keep their doors open." (Interviewee – acquired French multi-site firm #5)*
>
> *"Obviously, openness, responsibility sharing, democracy and lower hierarchy are things that the French side has learnt from us." (Interviewee – buying firm C)*
>
> **Example of French site's acquisition.** *"Our former American owners did not want to follow the French tradition of shaking hands. They were disgusted, as though we would give them the plague! Already, the fact that the Finns shake hands with us is a sign. We have a more open relationship, we discuss ..." (Interviewee – acquired French unit #7)*

This openness in communications was further noticeable in an increased corporate-wide transparency, resulting in a greater transparency of information on the parent and acquired firm's operational and financial health in the post-acquisition era.

> **Example of German-US acquisition.** *"I believe the greatest change, as compared to before, concerned transparency. Mr. W did not inform staff of the financial results of the company or of the trends in the industry, he saw that it is none of their business. This changed totally. Consistent with our way, we began informing the entire staff about the exact financial situation of the company, how much profit we are making, what is our budget, what are our goals, and how we intend to approach them." (Interviewee – buying firm B)*
>
> *"Transparency is a change. People know now what is taking place, communication flow is freer, staff understand what other departments are doing and why, what their goals are, how their work relates to the company as a whole, what is their role, etc. All this has been internalised." (Interviewee – buying firm B)*
>
> **French multi-site acquisition.** *"There is more transparency than before. We are less constrained in how we do things." (Interviewee – acquired French multi-site firm #5)*
>
> **Example of US multi-site acquisition.** *"We were in awe of the fact that the parent firm did not hesitate to tell us anything, they kept us well informed with regard to both positive and negative news, they told the truth, we got real information and were not lied to. They want to keep their staff informed, there are no boundaries between management and staff; managers are approachable and there is a nice work atmosphere. It is rare in the US to get such good treatment in a large company. With our previous owner, staff did not need to know about business information, there were boundaries between staff and management. In large US companies, you are just a number." (Interviewee – acquired American multi-site firm #8)*
>
> *"In our parent firm, information is shared, e.g. we get to see our weekly and monthly results." (Interviewee – acquired American multi-site firm #8)*

These changes were reflected in communications from the parent firm toward the acquired unit, and gradually began to change the pattern of communicating within the acquired firm

toward greater openness and transparency. The changes were well received and accepted, as they granted the acquired firms' staff more freedom, openness and transparency of information.[166]

Summing up, these findings have pointed to the pertinent impact of national culture in the post-acquisition era, as cultural change rooted in national cultures is brought forward through inter-firm interactions. However, this subtle influence of national culture on cross-border interactions and thereby cultural change is rarely recognised. Thus, this kind of post-acquisition cultural change is erroneously regarded as either not existing, as being of the domain of organisational culture only, or as taking place only at a superficial or managerial level in the acquired firm. This in turn explains the difficulty of implementing this kind of cultural change, as unless its roots in national culture are recognised, acquired firms cannot be adequately supported on their cultural change journey.

> **Example of buying firm B.** *"An important contributing issue that kept the organisations functioning was that integration respected company cultures, and did not try to change them overnight and by force. The art of doing business and behaving in the German, the US, and our Finnish units remain different. It is important to respect local cultures and behaviour and not to integrate everything 100%." (Interviewee – buying firm B)*
>
> *"We did not opt for a dramatic change of the German unit's culture. It needed independence in order to find its way to grow. Our aim was to bring our company's thinking and management style to a certain extent to the managerial level, if only to ensure that things work out. On the other hand we explained to them that we accept them and that we are not trying to change all things that are done differently in Germany than in Finland. There are certain attitudes and behaviours related to our nationality that cannot be changed. We kept in mind that it is a German company and will remain one, with a German culture." (Interviewee – buying firm B)*
>
> **Example of buying firm D.** *"People's behaviour is so culturally dependent that you cannot change it 100%. Across the world people work differently. To some degree, you can unify things. We have progressed on this road, but it is slow, it is very slow." (Interviewee – buying firm D)*
>
> *"We can question to what extent we can bring our Finnish cultural model across the world. At some point, we are bound to hit the wall, and not go further. It is unrealistic to expect that we could make everyone look the same or find enough people who are like us." (Interviewee – buying firm D)*
>
> *"To what extent can we export 'our firm's ways' to other countries, e.g. to the US. We should know to bring only those areas that 1) locals can embrace, 2) are typical also to the local way, as we cannot change their ways. We should recognise, more than we do, that everything does not work the same way globally, but within regions there is already more harmony." (Interviewee – buying firm D)*
>
> *"In terms of dealing with customers, we cannot dictate how they should behave with their French, Spanish and Portuguese customers, as they know these customers already. As in Europe, each country has a different way of behaving, so that is something we did not get into. We respected their knowledge and let them continue with their customer relationships." (Interviewee – buying firm D)*
>
> *"You cannot help it, but people are prisoners of their roots. You cannot deny your past, the impact of history on you. You need to have wings to be able to fly forward, but you need roots so that you know where you come from." (Interviewee – buying firm D)*

Based on this analysis, post-acquisition cultural change would not seem to pertain to dimensions of national culture other than the degree of hierarchy. In other words, on the other dimensions of national cultures identified, the buying and acquired firms were found to retain their cultural differences that resulted in misunderstandings until their presence was

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[166] Ibidem.

acknowledged and both sides learnt to adapt to the other party's ways of behaving. The following finding summarises the analysis brought forward in this section:

Finding 14b: Through intercultural inter-firm encounters in the post-acquisition era, the buying firm representatives unconsciously aim to bring forth a cultural change in the acquired firm that is rooted in the buying firm's home country national culture. This type of cultural change pertains to the degree of hierarchy across national contexts.

6.1.1.3 Alignment with the parent firm's corporate value base

A third kind of post-acquisition cultural change taking place in the acquired firms was found to concern efforts by the buying firms to ensure the acquired firm's alignment with the buying firm's advertised corporate culture, which was typically expressed through a set of corporate values, as the quotes below illustrate.

Example of German unit's acquisition. *"We had a presentation on the new parent's organisational culture soon after the deal." (Interviewee - German acquired unit #2)*

Example of German-US acquisition. *"They brought around a book, they called it 'the bible', it set the firm's values and goals. It was expected that everyone has at least read this. The 'bible' was the main aspect supporting cultural change, as it told us how to handle things." (German interviewee – German-US acquired firm #4)*

"Our aim was to bring our way of thinking and management philosophy at least to the managerial level to ensure that our cooperation would work. These included positive aspects that help to increase mutual trust, such as 'no secrets but greater openness', etc." (Interviewee – buying firm B)

"We used certain slogans to drive the management culture in the direction we wanted. I guess it has helped and they have gradually changed their behaviour." (Interviewee – buying firm B)

Example of US multi-site acquisition. *"Today, our firm's corporate values are promoted. The acquired US unit has worked more on this than some of the parent firm's existing US units, in which the values are just hanging on the wall." (Interviewee – buying firm D)*

"We have tried to get rid of our NIH-syndrome for years now, e.g. we have talked of One Company for years. It has been a decade-long project." (Interviewee – buying firm D)

However, the findings pointed to this kind of cultural alignment not being a matter of either months or a few training sessions. Instead, it seemed to be the long-term result of interactions and change activities by parent firms that had realised that advertised values need to be reflected in the practiced organisational life, be it the organisation's structures, ways of working, or management styles. Unless this happened, acquired firms were found to align themselves toward the practiced organisational culture in the parent firm, which might reflect behaviours that the parent firm does not want to promote. Factors influencing the progress of an acquired firm's alignment toward the parent firm's advertised or practiced value base were identified as 1) the extent to which buying firm managers genuinely 'walk the advertised talk', 2) the extent to which the same message is constantly brought forward, 3) the amount of everyday interactions between the two participating firms, 4) the degree of structural changes in support of the sought behaviours, and 5) motivated acquired firm managers driving the change. In summary:

Finding 14c: The alignment of a newly acquired firm with its parent firm's advertised or practiced corporate value base depends on the extent to which the buying firm managers genuinely 'walk the advertised talk', the extent to which the message is re-enforced, the amount of inter-firm interactions, the degree of structural changes in support of the sought behaviours, and motivated acquired firm managers driving the change.

Management genuinely 'walks the advertised talk'

The extent to which the buying firm's advertised corporate value base was transferred to the acquired firm was found to depend on whether buying firm managers practiced what they preached in terms of culture and values. Indeed, the role of parent firm managers is crucial, as they are in a key position to bring forth the message, or by not doing so, to slow down the acquired firm's process of cultural alignment with the advertised value base.[167] Thus, they were ultimately in charge of promoting the advertised and sought behaviours. Interviewees emphasised that it was important that the top and middle managers abide by corporate values. Only then, over time, can these values be gradually transmitted to employees.

> **Example of buying firm C.** *"The company was basically managed through biannual management team control meetings. In these meetings, the team working for each business line manager would present the situation in their respective areas. Afterward, I would give feedback to both the team and the responsible manager. That was a practical way of seeing how the message had passed from top management to the next level." (Interviewee – buying firm C)*
>
> *"Naturally there are local identities. But, we should aim to be able to cooperate in the firm so that the thin layer of [managerial] people that work together are on the same wavelength. Otherwise it does not work out. We aimed to have one culture shared by the teams, the approximately 100 people that work at the level of business line management, with regard to those firm issues that we discussed together. Naturally, the southerners are more social, Finns are slower, quieter – you should not interfere with that part, whether they are Catholics or Buddhist." (Interviewee – buying firm C)*
>
> **Example of buying firm D.** *"Our current way of implementing a 'one company culture' is engineer-like: brief training, brochures, and an implementation plan. In reality, leaders provide the example and organisational cultures develop from the top to the bottom. That is why leaders need to lead by example, to go to units and factories, to talk to at least some employees there, because people keep an eye on what the leaders do. But are our current managers aware of the reality? Often, there is a large mental gap between management and the shop floor." (Interviewee – buying firm D)*
>
> *"Ultimately, cultural change and the implementation of corporate values should start with our leaders and managers. If they do not live by these values, how can the rest of the organisation be expected to do so?" (Interviewee – buying firm D)*
>
> *"Our feeling of being united improves, the more we work for common goals. The more our top management sends us the signal that we are doing this for the good of everyone, not thinking of an individual site, the better." (Interviewee – acquired American multi-site firm #8)*

In this regard, the buying firm's integration managers have a key role to play as cultural change agents in an acquisition, as the quotes below illustrate. This was also noticeable in the US-German acquisition, in which the German unit received strong managerial attention from the buying firm, whereas the US unit was left to work independently, continuing with its former owner, with no expatriates sent in to help. As a result, the German unit changed rapidly toward the parent firm's value base, whereas the US unit did not change at all.

> **Example of Danish unit's acquisition.** *"As Finns working at the acquired unit, we helped the integration a lot, e.g. understanding our firm's organisational culture and ways of working." (Interviewee – buying firm A)*
>
> **Example of British unit's acquisition.** *"My role as an expatriate manager was to bring our firm's culture and ways of working there, and support R&D projects." (Interviewee – buying firm A)*
>
> *"Each Finn was contributing to cultural change, as local management was not actively involved in the integration effort." (Interviewee - British acquired unit #3)*

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[167] Morosini (1998) also highlights that managers involved in the M&A integration phase need to 'walk the talk' with regard to organisational values.

> **Example of US multi-site acquisition**. *"Results in this unit differ in each business. Those that have not received as much support from Finland have not done as well, i.e. the businesses that we did not support strongly enough in terms of post-deal coaching and guidance continue operating in the way they were used to."* (Interviewee – buying firm D)

The power of the message is weaker though, if employees feel that the message lacks sincerity or is not practiced by the organisation at large. This is what happened in the French multi-site acquisition, where practiced behaviours differed from the 'preached organisational culture and values'. Employees subsequently felt less allegiance to the new parent and the value base it advertised, and cultural alignment proceeded at a slower pace. In the studied French site's acquisition, in contrast, employees were expecting to see whether the parent firm's behaviours, also in diffficult times, would continue to reflect the advertised values.

> **Example of French multi-site acquisition.** *"Inter-site fighting has not been constructive and is not in accordance with the parent firm's culture of openness and transparency."* (Interviewee – French multi-site firm #5)
>
> **Example of French site's acquisition.** *"It is good to have ethical rules of conduct. But, if they are followed by layoffs, the message can be contradictory."* (Interviewee – acquired French unit #7)
>
> *"So far, we have had years of growth, things have gone well. But how will the new parent react in difficult times? If their behaviour reflects the values they promote, their credibility will increase, e.g. layoffs can be handled in different ways."* (Interviewee – acquired French unit #7)

Thus, advertised corporate values do not by themselves bring about cultural change in the acquired firm. They need to be genuinely reflected in the organisational and managerial behaviour that employees see taking place around them. The extent to which sought organisational cultures need to be embedded in an organisation's life seemed often to be under-estimated by parent firms. Instead, organisational cultures seemed at times to be reducible to a set of advertised values hung on the walls of the firms' offices around the world. However, such an approach did not, per se, bring forth alignment with the parent firm's advertised organisational culture.

Re-enforcing the same message

Interviewees further emphasised that alignment with a new parent firm's advertised value base does not happen automatically. Rather, such change needs to be nurtured, supported and continually enforced. For one, a dedication to continuously enforce and bring forth the same message is required, as the quotes below illustrate.

> **Example of Danish unit's acquisition.** *"We talked about the same things across all units, trying to steer the company in one direction. Just trying to keep talking in the same words all over again."* (Interviewee – buying firm A)
>
> *"Yet a new culture has to be 'enforced', managed and pushed: if you do not continuously push it, inform people, remind them, they will revert to their old habits; and just do their core work well [without adhering to the firm's values]."* (Interviewee – Danish acquired unit #1)
>
> *"New values need everyday maintenance."* (Interviewee - Danish acquired unit #1)
>
> **Example of US multi-site acquisition.** *"We have prior acquisition experience with not having forced any change, we have thought that cultural change moves at its own speed, as long as we know the business figures we are fine, i.e. we have not taken it seriously. I cannot think of a single business case in the company, where we could have achieved a good result without a strong managerial commitment and a decision-making drive to bring forth change."* (Interviewee – buying firm D)

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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"Bringing about change requires staff that know how to get working at things, take things forward, and to acknowledge the difficulty and the slow speed of change." (Interviewee – buying firm D)

Furthermore, the interviewees' comments suggested that certain approaches to discussing values and organisational culture are more successful than others. In this regard, coaching and open discussions about the buying firm's organisational culture and sought values were appreciated by interviewees, whereas a lack of such discussions resulted in acquired firms remaining perplexed about the new parent's culture, the advertised values and their meaning in practice. Indeed, open discussions provided a setting wherein the content of the new corporate values could be explained, and hence gradually understood.

Example of Danish unit's acquisition. *"It is important to explain why we work as we do, and to ensure that employees understand the logic behind this way of working." (Interviewee – Danish acquired unit #1)*

Example of German-US acquisition. *"We explained, for example, that during the time of the former owner, no attention to quality was made given that he was not interested in growth. As we, as the current owner, are interested in growth, this requires a mindset focused on improvements, e.g. in terms of quality." (Interviewee – buying firm B*

"The integration leader was often in discussion rounds, in meetings with us. Also, we had a lot of feedback discussions about what we have done well, and what we still need to learn. He tried to explain their values, as there were some values we had difficulties handling, that seemed very strange to us." (German interviewee – German-US acquired firm #4)

"We had nights of talks with the Finnish managers .. We talked about management behaviour, common goals, cultural behaviour, all these things that you care about when you work in a company, you discuss about your problems and they are listening, they try to help, they give you advice." (German interviewee – German-US acquired firm #4)

"I think the main means [of cultural change] was personal talks at both managerial and blue-collar levels. The Finnish integration leader went around in the workshop and talked to people. These talks concerned everything. He was around when we discussed special problems with blue-collar workers, he was a part of the discussion. He was able to come in and he was not a disturbing factor, he was in the team, everyone said what they had to say and everybody liked the way he managed the unit .." (German interviewee – German-US acquired firm #4)

Example of French multi-site acquisition. *"We made a lot of implementation work to bring corporate values and our guiding principles down to the factory level. We prepared many guidelines on these issues. Also, it was a lot of practical work. We were involved in guiding; we visited teams and told them what the situation was. In this way, we were giving our support. The basic idea was that we wanted to provide training and coaching." (Interviewee – buying firm C)*

Example of US multi-site acquisition. *"We have not strategically considered what aspects of the former owner's mentality had to be removed. Rather, we have thought of how could we highlight the good ways of working in our firm. And then, we have had rather open-minded discussions, e.g. at objective setting sessions, in which we aim to get this message through to the units' managers. So, propagating our view whilst engaging ourselves in the game through a coaching role." (Interviewee – buying firm D)*

In contrast, where such discusions were not held, interviewees complained of the slow progress of cultural alignment efforts, as newly acquired firms' employees were not provided with an arena for learning about the sought corporate culture. Ultimately, they never fully understood what the advertised organisational culture was about, and thus could not be expected to embark on their cultural alignment journey.

Example of German unit's acquisition. *"The unit would have needed a coach from our culture who integrates cultures through his actions, i.e. a change agent that takes our culture there in a believable way." (Interviewee – buying firm A)*

"There were no cultural discussions, no philosophical discussions about our differences." (Interviewee – German acquired unit #2)

> *"In the future, they could improve by giving more information, a framework for [corporate] culture [change]." (Interviewee – German acquired unit #2*
>
> **Example of British unit's acquisition.** *"For cultural integration to work, you need: information sessions, discussion sessions, cultural workout sessions. These did not take place in this acquisition." (Interviewee – buying firm A)*
>
> *"There was no orchestrated cultural transfer or learning provided." (Interviewee - British acquired unit #3)*
>
> *"In this integration, values were not given enough thought: you should always stress the importance of 'openness' and 'responsibility of individuals', emphasise these to local management." (Interviewee - British acquired unit #3)*

Interviewees noted that training on corporate values seemed to be the most popular means of promoting organisational values. Indeed, many buying firms seemed to believe that the implementation of corporate values starts and ends with a training program, thereby ignoring the depth and difficulty of bringing forth cultural change. Indeed, unless training efforts were supported by the buying firm's genuine attempts to align its entire corporation around the advertised value base, the power of training was weakened, as employees were not seeing the advertised behaviours being practiced on a daily basis. In such instances, there was a danger that cultural training sessions became 'just another HR thing', as one of the interviewees noted.

> **Example of Danish unit's acquisition.** *"We had the new parent's organisational culture training." (Interviewee - Danish acquired unit #1)*
>
> **Counter-example of US multi-site acquisition.** *"They have promoted the new parent's values, e.g. through training that helps people see how they approach their work and how to improve. They did a good job on the training, they are a forward-looking company and believe in that. There should be more focused on corporate values, what we need to do and be responsible for .. But this effort is outweighed by all of the organisational changes going on." (Interviewee – acquired American multi-site firm #8)*
>
> *"Often, the value training is seen as 'just another HR thing, is it going to last?', so it is hard to roll out things if people are wondering in parallel whether the direction of the company is the right one." (Interviewee – acquired American multi-site firm #8)*
>
> *"At the last training session, our HR manager promised that this time we would ensure that we keep to the promises made. But then came another reorganisation, and all the things we had learnt at the training session were soon forgotten." (Interviewee – acquired American multi-site firm #8)*

Buying firms promoting 'one corporate culture' need to realise that such corporate-level cultural alignment will only gradually take place if the sought values are constantly brought forward, discussed openly and explained to acquired firm employees, and supported, where needed, by training programmes. Indeed, when advertised corporate values were not being explained to employees, nor practiced on a daily basis, corporate values training programmes had little effect as the only means of bringing forth cultural alignment.

Structural changes in support of the sought behaviours

The studied acquisitions further pointed to the fact that even artifact-level changes to the acquired firm's outlook had an impact on the progress of cultural alignment depending on the extent to which they reflected the parent firm's advertised vs. practiced values.[168]

For one, changes in the acquired firm's office layout can be a necessary and powerful way of signalling that a new era has begun, thus breaking ties with the past. For example, in the German-US acquisition, the office layout of the German unit physically reflected the cultural era of the authoritative founder-owner. After the deal, the old-fashioned, leader-centreed office layout was changed to reflect the advertised values of the new parent, including customer-focus, an international outlook and team building. This change helped to mark the beginning of a new era and hence was a first sign of the forthcoming cultural change.

> **Example of German-US acquisition.** *"Changing the office layout and eliminating the corner room [Mr. W's – the founder-owner's office] marked the start of a new era. It was important to make major, visible, changes fast." (Interviewee – buying firm B)*
>
> *"We made the office changes soon after the deal. We began with the first floor by first changing our bureaus and the way we represented the customer to ourselves, we changed the entrance, we integrated the new parent's company colours, we put up pictures on the wall to make clear that this is the new parent's culture, no longer the former times. We got rid of all logos, and all this stuff." (German interviewee – German-US acquired firm #4)*

Furthermore, a move to a new building can be a significant morale booster for acquired firm employees, especially if its old premises are dilapidated or uncomfortable. Moreover, such a move can help promote the employees' sense of pride in their new parent and damp down any uncertainties with regard to the commitment of the new parent. By reflecting values sought by the new parent firm, the new building can be an indirect tool supporting alignment with the sought corporate culture.

> **Example of Danish unit's acquisition.** *"Our parent firm wanted the unit to move to a new building, in order to make the change more visible and permanent. This news boosted the energy levels of the Danish engineers'." (Interviewee - Danish acquired unit #1)*
>
> *"Questions concerning physical location and space; as long as we were located in the old buildings, the spirit of the new parent firm was difficult to diffuse as the former parent's logos and signs were everywhere." (Interviewee - Danish acquired unit #1)*
>
> *"The new office space: through its design, promotes open communication, the lack of boundaries, ensures communication, and information flow. This reflects the new parent's culture." (Interviewee - Danish acquired unit #1)*
>
> **Example of US multi-site acquisition.** *"New units change culturally toward our firm's corporate culture with time, e.g. with this US unit, the new location helped a great deal with regard to the motivation of staff and their readiness to be part of our company." (Interviewee – buying firm D)*
>
> *"Building the new building was part of developing our company culture: how to make the staff like and trust the new company, to be part of the new company. Through the facility, our management showed their commitment to the acquired firm." (Interviewee – buying firm D)*

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[168] In the studied examples of acquisitions, such changes were made as a result of cautious planning and decision-making and did not reflect efforts to simplistically destroy the acquired firm's links to its past.

The buying firm can also e.g. opt to tear down parts of an existing site if the mere sight of the old buildings brings forth a painful memory of the past that restricts the acquired firm's alignment with the parent firm's advertised culture. In such a situation, the physical change supports and promotes a cultural change toward the parent firm's advertised corporate culture, instead of allowing employees to cling on to a corporate past reflective of different behaviours and management styles.

> **Example of French multi-site acquisition.** *"The site's layout has changed over the years owing to the closure of parts of the site. It was decided to physically change the look of the factory and to tear down all old buildings and machines, and grow grass there instead. The tearing down of old buildings has cheered up the spirit of the staff." (Interviewee – acquired French multi-site firm #5)*

In contrast, staying on at an old site can be a deterrent to post-deal cultural change, if the former premises reflect behaviours and an organisational culture which differ from those which the new parent firm is seeking.

> **Example of US multi-site acquisition.** *"There was a big difference between the old building and the new facility. The old facility was the metaphor of a decayed old company that has been badly managed, a poorly maintained building with its old ways, ghosts, ..." (Interviewee – buying firm D)*
>
> *"Since the previous acquisition, no investments had been made into the offices, thus our former offices were in a terrible state, e.g. leaking." (Interviewee – acquired American multi-site firm #8)*
>
> *"We stayed at first in the old building: that brought back memories ... With the move to the new building it felt like we were starting all over again." (Interviewee – acquired American multi-site firm #8)*
>
> *"We wanted to be out of the old building: as it brought us bad memories, it was hard to see the Finnish and the parent's flags where the company's founding company's flags used to be, and we could still see the remnants of the letters of the the firm's former logo on the wall." (Interviewee – acquired American multi-site firm #8)*
>
> *"It was an old building, it was not safe, not ventilated, not renovated, so staying in the old building was a visible sign that nothing had changed in the acquisition, that everything looks like the former times although we have a new owner. It is difficult to change your mindset if you are in the old building and all signs remind you of the past." (Interviewee – acquired American multi-site firm #8)*

In sum, the findings pointed to the fact that in the post-acquisition era, the choice of an acquired firm's location or office layout is not merely a financial or structural choice, but also has cultural consequences. As an old site or office bears the history and memories of the past, it can become a hindrance to a future with the new parent firm. A newer site or changes in office layout can help to bring forth an image of a new era, and thus promote cultural change in the sought direction.

Supportive acquired firm managers driving the change

Another factor behind ensuring the cultural alignment of a newly acquired firm with the parent firm's advertised value base was found to relate to the enthusiasm of acquired firm managers toward the change and the extent to which the acquired firm consisted of staff supportive vs. resisting the change.[169]

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[169] Prior research in M&A has advocated the need to involve acquired firm management in cultural change efforts (Cartwright and Cooper 1992, Schweiger et al. 1994). Olie (1990, 1994) notes that it is important that the acquired firm staff value the new parent's culture.

Indeed, the decision to keep acquired firm managers can have significant consequences for the progress of cultural alignment toward the parent firm's advertised value base. This is especially the case with formerly founder-managed small firms that are dependent on the founder, and whose culture and leadership style have been closely related to the founder's personality. Replacing this person often has an immediate systemic effect on the management style and organisational culture of the acquired firm. This is illustrated in the quotes below from acquisitions in which the former owner retired, compared with acquisitions in which the former owner remained.

> **Example of German-US acquisition – German site.** *"After the deal, they had a strong need for decisions to be made. Someone had to replace the founder-owner, Mr. W, and set the new direction." (Interviewee – buying firm B)*

> *"The acquisition and the stepping down of Mr. W created a power vacuum in the German unit. This was evidenced by the fact that people at first could not believe that they were free to move. Also, people frequently inquired about the limits of their increased responsibility." (Interviewee – buying firm B)*

> *"The Finnish integration manager's presence was significant as, by his example, he represented what the company was talking about, instead of staff seeing the company's values on paper." (German interviewee – German-US acquired firm #4)*

> *"The presence of an integration manager onsite is important. In the US unit, there was no integration manager, and cultural change did not take place. Whereas here, in the German unit, it is ongoing." (German interviewee – German-US acquired firm #4)*

> **Counter-Example of German-US acquisition – US site.** *"With the new owner, principally nothing changed in the internal power structures or ways of operating. Efforts to get the US unit mentally deeper into the firm have failed due to the non-presence of the new owner (or the presence of the old management). Old attitudes, beliefs and rivalry towards the German unit still exist. In short, the US unit lives its old life in the new corporation." (Interviewee – buying firm B)*

> *"Whilst Mr. W. stepped down in the German unit, the same did not happen in the US unit, i.e. the old existing father figure continues to lead the unit. He did not want to step down and he saw in the new owner an opportunity to further grow his business. At the start, integration was very focused on Germany. With hindsight, we should have sent someone else for a couple of years to the US unit as well. Now, the unit lives its old life." (Interviewee – buying firm B)*

> **Example of Finnish acquisition.** *"In the first years after the deal, the firm kept its personality, there were no major changes. This probably stemmed from our founder continuing as CEO." (Interviewee – acquired Finnish firm #6)*

> *"The leadership style here used to be based on the whip, i.e. it was a very authoritarian leadership. Now, the leadership style is totally different, leaning more toward managerial, systems leadership." (Interviewee – buying firm D)*

> *"The leadership style has shifted more to a functionary style, i.e. management meetings are held in which we decide what we are going to do. We discuss. Before, it was so that one man said and the others ran. Now, we listen and then decide what we are going to do." (Interviewee – acquired Finnish firm #6)*

> *"Things changed considerably after our previous leader's departure some years after the deal. Since then, we have entered into the new parent's period. And we have seen the change strongly, especially at the managerial level. There has been more determinism and a stronger focus on methods. The more radical change came when we changed CEOs. Staff wondered how quiet the office became, as our former CEO operated by shouting, whereas the new one handled matters by talking and discussing." (Interviewee – acquired Finnish firm #6)*

This also holds as regards acquired firm managers, depending on their enthusiasm or opposition toward the new regime. In the example of the British acquisition, the former founder retired from the business some time after the deal, but as he was not replaced soon enough by a strong manager, his memory continued to exert a ghost-like influence on the acquired organisation. Instead of appointing a new CEO, a transitory Finnish integration

manager was appointed who spent part of his time in the UK. This allowed for local management to continue playing its own games instead of supporting the new regime. Even though expatriates were sent in, they could do little as the buying firm did not have the unit under its operational control. The expatriates thus felt that they were tilting at windmills. The example of the British acquisition is of one where the local management team remained a resistant force against efforts to bring forth change, including cultural change, to the acquired unit.

> **Counter-Example of British unit's acquisition.** *"After the deal, no decision-makers were sent in at the start; all decisions travelled via Finland. This introduced an extra loop to decision-making. Owing to his legacy, the old CEO remained as a ghost, he was a sacred person, an institution. Though we had a Finnish integration manager, who was the de facto boss, behind the scenes the local management could play on its own much of the time!" (Interviewee - British acquired unit #3)*
>
> *"The CEO and the old management team were not changed early enough. Nothing changed. The founder-owner, as the CEO, did not accept the new parent's way, so the firm did not start using the parent's approaches. The organisation was not ready for a change." (Interviewee – buying firm A)*
>
> *"You need to get key people involved from start; immediately ensure this: concentrate on these, then get the company connected." (Interviewee - British acquired unit #3)*

Instead, a supportive local CEO and management team quickly become powerful levers and promoters of post-deal cultural change. If acquired firm managers prefer the new corporate regime, they can become its passionate supporters. In addition to the local management team, local 'key culture carriers' can also be a medium of cultural change. It is though worth noting how important human and cultural skills are to managers in these kinds of positions. Unless they realise the power vested in them in managerial positions, they might unwittingly become obstacles, instead of agents of positive change.

> **Example of Danish unit's acquisition.** *"The management team had a common understanding and attitude that the buying firm's values are easy to adapt to the unit. It is important that the whole management team shares this opinion." (Interviewee - Danish acquired unit #1)*
>
> *"Who was key to the progress of integration: the site manager and project managers were the key culture carriers, they showed the example to others. They worked with the buying firm's integration manager, interacted with the buying firm, got to know the buying firm, and then transmitted this knowledge to the unit." (Interviewee - Danish acquired unit #1)*
>
> *"In this integration, as a manager, I naturally gave more attention and responsibility to the most interested ones, who become the culture and integration drivers in order to introduce the new parent's values into our organisation." (Interviewee - Danish acquired unit #1)*
>
> **Example of German unit's acquisition.** *"The management team made conscious efforts to boost the openness of the employees – to reflect the parent firm's values." (Interviewee - German acquired unit #2)*
>
> **Example of German-US acquisition.** *"As department manager, I started to get familiar with the new parent's management methods and the expected behaviour a year after the deal, and then I began to change the attitudes of my staff ... and then I realised the potential that we have, if we get together on this part. And the way I did this was by talking a lot, I had to explain to staff what I expected of them, this is something that you have to convince people of, you cannot just give them orders.*
>
> *It is small things like saying hello, goodbye, smiling, and trying to solve the problems with the guy behind or next to you. Now, two years later, I have succeeded in convincing a few guys, and as those few start to change their behaviours, the others try to copy them, which increases the pace of change." (German interviewee – German-US acquired firm #4)*
>
> **Example of French site's acquisition.** *"As a manager, my role is to pull the troops forward behind me." (Interviewee – acquired French unit #7)*

> *"The local manager's role is crucial. The site's local manager agreed with our plans, and then would go to the factory, shake hands with all of the staff, and explain to them why we need to move in this direction." (Interviewee – buying firm D)*

Having the right people in place was also noted as being of importance, Table 56.[170] In some cases, this meant getting rid of persons deviating too much from the sought organisational culture. New recruits and generation change were regarded as a means of inducing cultural alignment, given that newcomers will not have the burden of former times in their minds. Whilst these might sound like easy practical solutions, they alone are not enough, given that in the absence of structural incentives, supportive interactions, and leadership example, such changes alone will not bring forth cultural alignment with the parent firm.

Table 56. The significance of having the right people in place.

The significance of having the right people in place	
Getting rid of deviants	**Example of French multi-site acquisition**. *"Our focus on openness and trust meant that persons that were plotting and scheming against us were thrown out without mercy. Those that did not fit into this culture were set outside. Because it simply does not work if people begin politicising, exercising their authority in order to fulfil their own ambitions. They will stand out in an unpleasant way. A firm based on power and control just looks totally different from a firm based on openness and trust, in which we try to get the best out of our people, guide them, encourage them, coach them." (Interviewee – buying firm C)*
	"You need to share behaviours with the people you work with. That is how gradually the organisational culture is created, that you find the procedures that are accepted by all. But to get there, you need to get rid of certain types of persons and have others take their place." (Interviewee – buying firm C)
New recruits	**Example of French multi-site acquisition.** *"The change of organisational culture is linked to the overall societal mentality change. With new recruits, our culture evolves. New recruits have an attitude toward work that is different from earlier times." (Interviewee – acquired French multi-site firm #5)*
	"We need persons who fit into our way of operating, our organisational culture. In developing our culture, we have looked for the common denominators shared by us all." (Interviewee – buying firm C)
	Example of US multi-site acquisition. *"Newly-recruited staff have not lived the previous era. Thus, they accept change more easily. If you begin your career with the new owner, you are more easily in the new boat than in the old one." (Interviewee – buying firm D)*
Generation change	**Example of US multi-site acquisition.** *"It often takes a new generation to take up managerial positions before change happens, i.e. people who have grown into this change." (Interviewee – buying firm D)*

In sum, the findings pointed to the importance of ensuring buy-in of the acquired firm managers and employees toward the post-acquisition era and any efforts of cultural change. Indeed, without their willingness to engage in the new era, little cultural alignment is likely to take place.

Interaction with the buying firm

All kinds of inter-firm interactions, be they direct or indirect, were seen as having an impact on cultural alignment in the acquired firm, Table 57, as they enabled the acquired firm

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[170] The importance of having the right people in place to ensure that cultural change does happen has been emphasised by extant M&A research. For example, Buono and Bowditch (1989) and Quah and Young (2005) stress the importance of removing deviants and taking in newcomers as means of fostering cultural change.

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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employees to experience the parent firm's organisational culture as practiced in reality.[171] In parent firms that had progressed a long way toward corporate-level cultural alignment, such interactions enabled acquired firm members to see the advertised value base in action and hence start to align themselves with these values. In contrast, in firms in which advertised values were merely a goal that differed from the practiced organisational culture in the firm, these interactions had a two-fold effect. On the one hand, they taught acquired firm members about the practiced organisational culture in the parent firm, and hence brought forward cultural alignment with the latter. On the other hand, these interactions merely pointed this disjointedness to acquired firm members and further disassociated acquired firm members from cultural alignment with the advertised value base. In other words, cultural alignment through inter-firm interactions was found to direct acquired firm members toward either the practiced or the advertised organisational culture of the parent firm.

Direct interaction related to everyday work and physical exchange, i.e. visits between sites, meetings, rotation of personnel, the use of expatriates, working across sites in joint teams or projects. Such interactions helped employees from newly acquired firms to learn about the parent firm's ways of working and organisational culture, and were thus perceived as a practical tool for cultural alignment. Training sessions, regardless of their theme, were regarded by acquired firm members as opportunities for meeting colleagues from other businesses and locations and hence getting to know the new parent firm. Other kinds of interaction furthering cultural alignment related to socialising together, or participating in yearly evaluation discussions with one's line manager. Moreover, the organisation structure of the parent firm helped to enhance the corporate value base, depending on whether it supported the advertised value base. For example, cross-border organisation structures helped to steer units away from 'my site'-thinking toward thinking of the corporation's interest. In parallel, indirect means of interaction, as regards the company's internal newspaper and participation in the parent firm's corporate value surveys, provided another setting for newly acquired firms to get acquainted with the parent firm's organisational culture.

In sum, these findings provide a further illustration of the significance for parent firms to take their advertised corporate culture seriously if they hope to implement such a value base throughout their organisation, and thereby to newly acquired firms. Unless this is done, acquired firm members, through their daily interactions with their parent firm colleagues, will align themselves culturally toward the practiced, not the sought, parent firm organisational culture. Moreover, if the two cultures show discrepancies, inter-firm interactions can provide

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[171] The power of rotation and mutual interaction has been noted as speeding post-acquisition cultural change (Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1994). Larsson and Lubatkin (2001) found acculturation following M&A to take place most effectively if buying firms relied on various kinds of social controls, e.g. induction programmes, training, visits, and retreats.

acquired firm members with an arena for disproving the sought corporate value base, and hence disabling this kind of cultural alignment. Thus, cultural alignment occurs regardless of whether the parent firm actively seeks it or not.

Table 57. The role of interaction in bringing forth cultural change.

The role of interaction in bringing forth cultural change

1) Direct interaction	
The importance of mutual exchange	**Example of Danish unit's acquisition.** *"There was a lot of exchange: Finnish line managers came over. People need to meet: global official meetings, smaller meetings, lots of travelling. This is needed to have face-to-face communication." (Interviewee – Danish acquired unit #1)*
	Example of German unit's acquisition. *"Integration and cultural change took place through personal contacts, through the exchange of people. Communication is important, as it is difficult to implement a new corporate culture using theory only." (Interviewee - German acquired unit #2)*
	"We have learnt from and with other sites how things are done." (Interviewee - German acquired unit #2)
	Example of British unit's acquisition. *"How cultural integration was brought forward: through joint project work, working together, lots of exchange, travelling, getting to know people." (Interviewee – British acquired unit #3)*
	Example of German-US acquisition. *"Attitudes also gradually change as staff are in more contact with the buying firm in Finland and their international sales points." (Interviewee – buying firm B)*
	"There have been many visits back and forth between Germany and Finland, which naturally lead to cultural exchange." (Interviewee – buying firm B)
	Example of French site's acquisition. *"The organisation culture in the new parent is brought forward through e.g. meetings at the managerial level across functions, e.g. sales, HR, finance, not only at the top management level. Thus, everyone is involved and we meet regularly. With our former parent, only top management met regularly." (Interviewee – acquired French unit #7)*
	Example of US multi-site acquisition. *"Cultural change has come through interaction, contact, as time goes by, you cannot force it." (Interviewee – buying firm D)*
Staff rotation	**Example of Danish unit's acquisition.** *"It's important to get the acquired firm's staff moving to other sites as soon as possible, and to have them stay there at least for a few months; it is good to promote this from the start, it is everyone's responsibility." (Interviewee – Danish acquired unit #1)*
	Example of French multi-site acquisition. *"One aspect of ensuring the feeling of being one company is rotation. Having people work at different locations, mixing nationalities, and telling people that this unit is not owned by the location or its founder, but the new parent. It is a 'buying firm C' site, just like all of the other sites." (Interviewee – buying firm C)*
Joint project work	**Example of Danish unit's acquisition.** *"But you need hard facts, experience, learning-by-doing, to really inculcate and engage in the new corporate culture. Through working together you put your learning into practice; joint projects provide the opportunity to learn, are vehicles to learn, give us a reason to learn the new parent's way of working." (Interviewee - Danish acquired unit #1)*
	"Running joint projects necessitated cooperating with other sites, having contacts with other parts of the organisation." (Interviewee - Danish acquired unit #1)
	Example of US multi-site acquisition. *"We have created teams e.g. in R&D, where staff from different locations work on a joint problem or project." (Interviewee – buying firm D)*
	"We have formed business-line teams. The impact of this has been that our ways have been integrated and we have begun thinking how what we do impacts others. Before, each site just thought of their own part and we did not see the impact of their work on other departments.." (Interviewee – buying firm D)

Table 57 continued. The role of interaction in bringing forth cultural change.

Organisation structure enhancing inter-unit cooperation	**Example of French multi-site acquisition**. *"Working by business lines has helped in overcoming national interests. E.g. a manager of a business line looks after x sites across countries, whereas before we worked per site per country, so the focus was local and national. This is a big change brought about in the new organisation structure. Decisions are made at the level of business lines, not at the local level or by the local board." (Interviewee – buying firm C)*
	"Cultures take a long time to change. Through our new organisation structure, we were made to cooperate; we got to know the Finns and vice versa." (Interviewee – acquired French multi-site firm #5)
	Counter-example of a business line in the French multi-site acquisition. *"The management of one business line remains strongly French. This business line does not enjoy as strong an integration into the parent, and staff there feel less a part of the Finnish parent than in other business lines. The French business line changed less rapidly than others, actually it hardly changed at all. In contrast, in our business line: 1) all meetings were held in English, whereas in the French business line all meetings kept being held in French; 2) we meet people from different countries, we have an international atmosphere with many nationalities in meetings, whereas the French business line remains very French." (Interviewee – acquired French multi-site firm #5)*
	"The speed of change differed across business lines and sites. Until recently, there was no change in the French business line, whereas in others, change has taken place." (Interviewee – acquired French multi-site firm #5)
	Example of US multi-site acquisition. *"We are moving away from a location-based organisation toward a business line organisation." (Interviewee – buying firm D)*
	"The positive side of moving to business lines is that we develop global networks between people, i.e. we are moving toward being a global village. But it does not remove the need to have discussions at the unit level, and a sense of belonging at the unit level." (Interviewee – buying firm D)
	"We began working along business lines some years ago. Prior to that, we had worked through a unit profit centre structure, where results were measured at the level of each unit. At the time, units competed against one another in terms of their results. I.e. if you worked on a joint project with another unit, the profits would flow to only one of the two units, thus the structure did not incentivise cooperation between units." (Interviewee – buying firm D)
	"The more we work globally so that one location is in charge of a product globally, the more each site needs to consider the consequences of their work on others." (Interviewee – buying firm D)
	"It is the customer interface that ultimately takes responsibility for a product. They need to trust their counterparts in manufacturing as regards the product's quality. It remains a challenge for staff to trust the work and the products made at other sites." (Interviewee – buying firm D)
Attending training	**Example of Danish unit's acquisition.** *"We should improve by having new units more involved, even over-represented in global training courses. A new unit should have full representation at different training courses soon after the deal to speed up the process of integration. New guys have a greater need to participate in these events. Actually, meeting colleagues and being present at global corporate training courses helps to shape your culture more than you actually think they do." (Interviewee - Danish acquired unit #1)*
	Example of British unit's acquisition. *"Normally, small groups of people go to global meetings. There they get exposed to the new parent's organisational culture." (Interviewee - British acquired unit #3)*
Socialising together	**Example of German-US acquisition.** *"A key thing was that we did things together even after work, i.e. we organised dinners when the Finns were over, invited them personally to our house etc. And this created ties so that even when these guys would be on holiday and pass by they would come around and have coffee with us. We had social events like Xmas parties, and a yearly boom at the company for all staff, where we celebrated and danced. We watched ice-hockey to get familiar with Finnish behaviour. So through all these means, they transported their culture to us." (German interviewee – German-US acquired firm #4)*
Company events	**Example of Danish unit's acquisition.** *".. yearly company events, the whole centre participates. We also have monthly meetings with the whole centre." (Interviewee - Danish acquired unit #1)*

Table 57 continued. The role of interaction in bringing forth cultural change.

Evaluation discussions	**Example of French site's acquisition.** *"One means of promoting the company's values is through the yearly evaluation interviews, in which the company values are included as themes we discuss and go through." (Interviewee – acquired French unit #7)*

2) Indirect interaction

Company internal newspaper	**Example of German-US acquisition.** *"Another means of cultural change was the parent firm's internal newspaper."(German interviewee – German-US acquired firm #4)*
	Example of French site's acquisition. *"The parent firm's organisation culture is disseminated e.g. through company internal journals .." (Interviewee – acquired French unit #7)*
Corporate value surveys	**Example of French site's acquisition.** *"The parent firm's organisation culture is disseminated also through a questionnaire which asks what we think about the company." (Interviewee – acquired French unit #7)*

In summary, an acquired firm's post-acquisition cultural alignment with a parent firm's advertised value base would seem to be a systemic and long-term project that cannot only rely on the advertising of values and the use of training programmes. Indeed, cultural alignment toward the advertised parent firm value base began to take place only in instances in which buying firms had understood the systemic nature of organisational culture, its embeddedness in the buying firm's operations, the extent to which the same message needs to be genuinely practiced throughout the organisation, and the need to ensure the willingess of acquired firm managers and employees to change. Unless this happens, the practiced organisational culture and the advertised value base remain two conflicting realities and the acquired firm is likely to begin resembling more the practiced than the advertised value base.

6.1.2   Buying firms' cultural change strategies

In this section, the focus is on the strategies for cultural change that the studied buying firms were found to practice.[172, 173] The findings so far presented in this chapter have pointed to post-acquisition cultural change in the acquired firm taking place through the structural changes induced, the amount of inter-firm interaction, and the bringing forth of the parent firm's value base. However, the studied parent firms were found to differ in the extent to which they were purposefully implementing cultural change in the post-deal era.

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[172] The findings presented herein reflect extant research results (Buono and Bowditch 1989, Cartwright and Cooper 1992, David and Singh 1994, Forstmann 1998). Buono and Bowditch (1989) proposed cultural integration strategies as cultural pluralism, cultural blending, cultural takeover, and cultural resistance. Cartwright and Cooper (1992) speak of an open, traditional, modern, or collaborative marriage. In David and Singh's (1994) words, we hear multicultural tolerance, cultural dominance, inter-organisational learning, and cultural imposition, whereas Forstmann (1998) distinguishes between ethnocentrism, polycentrism, and geocentrism. These roughly equate with the typology for integration strategies proposed by Haspeslagh and Jemison (1991): symbiosis, absorption, and preservation. Overall, these different typologies distinguish the extent to which the buying firm wishes to impose its regime and organisational culture on the acquired firm and the extent to which the acquired firm is allowed to keep its organisational culture.

[173] According to acculturation theory, as adapted to M&A by Nahavandi and Malekzadeh (1988), the emerging acculturative mode depends on choices made by both participating firms. The buying firm's acculturative mode depends on the degree of relatedness between the firms as well as the buying firm's degree of multiculturalism, whereas the acquired firm's choice depends on the extent to which they value their existing vs. the new culture.
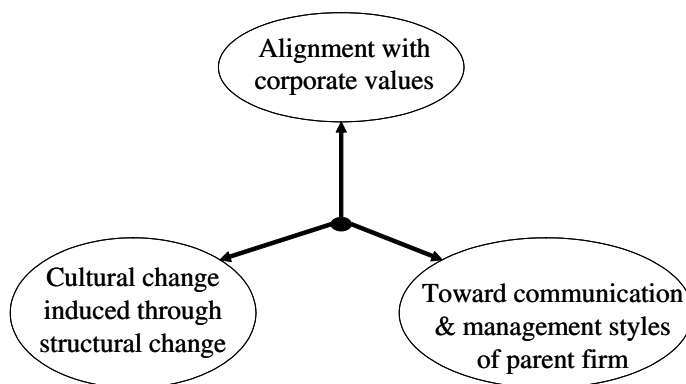
Figure 32. Span of cultural change in an acquired firm whose parent firm has managed to align its corporate values with its structures, ways of working, and behaviours.

Some buying firms had a cultural change strategy. These were firms that not only had corporate values that they were seeking to implement throughout their organisation. In addition, they had realised that the successful implementation of these values requires aligning them with the corporate structures and management styles in use in the company. Consequently, the parent firm was actively trying to align itself toward the corporate culture it was advertising. An acquisition made by such a buying firm resulted in cultural change taking place along the three identified dimensions of cultural change, Figure 32. Interestingly, managers involved might not have realised the corporation's cultural change strategy. However, given that the corporation's advertised values matched its structures and behaviours, cultural change to newly acquired firms by such buying firms automatically took place at all three levels, as the practiced organisational culture reflected to a large degree the advertised values. This was the case with buying firm A and also to some extent also with buying firm B.

> **Example of buying firm A.** *"The philosophy of the parent firm is established in daily work, which is different from if it were communicated through a lecture. But a lecture can make it easier to join a culture. Then, you have to learn and adapt to the culture." (Interviewee - German acquired unit #2)*

> **Example of buying firm B.** *"Our goal was that the German unit, being the new product centre for the 'XY' product of our firm, would operate to some degree like we do, i.e. that they would share the same organisational culture and values, the same ways of working." (Interviewee – buying firm B)*

Second, some parent firms had defined corporate values, but had only begun the journey of inculcating them throughout the firm's structures, ways of working, and management and communication styles. The work was in progress and the advertised corporate value base lived only partly in the firm's ways of working and behaving in parallel with a more strongly present practiced organisational culture.
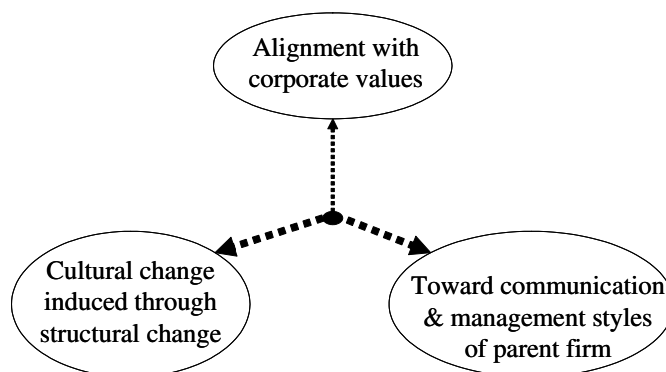
Figure 33. Span of cultural change in an acquired firm whose parent firm has corporate values and has only begun inculcating them throughout its structures, ways of working, and behaviours.

This was the case with buying firm D, Figure 33, and was reflected in the fact that in firms acquired by buying firm D, interviewees from both sides had difficulties identifying the 'cultural change strategy' adopted. There was a sincere wish to implement cultural change, coupled with a sense of worry about how this was going to take place. This was not a total hindrance to cultural change, as the acquired units did change culturally through the induced structural change, and through inter-firm interactions they gradually moved toward a communication and management style typical of the parent firm. In parallel to this kind of 'emergent' cultural change, the parent firm tried to bring forth the 'official' corporate value base through training, posters, campaigns, surveys, etc. However, given that this 'official' version of corporate culture had not yet been fully implemented within the parent firm itself, not even its own managers and employees were fully abiding by them. Hence, acquired firm employees, when describing the nature of post-acquisition cultural change, never referred to the official values, but only to the cultural change that had taken place emergently throughout the integration phase and that had thus aligned the acquired firm not so much with the advertised as with the practiced organisational culture of the parent firm. In sum, post-acquisition cultural change had mainly taken place at two, instead of the identified three dimensions of cultural change. Moreover, the buying firm interviewees seemed to have a rather shaky understanding of the dynamics of cultural change. This is why, in Figure 33, the three kinds of cultural change have been represented in dotted lines.

Example of buying firm D and the French site's acquisition. *"The aim of cultural integration was never stated in an explicit, conscious manner, nor was it ever discussed officially. We knew that we needed to keep our own identity and culture if we are to survive. We need to keep in mind that the new parent firm is an industrial firm, where technology and products are important, thus it does not easily talk of cultural issues." (Interviewee – acquired French unit #7)*

"The parent firm is trying to implement an organisational culture, but is not being as clear as our former parent was with its policy of 'One Company'. I do not remember a strong promotion of the current parent's culture, and I do not remember its values." (Interviewee – acquired French unit #7)

"We want to maintain something of the existing behaviour at the unit. And we should aim to maintain things that are good. We are not McDonalds, that comes in and dictates the colours of napkins allowed. Instead, we try to take the best they have, and introduce our concepts." (Interviewee – buying firm D)

"The positive side about the Finnish model is that it is more flexible, and takes into account differences, whereas in a Japanese company, all employees are considered the same, and the American model is somewhat similar to the Japanese one." (Interviewee – acquired French unit #7)

Example of buying firm D and the US multi-site acquisition. *"We wanted to have the acquired units integrated into our organisation. The next question is, whether we have been able to do the right things at the right time. Have we put sufficient emphasis on really trying to integrate them into our firm, or have we let units live their own lives, that is another question. In my opinion it is a very difficult process." (Interviewee – buying firm D)*

"You need to see our culture in our everyday activities. It is not a package. Our values, aims etc. need to be seen in our everyday work. And the best way of ensuring this is to keep an open and transparent way of working, to engage people, hear their opinions, and let them disagree." (Interviewee – buying firm D)

"We did not acquire units of a certain firm specifically, given that all acquired units had had a long acquisitive history. Once we acquired them, they became part of us immediately." (Interviewee – buying firm D)

Third, some parent firms had set corporate values, but had not yet appreciated the systemic nature of organisational culture and the extent to which, to be successful, set corporate values need to live and breath throughout the firm's structures and the corporate behaviours practiced daily in the firm. This meant that the official values and the practiced corporate behaviours tended to be in stark contrast with one another. This was to some extent the case with buying firm C, Figure 34.

Example of buying firm C. *"You can harmonise the reporting structure. But it is much harder to really have a shared value base and behaviour, i.e. to get a 'one company' effect. We have worked on that for some years now. We have talked a lot about the 'one company' target and aimed to achieve it." (Interviewee - buying firm C)*

"We did a lot of work to bring the corporate values and guiding principles down to the subsidiary and factory levels. We prepared many guidelines on these issues. Also, it was a lot of practical work. We were involved in guiding, we visited teams and told them what the values and principles are and what they mean. In this way, we were giving our support. The basic idea was that we wanted to provide training and coaching." (Interviewee - buying firm C)

"At the start of the integration, we discussed rules. But nothing concrete came of it and division leaders became omnipotent. They could stay on as long as they made profits and if not, they were fired. This omnipotency becomes a problem, as the leaders can make mistakes as well." (Interviewee –acquired French multi-site firm #5)
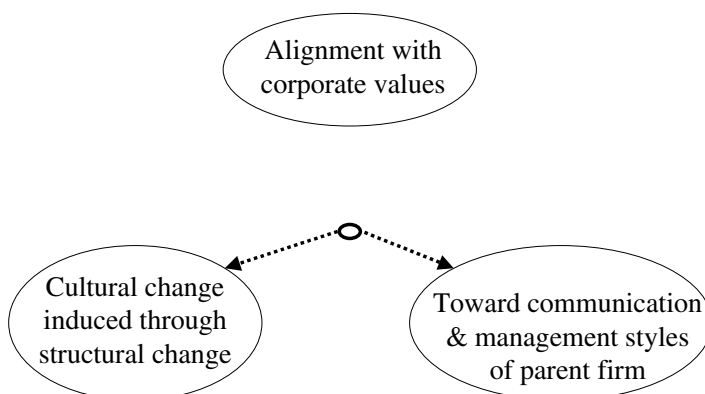
Figure 34. Span of cultural change in an acquired firm whose parent firm has corporate values, but has not inculcated them yet throughout its structures, ways of working, and behaviours.

Thus, in the French multi-site acquisition it made, acquired firm employees complained of there being 'two contradictory messages': the official one that was preached, and the

unofficial one that was practiced in the organisation. This was made possible by the fact that the official value base was too often experienced as mere 'value talk', instead of having been implemented as part of the firm's structures and ways of behaving. Thus, the success of efforts to implement the 'official value base' in the acquired firm was undermined by their lack of synergy with the practiced culture that acquired firm members were noticing taking place around them in the parent firm's daily organisational life. In such situations, post-acquisition cultural change takes place toward the practiced rather than the advertised organisational culture, and acquired firm members are likely to be puzzled, possibly even upset, by both the lack of realism in the advertised value base and the practiced corporate behaviours that contrast with the advertised value base. As the buying firm seems not to be aware of these dynamics, in Figure 34 the emergent cultural change has been represented in dotted lines, and there is no link toward the advertised value base.

> **Example of buying firm C.** *There are no rules or regulations in the company, whereas with our previous parent firms, we had ethical company rules toward our community and respecting our engagements. Now, there are no rules, thus when a new manager comes, he can fire all staff below him and it is no problem. Thus, people do not belong to a company, they do not feel they work for a company, instead they work and belong to their boss, to someone. This is the result of decentralisation without clear rules.* (Interviewee –acquired French multi-site firm #5)
>
> *"Is there a clear image of what buying firm C is?"* (Interviewee –acquired French multi-site firm #5)
>
> *"There are no ethical rules of behaviour with regard to how we function, report, or work. The firm is like a banana republic, where power can be misused. No rules are set."* (Interviewee –acquired French multi-site firm #5)
>
> *"There is no company policy. Everyone does what they want to in order to win money."* (Interviewee –acquired French multi-site firm #5)
>
> *"Currently, the firm is a logical construction of modules that can be divested the next day depending on business results. This is not a company but a conglomeration of local republics, the CEO does not have the willingness to impose any rules. This is possibly good if the company wants to divest parts of its businesses. But it is not good if you want to ensure that your company functions well. Now, the firm has no identity."* (Interviewee –acquired French multi-site firm #5)

Interestingly, buying firms were rarely conscious of the cultural change strategy they were implementing.[174] This was especially, though not confined to, the case of buying firms that were not strongly value-led. In these firms, the integration manager might have had a plan regarding cultural change, but other buying firm representatives' opinions about it differed. In other words, many buying firms continue to engage in the post-deal integration phase with strategic or financial targets, but without thinking of the outcome of the post-deal phase from a cultural perspective. This tends to reflect the fact that they remain somewhat in the haze as regards the nature of the practiced cultural reality in their own organisation. Yet, ultimately, many buying firms do want the acquired firm to gradually mould its way toward the buying firm's corporate value base. Such cultural change is expected, but as its nature and progress is not fully understood, it cannot be fully supported. Unless buying firms recognise how cultural

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[174] This practiced reality is in contrast to the writings in scientific research on cultural change in M&A, wherein researchers assume that buying firms have conscious cultural change strategies. This did not seem to be the case.

change takes place and their need to consciously support these efforts, the progress of post-acquisition cultural change will follow its own route.

> *"A few times over this acquisition I have tried to think of what are our cultures, and to write their distinctive features on a piece of paper. It is quite difficult. So unless we ourselves are able to point to the difference .." (Interviewee – buying firm D)*

Indeed, the findings presented in this chapter showed that cultural change *always* happens, regardless of whether it is a conscious choice or not, given that a large part of it rests on emerging cultural change toward the practiced organisational culture of the parent firm, instead of the sought alignment with the parent firm's advertised value base. If the buying firm's advertised value base is aligned with its structures and practiced management styles, post-acquisition cultural change in the acquired firm will reflect the parent firm's advertised and practiced organisational cultures, in contrast to reflecting its practiced culture only.

More generally speaking, the findings pointed to buying firms tending to under-estimate the parallel existence of practiced and advertised organisational cultures in their organisations. As the latter were the 'official' values that were being brought forward and advertised, little effort was being put into understanding the 'real' or practiced organisational cultures of the buying firms. In situations where the two were disparate from one another, there was a danger of the practiced organisational culture becoming a *silent force* impregnating the behaviours, structures, and management styles prevailing in the buying firm in ways both supportive, but at times also unsupportive of the parent firm's operations, e.g. in times of M&A. The following findings summarise the analysis in this chapter:

Finding 14d: In acquisitions by buying firms that have aligned their advertised value base with the organisational structures and the practiced organisational culture, cultural change in the acquired firm progresses in the direction of the advertised value base. Otherwise, cultural change in the acquired firm will emergently follow the practiced organisational culture in the buying firm, resulting in a mismatch with the advertised value base.

Finding 14e: Buying firms tend to underestimate the power of their practiced organisational culture in causing cultural change in the acquired firm, assuming the latter to tend toward the buying firm's advertised organisational culture.

6.1.3 *Conclusions on post-acquisition cultural change*

> *"These are things that are not changed overnight. Whatever managers say in any company at their gala dinner speeches, most of it is rubbish. You cannot change people – they have their own work environment, their own cultural background. For example, though IBM talks of one IBM, there are many different types of IBM employee. And IBM has decades of experience with the matter. Also, they have mainly grown organically." (Interviewee – buying firm D)*

This chapter has focused on the nature and dynamics of post-acquisition cultural change in the acquired firm. The findings pointed to post-acquisition cultural change as having three dimensions. Indeed, post-acquisition cultural change takes place emergently through the structural changes implemented in the post-deal era and interactions with buying firm representatives. Moreover, cultural change in acquired firms also takes place through the buying firm's efforts to align the acquired firm with their advertised corporate value base. The extent to which the buying firm has aligned its structures and practiced organisational culture

with its advertised value base will reflect the degree to which cultural change in the acquired firm will represent the parent firm's practiced or its advertised organisational culture. Based on these findings, it is argued that cultural change in the acquired firm takes place at both the levels of organisational and national cultures given that the buying firm's interactions and management style as well as the structural changes it advocates are embedded in its cultural background in terms of its national and organisational cultures.

Finding 14f: Post-acquisition cultural change in the acquired firm takes place at the levels of organisational and national cultures given that their interactions with the buying firm as well as the structural changes implemented by the buying firm are both embedded in the buying firm's organisational and national cultural heritage.

Summing up, these considerations have enabled the further development of an integrative framework on post-acquisition integration, by showing how the progress of the overall acquisition process relates to one of its outcomes, namely cultural change, Figure 35.
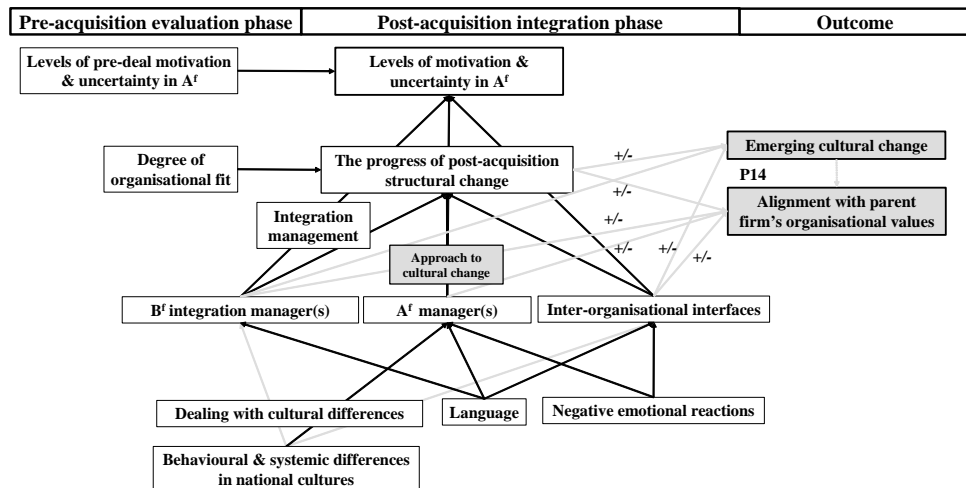

Figure 35. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on the nature and progress of post-acquisition cultural change. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

6.2   Toward organisational identification

In addition to cultural change, another outcome of the post-acquisition integration process was found to concern the degree of organisational identification forged in the acquired firm toward its new parent firm in the post-deal era. Indeed, successfully managed acquisitions tended to result in the acquired firm employees and managers wanting to identify themselves with the new parent firm.[175, 176] In this sense, organisational identification is considered here

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[175] The notion of organisational identification refers to 'who we are' (Albert and Whetten 1985). The dynamics of inter-group relations and social identity development have been a focus of the social psychologists (e.g. Tajfel 1978, Tajfel and Turner 1986), though early sociologists and anthropologists have distinguished between a personal 'me' identity and a person's 'social identity' (e.g. Mead 1934, Erikson 1950). In organisational research, calls have been made to study the phenomenon particularly in the context of M&A (Albert and Whetten 1985,

to be an outcome of the post-deal integration and change processes: a well-managed integration process leads to organisational identification. This chapter begins by looking at the layers of organisational identification present in firms that have undergone M&A. Thereon, the focus shifts to factors that hasten or slow down the pace of organisational identification following acquisitions.[177]

6.2.1   Layers of organisational identification

All of the organisations studied in the context of the study were ones that had undergone at least one (i.e. the studied acquisition) or possibly many acquisitions in the course of their organisational history. What was particularly salient was how the merger and acquisition boom of the recent decades was reflected in the studied firms' patterns of organisational identification. Indeed, whilst prior M&A experience is regarded as enhancing a buying firm's ability to implement mergers or acquisitions,[178] the less publicised facet of M&A seems to be that organisations having undergone M&A are generally *struggling with* multiple organisational affiliations. The ongoing M&A boom seems thus to have left today's organisations with a myriad of different organisational cultures and affiliations that continue to impact the daily operations and organisational lives of their members, yet whose existence is *rarely acknowledged or recognised*. This finding points to the long-term nature of mergers and acquisitions. Indeed, whilst superficial-level immediate integration actions might be over months or a year after the deal, the current findings point to the fact that the long-term task of gradually forging a new organisational identity in the acquired firm has only just begun. It is for this reason that in this dissertation, organisational identification is considered an outcome of post-acquisition integration. In this chapter, organisational identification following acquisitions will be analysed by looking at 1) the impact of a firm's acquisitive history on the emergence of an organisational identity toward the new parent firm, 2) the parallel presence of identification to the cultural layers present in the parent firm, and 3) the impact of employee type on organisational identity toward previous vs. the current parent firm.

Dutton et al. 1994), as little is yet known about the process of organisational identity development (Gioia et al. 2000, Hogg and Terry 2000).

[176] The notion of organisational identification has received surprisingly little attention in research on M&A to date, apart from Kleppesto (1998), Vaara et al. (2003), Zaheer et al. (2003), and Empson (2004). Organisational identification has been claimed to result in lower commitment toward the deal (Marks 1982, Schweiger et al. 1987, Napier 1989, Olie 1990). Moreover, the process of organisational identification has been identified as a dynamic process of interaction with the surrounding environment as a result of which the system's identity changes constantly (Parsons 1959, Deiser 1994).

[177] In the context of extant research on organisational identification in organisational and M&A research, the findings presented herein contribute to understanding the multi-layered nature of organisational identification following M&A as well as the dynamics of organisational identy development following M&A.

[178] E.g. Haleblian and Finkelstein (1996).

The influence of a firm's acquisitive history on its organisational identity

The aim of this section is to outline the influence of a firm's acquisitive history on the development of its organisational identity. To this end, the process of organisational identification in firms having undergone acquisitions is represented in Figure 36.[179, 180] It shows how the organisational identification of such firms shifts as the company moves from its initial founding to its subsequent parent firms.[181]

In a company's early development phase under its founder's ownership, organisational identification, like the organisational culture prevailing in the firm, is typically strongly linked to the founder's personality and his/her management and leadership styles. In such cases, the firm's organisational identity is straighforward: 'we are company x' as we are owned by Mr. 'x'. The quotes below illustrate this in the example of two of the studied small firms that were led by their founders until a first acquisition.

> **Example of German-US acquisition.** *"The founder-owner, Mr. W, was a very very impressive person, and everyone who had to deal with him had a very strong impression of him, and this is what anybody who was part of our crew can understand, and this culture is still valid." (German interviewee – German-US acquired firm #4)*
>
> **Example of Finnish acquisition.** *"When our founder-owner was heading the company, our identity stemmed from him and his leadership style." (Interviewee – acquired Finnish firm #6)*

This changes as a company is acquired for the first time. At the start, the company is likely to hold on to the memory of its founding parent's affiliation, whilst the new parent's organisational identity is likely to remain at a distance. The dynamics of the relationship between an acquired firm's organisational identification with the initial vs. new parent was found to depend on the way it has experienced the two ownership eras. If the employees maintain a positive memory of the era with the founder, this is the memory they are likely to cherish and hence the organisational identity they will hold onto. The extent to which they begin, in parallel, to gradually identify themselves with the new parent firm depends on how the latter has managed the immediate and long-term organisational integration of the acquired company into its operations. Is the post-acquisition period one that has been experienced well in the acquired firm, or one that employees remember with dread and frustration? This is illustrated in Figure 36 with the arrow and question mark between the two possible states of

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[179] The idea of multi-layered organisational identification reflects thoughts raised with regard to the concept of multi-group membership (Allen et al. 1983, Hernes 1997), the complex vs. unified nature of organisational identity (Dahler-Larsen 1997), and the multi-dimensional nature of identification in organisations (Van Maanen and Barley 1985, Hall 1992, Cohen 1994, Parker 2000).

[180] The findings presented herein relate to the representation of identities in organisations as 'cross-cuttings' between professional, gender, regional, and organisational identifications (Parker 2000 pp. 89-89). In his study, Parker (2000) found multiple identities as relating to 1) spatial/functional, 2) generational (age or historical divide), and 3) occupational/professional identities. In this study, a further identity type was found to relate to a firm's acquisitive history and the subsequent identification per former parent firm.

[181] This idea echoes Parker (2000), who saw identities in organisations as not static, but dynamic, under constant development rather than operating in 'ready states'. The novelty residing herein relates to the fact that the process of evolving organisational identities is unearthed.

organisational identification for firms having undergone one acquisition. Given the strong imprint that founder-owners tend to leave on the identity of the companies they have founded, buying firms should not expect an immediate change of organisational identity toward the new parent in the post-deal years.

> **Example of German-US acquisition.** *"If you asked somebody here, where are you working, they will give you an immediate answer and say the founding firm, not the current parent's name. And they will not say this because they have thought about it; this is how they feel. Many still feel like a member of the company we were under the founder-owner's leadership."* (German interviewee – German-US acquired firm #4)

> *"We are and feel like a part of the buying firm, we are connected to it, but we never felt 'we are the parent firm', that is, we have kept our own initial founding company identity. The reason for this is history, because we had a hard life in the last 2-3 years with the former owner, and such an experience melds the team together. We still feel that identity."* (German interviewee – German-US acquired firm #4)

> **Example of Finnish acquisition.** *"Nowadays our identity is two-fold. On the one hand, we are part of the new parent, and on the other hand, we are an independent subsidiary. We need to respect the new parent's procedures, but still we need to remain an independent and innovative company."* (Interviewee – acquired Finnish firm #6)

> *"I believe we want to retain our company's original identity, as most of us are originally from this area. But the change of ownership was a culmination point. We know exactly what we want to be. We still have stronger roots in the old, initial identity than the current parent's identity. That is good, as this way we are more committed. As long as we keep to our operating model, I do not think this will change."* (Interviewee – acquired Finnish firm #6)

Interestingly, when the second, third, or nth acquisition comes into play, the analysis of the studied acquisitions pointed to the acquired company having first and foremost kept an allegiance to its initial founding parent firm, as compared to the owners it has since had. Thus, its organisational identification was found to have strong shades of identification toward its initial founding owner, and weaker imprints of identification toward its subsequent owners.[182] The significance of the 'owners in-between' to the current organisational identity was found to depend on the way those eras had been experienced as well as the length of each ownership period. The quotes below illustrate these points. In other words, parent firms cannot expect acquired firms to forget their acquisitive histories and prior owners. This is part of their corporate history that they have the right to cherish and hold onto.

> **Example of French multi-site acquisition.** *"The identity of our site has elements from this site, our initial founding company, the merger thereafter, and our current parent."* (Interviewee – acquired French multi-site firm #5)

> *"Quite soon, there will be no more references made to the past. We talk about 'buying firm C'. In the former owner's times, many staff still referred to the 'founding company's era', now this happens sometimes, but less. That is in the past, and now we are moving toward the future."* (Interviewee – acquired French multi-site firm #5)

> *"The older staff identify themselves with the company's initial organisational identity more than younger staff, e.g. having been here myself since the mid 1980s, I am less attached to the firm than the staff that joined in the 1970s. Now, we have only been in the parent firm for some years, which is a short time when thinking historically of the number of years we were with our initial founding company."* (Interviewee – acquired French multi-site firm #5)

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[182] This relates to the work of Berger and Luckmann (1964), who distinguish between individuals' primary and secondary socialisation processes as they grow up.

> **Example of French site's acquisition.** *"They still feel that they have the founding company's identity, they do not feel an allegiance to the former American owner. They would like to forget about that period altogether. When they remember the past, they go back to the initial founding owner's times."* *(Interviewee – buying firm D)*
>
> *"Our identity is moving towards the new parent firm. You still hear the founding company's name from time to time, but you do not hear the former American parent's name anymore." (Interviewee – acquired French unit #7)*

As a result, the studied acquisitions showed that an acquired corporation that has itself undertaken acquisitions (i.e. as the buying firm) is likely to portray as many patterns of organisational affiliation as the number of acquisitions that the firm has undertaken. Each of the respective firms that the organisation has acquired over time will have its own pattern of organisational identification, reflective of its acquisitive history. Indeed, any larger acquired organisation that has undertaken acquisitions is likely to withhold a number of different identity paths, each representing a once small firm founded by, e.g., a private person that in the process of its growth, either began acquiring, or was itself acquired. The history of any one site is thus the history of acquisitions after an initial era of self-sufficiency and independence. Even within a site, if it consists of the merged operations of companies acquired over time, one can find different patterns of organisational identification.

These results point to the need to account for firms' acquisitive histories to understand the patterns of an acquired firm's organisational identity. One cannot expect acquired firms to immediately forget their prior organisational affiliations and start identifying with a new parent firm. Moreover, the results point to the significance of both the immediate and the long-term post-acquisition integration eras for the development of an acquired firm's organisational identity toward the new parent firm. This puts post-acquisition integration efforts into a longer-term perspective. However, the analysis of the studied acquisitions showed that such a long-term perspective is rarely taken when buying firms decide to engage in acquisitive activity. Indeed, acquisitions tend to be seen as financial transactions that have the potential to improve the parent firm's performance, wherein the acquired firm can be roughly integrated within months to a year after the deal into the parent firm's operations.

> **Example of buying firm C.** *"There are many different cultures in our company. One way to look at them is to divide them along a timeline, as our company consists of companies acquired during different periods of time. Thus today, each of these companies is at a different stage in their post-acquisition integration work." (Interviewee – buying firm C)*
>
> **Example of buying firm D.** *"Out of the acquisitions that we have made, often we [as the buying firm] have been the youngest of the organisations in our firm. In a positive sense, we have not had the weight of the past to carry on our shoulders. But the organisations we have acquired have had more traditions. And changing them is quite laborsome. For example, in our Finnish acquisitions, 20 years ago, with whom we have worked since the 1960s, we still have staff that identify themselves as belonging to this or that organisation. That shows the difficulty related to this issue." (Interviewee – buying firm D)*
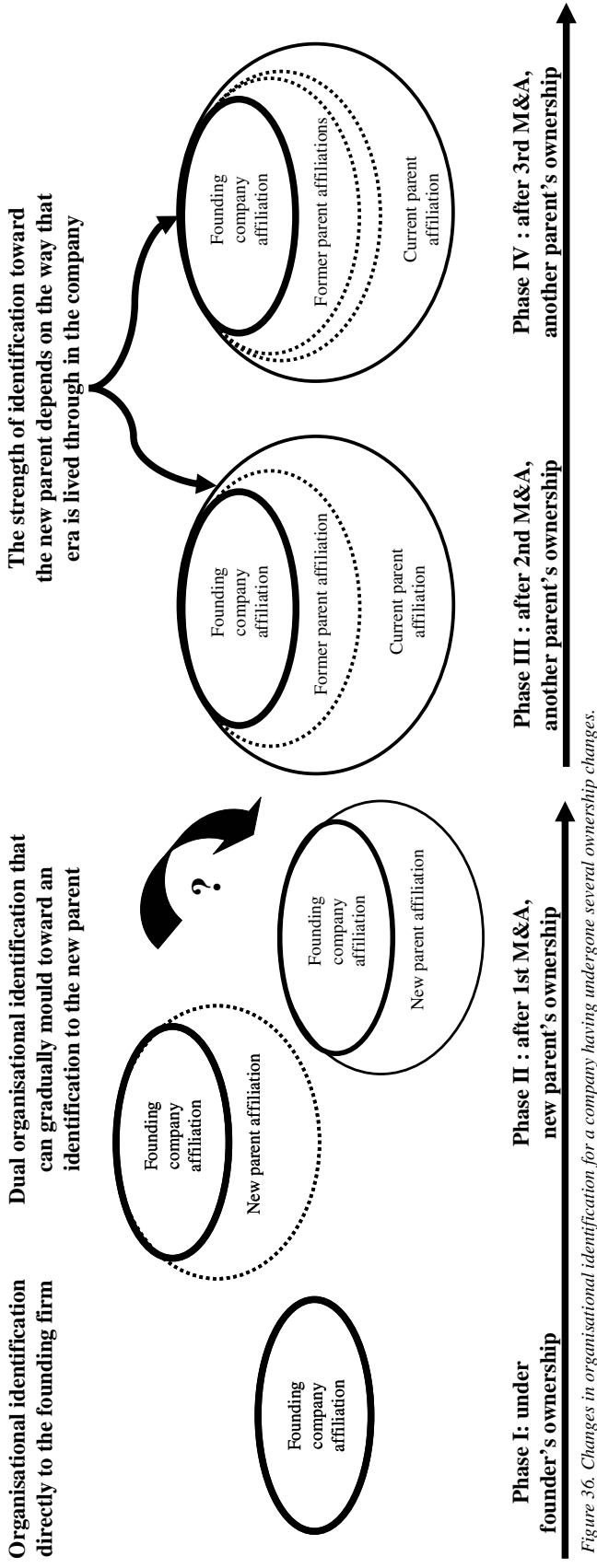
Organisational identification directly to the founding firm

Dual organisational identification that can gradually mould toward an identification to the new parent

The strength of identification toward the new parent depends on the way that era is lived through in the company

Founding company affiliation

Founding company affiliation

New parent affiliation

?

Founding company affiliation

New parent affiliation

Founding company affiliation

Former parent affiliation

Current parent affiliation

Founding company affiliation

Former parent affiliations

Current parent affiliation

Phase I: under founder's ownership

Phase II : after 1st M&A, new parent's ownership

Phase III : after 2nd M&A, another parent's ownership

Phase IV : after 3rd M&A, another parent's ownership

Figure 36. Changes in organisational identification for a company having undergone several ownership changes.

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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At the time of the deal, the innate complexity and long-term nature of the post-acquisition integration effort seems to be disregarded. Yet, the buying firm interviewees acknowledged that their organisations consist of firms acquired even decades earlier that were each still today at a different phase of integration into the parent firm. This does not mean that the latter have failed – in contrast it goes to show the inherent organisational complexity in developing a global organisation through acquisitions. Thus, the analysis of the layers of organisational identities in today's firms is a further pointer to asking the question, whether buying firms engaging in acquisitive activity have excessively positive expectations and too shallow an appreciation of the ensuing challenges?

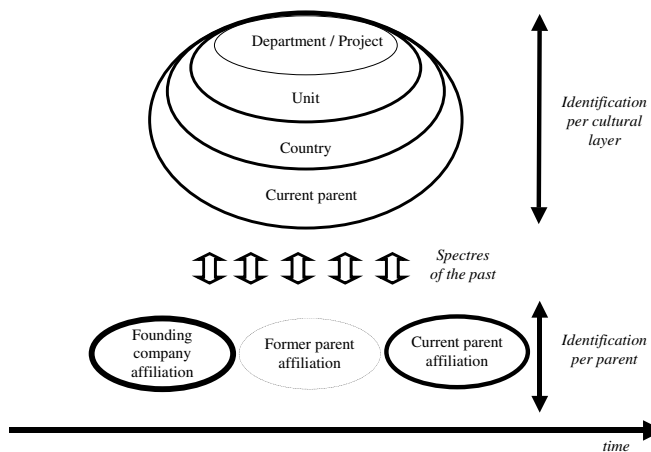***Parallel organisational identification per cultural layer***

Figure 37. Linking identification per parent with identification per cultural layer.

In addition to organisational identification depending on a firm's ownership history, the studied acquisitions showed that when analysing identification patterns of staff working in the new parent firm, one can further distinguish organisational identities with regard to the cultural layers present. In other words, in addition to an emerging identification toward the new parent firm, members of an acquired firm will in parallel maintain an identification toward the subsidiary they work in, the department or project they belong to, and/or the country their unit is located in. This is illustrated in Figure 37.[183]

> **Example of French multi-site acquisition.** *"There are divided identities. When on the site, I identify myself primarily with the department I work in, and in a wider context with the parent firm. In international meetings, we belong to the parent firm and have a French identity. In French meetings, we are the site 'xy'." (Interviewee – acquired French multi-site firm #5)*

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[183] This reflects Parker (2000), who found that employees use different identities depending on the situation. These related to identification by profession, gender, and function. In this study, such identities were found to coexist in parallel with a broader identification to current vs. previous parent firms.

"Our identity today has both local and global dimensions. Depending on people, factories, countries, you will find different realities, e.g. US sites differ from European ones, and then you have different former organisational histories and affiliations, .." (Interviewee – acquired French multi-site firm #5)

In instances where the acquired firm shifted to becoming 'just one' of the parent firm's many sites around the world, its employees tended to develop a strong identification toward their site, as that is what makes them unique within the new parent firm. Such an identification was noticeable in domestic encounters within the new parent firm: when faced domestically with colleagues from the parent firm's other units, employees were found to experience an 'us'-feeling toward fellow employees from their own unit that distinguished them from their colleagues from other units. In such situations, their primary identification was toward the unit they were working in.

Example of French site's acquisition. *"The new parent firm is implanting its organisational culture, but here, we have retained a strong local site identity." (Interviewee – acquired French unit #7)*

Example of US multi-site acquisition. *"Today, we have an identity as 'site x'. As time passes, we are taking on a new identity, and becoming part of the new parent's organisation." (Interviewee – acquired American multi-site firm #8)*

"Before, our identity was with the founding company. Now, it is to the location of our site." (Interviewee – acquired American multi-site firm #8)

The development of cross-border structures, through business lines or project teams, meant that identification to one's unit/site could melt to the profit of an emerging identity toward the project team or business line that one was working for.

Example of Danish unit's acquisition. *"We have changed from being one team of engineers to the present situation where projects and teams have their own culture, their own identity. Due to growth, today not everyone at the centre knows others, as they did when the centre was smaller." (Interviewee - Danish acquired unit #1)*

Example of German unit's acquisition. *"Through integration, our unit's staff have been divided into 6-8 projects. We are loosing our identity as one team." (Interviewee - German acquired unit #2)*

Example of Finnish acquisition. *"Today, we identify with our founding company through our product that we have developed over the years ourselves, and that is proof of our hard work and success." (Interviewee – acquired Finnish firm #6)*

In cross-border acquisitions, parallel to an emerging identification toward the new parent firm, foreign acquired firms tended to retain a strong identification toward their country of origin. This was especially noticeable in international intra-firm encounters, where employees were found to identify themselves most with the country they were from, i.e. feeling that they are 'Americans' or 'Germans', sharing an allegiance toward their colleagues (also from other units) from the same country.[184]

Example of French multi-site acquisition. *"As we belong to the French legal structure, we always remain a French company." (Interviewee – acquired French multi-site firm #5)*

"Organisational identification and localness – they are important factors. First you imagine that people have to change and become alike. But the truth is probably that Finns need to remain Finns, Italians need to remain Italians, and so forth." (Interviewee – buying firm C)

"Here we come to the difficult side of M&A: personal aspects and questions of identity. The French like to work for a French company, thus we find it difficulty to identify ourselves with the new parent firm,

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[184] See e.g. Salazar (1989) and Deschamps et al. (1999) on the concept of national identity.

regardless of how much they tell us about the company history, we do not care." (Interviewee – acquired French multi-site firm #5)

Example of French site's acquisition. *"Units retain their national identification, e.g. our French unit is part of us, but feels part of 'buying firm D France'. Often we have not been willing to understand the extent to which people want to stick to the traditions and background of their countries. They see that the parent firm is fine, that it is a global firm, but they are 'its French unit'." (Interviewee – buying firm D)*

"Staff in our foreign locations are part of the parent firm, but they do not necessarily relate to our firm in Finland in any way. They like to belong to the company, but they do not realise that they belong to a Finnish company, they see it e.g. as an American one. Whereas in our Finnish organisation, we see that they are our cousin and sister units, that they are 'Finnish units', which they do not feel they are. They are 'buying firm D US', or 'buying firm D France' units." (Interviewee – buying firm D)

In sum, in addition to gradually identifying themselves with the new parent firm in terms of corporate identity, the interviewed employees felt an allegiance to the cultural layers present in the parent firm, i.e. toward their country of origin, their site, or the department/project they work in. In intra-firm encounters within the parent firm, these identities provided members of the parent firm a way to associate oneself with some groups of colleagues whilst distancing oneself from others. Thus, the degree of organisational identification to the current vs. former parent firms forms the 'umbrella corporate identity' under which identification toward the cultural layers present in the parent firm adds onto, Figure 37.

Employee type-dependent organisational identification patterns

A third factor explaining patterns of organisational identification was found to relate to differences in 'employee types', Figure 38. Thus, employees with a long history at a site were more likely to remember the times when the site was still under its initial owner, whereas younger and new recruits do not have as strong an identification to the past. Thus, longer-term employees were more likely to maintain a stronger identification toward the founding company, whereas newer recruits were more likely to take on the current parent's identity.

Example of German-US acquisition. *"People with a long history in the company still have the company's initial identity. Yet, we all know that we are now part of a new parent firm." (German interviewee – German-US acquired firm #4)*

"Those who have worked here for more than five years especially identify with the founding company." (German interviewee – German-US acquired firm #4)

Example of French multi-site acquisition. *"The older staff identify themselves with the company's initial organisational identity more than younger staff, e.g. having been here myself since the mid 1980s, I am less attached to the firm than the staff that joined in the 1970s. Now, we have only been in the parent firm for some years, which is a short time when thinking historically of the number of years we were with our initial founding company. (Interviewee – acquired French multi-site firm #5)*

"Today's young staff with 10-15 years of experience have not experienced 'the old times'. For them, it is important that the company works, that they get a good salary, that they get opportunities to do sports, they want information, they speak English, whereas the old staff share their memories of the old times, of the way the company was managed then." (Interviewee – acquired French multi-site firm #5)
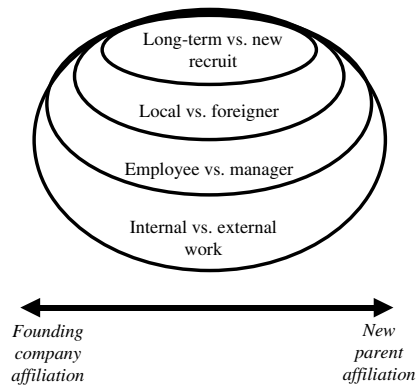
Figure 38. Linking identification with employee type.

Indeed, through old employees' memories and discussions, old identities live on and are cherished as part of the firm's corporate memory.

> **Example of German-US acquisition.** *"On the other hand the persons we have hired after the deal, they cannot connect with the past, they relate much more toward the new parent firm. When we are together, e.g. at a company celebration, we can tell our old stories, we can talk about our heroes and our common experiences, our own King (i.e. the former owner Mr. W), but the newer recruits have not experienced this, and cannot take part in the discussion, and cannot have the feeling of how hard it was .."* (German interviewee – German-US acquired firm #4)
>
> *"I think that most staff identify themselves with the initial and historical identity of the firm. The reason for this is that there is a core group in our company that consists of long-term staff."* (German interviewee – German-US acquired firm #4)
>
> **Example of French multi-site acquisition.** *"The history lives on in some people who have worked here for a long time, they still make references to the past. But others, we want to move forward and not stay stuck in our past."* (Interviewee – acquired French multi-site firm #5)
>
> *"Mostly, we talk of the new parent firm, but the older staff remember the old times."* (Interviewee – acquired French multi-site firm #5)

In addition to the length of employment, being a local resident rather than a foreigner or a non-regional domestic resident was found to impact the degree of identification with the founding or the current parent. Local residents were more likely to identify with the past and former parent firms than newcomers that do not have as strong an allegiance to the region and its past.

> **Example of French multi-site acquisition.** *"The new staff coming from outside the region do not have such a strong attachment to the site as the older ones."* (Interviewee – acquired French multi-site firm #5)
>
> *"As compared to the 1960s and 1970s, when the staff were local, today they come from all over the region, and there are foreigners as well. Thus, the sense of the past is less present today."* (Interviewee – acquired French multi-site firm #5)

The hierarchical level of an employee was also found to impact their identification pattern: non-managerial employees were found to be more likely to identify themselves with the previous parent firms than subsequent owners. Thus, the non-managerial employee ranks seemed to be more resistant toward change and less willing to take on a new parent firm's organisational identity following acquisitions.

> **Example of German unit's acquisition.** *"The management level learnt faster than the rest about how to work in the new corporate culture." (Interviewee - German acquired unit #2)*
>
> **Example of US multi-site acquisition.** *"One's position in the company hierarchy also impacts one's identification. Managers are more likely to identify positively with the company they work for than the staff." (Interviewee – buying firm D)*

A similar difference was noted in regard to sales persons, in contrast with staff working mainly onsite. Indeed, as the former need to represent and sell the new parent firm to external parties, they are more likely to shift their organisational identity quickly, instead of clinging onto past identities. In contrast, staff working onsite were not found to experience the same need to change, as they were confronted on a daily basis with the same organisational reality as before. They were therefore more likely to maintain their former identities longer than sales persons.

> **Example of German-US acquisition.** *"Most of those who work outside the company, in their contacts with customers and financial issues, think of the new parent firm. Those who work daily at the site do not realise that they are part of the new parent firm." (German interviewee – German-US acquired firm #4)*

To conclude, the analysis of the studied acquisitions would point to organisational identification being a multi-layered and multi-faceted concept that depends on a firm's ownership history, the situation an employee faces him/herself in, and the employee type. These findings are summarised as follows:

Finding 15: *Organisational identification* following acquisitions showed the following characteristics:

Finding 15a: A firm's organisational identity carries the load of its historical ownership eras: at its core, employees will always carry an allegiance toward the founding parent firm. The eras of subsequent owners mark the organisational identity of the acquired firm depending on how well these eras have been experienced and the duration of the ownership period. As units within a larger firm are carriers of different acquisitive histories, they are likely to exhibit different patterns of organisational identification.

Finding 15b: When working as part of the new parent firm, the organisational identification of an acquired unit's members is traceable to the cultural layers present as regards one's department, one's unit, and the country one works in. The layer toward which a person identifies him/herself is situation-dependent.

Finding 15c: The employees' degree of identification toward the founding parent or a former owner is greater if they are long-term rather than short-term employees, locals rather than newcomers to the region, employees rather than managers, and engaged in internal rather than external company work.

6.2.2 Forging identification toward the new parent firm

In order to further an understanding of organisational identification following acquisitions, the focus now shifts to examining factors that were found to impact the progress of an acquired firm's identification with a new parent firm.[185] These were found to relate to 1) the parent firm's efforts to develop a 'One company' identity, 2) the adopted organisational integration strategy, 3) the amount of small changes to the acquired firm's outlook, 4) the acquired firm managers' attitude toward the new parent firm, 5) the acquired firm employees' motivation to be integrated, 6) the amount of new recruits, and 7) time. The following finding summarises the forthcoming analysis:

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[185] The findings herein contribute to research on M&A and organisational identification by reflecting on the systemic nature of organisational change, e.g. in times of M&A. Hence organisational identification is not 'managed' per se, but changes in an emergent fashion alongside the post-M&A integration process.

Finding 15d: In the post-deal years, the degree of acquired firm members' organisational identification toward the new parent firm is positively influenced by the parent firm's genuine efforts toward creating a corporate identity, the organisational integration strategy adopted, the extent of small changes to the acquired firm's outlook, the acquired firm managers' attitude toward the new parent firm, the acquired firm employees' motivation to be integrated, the amount of new recruits, and the passing of time.

Parent firm's aim in terms of organisational identification

Behind a parent firm's interest in having a new site identify with its new parent firm is ultimately its corporate approach toward organisational identity: does it look for corporate unity or not? If it does, all its efforts to develop a 'one company feel' were found to help in having a new unit identify itself with the new parent.

> **Example of German-US acquisition.** *"There was a conscious building of a new identity. It began with the vision of being a leader in our business by bringing the knowledge from our two firms together." (German interviewee – German-US acquired firm #4)*

> **Example of French multi-site acquisition.** *"Factors that have speeded this change: 1) documents all share the new parent's logo, 2) all messages to staff bring forth a message of change, of the new parent, of the new objectives .. Things are advancing." (Interviewee – acquired French multi-site firm #5)*

Of key importance, though, is the notion of sincerity. Is the parent firm sincere about developing a 'one company' identity, or is it mere talk? If acquired firm employees do not see genuine signs around them that show that the parent firm is serious about its advertised efforts, they are not likely to be as willing to identify themselves with the new parent firm.

> **Example of French site's acquisition.** *"Their goal is to give the image to staff that they care about employees, but it does not feel like a sincere effort; they do it because they need to do it." (Interviewee – acquired French unit #7)*

Post-acquisition integration strategy

The extent to which acquired firms were found to identify themselves with a new parent firm was found to further depend on the degree of changes that it undergoes with its new parent. Indeed, this is an immediate and concrete sign of a new era. In this sense, the organisational integration strategy adopted was found to be an early indicator of the likely degree and speed of organisational identification toward the new parent firm. Indeed, in this study, acquired firms where little change was enforced in the post-deal years hung onto a former organisational identity, not because of resistance per se, but because they lacked an impetus or incentive to think otherwise. This also explained differences between degrees of organisational identification toward a new parent firm within sites of an acquired firm, as well as between departments within one site. Those sites and departments that received most attention through changes were found to identify themselves faster with the new parent firm than those that received either some or no attention.

> **Example of French site's acquisition.** *"There is a difference between the departments: the one that has been most in touch with the new parent has accepted the new parent's way of working, they are not nostalgic about the past, whereas the other department continues in the old way, as there has been no need to change there." (Interviewee – buying firm D)*

> **Example of US multi-site acquisition.** *"This US unit went through a bigger change than some of the others, as everything had to change, thus all staff could be involved in the change, and we could obtain a*

> *better buy-in from them, whereas in the other acquired units, the business and products remained the same, only their name changed." (Interviewee – buying firm D)*

In parallel, the breadth of the inter-organisational interface, i.e. the amount of interaction between the two organisations, was also found to enhance organisational identification toward the new parent firm. In the absence of such interaction, the newly acquired firm will have few or zero opportunities to get to know the new parent and establish an emotional bond with it. The amount of interaction tended to reflect the organisational integration strategy adopted. The quotes below exemplify the case of a small US unit that was left on its own to a large extent. In the example of a French acquisition, in contrast, the acquired site interacted more with the new parent, and felt that these interactions enabled it to develop a sense of corporate identity toward the new parent firm.

> **Example of French site's acquisition.** *"We feel a sense of belonging to the parent firm, as there is more interaction with other sites and exchange of staff. The fact that Finns come over to the site is for us a sign that the headquarters have confidence in the site." (Interviewee – acquired French unit #7)*
>
> **Counter-example of German-US acquisition – US side.** *"We are definitely part of the corporate entity. But I must say that there has been the feeling that … almost to the point where there has been a fear, almost an anti-feeling (that would be too strong), that we feel left out." (American interviewee – German-US acquired firm #4)*
>
> *"It is very difficult to justify a trip to Helsinki other than for financial staff or upper level management, because there is no interaction with Helsinki, because there is no cross-communication with most departments. This, unfortunately I think, has created this corporate culture problem, i.e. I still do not feel part of Finland. If I go to Germany, I feel a part of Germany. But I do not feel a part of Finland, as 1) I do not know anyone in Finland, 2) no-one in Finland knows me, 3) I do not know how my job even correlates to Finland with the exception of a few people in engineering, accounting, finance and upper management." (American interviewee – German-US acquired firm #4)*
>
> *"In terms of the actual job-related contact that the inventory, marketing, service, production, and general warehouse employees have with Finland, for them Finland is non-existent." (American interviewee – German-US acquired firm #4)*

In sum, depending on the organisational integration strategy adopted, there can be different speeds of change and differing degrees of organisational identification *within* a firm, and *within* a site, however small. If this is not recognised, the danger is to consider any unit that has been acquired some time ago as likely to automatically identify itself with the new parent. This is not likely to have happened, unless the acquired unit has to some extent been integrated into the parent firm. Too often though, parent firms seemed to expect previously acquired companies to identify with and behave as the parent's core site does. In other words, they tend to assume that regardless of the integration strategy adopted at the time of the deal, over time, the acquired firm will have integrated and come to identify itself with the new parent. In such instances, buying firm managers seemed to underestimate the importance of the parent firm's role in proactively ensuring that the acquired firm takes on a new corporate identity. This pertained especially to acquisitions made in the 1960s, 1970s and 1980s, when the aim of buying firms was often not to integrate acquired companies into their operations as intensely as is typical nowadays. As such firms were never integrated into the parent firm, but allowed to maintain their independence and hence their prior identity, for years they did not

develop a strong sense of belonging to the new parent firm. Once efforts were later initiated to develop a 'One Company' look and feel, many of the parent firm managers became frustrated at the lack of integration and organisational alignment in the ranks of companies acquired years or possibly decades earlier.

Significance of small-scale changes

In addition to the degree of post-acquisition integration, the significance of small-scale post-deal changes related to the firm's external image was highlighted. Such small-scale changes related to, for example, the introduction of the new parent's clothing in the factory, the set-up of new logos, flags, or a new visual identity. As they all have a symbolic message, such small changes were found to foster organisational identification toward the new parent.

To begin with, factory workers felt that having the new parent's factory clothing conveyed a sense of pride as well as a sense of belonging. Moreover, it provided a professional feel. Small changes e.g. in logos and company flags were a means of conveying a sense of security in uncertain times, and thus also helped to develop a sense of corporate identity. However, unless they were supported by other changes, they alone would not bring forth a new identity onto an acquired firm.

> **Example of Danish unit's acquisition**. *"Our unit made a positive start with the new parent firm: on the day the deal was made, we sent our first faxes with the new parent's logos that we had managed to scan. We wanted to get rid of the old parent's materials, e.g. logos, documentation. The initiative was on our side." (Interviewee - Danish acquired unit #1)*

> **Example of French multi-site acquisition.** *"Today, we have factory clothes. People are proud to wear the new parent's logo." (Interviewee – acquired French multi-site firm #5)*

> *"Factory clothing represented a big change, an advantage for staff. In the past, everyone brought their own clothing to the factory, and had to wash the clothes themselves; this was dangerous as some of the products we handle in the factory are chemically dangerous, so it is not without problems to bring dirty factory clothes home. Now, we are always clean and it gives a nice image and a professional look." (Interviewee – acquired French multi-site firm #5)*

> *"Today, we have company clothing, whereas in the past everyone bought their clothes themselves. This is an important change, as we now have the same clothing as in other factories of the parent firm. So, we feel we belong to the 'same club'." (Interviewee – acquired French multi-site firm #5)*

> **Example of Finnish acquisition.** *"We started to look like the new parent during the first post-deal year, as that is when their signs were put on the roof. That changed things a lot." (Interviewee – acquired Finnish firm #6)*

> **Example of French site's acquisition.** *"We changed our logos, business cards, process manuals first, into the new parent's name." (Interviewee – acquired French unit #7)*

> *"Already, before the deal, we ordered the new parent's signs, overalls, ..." (Interviewee – buying firm D)*

There were some interesting differences in national cultural preferences as regards small signs, and especially t-shirts and caps. These were mentioned to be particularly important to the American employees, who enjoy wearing company shirts and hats to work, drawing pride toward their employer in so doing. However, the French employees had a dislike for the American-style t-shirt and hat-culture. This example shows how important it is to ensure that one's approach, even with small signs, is complacent with the acquired firm's country culture.

If this is not done, one's actions might be interpreted as a sign of arrogance and lead to further organisational alienation, instead of proximity.

A renewed visual identity was also a sign of a new era. Whilst changes to a company's historical logo and name are not rejoiced in, if a new visual look has elements from both firms it was found to have a better chance of survival, as it signals change for both sides. This is what happened in the US-German acquisition. Uniting the buying and target firms under a joint visual identity was a psychologically positive move, as it signalled that the buying firm did not intend to colonise and take over the acquired firm. The renewal of the entire company's visual identity was also a means of supporting the changes that the acquisition was bringing to both companies and thus represented the dawn of a new era.

> **Example of German-US acquisition.** *"We did not want to give the feeling that one company will just swallow the other, but that the acquisition represented the end of an era and the beginning of a new one for both companies. We wanted a clear divide to signal this, an external change, and hence we began working on a new visual identity." (Interviewee – buying firm B)*
>
> *"The new logo and the new visual identity are important to signal a new life. At the corporate level, all old logos, all old symbols were thrown away. Our idea was that we needed a new logo and a new visual identity for the whole firm." (Interviewee – buying firm B)*
>
> *"The new logo has elements from both the old Finnish and German firms' logos. Thus, e.g. the form of the German firm's logo remained but changed colours, and therefore the symbolism remained. Also, you can find that the form of the buying firm's logo was retained. The logo also contains hints signalling our corporate identity. Thus, the logo is a multi-layered logo, a new logo that has been created with respect to the old, analysing the old, what it was .. But we have also included in the symbolism of the new logo our renewed focus and our recent progress." (Interviewee – buying firm B)*
>
> *"We were fine with this change as the heritage of the old logo remained. I think that created a really good connection between the old and the new." (German interviewee – German-US acquired firm #4)*

On the other hand, if such small changes were not implemented in a respectful way, the hearts of the acquired firm employees would not be won. This was illustrated in the studied US multi-site acquisition, where the acquired firm's name and brand were rapidly discarded after the deal, despite its being against business logic and leading to worse results (as competitors filled part of the vacuum left by a buried and forgotten brand).

> **Example of US multi-site acquisition.** *"In the early stages, we were not supposed to use our former name in any literature, e.g. quote letters, but we did as we could not afford not to use it, as we would have lost customers." (Interviewee – acquired American multi-site firm #8)*
>
> *"There was a conscious decision not to use our former name in order to break ties with the past. This caused disappointment; why was there a desire to distance themselves from our past if they had bought us? E.g. we were not allowed to wear our old shirts with the old logo on it, so we had to hide them. We needed to divorce and distance ourselves from our past; it was not said like this but it was the impression that we got. Ok, you no longer work for the same company, but do you need to burn all photos of those times? Some of us were questioning why this was being done, how far do we have to go. As we now know that we belong to a new parent firm, why do we burn bridges to the past? We found it a little strict that there was now no mention of the past." (Interviewee – acquired American multi-site firm #8)*
>
> *"Our aim was to have the new unit be part of our corporate family. Thus, we wanted to root out the former parent's mentality very actively from the start. We very clearly brought out the fact that staff should avoid using the name of the former parent. The rationale behind this was that we would cut out the link to the past, stop the engagement with the past and instead show the supremacy of our firm." (Interviewee – buying firm D)*

Ultimately, interviewees felt that even small changes implemented by the buying firm in the post-deal era, beginning with shared overalls or logos, helped to gradually foster organisational identification toward the new parent.

The attitude of acquired firm managers toward the change

Another factor explaining the degree of organisational identification toward the new parent firm was found to relate to the extent to which the acquired firm managers were sincerely interested and motivated in being part of the new parent firm, vs. remaining landmarks and proponents of the past, thereby maintaining a stronger identification toward former parents than the current one.

To this end, the results showed that in acquisitions of privately-owned firms, keeping the founder-owner is often not the best way of ensuring change in the unit, if that is wished. Indeed, the founder-owner, being the landmark of the past company and the centrepiece of the company's identity, can do little to shift the firm's identity toward the new parent firm. Hence, if the wish is to bring change to the acquired firm quickly, keeping the former owner is not likely to be the optimal solution. However, keeping the former owner can be a way of ensuring stability and allegiance to the past. This is exemplified by the following quotes from an acquisition in which the founder was purposefully kept for some years after the deal for business reasons. In terms of identification, during these years staff strongly identified themselves with the founder-owner and the past, instead of the new parent firm. The third quote below shows how this changed, as the owner was replaced by a parent firm's manager.

> **Example of Finnish acquisition.** *"In the initial post-deal years, we did not see the parent firm at all in operational matters, other than as a positive support factor. For larger matters, e.g. investments, we had to get the buy-in from them. We kept our strong CEO-owner who stuck to the company's identity and developed matters with his personal leadership style." (Interviewee – acquired Finnish firm #6)*

> *"We have tried to bring in our company's thinking by organising training etc. But naturally, they need to somehow keep their identity. As long as the founder remained as CEO, the company identified itself strongly with the founder. Now, with a new parent firm manager, the culture is likely to change." (Interviewee – buying firm D)*

> *"As we now have a CEO appointed by the parent firm, he listens and leans more toward the parent firm. Thus, we lose our identity as we are swallowed by the masses of the large parent firm. In the former times, our owner-CEO took great care of the company's matters." (Interviewee – acquired Finnish firm #6)*

The same applies in regard to the management team of an acquired firm with an acquisitive history. Keeping resistant managers can at worst create vehicles of opposition toward the new era. Instead, if a positively minded integration leader or parent firm manager replaces resistant managers, this in itself is a sign of change and provides impetus for a change in organisational identification.

> **Example of German-US acquisition.** *"The permanent presence of the Finnish integration leader reminded us that we are now part of a Finnish company. He cared about us at all levels, talked to the people, was around, participated in our business trips and company parties, e.g. the Xmas party. He was part of us. Also, we were connected to the parent firm through the corporate magazine. We were*

connected to the people who were around here from R&D permanently, and nearly every week somebody from Finland was here at all levels. The first two years we had a really good exchange between our firms not only at the managerial but also at the worker levels to see how they go about doing the same things." (German interviewee – German-US acquired firm #4)

Example of French site's acquisition. *"As a manager, my role is to pull the troops forward behind me. That is how a corporate identity is gradually developed." (Interviewee – acquired French unit #7)*

In sum, acquired firm managers seemed to be in a pivotal position with regard to the way employees in the acquired firm came to perceive the new parent firm. Through their support or resistance to the new era, they indirectly influenced the degree to which acquired firm employees began to identify themselves with the new parent firm or clung on to a foregone corporate past.

The acquired firm employees' motivation to be integrated

Ultimately, even the amount of change and interaction will have little effect, unless these are implemented with sincerity and a good heart. This brings back the notion of 'attitudes underlying the integration effort' and the importance of the entire parent firm, not just the integration team, treating the newly acquired company fairly. This explains why parent firms that have implemented post-acquisition changes in the newly acquired firm in a disrespectful manner will have experienced difficulties winning the trust of their employees. Ultimately, integration management is the art of influencing the new unit's *willingness* to change, instead of it being a show of superiority marked by an imposing attitude.

To begin with, the acquired firm's history with its previous owner will impact its willingness to engage in a new ownership era. However, through its behaviours and actions in the pre-deal era, the buying firm can also influence this attitude. This is a first opportunity to start working toward a new organisational identity.

Example of German-US acquisition. *"I believe that after Mr. W [the founder-owner], it was easy for us to be a better owner, and to deal better with human resources, by involving staff, and increasing openness." (Interviewee – buying firm B)*

Example of French site's acquisition. *"Our negative experiences with our previous parent firm made it easier for us to accept the current one, who arrived as saviors, and so people hoped that they would get the deal. After the deal, everything they have promised has materialised." (Interviewee – acquired French unit #7)*

Regardless of the pre-deal motivation levels in the acquired firm, these expectations will be tested in practice in the way that the acquired firm will be treated by the new parent in the post-deal era. This is another powerful 'silent force' that the buying firm can leverage in making its acquisitions successful. Ultimately, it is about making the new unit feel comfortable and respected by its new parent, without coming across as having an 'anything goes' mentality.

Example of German-US acquisition. *"Normally, being part of a large company is negative, as staff are regarded as numbers only. With the current owner, we do not have this feeling, as we are almost a separate business in the company. Staff feel that they belong to this business line and are not reduced to being only numbers, as compared to belonging to an American company, where we would be numbers, not part of a family." (German interviewee – German-US acquired firm #4)*

> *"The integration approach allowed employees here to find their identity with Finland, with the new owner's culture, on their own. This was a very very good thing, because had they come in, and forced change upon us, then it would have been a serious problem and many employees would have said 'do not tell me what to do, I want to do what I want to do, not because you tell me but because I want to'."* (American interviewee – German-US acquired firm #4)

> **Example of French multi-site acquisition.** *"A key success factor has been that the cultural identity has been kept in each country. The Finnish way has not been imposed, nor the Finnish culture imposed. You need to respect the culture in each country."* (Interviewee – acquired French multi-site firm #5)

The degree of involvement seemed to be a key issue. Acquired firms that had been involved in the making of their future were more prone to being enthusiastic about the new parent firm and proud of their achievements than those which had seen a future imposed upon them by the new parent firm.

> **Example of German unit's acquisition.** *"That is why managing the human side after the deal is so important to the success: how to make them stay? Give them challenging tasks! Provide them with the opportunity to build their identity within the new parent firm. Allocate tasks to each, challenging tasks, that is motivating."* (Interviewee - German acquired unit #2)

> *"With the current project, there is a chance to get an identity for our centre. In the past, we were the previous parent's only R&D unit in this business, whereas now we are one R&D site among others, a piece of the puzzle, and we need to find our place in this puzzle and to see how to make these pieces fit together."* (Interviewee - German acquired unit #2)

> *"We are involved in projects: you need to find your organisational identity through work."* (Interviewee - German acquired unit #2)

> **Example of British unit's acquisition.** *"Each new unit has to be given a clear role, a clear identity, to be shown that we have an important function for them."* (Interviewee – buying firm A)

> **Example of German-US acquisition.** *"I think that the Finnish integration leader approached our company in a clever way. He kept outside, he did not try to interfere, in the very beginning he had this so-called neighbor-like behaviour, so he came step by step, he did not correct us, and therefore he was accepted more, much more than e.g. the first controller we had, who did not respect our culture and tried to impose his own ways on us."* (German interviewee – German-US acquired firm #4)

> **Example of US multi-site acquisition.** *"People are happier, they are more proud of the current owner's name than they were with the previous owner's name. With the current parent, we started all over again, we were given ownership and responsibility over a big part of what we do, so we are proud of ourselves and our company."* (Interviewee – acquired American multi-site firm #8)

In addition to the integration team immediately responsible for the success of the integration period, the attitudes of other units and departments within the buying firm will also mould the new unit's willingness to feel part of the new parent.

> **Example of US multi-site acquisition.** *"The unit is part of our company today. Some of our Finnish units still regard this unit as endowed with its previous owner's identity. This influences the way our existing staff in other units perceive this unit. Thus, as the buying firm, depending on our attitude toward the new unit, we impact the kind of identity a new unit develops."* (Interviewee – buying firm D)

> *"In the first year, the parent firm made us feel that 'you are part of your previous owner that we hated'. At that time, our identity stemmed from our past and the way they made us feel.."* (Interviewee – acquired American multi-site firm #8)

> *"Other locations in the region perceive of us as 'belonging to our former parent', i.e. they are not as trusting toward us as they could be, they are not as willing to let us do profitable business. This is a constant reminder for us of our past. There is still some thinking along the lines that first, all business should be brought to existing parent firm locations, only then to us. But for us, our former identity is gone, we have let it go and that is not at all bad."* (Interviewee – acquired American multi-site firm #8)

Physical distance and language barriers can foster the alienation of a newly acquired unit, making it less willing to identify with the new parent.

> **Example of German-US acquisition – US side.** *"The fact that we were not a European company, there was a wish I think that we would not be located in the US, but in Europe instead. I would even say a wish that we were not located all the way on the Western coast, as we were so far away, there was almost the feeling that we were left out. If only we were on the autobahn and could go and drive to Finland, if only we could be closer, because we wanted to be involved. So there was a little bit of apprehension, and the gentlest form of resentment. We wished that if we had been located in New York, it would not have been such a long flight." (American interviewee – German-US acquired firm #4)*

Moreover, the new site will create its emotional bond to the new parent faster, depending on the importance it feels it has in the new parent: is it a key site? Is the business line it belongs to of core interest to the parent?

> **Example of French multi-site acquisition.** *"Until recently, the new organisation structure was our trademark and we attached ourselves to it. The recent organisational structure changes have marked a turning point, as certain sites no longer belong to the core business of the company. This creates discomfort – what to attach yourself to then? It is a good question, where is our identity today?" (Interviewee – acquired French multi-site firm #5)*

> **Example of US multi-site acquisition.** *"It makes a difference, whether your unit is an important one in the company or not." (Interviewee – acquired American multi-site firm #8)*

Investments are practical signs of this confidence, and thus are noted by employees.

> **Example of French site's acquisition.** *"We feel good as part of the new parent firm. In a couple of years, they have done more for us than the previous owner ever did." (Interviewee – acquired French unit #7)*

> *"Overall, people have been excited as the site had not received investments for a long time. At the beginning, there was also a lot of disbelief, as during the former owner's era, despite promises, investments never materialised. But, once they saw the big investments we were making e.g. in the maintenance side, when they saw the actual results .." (Interviewee – buying firm D)*

> *"The locals have a positive attitude toward the Finns. They cannot say bad things about our company, given that we have invested a lot in the site." (Interviewee – buying firm D)*

Thus, ultimately, the willingness of the acquired unit to identify with the new parent will depend on the amount of positive or negative experiences it has had in the parent firm.

> **Example of French multi-site acquisition.** *"There remains a small degree of distrust, as it is a site that has suffered a lot, with closures and staff numbers declining. Now: we try our best, we stick to our objectives, yet our future is not sure yet, and staff remain worried and suspicious – 'can we trust our parent firm? Why would they not close down part of our site tomorrow [as they unexpectedly did some years back]'?" (Interviewee – acquired French multi-site firm #5)*

> *"Before, our cultural identification was zero, even negative. We did not care for the history of the new parent firm. Lately, the Group is forming itself, managers begin to care about us, and our identification can start. Why? 1) Our site's good financial results support this, 2) strategic decisions support this, thus we assist a positive spiral of success, e.g. our production output has gone up, we are implementing ISO, whereas at the start of the deal we waited for decisions, we got wrong decisions, and the economic context was bad." (Interviewee – acquired French multi-site firm #5)*

> *"With the new parent firm, we have 1) become part of a parent firm that is internationally recognised, 2) changed from being a loss-making site to being profitable. Without the new parent firm, the site would have been on its own, it would have long been dead and bankrupt. The parent's understanding of money and markets allowed the site to survive and show today what it is capable of doing." (Interviewee – acquired French multi-site firm #5)*

In this regard, a unit's financial results or even a general economic downturn are likely to impact its degree of identification to the new parent firm. As the quote below illustrates, a unit's positive financial results impact the way other units in the parent firm judge its competence. This can have a positive impact on the identification of an acquired site that is used to being looked at negatively owing to its poor performance.

> **Example of French site's acquisition.** *"Now that our financial results have been positive for the last years, I have noticed a different attitude toward our site, i.e. a greater level of trust, more respect, thus we are looked at differently now than before within the parent firm. This feels good."* (Interviewee – acquired French unit #7)

To conclude, these findings point to the potential for positive reactions in the acquired firm and that it is up to the buying firm to see to what extent it is willing to unleash this power to its full potential. Once satisfied with their stance in the new parent, acquired units were found to begin to activate themselves toward the new parent's identity, as they are proud of it. As organisational identification is about being able to feel proud of one's new parent firm, the better the buying firm will be able to motivate the acquired firm employees, the more they will be willing to associate themselves with their new corporate identity.

> **Example of French multi-site acquisition.** *"We have initiated social activities outside work hours, e.g. we formed a football team last weekend all wearing the same clothes with the parent's logo: so we are now more structured than in the past. There is a pride in belonging to a group."* (Interviewee – acquired French multi-site firm #5)
>
> **Example of US multi-site acquisition.** *"Our identity is 'buying firm D'. We organise lots of lunches and fun events at the unit, e.g. my friends not working here are wondering at all the leisure activities we have."* (Interviewee – acquired American multi-site firm #8)

New recruits

Organisational identification toward the new parent firm was also found to be more easily forged in situations in which new employees were recruited into the acquired firm as compared to situations where this did not take place. As new recruits will not have the burden of the past, they are likely to identify themselves with the present owner more quickly than long-term staff. Indeed, the studied acquisitions showed that the larger the amount of staff that have experienced the acquired firm's earlier ownership eras, the more difficult the shift to the new parent firm's identity was likely to be. However, recruitment per se will not remove identification to a former parent.

> **Example of German-US acquisition.** *"I think that most staff identify themselves with the initial and historical identity of the firm. The reason for this is that there is a core group in our company that consists of long-term staff."* (German interviewee – German-US acquired firm #4)
>
> **Example of French multi-site acquisition.** *"A factor that has speeded this change is that many of the old ones have left, they had active memories of the old times."* (Interviewee – acquired French multi-site firm #5)
>
> *"Today, the identity is that we belong to the parent firm. E.g. at this site, only one manager comes originally from the region, all others come from other regions in France, thus there is no attachment to the region. Today, we are proud of belonging to the parent firm, of belonging to a group. We feel 95% 'buying firm C': a couple of old people still remember 'the old times'."* (Interviewee – acquired French multi-site firm #5)

Long-term perspective

Finally, it needs to be born in mind that identification is not a one-year project. Rather, it takes place over the years. If, during this time, the above factors have been consistently considered, the newly acquired unit will shift to having a positive and stronger identification with the new parent. Despite this new identification, given the layered nature of

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organisational identification, the acquired firm should not be expected to forget its roots, i.e. its founding company identity.

> **Example of German-US acquisition – German site.** *"[3 years after the deal] It will still take years before people feel they belong to 'buying firm A', instead of identifying themselves with the initial founding firm." (Interviewee – buying firm B)*

> **Example of French multi-site acquisition.** *"Quite soon, there will be no more references made to the past. We talk about 'buying firm C'. In the former owner's times, many staff still referred to the 'founding company's era', now this happens sometimes, but less. That is in the past, and now we are moving toward the future." (Interviewee – acquired French multi-site firm #5)*

6.2.3   Conclusions on post-acquisition organisational identification

This chapter has analysed pattens of organisational identification following acquisitions as well as factors explaining this development. In so doing, this chapter has furthered the development of an integrative perspective on post-acquisition integration by focusing on one dimension of its outcomes, namely the degree of organisational identification forged onto the acquired firm in the years following the acquisition, Figure 39.
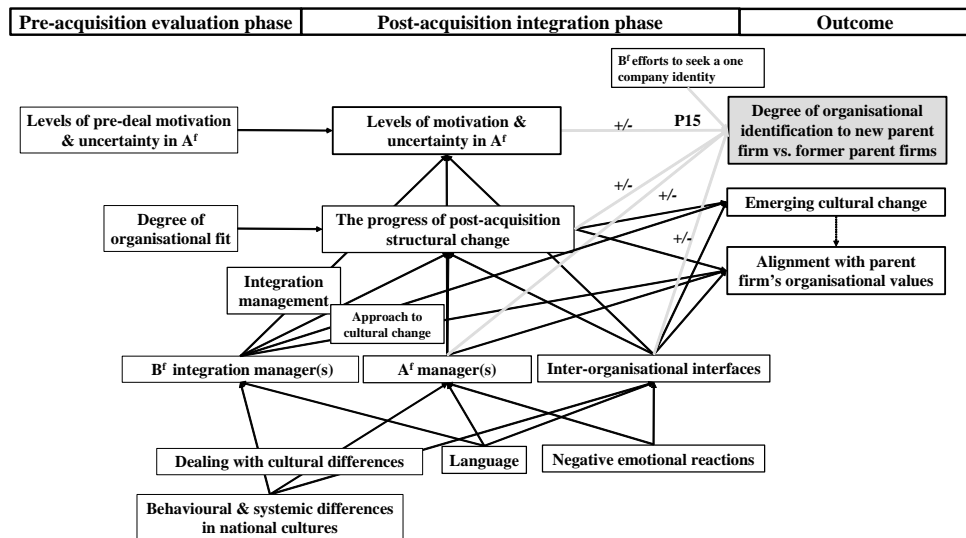

Figure 39. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on the nature and dynamics of organisational identification in the post-deal years. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

In brief, this chapter has linked the dynamic process of organisational identification following cross-border acquisitions with actions and behaviours that occur during the post-acquisition integration process. In other words, the findings point to the systemic nature of acquisitions in that the progress of the entire acquisition process has an impact on the degree of organisational identification forged in an acquired firm. Identification does not happen by itself, but is the result of the buying firm's active, respectful, and successful integration efforts over years that gradually mould an acquired firm's willingness to feel part of the new parent

firm. Whether the buying firm wants it or not, it is actively engaged in the creation of the acquired firm's new organisational identity. From this perspective, organisational identification during changes of ownership can be considered as a partly managed and partly emergent process.

6.3   Explaining cross-border acquisition performance

In this third section focusing on the outcome of cross-border acquisitions, the emphasis shifts to assessing the performance of cross-border acquisitions. To this end, the indicators that emerged as being significant to assess the performance of the studied acquisitions are presented. This is followed by an overview of the identified antecedents to the performance of the studied acquisitions. It is shown that failure to take an integrative perspective to the cross-border acquisition process impacts acquisition performance negatively. Indeed, any factor not attended to was found to turn into a *silent force* hampering the progress of integration efforts and the performance potential of the acquisition. These silent forces were found to mediate the extent to which the performance antecedents materialise in enhanced acquisition performance. This is why an integrative perspective to cross-border acquisitions is necessary.[186]

The analysis of the studied acquisitions pointed to a need to distinguish between acquisition performance as measured in terms of 1) the acquired firm's post-acquisition financial performance, 2) the buying firm's post-acquisition financial performance traceable to the acquisition, 3) the swift progress of post-acquisition integration, and 4) the extent to which targets set for the acquisition have been met. Table 58 summarises the performance of the studied acquisitions as measured in terms of these performance indicators. As results in Table 58 illustrate, only one of the studied acquisitions, namely the Danish R&D unit's acquisition, scored successfully on *all* of these four indicators of acquisition performance. All other acquisitions scored well (a + sign), rather well (a +- sign), or badly (a – sign), depending on the selected performance indicator. As a result, it seemed difficult to label the studied acquisitions 'successful' or 'profitable', as this seemed to depend on how performance had been measured. This prompts the question, 'what is going on?', and 'how to explain this'?

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[186] These findings contribute to research on M&A performance by focusing on the ways in which the integration process and its management per se contribute to the financial outcome of M&A. Such a view has been called for by extant researchers, e.g. Hoskisson et al. (1993), Hitt et al. (1998), Sirower (1998), and King et al. (2004).

Table 58. The management of the cross-border acquisition process and the performance of the studied acquisitions.

ANTECEDENTS TO ACQUISITION PERFORMANCE	Danish R&D unit #1	German R&D unit #2	UK firm #3	German firm #4	US firm #4	Unit of French multi-site firm #5	Finnish firm #6	French site #7	Unit of US multi-site firm #8
Antecedents to the performance of cross-border acquisitions stemming from the pre-deal phase									
Impact of pre-deal motivation (*)	++	++	-	+	+	+	++	++	-
Degree of organisational fit (*)	+	+-	-	-	-	-	-	-	-
Impact of surprises stemming from due diligence phase (*)	-	-	-	-	-	+-	-	-	-
Antecedents to the performance of cross-border acquisitions stemming from the dynamics in the post-deal phase									
Impact of post-deal motivation (*)	++	+	-	++	+	-	+	+	-
Impact of integration management (*)	+	+	-	+	+	+	+	+	+
Organisation of integration (*)	+	+	-	+	-	+	+	+	+
Impact of buying firm negative emotional reactions (*)	-	-	-	+	+	-	-	-	--
Impact of acquired firm negative reactions (*)	0	0	0	--	--	--	0	0	0
Cultural dynamics of structural change considered	+-	-	-	+-	0	-	-	+-	+-
Impact of behavioural differences in national cultures	+-	-	-	-	-	-	-	-	-
Impact of systemic differences in national cultures	0	0	0	-	0	-	-	-	-
Language barriers	-	-	0	-	0	-	-	-	-

Table 58 continued. The management of the cross-border acquisition process and the performance of the studied acquisitions.

Assessing the performance of the acquired firm in the new parent firm

Post-acquisition integration and change progress on target	++	+	-	+	-	+	+-	+-	+-
Set business targets for the acquisition are met	+	+	+-	+-	+-	+-	+-	+	-
Financial performance of acquired firm	+	+	-	+	-	+	+	+	+
Improved parent firm financial performance owing to synergies realised through the acquisition (**)	+ (+ More product development potential through talented engineers)	+- (+ More product development potential through talented engineers. - Integration is costlier than expected)	- (- Integration is more cumbersome than expected, long delay in the development of new products)	+- (+ New product segment. - Delayed new product development, sales of Bᶠ products by Aᶠ do not materialise)	+- (+ New product segment. - Delayed new product development, sales of Bᶠ products by Aᶠ do not materialise)	+- (+ New business identified through Aᶠ. - Aᶠ suffers from inter-unit tension)	+- (+ New product segment. - Stiffness of buying firm to utilize and promote Aᶠ know-how and products)	+- (+ New product segment. - Stiffness of buying firm to develop products to the Aᶠ markets, slow speed of exchange of technologies)	+- (+ New products and brand. - Integration costs, stiffness of buying firm to utilize and promote Aᶠ know-how and products)

Legend:

- A^f refers to acquired firm, and B^f refers to buying firm.
- '0' refers to the factor studied not being of relevance in the studied acquisition, '+' to a positive performance, '++' to excellent performance, '-' to a negative performance, '- -' to very negative performance on a particular dimension, and '+/-' to a mix of both.
- (*): these dimensions draw from the findings of earlier cross-comparative tables (Tables 12, 27, 53) presented in this manuscript.
- (**): measured in terms of new business brought by acquisition, integration costs exceeding targets, increased sales, increased organisational effectiveness, and new products.

To this end, a further analysis of the performance of the studied acquisitions enabled identifying a set of underlying indicators of acquisition performance. This analysis showed that an acquisition's success depended on whether the post-acquisition efforts led to increased performance in the 1) sales, 2) product development, and 3) production functions, paralleled with 4) enhanced organisational effectiveness in both firms. When measured against these underlying acquisition performance indicators, the aforementioned difficulty in establishing the performance and success of the studied acquisitions could be explained. Indeed, the success of the studied acquisitions along these indicators was in turn reflected in the financial performance of the acquired firm, the financial performance of the buying firm, the extent to which set targets for the acquisition had been met, and the progress and ensuing costs of the post-acquisition integration efforts, Table 59.

In particular, the analysis of the studied acquisitions showed that the successful performance of acquisitions depended on the extent to which an integrative perspective to the cross-border acquisition process had been adopted. Indeed, inattention to the strategic, managerial, behavioural, attitudinal, motivational, cultural, and structural factors present in the deal resulted in lower chances of an acquisition to reach its performance potential, however measured. In such a situation, factors unaccounted for were allowed to turn into *silent forces* acting against the success of the acquisition. These silent forces pertained more specifically to integration management, negative emotional reactions, differences in national cultures, acquired firm uncertainty and motivation levels, cultural and structural dimensions of organisational fit, and the cultural dimensions of structural change. In sum, the silent forces present in the acquisition context were found to mediate the realisation of the studied acquisitions' performance potential. Unless these silent forces were attended to and recognised, they were free to disturb the progress of post-acquisition integration, resulting in escalated integration costs and lower acquired and buying firm financial performance. In the following, these impact mechanisms will be analysed for each of the identified performance indicators. Finding 16 summarises the forthcoming analysis:

Finding 16: Integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors (i.e. silent forces) inherent in the cross-border acquisition process impact *the financial performance* of the acquired and buying firms through their influence on 1) the ability to increase domestic and international sales of both firms' products following the acquisition, 2) the ability to improve both firms' R&D output and effectiveness following the acquisition, 3) the ability to improve both firms' production output and effectiveness following the acquisition, and 4) the opportunity to improve both firms' organisational effectiveness through the acquisition.

To begin with, positive post-acquisition performance in the sales organisation was found to result in 1) an increase in the acquired firm's domestic and international sales, 2) an increase in the buying firm's sales, and 3) the improved effectiveness of both sales organisations owing to the introduction of the other's best practices. As illustrated in Table A-1 (see Appendix A), success in each of these areas was found to impact the financial performance of

the acquired firm, the financial performance of the parent firm, and the costs incurred in the integration efforts. However, achieving positive performance in the sales function depended on the extent to which the strategic, managerial, behavioural, attitudinal, motivational, cultural, and structural factors present in the sales function were attented to.

Indeed, the presence of negative emotional reactions on either side and a lack of appreciation of differing country conditions hampered the extent to which these sales targets were reached, potentially resulting in lost sales of either firm's products (see Table A-1 in Appendix A). Moreover, a poor initial organisational fit, surprises emerging from the due diligence phase, a lack of attention to the cultural dimensions of structural change, poorly-motivated employees, and badly managed post-acquisition change resulted in delays in implementing either firm's best practices in the other, in turn reflected in escalated integration costs. Negative emotional tensions could also result in a seemingly important best practice not being transferred from the acquired firm to the parent, resulting in lower organisational effectiveness. Alternatively, the blind arrogance of the parent firm could lead to implanting ways of working in the acquired firm that decreased its prevailing level of organisational effectiveness.

Improved post-acquisition performance in the research and development function was in turn found to depend on the extent to which 1) the acquired firm's product development potential was recognised and utilised, 2) joint inter-firm efforts were made to develop future products, 3) the effectiveness of either R&D organisation was improved owing to the introduction of the other's best practices. Table A-2 (in Appendix A) exemplifies how success in these R&D-related performance indicators impacted the financial performance of the acquired firm, the financial performance of the parent firm, and the costs incurred in the integration efforts.

The improved performance of the R&D organisation was undermined by inattention to the silent forces therein. Taking the example of utilising the acquired firm's product development potential, negative emotional reactions in the buying firm can lead to the acquired firm's product potential not being considered. Further, due diligence surprises can result in the product development potential in the acquired firm being lower than expected. Differences in national cultures between the acquired firm's subsidiaries can obscure the effectiveness of the intercultural interface necessary for successful inter-unit R&D cooperation to develop much needed future products and realise the synergy potential inherent in the deal. These factors in turn explain why the acquired firm's financial performance is decreased, owing to lowered product development potential. Second, the success of joint R&D efforts can be undermined by negative emotional reactions, the presence of national cultures, surprises from the due diligence analysis, and a lack of organisational fit. As to the third factor, namely the improved effectiveness of both firms' R&D operations following the acquisition, the same impact

mechanisms as detailed above with regard to the effectiveness of the sales organisation were noted.

Moving onto the production function, its post-acquisition performance was likewise found to depend on the extent to which 1) post-acquisition changes were made in the acquired firm to improve the effectiveness of its production operations, and 2) the buying firm adopted the acquired firm's production practices (if these were superior to its own). As was noted in the analysis of the post-acquisition performance of the sales and R&D organisations, the effectiveness of these changes depended on the extent to which the silent forces therein had been accounted for. Thus, a poor degree of initial organisational fit, surprises emerging from the due diligence phase, a lack of attention to the cultural dimensions of structural change, poorly-motivated employees, negative emotional reactions, and badly managed post-acquisition change resulted in delays in implementing either firm's best practices in the other, in turn reflected in escalated integration costs. Table A-3 exemplifies how the performance of the production function affected the financial performance of the acquired firm, the financial performance of the parent firm, and the costs incurred in the integration efforts.

Finally, an acquisition's performance was found to depend on whether overall organisational effectiveness beyond the aforementioned factors is improved through the acquisition, Table A-4. This in turn depended on the extent to which 1) shared systems are implemented, 2) acquired firm employee potential is utilised, 3) cooperation and interactions at inter-firm interfaces are effective, and 4) the parent firm is able to harness the cultural diversity present in its multicultural workforce and its multi-country presence. Again, inattention to the silent forces at work was found to hinder the potential performance improvement through these means.

To begin with, the successful implementation of shared systems in the post-deal era depends on the degree of fit between the firms' systems and organisations and the way the integration phase is managed. Discrepancies in the firms' systems can show up in the poor performance of the acquired firm, if the new systems are more costly, less efficient, more complicated to operate than previous ones, or if they do not fit the acquired firm's operational environment. In parallel, poor integration management efforts can lead to the increased cost of integration efforts, as integration drags on and uncertainty levels soar.

Second, the extent to which the potential of acquired firm employees can be utilised was found to depend on their willingness to work for the new parent firm and thus the prevailing levels of motivation and uncertainty in the acquired firm throughout the acquisition process. A low level of pre-deal motivation can result in an unwillingness to join the buying firm, pre-acquisition action against the buying firm, as well as the pre-acquisition departure of key

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personnel, all of which have a negative impact on the ease and speed of the ensuing post-acquisition integration phase, and in turn impact the long-term financial performance of both firms. Indeed, low motivation levels translate into a post-acquisition era in which greater emphasis needs to be placed on regaining staff motivation than in initiating post-acquisition changes. Consequently, integration is likely to be delayed, resulting in the escalation of integration-related costs. Acquired firm employees' pre-acquisition action against the acquisition can result in a delayed deal date, competitive bids, and a blurred image of the buying firm in the local community and in customer minds. In addition to leading to increased integration costs, a blurred image in customer minds has the potential to cause lost sales, thereby impacting the financial performance of both firms. Pre-acquisition key personnel departures mean lower potential success for the post-acquisition regime through lost talent and possibly more competitive local market dynamics through knowledge leaks.[187] As a result, the sales targets and expected product development potential might not be realised. In the post-deal era, levels of uncertainty and motivation reflect the likely degree of acceptance and approval of buying firm integration actions and the resulting amount of acquired firm activity in support of post-acquisition integration, both of which have a direct impact on the speed and ease of post-acquisition integration.[188] The speed of integration in turn reflects the degree to which the budget allocated for the integration project is exceeded.

Third, the effectiveness of inter-country interfaces throughout the organisation was found to depend on the extent to which the presence of different national cultures, languages, and negative emotional reactions is recognised. If not, these interfaces will fail to operate as effectively as they potentially could, leading in the long-term to escalated costs. Finally, the extent to which the parent firm is able to harness the cultural diversity present in its multicultural workforce and its multi-country presence in turn depends on the degree to which it retains an 'ethnocentric' attitude as it increases its international reach. Does it recognise the impact of its cultural background on its organisational culture and practices? Does it blindly force these onto foreign units without realising that some of them might not fit a foreign environment? These questions are ones that, if left unanswered, cause demotivation in foreign acquired firms, a loss of organisational effectiveness, and can further lead to escalated costs.

In sum, this chapter has focused on post-acquisition financial performance, more specifically showing how silent forces present throughout the acquisition process can act as antecedents to the financial performance of cross-border acquisitions. What the findings show is that the 'success' of acquisitions is a tricky topic that largely depends on how it is measured. In this study, acquisition success differed, whether is was measured in terms of the progress of post-

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[187] For a thorough analysis, please refer to Chapter 4.1 of this dissertation.

[188] For a thorough analysis, please refer to Chapters 5.4 of this dissertation.

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acquisition integration, the extent to which set targets for the acquisition had been met, or the financial performance of the acquired and buying firms as traceable to the acquisition. However, in combination, these four indicators could be used to portray acquisition performance.

When the analysis was further detailed to the level of functions within organisations, i.e. the extent to which the acquisition improved the effectiveness of the sales, R&D, and production organisations, whilst in parallel improving the overall effectiveness of both firms, the importance of taking an integrative perspective to cross-border acquisitions became evident, Table 59. Indeed, a lack of attention to integration-related strategic, managerial, behavioural, attitudinal, emotional, motivational, cultural, or structural factors was found to result in lower post-acquisition performance, as these factors turned into *silent forces* hampering the progress of integration efforts. The analysis showed that through their effect on the sales, R&D, and production functions and the effectiveness of both firms, silent forces present in cross-border acquisitions ultimately impact the acquisition's financial performance, measured in terms of the improved financial performance of both participating firms, integration-related costs, and the extent to which targets set for the acquisition have been met. Based on this analysis, Figure 40 presents the integrative framework on the post-acquisition integration developed in this dissertation and shows how post-acquisition financial performance is related to it.
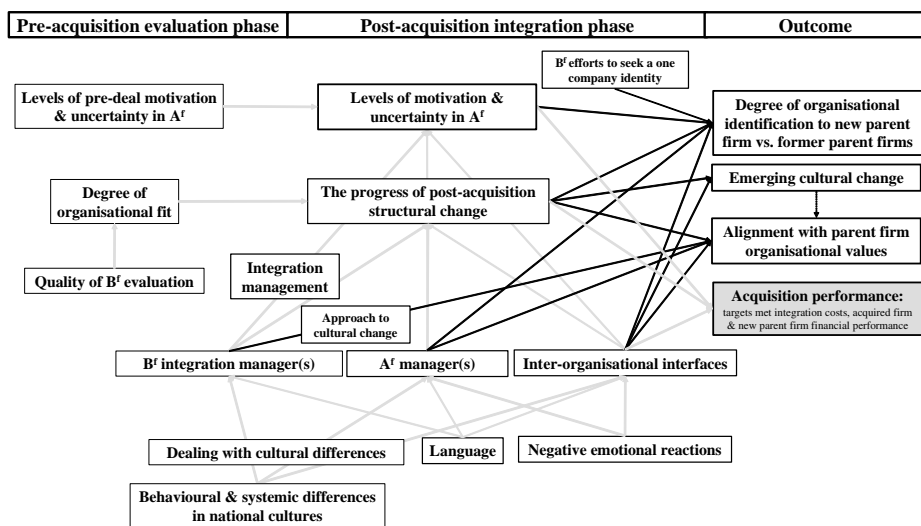

Figure 40. Toward an integrative perspective on the post-acquisition integration of cross-border acquisitions: development of a theoretical framework with a focus on acquisition performance. Legend: A[f] refers to the acquired firm, and B[f] refers to the buying firm. Concepts and interrelationships brought forward in this chapter have been highlighted in grey.

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Table 59. Analysing the performance of the studied acquisitions in terms of the success of the sales, R&D, and production functions and the overall effectiveness of both firms following the deal.

FUNCTIONAL ANALYSIS OF ACQUISITION PERFORMANCE	Danish R&D unit #1	German R&D unit #2	UK firm #3	German firm #4	US firm #4	Unit of French multi-site firm #5	Finnish firm #6	French site #7	Unit of US multi-site firm #8
Assessing the performance of the acquired firm/site in the new parent firm (*)									
Post-acquisition integration and change progress on target	++	+	-	+	-	+	+-	+-	+-
Set business targets for the acquisition are met	+	+	-	+-	+-	+-	+-	+	-
Financial performance of acquired firm	+	+	-	+	+	-	+	+	+
Improved parent firm financial performance owing to synergies realised through the acquisition	+	+-	-	+-	+-	+-	+-	+-	+-
Performance antecedents traceable to the sales function									
Increase in A^f / site products' domestic sales	0	0	0	+	+	-	+	+	-
Increase in A^f / site products' international sales	0	0	0	+-	0	-	+-	+	+-
Increase in sales of B^f products	+	+	+	-	-	+	+-	+-	+-
Adopting A^f best practices in sales	0	0	0	0	0	-	-	0	-

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Table 59 continued. Analysing the performance of the studied acquisitions in terms of the success of the sales, R&D, and production functions and the overall effectiveness of both firms following the deal.

Performance antecedents traceable to the R&D function

A^f product development potential is tapped	+	+	-	-	+-	+-	+-	-
Successful joint (A^f and B^f) product development	+	+	0	0	0	+	+	-
Adopting A^f best practices in B^f R&D	+	-	-	-	-	-	-	-

Performance antecedents traceable to the production function

Adopting B^f ways into A^f	0	0	+	+	+	+	+	+
Adopting A^f ways (if superior) into B^f	0	+	0	0	0	+	0	0

Performance antecedents related to improved overall organisational effectiveness

Synergies through shared financial and IT systems	+	+-	+-	+-	+-	+-	+-	+
New employee potential successfully utilised	+	+	+	+	+-	+	+	+
Effective cooperation and daily interactions at inter-firm interfaces	+-	-	+-	+-	+-	+-	+-	+-
Create global firm utilising diversity and foreign units	+-	-	+-	-	-	-	-	-

Legend:

- A^f refers to acquired firm, and B^f refers to buying firm.
- '0' refers to the factor studied not being of relevance in the studied acquisition, '+' to a positive performance, '-' to a negative performance, and '+/-' to a mix of both.
- The contents of the dimensions used in this table are fully developed in Tables A-1, A-2, A-3, and A-4 of Appendix A.
- (*) These results draw directly from the results of Table 58.

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7   Conclusions and discussion

In this chapter, the contributions arising from the research are summarised and discussed in light of the merger and acquisition (M&A) and the broader organisation science literatures. The *main* contribution of this dissertation relates to the development of an integrative perspective on the dynamics of post-acquisition integration of cross-border acquisitions. Throughout this manuscript, this integrative perspective has been presented in the form of a theoretical framework and a set of related definitions and findings. In addition to this main contribution, the analysis of this dissertation has given rise to a number of *specific* contributions to the M&A and organisation science literatures. These pertain to individual topics within the developed integrative framework.

This chapter proceeds as follows. First, the integrative perspective on post-acquisition integration developed in this dissertation is presented and discussed. Thereafter, the focus shifts to presenting the individual theoretical contributions to existing research made in this dissertation. Thirdly, managerial implications are discussed. This chapter, and this dissertation, ends with a look at the limitations of this research project and recommendations for future research endeavours.

7.1   An integrative perspective on post-acquisition integration in cross-border acquisitions

7.1.1   The scientific contribution

Based on extensive qualitative material relating to 166 interviews with a total of 141 interviewees in one domestic and seven cross-border acquisitions in Finland, Germany, France, Denmark, the UK, and the US respectively, this dissertation has brought forward an integrative perspective on the post-acquisition integration dynamics of cross-border acquisitions.[189]

During the research process it became clear that the challenges in the post-acquisition integration of cross-border acquisitions were not reducible to an individual factor, be it managerial, human, or cultural. Instead, the difficulty experienced by both first-time and experienced buying firms was found to relate to the extent to which they were able to appreciate, understand, and manage the dynamics unfolding throughout the pre-acquisition evaluation and post-acquisition integration phases, which impacted the subsequent outcome of cross-border acquisitions. What emerged was an appreciation of the systemic and multi-faceted nature of the cross-border acquisition process, given the way in which integration-

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[189] Interviewees' experiences with eight other former parent firms of European and American origin were also used to inform the research findings.

related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors were interwoven throughout its progress. The challenges experienced in the integration of cross-border acquisitions stemmed from the *combined presence* and the *relationships* between these factors rather than from any one factor alone. Together, they were found to explain the outcome of the studied acquisitions, conceptualised in terms of the degrees of cultural change and organisational identification induced in the acquired firm, the extent to which targets set for the acquisition had been met, the swift progress of the integration phase, and the financial performance of both acquired and buying firms in the post-deal years.

In sum, the present findings lend support to the argument that an integrative perspective, combining integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors is necessary not only to appreciate the challenge of, but more importantly, to successfully manage a process as multi-faceted, complex, and systemic as the post-acquisition integration process, especially in its cross-border context. Thus, an integrative perspective urges one not only to recognise the simultaneous presence of these factors, but also to recognise the ways in which they are interrelated, and how, through their relationships that unfold throughout the acquisition process, these factors jointly come to have an impact on the successful outcome of cross-border acquisitions.

What is more, the findings showed that unless such attention is provided, integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors have the potential to turn into *silent forces* that impact the progress and outcome of cross-border acquisitions. Indeed, the present findings showed how inattention to the presence, manifestations, and impact mechanisms of these factors resulted in slower post-acquisition cultural change in the acquired firm, slower organisational identification toward the new parent firm, slower progress of post-acquisition integration efforts, a failure to meet the targets set for the acquisition, and poorer acquired and buying firm financial performance in the post-deal years. In such an instance, instead of only being the result of rational business decisions and managerial actions, *the outcome of cross-border acquisitions was found to largely result from a set of silent forces that were free to 'roam around', quietly influencing the progress and outcome of the post-acquisition integration process*, without the involved actors' full awareness.

It is by unearthing the dynamics inherent in the post-acquisition integration of cross-border acquisitions, thereby identifying the antecedents of cross-border acquisition performance, that the integrative perspective on the post-acquisition integration of cross-border acquisitions developed in this dissertation contributes to research on mergers and acquisitions (M&A). By unearthing the way in which integration-related strategic, managerial, behavioural, attitudinal,

motivational, emotional, cultural, and structural factors, unless accounted for, are allowed to become *silent forces* that ultimately impact the performance of cross-border acquisitions, the present findings resonate particularly well with the conclusions arrived at by King et al. (2004). In a meta-analysis of existing studies on M&A performance, they conclude that "unidentified variables may explain significant variance in post-acquisition performance", subsequently making a call for more theory-building research on M&A.

In a broader perspective, the present findings provide one answer to prevailing worries in the research community as regards 1) the need for an improved theoretical understanding of M&A (Trautwein 1990, Greenwood et al. 1994, Sinatra and Dubini 1994, Schweiger and Goulet 2000), 2) the lack of understanding of the dynamics within M&A integration (von Krogh et al. 1994, Schweiger and Goulet 2000), 3) the lack of understanding of the antecedents of M&A performance (Hoskisson et al. 1993, Hitt et al. 1998, Sirower 1998), 4) the lack of research on cross-border acquisitions per se (Olie 1994, Shimizu et al. 2004, Quah and Young 2005), and 5) the lack of understanding of the cultural dynamics in cross-border M&A and the impact of cultural differences on M&A performance (Schweiger and Walsch 1990, Schweiger and Goulet 2000, Schoenberg 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003). The present findings show that in the context of cross-border acquisitions, these research gaps are, at heart, related to one another. This argument is mirrored in the work of Larsson and Finkelstein (1999), who through an extensive case-survey of existing qualitative studies on M&A integration were able to show that the success of M&A depends on *simultaneously* accounting for employee motivation, organisational integration, and firm complementarity, as these factors were *all* related to M&A performance. Hence, they argued that an integrative perspective is necessary to understand M&A performance.

In parallel, the need for an integrative perspective on factors underlying acquisition performance seems particularly crucial to the cross-border M&A context. Indeed, whilst the debate between the performance of domestic vs. cross-border M&A (Datta 1991, Chatterjee et al. 1992, Morosini and Singh 1994, Weber 1996, Weber et al. 1996, Véry et al. 1996, 1997, Krishnan et al. 1997, Krug and Hegarty 1997, Larsson and Risberg 1998, Morosini et al. 1998, Larsson and Finkelstein 1999, Brouthers and Brouthers 2000) is seemingly raging without conclusive evidence either way (Schweiger and Walsch 1990, Schweiger and Goulet 2000, Schoenberg 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003), calls have been made for an enhanced understanding of the cross-border M&A process to explain variation across the reported findings (Stahl and Voigt 2003, Teerikangas and Véry 2003). The present findings show that a consideration of the cultural facets and dynamics inherent in cross-border acquisitions does not, *per se,* explain either integration dynamics or the outcome of cross-border acquisitions. Instead, the cultural discourse would need to be placed in an integrative,

systemic setting, wherein it is considered together with other integration-related variables, namely the financial, strategic, managerial, behavioural, attitudinal, motivational, emotional and structural ones. In other words, based on the present findings, it is argued that the study of cross-border acquisitions, their progress and performance, would need to move beyond a mere study of cultural differences towards a consideration of how the cross-border cultural dimensions of M&A relate to other dimensions of the M&A process and thereby explain M&A performance.

In so doing, the present findings have, in a cross-border context, woven together threads related to the progress and outcome of acquisitions that have to date largely been studied separately and in parallel to one another (Haspeslagh and Jemison 1991, Larsson and Finkelstein 1999, Shimizu et al. 2004). It seems that owing to a departmentalisation of scientific research and the resulting lack of cross-fertilisation of research findings, current M&A research has lacked integrative perspectives. Whilst prior research on M&A has studied the managerial, human, and cultural aspects related to post-acquisition integration, the review of extant research on M&A integration in Chapter 2 showed how most of this work has remained specific to either one of these disciplines. Despite Larsson and Finkelstein's (1999) emphasis on the importance of taking an integrative perspective on M&A, other than in the seminal works of Buono and Bowditch (1989) and Haspeslagh and Jemison (1991), and the recent work of Quah and Young (2005) on a phased approach to M&A, qualitative research methods have not been used to understand the dynamics of the M&A process and factors impacting its success. Indeed, despite the increasing amount of interest and work being carried out in the M&A arena, qualitative grounded theory-type studies of the dynamics inherent in post-acquisition integration, especially in the context of cross-border acquisitions in which both organisational and national cultures are present, are currently missing. Thus, it can be argued that there is a lack of understanding of the dynamics and performance antecedents of cross-border acquisitions. This is the scientific context against which the main contribution made in this dissertation, namely the development of an integrative perspective on the post-acquisition integration dynamics of cross-border acquisitions, needs to be assessed.

7.1.2   *Applicability of the findings to domestic acquisitions*

In addition to cross-border acquisitions, the findings are likely to apply to some extent to the context of domestic acquisitions as well. Indeed, the main difference in applying the developed integrative perspective to domestic or cross-border contexts relates to the presence (or not) of *national cultures* between the buying and acquired firms and their impact on the difficulty of the post-acquisition era. Domestic acquisitions are generally considered as

lacking the challenge of national cultures. However, the present findings point to national cultures also having an impact on some types of domestic acquisitions.

For one, the studied acquisitions showed that when the buying firm is anything other than a purely locally operating firm, i.e. has some degree of international reach, post-acquisition intercultural inter-firm encounters will take place between the firms' international subsidiaries. This means that even an acquisition by a domestic firm can result in an increase in intercultural interactions. Thus, the impact of national cultures on the post-deal era in such domestic acquisitions warrants consideration. The same applies to the domestic acquisition of a locally operating firm, where the buying firm aims to increase the acquired firm's international market reach in the post-acquisition era. In order to succeed on the global marketplace, the domestic firm will have to shift its mindset toward greater international and intercultural awareness. In sum, the present findings point to the fact that few acquisitions today can be considered as being 'purely domestic', i.e. ones that do not introduce the national culture factor into the equation. Indeed, the impact of country differences is present also in seemingly domestic deals, owing to the buying firm's international reach. Hence, the findings from this dissertation can be expected to apply to such examples of domestic acquisitions.

In parallel, the present findings showed that the presence of regional cultures within countries can impact the post-deal era in the context of domestic acquisitions. This would suggest that despite zero distance in national cultures, domestic acquisitions can be impacted by regional cultural distance, that can potentially take on a role similar to national cultures in cross-border acquisitions. This is likely to be especially noteworthy in large countries such as the US or China, where differences in regional cultures can be significant. This is likely also to apply to smaller countries, such as Belgium, that remain torn between different regional cultures. As the present study did not address domestic acquisitions portraying such illustrations of regional cultures, there is a need for more research on the impact of regional culture on domestic acquisitions.

In sum, it would seem that the difference between domestic and cross-border acquisitions is no longer as straightforward as it might have been some decades ago in a less global world. In other words, buying firms should not underestimate the challenge posed by national cultures on domestic acquisitions that result in an increase in intercultural interactions in the post-deal era. In parallel, by engaging in domestic acquisitions, buying firms are likely to encounter the challenge posed by differences in regional cultures.

7.1.3   An overview of the theoretical framework developed

Figure 41 provides a graphical representation of the integrative perspective on post-acquisition integration developed in this dissertation. Its core argument is that it is the interplay of strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors that explains the difficulty of succeeding in post-acquisition integration. Indeed, this interplay takes place throughout the cross-border acquisition process, beginning with the pre-deal evaluation phase, moving on to the integration phase, and ultimately affecting the outcome of the acquisition and the long-term outlook of both firms. In other words, the challenge of post-acquisition integration lies in the buying firms' need to simultaneously account for the strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural dimensions of the acquisition process. In the following, a summary of the integrative perspective on post-acquisition integration developed in this dissertation is outlined.

Silent forces impacting the pre-acquisition phase of cross-border acquisitions

To begin with, the challenge of post-acquisition integration was found to be traceable back to the pre-deal evaluation period and also, from a broader perspective, to both organisations' historical paths. The histories of both firms not only shape their respective organisational cultures and identification patterns but also provide cues as to the levels of uncertainty and motivation with which acquired firm employees greet the news of an acquisition and the disclosure of the identity of the buying firm.

Indeed, an acquired firm's reactions to the news of being acquired were found to depend on its prior acquisitive experience and the extent to which an acquisition was necessary for its survival. Moreover, their reactions to the identity of the buying firm depended on how well the buying firm was known, the firms' pre-deal relationship, whether the buying firm is an industrial firm or a financial investor, the nationality of the buying firm, and future prospects within the buying firm. Motivation and uncertainty levels were further found to depend on the buying firm representatives' behaviours and communications in the pre-deal era, as well as the way in which the acquired firm managers informed staff about the forthcoming acquisition in the pre-deal era. Given the multitude of organisational histories within a multi-site firm, the reactions to both the acquisition and the buying firm were found to vary from one acquired firm's unit to another. Hence, the pre-acquisition era tends to be characterised by a plethora of reactions and differing uncertainty and motivation levels across the acquired firm's units, and possibly also departments within each unit.

Low levels of pre-deal motivation and high levels of uncertainty can result in the departure of key staff, in parallel with knowledge leaks and the strengthening or formation of new

competitors, and hence can have long-term consequences for the financial performance of the acquired and buying firms. It can also result in pre-acquisition action against the buying firm, be it in the form of negative coverage resulting in a harmed public image, or even in delaying the deal through lobbying. Pre-deal levels of motivation were further found to impact the extent to which acquired firm managers were willing to engage in the post-acquisition planning and integration efforts. Hence, it is in the buying firm's interest to understand factors impacting motivation and uncertainty levels across the acquired firm in the pre-deal era, in order to work out ways in which it can proactively engage in increasing their motivation and mitigating any uncertainties.
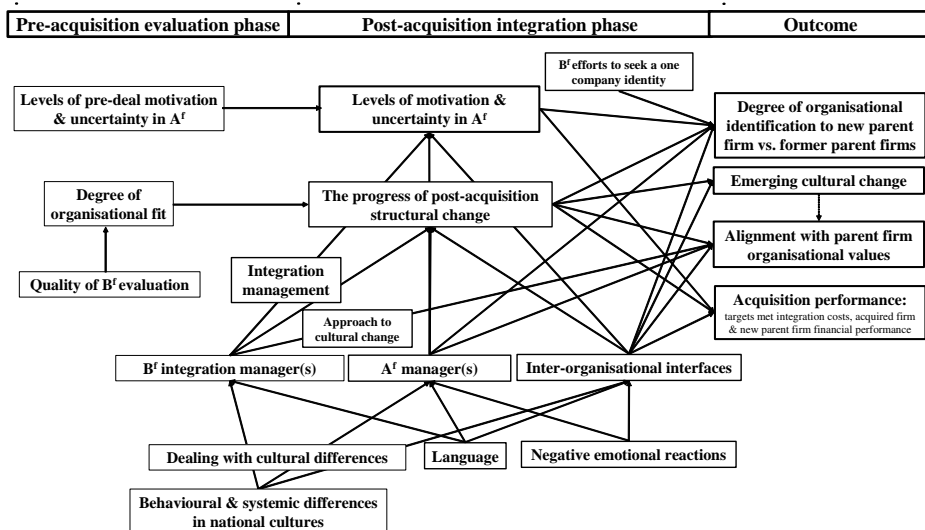
Figure 41. Overview of the theoretical framework developed in this dissertation: 'An integrative perspective on the post-acquisition integration of cross-border acquisitions'. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm.

Additionally, in the pre-deal phase, the buying firm's representatives are engaged in assessing the degree of organisational fit between the buying and target firms. This is not an easy task given the time constraints and the typically limited and distorted nature of information available at this stage. The findings showed that an analysis of organisational fit needs to be made in terms of structural and cultural dimensions of inter-firm differences at the departmental, unit, corporate, and national levels of analysis. Consequently, many parallel analyses of organisational fit will need to be made when acquiring a larger firm. This analysis is critical given that it provides clues as to the possible areas of difficulty in the post-deal era. Indeed, any omission at this stage was found to have consequences for the progress of the post-acquisition integration phase.

Summing up, the buying firm representatives need to remain aware of the behavioural, motivational, emotional, cultural, and structural elements in the pre-deal evaluation phase as

they all provide levers that directly impact the progress of the ensuing post-deal integration phase. In other words, post-acquisition integration does not start on 'day one' after the deal is made. The deal should rather be regarded merely as the point at which the firms' relationship becomes official, the success of which depends on the extent to which pre-deal factors have been identified as impacting its progress. However, more often than not, buying firms tend to omit these less visible and non-financial factors that are related to M&A success. For this reason, the acquired firm's motivation and uncertainty levels, the cultural and structural dimensions of organisational fit, as well as the buying firm's representatives' behaviour during the pre-deal phase have herein been termed 'silent forces' that affect the difficulty of making the post-deal integration phase work. Indeed, unless the buying firm's representatives take an integrative perspective to the pre-deal phase, the pre-deal behavioural, motivational, emotional, cultural, and structural factors will become *silent forces* that hamper the progress and outcome of post-acquisition integration.

Silent forces impacting the post-acquisition integration phase of cross-border acquisitions

The pre-deal phase was found to act as a lever on the post-deal integration phase. For one, the pre-deal levels of uncertainty and motivation across the acquired firm tended to predict the likely degrees of uncertainty and motivation across the acquired firm's units and departments in the post-acquisition months. In addition, uncertainty and motivation levels across the acquired firm's units during the integration phase also depended on the way in which the integration phase was managed and organised, the direction of post-deal structural and cultural change, the presence and impact of country differences, and contextual factors such as economic downturns and reorganisations.

In other words, if the post-deal phase is well managed, well organised, and the types of interventions and post-deal changes taking place in the acquired firm are positive news for its staff, they are likely to remain motivated to work for the new parent firm. On the contrary, a badly managed and organised integration phase and/or negative post-deal news for the acquired firm will decrease its willingness to be integrated into the new parent firm and are likely to be paralleled with high levels of uncertainty. Ensuring the motivation of acquired firm staff is thus important, because it directly affects the will with which they take part in the integration efforts, and reduces the possible formation of nests of resistance. High levels of uncertainty are likely, in turn, to translate into a more cumbersome integration period in which more effort will have to be focused on assuaging employee worries than on building a future together. In the long-term, uncertainty and motivation levels were found to impact the willingness of the acquired firm's staff to identify themselves with the new parent firm and their eagerness to accept the cultural changes brought forward by the parent firm. In sum, a lack of attention to uncertainty and motivation levels across the acquired firm in the post-

acquisition era results in them becoming *silent forces* that impact the progress and outcome of the integration phase.

Furthermore, the pre-deal static definition of organisational fit, when combined with the set strategy for organisational integration, was found to translate into the experienced 'integrative challenge' in the acquired firm, i.e. the likely degree of difficulty in implementing the sought post-deal changes in the acquired firm. The need to jointly consider the structural and cultural dimensions of organisational fit becomes apparent, as in the post-acquisition phase, the successful implementation of any kind of structural change was shown to have cultural roots and thus be paralleled with cultural change in the acquired firm. In other words, all post-deal structural change is a form of cultural change. However, buying firms tended to regard post-acquisition change from a purely structural perspective, ignoring its cultural dimensions. Hence the cultural challenge inherent in implementing cross-border acquisitions seems at present to be largely underestimated. As a result, the cultural dimensions of structural change are allowed to become *silent forces* that impact the ease of implementing post-deal changes. Indeed, a lack of attention to the cultural dimensions of post-acquisition structural change was found to result in its slower progress, ultimately reflected in escalating integration costs, and a slower progress of post-acquisition cultural alignment and change in the acquired firm.

The successful progress of the integration phase was further found to depend on how well the buying firm was able to deal with both implementing the sought post-deal changes and ensuring high levels of motivation (and low levels of uncertainty) in the acquired firm. To this end, the clearer that the buying firm communicated the integration- and business-related strategic decisions regarding the post-acquisition era, the better it ensured that the 'fundamentals of integration management' (i.e. planning, vision, timing, communication, integration tools, and communication) were catered for throughout the integration phase, the attitude taken throughout the post-acquisition integration phase, and the simultaneous capture of integration managers, top management, and host country organisations' support, *together* helped to ensure that integration management did not turn into a *silent force* hampering the progress of post-acquisition integration and change efforts, resulting in escalating integration costs and unmotivated employees. In parallel, buying firms can engage acquired firm managers in the integration efforts who are supportive of the acquisition. This is generally well received in acquired firms, as it is deemed a sign of confidence and trust. However, the involvement of acquired firm managers will be counter-productive if they are resistant toward the new era.

In addition to the importance of buying and acquired firm managers for the success of the integration phase, the findings of the research project pointed to the influence of the firms' mutual organisational interface on the progress and outcome of post-acquisition integration.

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The successful management of post-acquisition change was not found to depend only on the actions of the responsible managers. Instead, all people from the parent firm's side who are in touch with the acquired firm's employees during the post-acquisition era have a role to play as daily micro-level 'change agents'. Unless their role in the achievement of the targets set for the post-deal regime is recognised, their own daily behaviour turns into a *silent force* that hampers the progress of integration. Indeed, while managers responsible for integration are able to support the acquired firm employees with strategic level direction, the daily support and guidance for how to operate in the parent firm falls upon the buying firm employees. Unless their role in ensuring the success of the acquisition is communicated, they cannot be expected to realise the impact that their lack of support and attentiveness to the needs of their new colleagues has on the outcome of the acquisition.

The effectiveness of the inter-firm organisational interface can further be reduced by a lack of attention to the presence of negative emotional reactions that stem from the buying firm's not-invented-here syndrome and protective reactions toward the acquired firm, and from the acquired firm units' distrust, and competitive and biased behaviours towards one another. Such negative emotional reactions were not only found to slow the progress of post-acquisition integration, but also to have an impact on the financial performance of both firms.

Third, the effectiveness of inter-firm organisational interfaces in a cross-border context was found to depend on whether the presence and impact of country differences was recognised. For one, an inattention to the systemic manifestations of national cultures was found to lead to a lack of appreciation of foreign market and organisation dynamics, resulting in lower international sales and a lack of appreciation of how to operate global organisations. Furthermore, inattention to the behavioural dimensions of national cultures was found to lead to different expectations in regard to appropriate organisational behaviour, and to result in misunderstandings that reduced the potential effectiveness of cross-border interactions. Moreover, the national cultural roots of both parties' behaviours explained the challenge that acquired firm managers experienced in adapting to a new parent firm's managerial environment. Indeed, the prevailing management style in each buying firm was found to be influenced by its home country's national culture. Unless this influence is recognised, 'mistakes' made by acquired firm managers that can be traced to a lack of understanding of the new parent firm's cultural heritage will be termed as 'deviant' or 'wrong' behaviour. In other words, for successful cooperation to occur, both parties need to recognise the influence of cultural heritage upon their behaviour. Until this occurs, both sides will continue to complain about the other's seemingly 'deviant' and 'wrong' behaviour. The findings showed that buying firms tend to ignore the cultural roots of the management style prevalent in their organisation, and hence underestimate the challenge that acquired firms face in making the

required post-acquisition cultural shift. In such situations, national cultures have become *silent forces* that slow the progress of post-acquisition integration. Overall, the findings pointed to the fact that the breadth of the cultural challenge in acquiring across borders remains today largely under-estimated and misunderstood.

Fourth, in a cross-border context, the effectiveness of inter-organisational interfaces is further impacted by language. Indeed, the lack of a joint native language was felt to slow down the progress of cooperation, causing misunderstandings, and ultimately making it more difficult and time-consuming to develop a relationship based on trust. Moreover, acquired firm managers complained that in the long-term, the lack of a joint language has consequences for their potential to climb the parent firm's corporate career ladder.

In sum, the post-acquisition integration phase is an arena in which the progress of post-acquisition change and fluctuations in the uncertainty and motivation levels of acquired firm employees depend on the pre-deal levels of organisational fit, uncertainty and motivation, the quality of post-deal integration management by buying firm managers, the involvement of supportive acquired firm managers in the integration efforts, and the effectiveness of the inter-firm interface in the post-deal era.

Silent forces impacting the outcome of cross-border acquisitions

Based on the analysis of the studied acquisitions, the successful outcome of cross-border acquisitions was conceptualised in terms of 1) the degree of post-acquisition cultural change achieved in the acquired firm, 2) the degree of organisational identification brought forward in the acquired firm, and 3) the performance of the acquisition. These were all termed 'outcomes' of successfully managed cross-border acquisitions, given that they were the result of the dynamics of the acquisition process, i.e. the motivation of staff toward the acquisition and the new parent firm, the successful progress of post-deal change, the management of post-acquisition integration efforts, and effectively functioning inter-firm organisational interfaces.

More specifically, cultural change was found to result from the ongoing structural changes and interactions taking place throughout the post-acquisition phase, as well as the buying firm's efforts to align the acquired firm's corporate value base with its own. Given that induced structural changes and interactions are rooted in the buying firm's national and organisational cultural heritage, the resulting cultural change in the acquired firm was found to take place at the levels of organisational and national cultures. Interestingly, the findings highlighted that given the systemic nature of cultural change, it takes place in the post-acquisition era regardless of whether the buying firm actively seeks it or not: it is the result of successfully implemented post-acquisition integration.

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In general, buying firms tended to be rather unaware of the need to embed their advertised corporate values in their organisation's structures, behaviours, and management styles. Unless this happened, the buying firm's organisational culture more strongly reflected a practiced organisational culture rather than its advertised value base. As buying firms tended, in parallel, to openly recognise only their advertised values, the practiced organisational culture was allowed to turn into *a silent force* impacting the behaviour of buying firm members without being openly acknowledged. As a result, depending on the extent to which buying firms had successfully implemented their advertised corporate values across their organisation, post-acquisition cultural change in the acquired firm was found to reflect the organisational culture that was actually practiced, rather than that preached by the parent firm. In sum, post-acquisition cultural change in cross-border acquisitions undertaken by global firms seemed to be a complex process whose dynamics and progress seem to remain, to a large extent, misunderstood by buying firms.

As regards organisational identification, the findings highlighted that an acquired firm's patterns of organisational identification reflect its acquisitive history. Consequently, a parent firm's acquired units are likely to portray a plethora of patterns of organisational identification that reflect their respective ownership histories and the ways in which each ownership era has been experienced. Thus, buying firms cannot expect acquired firms to erase their affiliation toward previous owners, especially the firm's founding owner. However, through active post-acquisition change efforts, involved and supportive acquired firm managers, motivated employees, and the parent firm's overall sincere efforts to develop a 'One Company' identity, gradually, over time, the acquired firm's staff will develop a positive identification toward the new parent firm. In the absence of such efforts, buying firms might mistakenly expect acquired firms to automatically identify themselves with the parent firm over time and be disappointed if this has not happened.

As regards acquisition performance, the present findings led to defining post-acquisition performance in terms of the progress of the integration efforts, the extent to which targets set for the acquisition have been met, the acquired firm's post-acquisition financial performance, and the buying firm's post-acquisition financial performance which can be traced to the acquisition. Interestingly, each of these indicators gave a different view of the studied acquisitions' performance. Hence, an acquisition's success seems to a large degree dependent on how its success is measured.

The performance of the studied acquisitions along these defined performance indicators was found to materialise *only if* the post-acquisition efforts led to the increased performance of the sales, product development, and production functions of both firms, in parallel with enhanced organisational effectiveness. The realisation of each of these was in turn found to depend on

the extent to which the significance of the integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors had been accounted for. These factors were found to exhibit either a direct or an indirect impact on the financial performance of the studied acquisitions. This finding further explains the need to take an integrative perspective on post-acquisition integration and acquisition performance.

The long-term impact of acquisitions on the participating firms

Based on the above analysis, it becomes evident that cross-border acquisitions have long-term consequences for both of the participating firms.

For the acquired firm, an acquisition is reflected in changes to its structural make-up, organisational culture, patterns of emotional tension and organisational identification, and financial performance, all of which will shape its future. For the buying firm, an acquisition means that its organisational make-up has been made more complex through the addition of another organisational entity that brings another layer of structural choices, organisational culture(s), emotional inter-unit tension, and identification patterns to those which already exist. Given the amount of M&A taking place in today's corporate arena, many medium-to-large firms today that have grown through M&A consist of myriad structural, cultural, emotional, and identificational entities. The extent to which the parent firm has been able to successfully manage the post-acquisition integration of each of these individual acquisitions (that each in turn might have a long prior acquisitive history that needs to be accounted for) dictates the degree of alignment or differentiation across its operations and the existence of negative emotional tensions between these formerly separate firms.

In other words, the consequences of mergers and acquisitions need to be understood in a long-term context. The present findings showed that acquisitions do not just have three-month or one-year consequences. Rather, their consequences reach out to impact the subsequent structural and cultural make-up, emotional inter-unit tension, patterns of identification, and the financial performance of both firms. In sum, the short period of post-acquisition integration can be regarded as the *'theatrical arena'* of the firms' organisational encounter that draws the greatest amount of attention, yet it represents only a short moment in the long-term success of an acquisition. The challenges faced during this period can to a large extent be traced back to the historical development of both firms and extend into both firms' futures. This sets post-acquisition integration management into greater significance in that its role is not only the short-term, but ultimately the long-term successful structural, cultural, motivational, identificational, and emotional integration of the acquired firm into the parent firm's operations.

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7.2   Specific contributions

In addition to the main contribution, this dissertation makes a number of specific contributions to the merger and acquisition and organisation science literatures. This section highlights these contributions and discusses them in light of the prevailing understanding in these literatures. As is typical in grounded theory research (Glaser and Strauss 1967), these contributions provide novel contributions, extensions, or confirmation to existing research findings.

7.2.1   The concept of 'silent forces'

A central concept prompted by the findings of this dissertation is that of 'silent forces'. The notion was introduced as a means of highlighting areas that tend to remain neglected and unrecognised by today's buying firms when engaging in cross-border acquisitions. Thus, they refer to the *blind spots* in buying firms' approaches to managing cross-border acquisitions. Based on the findings of this dissertation, it is argued that this neglect and omission leads to the oft-reported difficulty of managing cross-border acquisitions and ensuring their optimal financial performance. Indeed, as long as they are ignored or remain behind the scenes, these forces are allowed to exert a powerful negative impact on the progress and ultimate outcome of post-deal integration. In sum, silent forces highlight the need to take an integrative perspective to the management of cross-border acquisitions, a perspective that accounts for integration-related strategic, managerial, attitudinal, behavioural, emotional, motivational, cultural, and structural factors, Figure 42.

More specifically, the findings pointed to the prevailing managerial cognition of buying firms engaging in cross-border acquisitions as typically tending toward a greater emphasis on the financial, strategic, structural, and to some extent the managerial dimensions of cross-border acquisitions to the neglect of the behavioural, attitudinal, emotional, motivational, and cultural domains of organisational life. For one, present-day buying firms were found to place an emphasis on M&A as financial phenomena. However, owing to a lack of appreciation of the full array of factors (including silent ones) impacting the success of integration efforts, the financial gains sought could not be expected to (fully) materialise. Furthermore, buying firms were, to different degrees, informed and knowledgeable about the need to make strategic decisions regarding the post-acquisition regime and of the 'fundamentals of integration management', i.e. the basics of post-acquisition integration management, though they tended to differ on their appreciation of the latter's contents and importance. However, the attitudinal, behavioural, emotional, and cultural factors underlying not only the behaviours of those managers who are directly responsible for the acquisition, but the entire buying firm's managers' and employees' behaviours in contact with the aquired firm, tended to go

unnoticed. Thirdly, present-day buying firms were found to focus their post-acquisition change-management efforts on the structural dimensions of this change, and to omit the related and parallel cultural dimensions, as well as the latent power of emotional, cultural, and identificational resistance inherent in existing organisational structures. In sum, buying firms' conceptualisation of cross-border acquisitions seems at present often to tend more toward an artefact-level understanding of their challenges, rather than toward an appreciation of the deep-rooted undercurrents of organisational life. The result of these omissions is that factors unaccounted for – that can be of strategic, managerial, attitudinal, behavioural, emotional, motivational, cultural, or structural origin – become *silent forces* that impact the potential success of the deal. Based on the analysis in this dissertation, integration-related factors that tend to (and can) turn into silent forces in the cross-border acquisitions undertaken by present-day buying firms relate to:

1) factors impacting pre-and post-acquisition levels of uncertainty and motivation in the acquired firm and the role of buying firm representatives' behaviours and actions therein,

2) the cultural (and structural) dimensions of organisational fit at departmental, unit, corporate, and national levels of analysis, which explain why there is not one but many analyses of organisational fit to be made per acquisition,

3) the need to make clear strategic decisions concerning the post-acquisition integration and business regime and the need to cater for the 'fundamentals of integration management' to ensure a successful integration phase,

4) the buying firm integration managers' attitudes throughout the integration efforts,

5) the role of buying firm top management, country organisations, expatriates, and acquired firm managers in support of integration efforts,

6) the impact of the daily behaviours of every buying firm employee who is in contact with members of the acquired firm,

7) the presence of negative emotional reactions within and between the buying and acquired firms in the post-deal era, visible in terms of not-invented-here syndrome, and protective, biased, and non-rational behaviours that disturb the progress of integration efforts,

8) the impact of behavioural dimensions of national cultures on the post-acquisition behaviours of both parties, resulting in misunderstandings and the managerial challenge experienced by the acquired firm in entering a new parent firm with a managerial logic rooted in another country's national culture,

9) the need to account for systemic manifestations of national cultures when acquiring a foreign firm and when attempting to gain access to new foreign markets,

10) the challenge posed by the post-acquisition integration efforts to acquired firm employees and managers that do not speak the buying firm's home country or official corporate language as their native tongue,

11) the cultural dimensions of post-deal structural change and of both firms' structural make-up, and the power of existing structures as latent nests of cultural, emotional, and identificational resistance,

12) the presence of practiced vs. advertised organisational cultures in the buying firm, and the extent to which post-acquisition cultural change in the acquired firm comes to reflect the former vs. the latter,

13) an acquired firm's patterns of organisational identification reflective of its acquisitive history and factors explaining acquired firm employees' likely degree of identification toward the current parent firm,

14) the impact of integration-related strategic, managerial, behavioural, attitudinal, emotional, motivational, cultural, and structural factors on the financial performance of the acquisition.

These omissions might partly be traceable to the inherent organisational and managerial complexity that cross-border acquisitions represent to buying firms. Indeed, when engaging in cross-border acquisitions, not only should buying firms be aware of the cultural make-up of their own organisation in terms of the practiced vs. advertised organisational culture, the impact of the firm's home country's national culture on the prevailing management style, and the kinds of emotional tensions present in the firm. Moreover, when making an acquisition, buying firms are expected to be able to manage a newly acquired, hitherto-unknown firm soon after the deal, as though it had always been under its ownership. Such optimistic expectations can partly explain why the underlying organisational integration challenge represented by cross-border acquisitions remains under-estimated. The subsequent challenge of making cross-border acquisitions work in turn explains the reported financial difficulties related to M&A performance and the long-term impact of acquisitions on the firms involved. In other words, *the managerial challenge that cross-border acquisitions represent to buying firms seems to go unnoticed, given a lack of appreciation of the presence and impact of silent forces therein.*
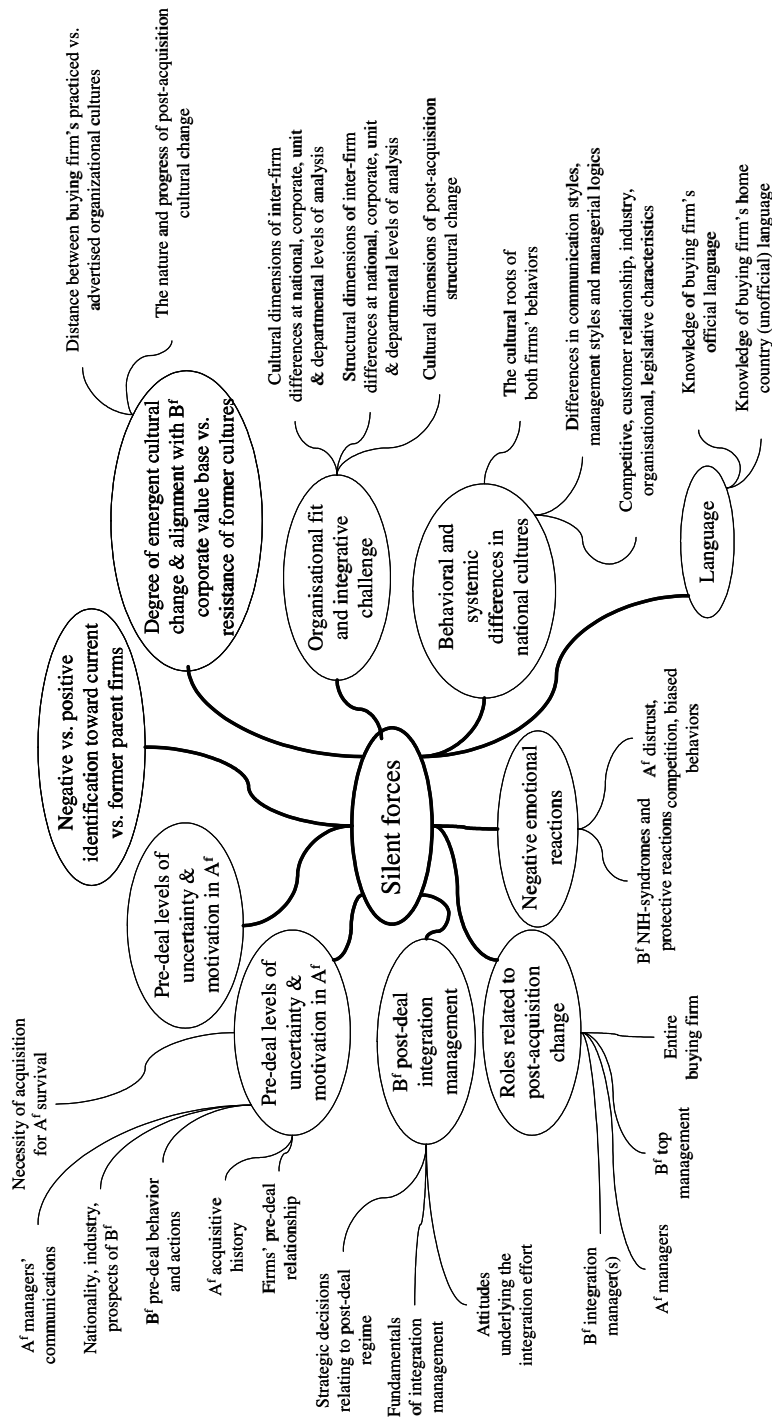
Figure 42. Illustration of the kinds of silent forces at work in cross-border acquisitions. Legend: A^f refers to the acquired firm, and B^f refers to the buying firm.

To conclude, attaining the strategic and financial benefits sought from cross-border acquisitions was found to depend on the way post-acquisition organisational integration is managed and the extent to which the presence of silent forces therein is acknowledged and accordingly dealt with. At heart, the 'hidden' and 'silent' dimension inherent in the silent forces at work during acquisitions relates to the type of *cognitive attention span* (Simon 1947, March and Simon 1958, Cyert and March 1963, Cohen et al. 1972, Weick 1979, Stillings et al. 1995, Ocasio 1997, Bechtel and Graham 1998, Sobel 2001) and subsequent behaviour of the responsible managers and actors involved in the integration efforts. Indeed, silent forces are 'silent' only for those actors whose cognitive attention span does not attend to such dimensions of organisational behaviour. By identifying these forces as 'silent', the aim is to shed light and place emphasis on their presence so that over time, the prevailing management style would evolve into one that would account for their presence. In such a setting, they need not be termed 'silent' any more.

In sum, the findings of this dissertation call for the involved managers to shift their attention span to include not only the financial, technical, and operational domains of decision-making (i.e. the overt and visible forces) but to also attend to the more subtle, less visible, yet no less important silent forces at work during cross-border acquisitions.

7.2.2   Silent forces in the pre-acquisition phase

The findings pointed to the significance of the pre-deal evaluation phase as a determinant of the level of the challenge to be expected at the start of the post-deal integration era. In other words, the integration period does not begin in a void, but is influenced by the pre-deal era.

This finding extends prior M&A research. Indeed, extant research has largely focused on the post-deal period (e.g. Jemison and Sitkin 1986, Buono and Bowditch 1989, Haspeslagh and Jemison 1991). The role of the pre-deal period in the success of the implementation phase has not been the subject of extensive research (see e.g. arguments in Hunt 1990, Haspeslagh and Farquhar 1994, Shanley 1994, Gertsen et al. 1998, Schweiger and Goulet 2000) and calls have been made for more research into its effect on the acquisition process (Greenwood et al. 1994, Schweiger and Goulet 2000). The processs perspective on acquisitions (Jemison and Sitkin 1986, Haspeslagh and Jemison 1991) introduced the need to consider the linkages between the two phases. Recently, in their phases-model of post-acquisition integration, Quah and Young (2005) studied the pre-deal phase from the perspectives of the likely employee reactions, the planning of post-deal changes, actions to be taken, and cultural factors to watch out for. This analysis did not go deep into these constructs, though, and hence can be argued to remain at a more superficial level than the present study. Moreover, the study did not conceive of the pre-deal phase as such as a lever toward the post-deal phase. In this context,

the current findings contribute to extant research on M&A integration by extending on Jemison and Sitkin (1986), Haspeslagh and Jemison (1991), and Quah and Young (2005) especially as regards the pre-deal uncertainty and motivation levels in the acquired firm and the definition of organisational fit. In doing so, the current findings broaden the debate on M&A integration toward the pre-deal phase:

1. To begin with, the findings pointed to factors that explain fluctuations in the acquired firm's pre-deal levels of uncertainty and motivation. The present findings pointed to these being impacted by the way the acquired firm employees react to the news of being acquired and to the identity of the buying firm, the way in which the buying firm managers behave and the type of actions that they undertake in the pre-deal era, and the way that acquired firm managers communicate about the forhtcoming deal and the buying firm toward their employees. Existing M&A research into its human challenge has successfully captured the experiences of psychological loss and uncertainty in the acquired firm throughout the M&A process (Marks 1982, Marks and Mirvis 1985, 1986, Blake and Mouton 1984, Prichett 1985, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Marks 1991a, 1991b, Cartwright and Cooper 1990, 1993a, Eneroth and Larsson 1996, Lohrum 1996, Marks and Mirvis 1997, Risberg 1999, 2001, Quah and Young 2005). Prior to the deal, employee reactions have been found to relate to preoccupation, imagining the worst, and stress reactions (Marks 1991b). Ivancevich et al. (1987) and Buono and Bowditch (1989) have shown how employee reactions change in the course of the M&A process. However, prior research has not looked into the factors that cause fluctuations in the acquired firm's levels of uncertainty and motivation in the pre-deal era. Moreover, prior research has at large emphasised and focused on negative employee reactions to M&A, overlooking ways to ensure acquired firm employee motivation prior to the deal. These are the contributions made in this dissertation by Findings 1a and 1b:

   Finding 1a: Acquired firm employees will be more *motivated* to work for the buying firm, if they perceive the acquisition to be necessary for the firm's long-term success, and if they perceive the buying firm to be attractive. Motivation levels further depend on the acquired firm managers' pre-acquisition communications, buying firm representatives' respectful pre-deal behaviour, and the buying firm's pre-deal communications to propagate a positive image of itself in the community.

   Finding 1b: Acquired firm employees will be less *uncertain* about the acquisition, if they have prior acquisitive (and cross-border acquisitive) experience, if they perceive the acquisition to be necessary for the firm's long-term success, if the buying firm is known to them, and if they perceive the buying firm to be attractive. Uncertainty levels can further be lowered by acquired firm managers' pre-acquisition communications, buying firm representatives' respectful pre-deal behaviour, and the buying firm's pre-deal communications to propagate a positive image of itself.

   In parallel, the present findings showed that the pre-deal levels of uncertainty and motivation across the acquired firm's units act as a lever on the way in which each acquired unit will begin its journey as part of the new parent firm. Indeed, if an acquired

organisation has negative feelings toward the deal and the new buyer, it will enter the deal with low levels of motivation and high levels of uncertainty, and the buying firm's managerial task in the early integration period needs to be to win back their motivation. Moreover, low levels of motivation and high levels of uncertainty were found to possibly result in employee departures, knowledge leaks, negative pre-deal action toward the deal and the buying firm, and a lack of willingness in the acquired firm managers' ranks to support the buying firm in the pre-and post-deal eras. In sum, pre-deal levels of uncertainty and motivation were found to impact the progress and outcome of the ensuing post-deal integration phase:

Finding 1c: The pre-acquisition levels of uncertainty and motivation in the acquired firm impact the progress and outcome of the post-acquisition integration phase.

More specifically, the present findings introduced the notion of 'prior acquisitive experience'. Prior research has tended to treat employee reactions to M&A in a void, as though companies were acquired for the first time. Whilst this might have been the case prior to and during the 1980s, the period during which a lot of work on the human side of M&A was made, the ongoing M&A waves have considerably changed the organisational landscapes since then. Also studies on the human side of M&A published during the 1990s have studied M&A made in the 1970s and 1980s (e.g. Lohrum 1996, Risberg 1999). In contrast, the present findings showed that an acquired firm's reactions to the news of being acquired depend on its prior acquisitive experience.

The notion of 'prior acquisitive experience' further provides an extension to acculturation theory (Nahavandi and Malekzadeh 1988 based on Berry 1983). Acculturation theory assumes that the post-acquisition integration approach is not only chosen by the buying firm, but will also depend on the reactions of acquired firm staff: if they perceive the new buyer as attractive and do not value their own culture, they will be more willing to assimilate. The buying firm's acculturating mode will depend on the degree of relatedness between the two firms as well as the degree of multiculturalism in the buying firm. Nahavandi and Malekzadeh (1988) argue that the congruence of the participating firms' preferences for modes of acculturation will dictate the resulting level of acculturative stress. In their work (1988), Nahavandi and Malekzadeh present four different acculturative modes: integration, assimilation, separation and deculturation.

The present findings suggest that an acquired organisation's willingness to preserve their previous culture is not likely to be uniform across the company, but will depend on the types of ownership era that the acquired organisation (and its units) has undergone. Thus, a 'Type I' acquiree with no prior acquisition experience is likely to correspond to an acquiree that wants to preserve its own culture as in Nahavandi and Malekzadeh (1988).

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A 'Type II' acquiree that has previously been acquired is more likely to be willing to let go of its previous owner's culture, but will have a stronger orientation to its founding parent's organisational culture. In the case of a 'Type III' acquiree that consists of a core site that is acquired for the first time and subsidiaries that it has acquired over time, the core site is likely to want to preserve its culture, whereas the organisations acquired by this firm will fall into the category of 'Type II' acquirees. Thus, the present findings point to there being *several* acculturation modes in an acquired medium-to-large sized organisation, as compared to the suggested 'one mode' (Nahavandi and Malekzadeh 1988). In sum, an acquired firm's reactions to a new acquisition were found to depend on the kind of previous acquisition experience that it has.

2. Second, the degree of organisational fit was found to provide a way of appreciating the degree of 'integrative challenge' – i.e. the likely level of difficulty of implementing post-acquisition changes – to be experienced by the acquired firm's units in the post-deal integration era. The findings of the research led to organisational fit being defined in terms of structural and cultural dimensions of inter-firm differences at the departmental, unit, corporate, and national levels of analysis. This definition of organisational fit is an enhancement to the prevailing understanding of organisational fit in M&A research, as it expands the definition from a cultural domain to also include the structural domain. Moreover, it broadens the current definition with regard to the levels of analysis, moving beyond the corporate level to also include national, unit, and departmental levels of analysis:

Definition 2: The *degree of organisational fit* between the buying and acquired firms can be defined in terms of the extent of inter-firm cultural and structural differences at national, corporate, unit, and departmental levels of analysis.

Indeed, looking into prior research on 'organisational fit', the earliest works (Davis 1968, Leighton and Tod 1969, Marks 1982, Sales and Mirvis 1984) were based on single-case study anecdotal evidence of the need to account for organisational differences between the participating firms. This led Jemison and Sitkin (1986) to call for a broader perspective in the study of organisational fit, in contrast to the prevailing fragmented ones. They defined organisational fit as 'the match between administrative practices, cultural practices and personnel characteristics' (Jemison and Sitkin, p. 147). Thus, this original definition of organisational fit combined elements of organisational culture and structure, albeit at the level of practices only. Since then, with few exceptions, most studies have defined organisational fit exclusively as 'cultural fit', ignoring its structural dimensions (Buono and Bowditch 1989, Olie 1990, Datta 1991, Chatterjee et al. 1992, Cartwright and Cooper 1992, 1993a, David and Singh 1994, Olie 1994, Weber 1996,

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Weber et al. 1996, Forstmann 1998, Larsson and Finkelstein 1999, Marks 1999, Daly et al. 2004, Kavanagh and Ashkanasy 2004).

One exception is Franck (1990), who warned that implicit differences between information systems, human resource management policies, decision-making processes, values, and ethics can cause major difficulties in the implementation of M&A. Further, Datta (1991) defined organisational fit as the differences in management styles, and reward and evaluation systems. Also, in their study of acquisitions of professional service firms, Greenwood et al. (1994) defined organisational fit as comprising of inter-firm differences in structure, decision-making processes, and culture. These studies conclude that structural aspects are easier to manage and integrate, but it is the cultural side of inter-firm differences that causes difficulties in the post-deal era. However, subsequent studies have not picked up on the structural dimensions of organisational fit, but have continued with the cultural discourse. Hence, the prevailing view on organisational fit remains dominated by the cultural dimension. Moreover, the studies that have included a structural dimension in their definitions of organisational fit (Jemison and Sitkin 1986, Franck 1990, Datta 1991, Greenwood et al. 1994) have each denoted different types of structural differences. This leads to the conclusion that a definition of organisational fit accounting for both its cultural and structural dimensions is lacking. This explains why e.g. Gertsen et al. (1998, p. 18) argue that despite the acknowledgement of the importance of the pre-deal phase in M&A, researchers have little to say about *how* to carry out such an analysis.

The discussion of culture and structure takes us throughout the social sciences in the 20th century. All along, the debate on culture and structure has been related to the debate on structure and agency, discussing whether society impacts the individual or vice versa. Led by Durkheim (1895/1964), structural functionalism became the dominant stream in sociology and anthropology until the 1960s, advocating the role of societal macro structures in determining individual behaviour (Parsons 1952, Radcliffe-Brown 1952, Merton 1968). In parallel, the individual's perspective was advocated by symbolic interactionists (Mead 1934/1962, Malinowsky 1948/1974, Goffman 1959, Blumer 1969). The division between structure and agency led English social anthropology into two competing streams (Eriksen and Nielsen 2001), while the American school was characterised by a cultural perspective (Ritzer 2000). Influenced by linguists, structuralists shifted the discussion from societal structures to the underlying deeper structures in language, societies, and human action. Thus, Lévi-Strauss (1963) focused on the relationship between the structures of the mind and the structures of society. With the

rise of symbolic anthropology, Geertz's work (1973), which considers culture and social structure as abstractions of the same phenomenon, has become a classic.

Since the 1980s, the trend has been toward the integration of the structure and agency debate through 'integrative theories' (Ritzer 2000). These aim at reducing the dualism between objective and subjective views of the world and between the individual and societal levels of analysis. An American dominated stream has focused on integrating micro and macro levels of analysis (Ritzer 1981, Alexander 1982, Coleman 1986, Wiley 1988, Liska 1990), 'micro' referring to individual actors from an objective or subjective perspective, and 'macro' to social structures or the cultures of collectivities. A European stream has taken the lenses of agency and structure (Sztompka 1994), 'agency' referring to the individual or collectivities that act and 'structure' to social structures or micro level structures related to human interaction.

Giddens's structuration theory (1984) has become a classic in the field. He sees agency and structure as a duality in that neither can exist without the other. While structures do not exist in and of themselves, they become apparent and manifested through the practices reproduced in social systems (Ritzer 2000, p. 525). Structuration (Giddens 1984) refers to the process by which structures both create and become practices of social systems. Instead of structure and agency, Archer (1988) discusses culture and agency. She opposes the idea of structure and agency as 'duality', arguing that they need to be considered separately from one another: while they are analytically distinct, in practice they are intertwined. Inspired by this, Hays (1994) and Willmott (1997, 2000) have called for the parallel consideration of culture and structure in future empirical work: quoting Hays (1994, p. 66), "If one wants to understand the resilient patterns that shape the behaviour of any individual or group of individuals, *both* the cultural and the relational (structural) milieu must be taken into account."

Support for the need to relate culture and structure can further be found in organisational research. Willmott (1997) notes, though, that the intensity of this debate is not as high as it is in sociology and anthropology. Indeed, for a large part, organisational culture has been studied separately from other organisational concepts such as structure, strategy, or leadership (Alvesson and Berg 1992, Malekzadeh and Nahavandi 1998). An exception to this can be found in systems theory, which claims the importance of understanding the role of culture within an organisation's context, including structure, size, technology, and leadership patterns (Woodward 1965, Fiedler 1967, Pugh and Hickson 1976). Moreover, the interdependent nature of the culture – structure relationship has been suggested by several authors (Kotter and Heskett 1992, Anthony 1994, Bate 1994, Cooke 2000, Hofstede 2001) and the difficulty of separating culture from other phenomena has been

highlighted (Louis 1985). Following the lines of Archer (1998) and Giddens (1984) in sociological integrative theories, Bate (1994) and Parker (2000) note that culture, structure, and agency are facets of one phenomenon, and thus to talk about one is to talk about the other. However, when analysing them, their separation has proven useful. In sum, the need to account for the cultural and structural dimensions of inter-firm differences, e.g. in the context of M&A, is rooted in extant research in the social sciences.

Moving on, taking up multiple levels of analysis in the definition of organisational fit is a further extension to M&A research. Indeed, existing studies have addressed organisational fit at the level of organisational cultures (Buono and Bowditch 1989, Datta 1991, Chatterjee et al. 1992, Cartwright and Cooper 1992, 1993a, Weber 1996, Larsson and Finkelstein 1999, Marks 1999, Daly et al. 2004, Kavanagh and Ashkanasy 2004) in domestic deals, national cultures (Olie 1990, 1994, Weber et al. 1996, Forstmann 1998, Quah and Young 2005), and functional cultures (David and Singh 1994) in cross-border deals. However, these studies have retained a more superficial definition of organisational fit in contrast to the definition presented herein. Indeed, the findings of this study pointed to the need to see organisational fit in terms of culture and structure at the departmental, unit, corporate, and national levels of analysis. For each level of analysis, specific examples of dimensions along which the buying and acquired firms can differ were provided.

Such a view is supported by recent findings in social sciences that claim that a focus on multiple levels of analysis and the acknowledgement of the simultaneous presence of multiple cultures in organisations is needed. Traditionally, the disciplines most concerned with the study of culture, namely anthropology, cross-cultural psychology, organisation theory, and cross-cultural management have each focused on a specific level of analysis. This was either the culture of a tribe or nation, the culture of an organisation, or the culture of a society or country. For example, management scholars traditionally argue for the existence of one unified corporate culture (e.g. Deal and Kennedy 1982, Schein 1985, Handy 1999) and specific national cultures (Hofstede 1980, Adler 1991, Trompenaars 1997, Schneider and Barsoux 1997).

Currently, there are a growing number of voices arguing that the trend today is away from a unitary view of corporate culture toward a view of organisations as consisting of multiple cultures (Martin 1992). In this regard, professional and occupational subcultures (van Maanen and Barley 1984, Collinson 1988, Trice 1993, Trice and Beyer 1993, Bloor et al. 1994, Raelin 1996, Sackmann 1997, Hofstede 1998, Parker 2000), site cultures (Sackmann 1997), departmental cultures (Sackmann 1997), functional cultures (Tannenbaum 1973), and industrial cultures (Turner 1971, Reynolds 1986, Chatman and

Karen 1994, Philips 1994) have been studied. The parallel presence of multiple levels of culture in organisations has also been acknowledged. Fombrun (1983) made a distinction between societal (i.e. national), industrial, and corporate culture. Sackman (1997) distinguished between national, corporate, and subculture levels in an organisation. In his work on societal culture, Hofstede (2001) discusses the parallel existence of industrial, corporate, functional, and social class cultures. Alvesson (2002) argues that extant research on corporate culture omits the issue of levels of analysis. Based on a review of extant research in the social sciences, he identifies cultures at the level of societies, regions, industries, organisations, functions, professions, and social groups.

These views are rooted in social research. In sociology, Merton (1968) argued for the use of multiple levels of analysis in addition to the societal one, e.g. organisational, institutional or group levels. Contrary to anthropologists looking at culture at the societal level, sociologists have long been interested in the study of subcultures within a society (Ritzer 2000). Today, the issue of ethnic relations and multicultural societies remains key in the sociologists' agenda (Bauman and May 2001). This line of thinking is mirrored in the sociological view of organisations as one in which multiple subcultures interact (Cuche 2001). In social psychology, Social Identity Theory (Tajfel 1986) explains the impact that the membership in many cultures has on a person's identity.

Whilst the trend in sociological and organisational research is toward a multi-level view of culture, extant research in M&A has retained a more traditional outlook and focused on either corporate or national cultures, omitting most other levels of culture. What is more, the notion of a unitary corporate culture has been the dominant paradigm, forgetting that organisations might consist of fragmented cultures (Vaara 1999b). In this context, the present multi-level definition of organisational fit is an extension to M&A research.

3. Moreover, the findings shed light on the importance of firms' prior ownership histories in determining the kinds of organisational cultures in place. Indeed, the subsidiary-level organisational culture of an acquired firm was found to reflect the parent firms it has been previously been owned by. In other words, in firms that have grown through acquisitions, it is rare to find one over-arching corporate-wide organisational culture across its subsidiaries. Whilst some form of a corporate-wide organisational culture might exist, the practiced organisational cultures are likely to be found at the level of subsidiaries:

Finding 2: In the pre-acquisition *analysis of the acquired firm's organisational culture*, particular attention needs to be paid to the relationship between the firm's organisational culture and its prior ownership history: whereas for formerly founder-owned firms, the founder's impact on the firm's organisational culture is pervasive, in the case of companies consisting of units that have been acquired at different moments in time, each will exhibit an organisational culture reflective of its founding parent firm's organisational culture, in addition to a more superficial adherence to the corporate level organisational culture of its subsequent parent firms.

This finding contributes to both the M&A and organisational culture literatures, given that the role of M&A in shaping the cultural landscape of both acquired and buying firms has largely been ignored by prior research. As M&A have been treated as one-off phenomena, their long-term impact on the buying and target firms' cultural make-up has not been acknowledged. This can stem from the fact that researchers of organisation culture have borrowed little from M&A research. The two phenomena have been regarded as independent of one another, whereas the present findings point to their interdependencies.

Whilst the recent trend in research on organisational culture has been to regard organisations as consisting of multiple cultures, instead of a unitary culture (Lawrence and Lorsch 1969, Tannenbaum 1973, Gregory 1983, Martin and Siehl 1983, Smircich 1983, Kilman et al. 1986, Cooke and Rousseau 1988, Trice 1993, Trice and Beyer 1993, Anthony 1994, Bate 1994, Brown 1995, Raelin 1996, Hatch 1997, Sackmann 1997, Parker 2000, Alvesson 2002), current research on organisational culture *does not identify* cultural complexity from the perspective of ownership eras and the acquisitive history of companies. Instead, they identify cultural pluralism in organisations as occupational and professional subcultures (van Maanen and Barley 1984, Collinson 1988, Trice 1993, Trice and Beyer 1993, Bloor and Dawson 1994, Raelin 1996, Sackmann 1997, Hofstede 1998, Parker 2000), site cultures (Sackmann 1997), departmental cultures (Sackmann 1997), and functional cultures (Tannenbaum 1973). Industry cultures (Turner 1971, Reynolds 1986, Chatman and Jehn 1994, Phillips 1994) and national cultures (Hostede 1980, Adler 1991, Schneider and Barsoux 1997, Trompenaars 1997) have also been discussed. In sum, current research on either organisational culture or M&A does not account for the role of M&A in the development of firms' organisational cultures.

4. Prior research has noted that strategic, financial, and technical aspects override human and organisational aspects in the due diligence phase (Greenwood et al. 1994, Marks 1999). Indeed, the focus in the due diligence phase generally centres around carrying out the legal, financial, and technical due diligence analysis (Hayes 1979 in Napier 1989, Madura et al. 1991, Kissin and Herrera 1990) in addition to the negotiation process itself (O'Connor 1985, Dierickx and Koza 1991). It has been shown that the analysis of organisational fit tends to be omitted at the expense of financial and legal auditing (Cartwright 1998, Marks 1999). The difficulty of accounting for cultural differences at the evaluation stage has also been recognised (Napier 1989, Greenwood et al. 1994). Extant M&A research has argued for the importance of studying organisational fit in parallel to the traditional financial evaluation (Datta 1991, Forstmann 1998).

These findings received confirmation in the present study in the context of cross-border acquisitions. Indeed, buying firms were found to be more at ease with the evaluation of

the technical and financial sides of the acquired firm, at the expense of an in-depth understanding of the acquired firm's organisational culture make-up, the firms' distance in national cultures, or other, less visible aspects of organisational life. It was noted, though, that the short timeframe in which the pre-deal evaluation has to be made and the difficulty of gaining access to honest information about the acquired firm further complicate the evaluation task:

Finding 3a: Buying firms tend to omit the analysis of the acquired firm's cultural make-up in terms of its national and organisational cultures, whilst focusing the pre-deal assessment on the technical, operational, strategic, and financial aspects of the deal.

Finding 3b: The challenge of accurate pre-deal evaluation stems from the short-term and competitive context of the pre-deal era paralleled with the buying firms' lack of in-depth attention to the intangible dimensions of organisational life.

In parallel, the findings pointed to the significance of correct and in-depth pre-deal evaluation in that any omission or mistake was found to have long-term consequences for the progress and outcome of the post-deal era. Moreover, the findings showed that the extent to which buying firm managers were aware of the amount and types of inter-firm differences prior to the deal enabled them to focus their attention toward these areas in the integration phase. Indeed, cultural or structural differences that were not accounted for at this stage could not be brought to change as quickly as expected, or worse, they were allowed to develop into pockets of resistance:

Finding 3c: Any omission or mistake in the pre-deal assessment of the acquired firm translates into a post-acquisition surprise and challenge that ultimately impacts the acquisition's performance.

To conclude, the findings from this dissertation have highlighted the kinds of behavioural, motivational, emotional, cultural, and structural factors that buying firms need to be aware of in the pre-deal era in order to secure a successful post-deal integration phase. Unless the buying firm representatives involved recognise this, the pre-deal levels of uncertainty and motivation, the cultural and structural dimensions of organisational fit, the buying firm's representatives' behaviour, and existing emotional tensions are allowed to become *silent forces* that slow the progress of the ensuing integration period, resulting in difficulties to realise the synergy potential inherent in the deal.

7.2.3   *Silent forces in the management of post-acquisition change*

The analysis of the studied acquisitions has led to an enhanced understanding of integration management per se, of the key roles involved in it, and of its impact on the prevailing levels of uncertainty and motivation in the acquired firm:

Finding 4: The *management of the post-acquisition integration phase* impacts the progress of post-acquisition change and the levels of uncertainty and motivation in the acquired firm either positively or negatively depending on the extent to which attention is paid to 1) the strategic decisions on the extent of organisational integration and the kinds of post-acquisition business strategies adopted, 2) the fundamentals of integration management, 3) the

attitudes underlying the change efforts, and 4) the significance of integration roles in both firms beyond those of the managers immediately responsible for the acquisition.

Whilst integration management has been covered by extant research on M&A (Howell 1970, Lindgren 1982a, 1982b, Burke 1987, Buono and Bowditch 1989, Haspeslagh and Jemison 1991, Krüger and Müller-Stevans 1994, Shanley 1994, Schweiger et al. 1994, Morosini 1998, Larsson and Finkelstein 1999, Vaara 1999a, Schweiger and Goulet 2000, Ranft and Lord 2002, Birkinshaw et al. 2001, Graebner 2003, Quah and Young 2005), the present findings showed that the management of post-acquisition change needs the attention of *both* the integration managers directly responsible for its success as well as that of all buying firm representatives. Indeed, 'integration management' per se was defined here as the activities that the buying firm integration team/manager coordinates. Its success was therefore found to depend on whether strategic decisions regarding the post-acquisition phase were made, the extent to which 'fundamentals of integration management' were catered for, and the attitudes underlying the integration team's integration activities. In addition, the supportive role of the buying firm's top management, of acquired firm managers in favour of the acquisition, and ultimately of all buying firm employees in contact with the acquired firm's employees in the post-deal months and years was identified as critical to the successful management of post-acquisition change. Unless the integration role of these inter-firm interfaces is identified, negative emotional reactions are allowed to take the lead, not only blurring inter-firm interfaces, but ultimately leading to poorer acquisition performance. The term 'management of post-acquisition change' was used as an umbrella concept to recognise both the roles directly and indirectly responsible for the success of the integration phase.

This definition extends the prevailing understanding of integration management. At present, literature has focused on the notions of (organisational) 'integration strategy' and 'fundamentals of integration management' at the expense of the 'attitudes underlying the integration effort', 'roles directly and indirectly responsible for the integration effort', and 'negative emotional reactions at inter-firm interfaces'. Thus, the current mindset with regard to M&A would seem to be limited to a 'generic' view of integration management focused on the actions necessary for successful integration (i.e. setting integration strategies and catering for the fundamentals of integration management), omitting the role of attitudes, the way in which the integration phase is organised, as well as both buying and acquired firms' organisations' emotional reactions toward the newly acquired firm's units. In brief, such a view does not attend to the complexity of the organisational encounter that a merger or acquisition represents. In this context, Finding 4 offers an enhanced definition of integration management as compared to the prevailing understanding in M&A literature.

In parallel, the present findings confirm the significance of integration management in impacting the prevailing levels of uncertainty and motivation in the acquired firm. As the

literature review in Chapter 2 showed, prior research has by and large not studied the impact of integration management on the human side of M&A. Birkinshaw et al. (2000) showed that the human side impacts the effectiveness and progress of post-acquisition integration efforts depending on how well it is managed. Other than this, the management of the human side in M&A has generally been confined to the significance of post-deal communications (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Napier 1989, Marks 1991, Schweiger and Denisi 1991, Cartwright and Cooper 1993a, Marks and Mirvis 1997, Schuler et al. 2004), the role of the human resource function (e.g. Lorange 1996, Schuler et al. 2004), and the use of courses, workshops and counseling (Burke 1987, Buono and Bowditch 1989, Marks 1991). In this context, the present findings offer an extension to the prevailing understanding of the impact of integration management per se on the human side of M&A.

7.2.3.1 Strategic decisions regarding the post-acquisition regime

Extant research has confirmed the role that the integration strategy adopted by the buying firm in the post-deal integration phase plays in setting the nature, extent, and direction of changes to be expected in the integration phase. Several typologies of integration strategies relevant to M&A have been brought forward (e.g. Buono and Bowditch 1989, Napier 1989, Haspeslagh and Jemison 1991, Cartwright and Cooper 1992, Bower 2001).

Based on the finding arising from this research, integration strategies were further broken down into the components of 1) the adopted strategy with regard to organisational integration, and 2) the adopted business strategy for the acquired firm's units, businesses and departments. The findings showed that whilst the former tends to be homogenous across the organisation, the latter is likely to show differences even at the level of products and departments across the acquired organisation. In other words, buying firms tend to favour a certain organisational integration strategy when engaging in acquisitions in line with their global organisation strategy. However, in the frame of such a generic understanding, local-level business-related strategies are likely to differ from business to business and unit to unit. Thus, one should beware of the notion of a uniform integration strategy spanning the entire acquired firm.

This understanding enhances the prevailing view on integration strategy by considering both types of integration strategies together and realising there can be different post-deal strategies at work across the acquired organisation. Ranft and Lord (2002) also identified the existence of different integration strategies in the acquired firm. However, their level of analysis was on organisational integration strategies only. Hence the current findings extend their view by also identifying the business-related component of integration strategy. Ultimately, the number of different post-acquisition strategic regimes in place in the acquired firm mirrors the number of parallel integration processes at work:

Definition 4a: *Post-acquisition strategic decisions* relate to the business and organisational integration strategies set for the acquired firm at corporate, business, and product-line levels.

Finding 4a: The amount of different organisational integration and business strategies adopted per acquisition is reflected onto the number of *parallel integration processes* taking place in the acquired firm in the post-acquisition era.

7.2.3.2 Fundamentals of integration management

On the fundamentals of integration management, based on the studied acquisitions, the following definition and finding were advanced:

Definition 4b: *Fundamentals of integration management* refer to the 'basic' elements of integration management that buying firms can be expected to be aware of based on available literature and training courses. They are defined here as: 1) the importance of planning the integration phase, 2) the need to ensure swift post-deal action, whilst possibly maintaining a slower long-term integration pace, 3) the importance of providing a clear future vision and targets for the acquired firm, 4) the use of integration tools to foster communication, learning, and exchange between the two firms, and 5) the role of post-deal communications at the corporate, subsidiary, and interpersonal levels.

Finding 4b: The extent to which the management of the post-acquisition integration phase by the buying firm's managers reflects the '*fundamentals of integration management*' has a direct impact on the speed of the progress of the post-acquisition change efforts and the prevailing levels of uncertainty and motivation in the acquired firm.

As compared against the literature review in Chapter 2, this definition reflects and confirms findings from extant research as regards the importance of integration planning (Howell 1970, Lindgren 1982a, DeNoble et al. 1988, Dionne 1988, Marks 1991, Haspeslagh and Farquhar 1994, Krüger and Müller-Stevans 1994, Shanley 1994, Schweiger et al. 1994), the speed of integration (Schweiger et al. 1993, Schweiger and Goulet 2000, Ranft and Lord 2002, Angwin 2004), the provision of a clear vision and targets (Haspeslagh and Jemison 1991), the use of integration tools to foster interaction and exchange between the firms (Buono and Bowditch 1989, Olie 1990, Cartwright and Cooper 1992, Calori et al. 1994, Schweiger et al. 1994, Håkansson 1995, Gerpott 1995, Bonsdorff and Lindell 1997, Morosini 1998, Larsson and Finkelstein 1999, Teerikangas 1999, Schweiger and Goulet 2000, Larsson and Lubatkin 2001), and the importance of communications (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Marks 1991a, b, Schweiger and Denisi 1991, Cartwright and Cooper 1992, Schweiger et al. 1993, Schweiger et al. 1994, Morosini 1998, Schweiger and Goulet 2000, Ranft and Lord 2002, Schuler et al. 2004) to the successful integration of M&A. Areas of novel insights in this definition pertain to 1) the slow vs. fast pace of integration, and 2) the importance of post-deal communications not only at the corporate, but also at the subsidiary and interpersonal levels:

1. There is an ongoing debate as to the significance of the speed of integration actions (Schweiger et al. 1993, Schweiger and Goulet 2000, Ranft and Lord 2002, Angwin 2004). Recently, calls have been made for more conceptual research on the way speed of post-deal action influences the progress of post-acquisition integration (Ranft and Lord 2002). With regard to cross-border acquisitions, recent research evidence suggests that changes should *not* be made immediately after the deal. Rather, post-deal changes should be made

over time, as the buying firm will be better able to target the changes required once its knowledge of the acquired organisation increases (Quah and Young 2005).

The findings from this research pointed to the fact that the rapid speed of integration action and the slow, gradual pace of interventions *are both* needed to ensure successful integration, given that they reflect different kinds of integration actions. Indeed, rapid action is needed at the early start of the integration phase, with regard to communications and changes that are implemented soon after the deal to ensure that acquired firm staff know what is taking place. Thereafter, a gradual integration pace provides space for making longer-term decisions on more significant, larger-scale changes required in the acquired firm. Thus, these findings would suggest that both kinds of integration actions are needed and that the choice between quick vs. slow pace is not an 'either/or' one.

2. Second, the current research findings extend the existing understanding with regard to post-deal communications. Post-deal communications were herein identified as taking place at the corporate, subsidiary, and interpersonal levels. In contrast, extant research on post-deal communications has mainly focused on the corporate-level of post-deal communications or the role of the transition team (Bastien 1987, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Marks 1991a, 1991b, Schweiger and Denisi 1991, Cartwright and Cooper 1992, Schweiger et al. 1993, Schweiger et al. 1994, Morosini 1998, Schweiger and Goulet 2000, Ranft and Lord 2002, Schuler et al. 2004), largely ignoring the subsidiary-level and inter-personal dimensions of post-acquisition communications. References to local interactions and interfaces have been made by Haspeslagh and Jemison (1991), who distinguished between substantive (i.e. related to value creation), administrative, and symbolic (i.e. related to culture, philosophy and behaviour) interactions and Haspeslagh and Farquhar (1994) with regard to interface management and gatekeeping between the two firms. Also Larsson and Finkelstein (1999) note the significance of the degree of organisational integration and the ensuing degree of inter-firm interaction to the success of M&A. However, the focus of these works has largely remained a *managerial* one, ignoring the daily interactions between the acquired and buying firms' employees.

In contrast, the findings made in this dissertation have furthered an understanding of post-deal communications beyond the corporate level to also include subsidiary and interpersonal level communications. In so doing, these findings echo and extend those of Ranft and Lord (2002) into the context of cross-border acquisitions. In their study of technology acquisitions, Ranft and Lord (2002) found the construct of post-acquisition communications to be multi-dimensional in terms of its content and frequency. They argued that frequent and open communications facilitate post-deal integration. The

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richness of the exchanges particularly determines the effectiveness of communication, thus, e.g., face-to-face contact has more effect than virtual contact. Rich communications further support knowledge transfer and the establishment of a climate favourable to change.

Summing up, this dissertation has enabled both the verification of existing findings on integration management - with regard to the importance of planning, providing a clear vision, the use of integration tools, and the importance of corporate-level post-deal communications - as well as bringing forth extensions to extant research as regards the speed of integration and the subsidiary and interpersonal levels of post-deal communications.

7.2.3.3 Attitudes underlying integration efforts

In this research, the attitudes underlying the responsible buying firm managers' integration efforts emerged as a critical component of the success of integration efforts. These refer to the buying firm integration managers' attitudes 1) enhancing co-operation, 2) spurring change, and 3) enhancing mutual exchange, as defined in Finding 4c:

Finding 4c: The extent to which, in the management of the post-acquisition integration phase, buying firm integration managers show *attitudes* 1) enhancing cooperation, 2) spurring change, and 3) conducive to mutual learning, has a direct impact on the speed of the progress of post-acquisition change, motivation levels in the acquired firm, and the extent to which synergies inherent in the acquisition are captured.

The reflections made by extant research would not seem to account for the breadth of the attitudes defined here. Prior M&A literature has not specifically focused on these attitudes. Instead, prior research has made mention of 'attitudes enhancing mutual cooperation' (Olie 1990, 1994, Hambrick and Cannella 1993). The importance of 'respect' in the way that acquired firm management and employees are treated was also noted by Krug and Nigh (2001) in their study on acquired firm executive departures. Deiser (1994) alludes to the impact of the buying firm's attitude in the post-acquisition process, especially warning against the buying firm blindly imposing its ideas upon the acquired firm. When discussing cultural change, Cartwright and Cooper (1992) call for combining aggressive, conciliative, corrosive, and educative styles. However, fewer findings exist with regard to 'attitudes spurring change'. Napier et al. (1993) called for a need for 'assertive tolerance' in managing the post-deal integration phase. Other than that, as prior M&A literature seems to have focused on the 'positive attitudes' that buying firms need to exhibit during the integration phase, the necessity of determinism and action-orientation has been left out, whilst in practice they are needed in combination with positive attitudes. Finally, extant research has not explicitly focused on the dimension of 'attitudes underlying the integration effort', i.e. attitudes toward the acquired firm's know-how, as identified in this research. In this context, the present definition of 'attitudes underlying the integration efforts' provides an extension to extant

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research on M&A by spelling out the array of attitudes that buying firm integration managers need to consider to successfully manage the post-acquisition integration phase.

7.2.3.4 Roles directly and indirectly responsible for the success of post-acquisition integration

Findings with regard to the buying and acquired firms' roles during the integration phase further extend the present understanding of post-acquisition integration. Indeed, this dissertation argues that the key roles that pertain to integration success are those of the integration manager, the buying firm's expatriates, the support received from the buying firm's host country organisations and from the buying firm's top management, the engagement of the entire buying firm, as well as involving the acquired firm's management in the change efforts, as defined in Finding 4d:

Finding 4d: The extent to which *roles critical to the success of post-acquisition integration* are defined beyond the buying firm integration managers – to include acquired firm management, buying firm top management, and the entire buying firm – has a direct impact on the progress of post-acquisition change, uncertainty and motivation levels in the acquired firm, and the extent to which synergies inherent in the acquisition are captured.

This definition broadens the scope of extant research, where the roles of buying or acquired firm managers have received relatively scant attention to date, and where other roles required in the integration efforts have not been spelled out:

1. Despite the acknowledged importance of the role of the integration manager (e.g. Schuler et al. 2004), it has been noted that there is virtually no research on the role of the integration manager in extant research on M&A (Shimizu et al. 2004). The current findings provide an enhanced understanding of the types of roles undertaken by successful integration managers in the post-acquisition era and the skills required therein.

    These findings were, by and large, found to apply for buying firm expatriates supporting post-deal integration efforts in the acquired firm. Expatriation in the M&A context has not been studied other than as regards its challenges in a Japan-Western setting (Hebert et al. 2005), and hence the present findings shed further light onto the topic of expatriation in M&A:

    Finding 4d-1: *Buying firm representatives* support the acquired firm in expert, managerial, or integration manager roles. At best, they support the acquired firm in the implementation of post-deal changes, and help in the cultural and knowledge transfer between the firms.

    Finding 4d-2: *Buying firm integration managers and expatriates* impact the progress of post-acquisition change and the prevailing levels of uncertainty and motivation in the acquired firm positively or negatively depending on the extent to which they couple technical, human, and intercultural skills in accomplishing their post-acquisition integration tasks.

2. In the buying firm, beyond the role of the integration manager, other roles such as those of the buying firm's country organisations, top management, and the support of other units have not been taken up by prior research. Thus, the findings of this dissertation contribute to a new perspective on post-acquisition integration, enlarging its scope from

the immediate integration manager/team to also include the buying firm's top management, host country organisations, and ultimately all its employees, who share a systemic role in ensuring the success of M&A. The notions of interface management (Haspeslagh and Jemison 1991, Haspeslagh and Farquhar 1994) and the significance of inter-firm coordination and interaction to the success of M&A (Larsson and Finkelstein 1999) have been raised by prior research, pointing to the importance of inter-firm encounters to the success of post-acquisition. However, the more specific roles therein, their contents, nor the significance of each buying firm employee's support to the success of post-acquisition efforts have not been the subject of prior research. To this end, the following findings contribute to M&A research:

Finding 4d-3: *The buying firm's local country organisations* impact the progress of post-acquisition change and the prevailing levels of uncertainty and motivation in the acquired firm positively or negatively depending on the extent to which they are provided the opportunity to actively support the change efforts with their local culture and market intelligence.

Finding 4d-5: *The buying firm's top management* impact the progress of post-acquisition change and the prevailing levels of motivation and uncertainty in the acquired firm positively or negatively depending on the extent to which they provide direct and continuous long-term attention onto the acquired firm.

Finding 4d-6: *All buying firm employees in contact with the acquired firm's staff* impact the progress of post-acquisition change and the prevailing levels of motivation and uncertainty in the acquired firm depending on the extent to which the significance of their daily interactions with acquired firm employees is recognised as critical to the success of the integration efforts.

3. The significance of involving acquired firm managers in the integration efforts has been emphasised (Haspeslagh and Farquhar 1994, von Krogh 1994, Schweiger and Goulet 2000, Angwin et al. 2004, Graebner 2004). However, little is known of their specific role to the success of post-acquisition integration efforts. An exception in this regard, Graebner's (2004) recent study of technology acquisitions showed that acquired firm managers have a distinct and crucial role to play in ensuring the successful integration of their unit into the new parent firm by driving the firm's integration into the new parent firm and by allaying staff worries. The findings presented in this dissertation extend the findings of Graebner (2004) to the context of cross-border acquisitions, as they point to the critical role of acquired firm managers in managing the integration in the acquired firm. In parallel, the present findings point to the danger of keeping resistant acquired firm managers, as they can potentially damage the progress of integration efforts through their negative attitudes toward the new era:

Finding 4d-4: The *involvement of acquired firm managers* impacts the progress of post-acquisition change and the prevailing levels of motivation and uncertainty in the acquired firm positively or negatively depending on the extent to which they support vs. resist the change.

7.2.3.5 Negative emotional inter-unit reactions disturbing post-acquisition integration

In addition to the role of the buying and acquired firm executives directly responsible for the successful progress of post-acquisition integration, the findings have advanced an

understanding of the neglected role of both buying and acquired firms' subsidiaries in supporting or hindering integration efforts through the types of negative emotional reactions unleashed following acquisitions. As their role is rarely recognised, emotional tensions inherent in both firms are allowed to become forces that quietly hamper the progress of successful integration and thereby ultimately the post-acquisition performance of the parent firm. To this end, a typology of emotional reactions unleashed following acquisitions, an understanding of their antecedents as well as their consequences for the successful outcome of post-acquisition integration and the performance of both firms was developed. More specifically, the following findings were advanced:

1. In the buying firm, negative emotional reactions toward the acquired firm were found to consist in not-invented-here and protective attitudes. The consequences of a not-invented-here syndrome were noticeable in that any idea, whether it related to new products, innovations, or sales was disregarded given the strong buying firm resistance toward the acquired firm. In parallel, buying firms suffering from a strong not-invented-here syndrome were characterised by an inability to perceive either business or organisational opportunities in cooperating with or utilising the acquired firm's know-how or best practices, whilst retaining a complex of superiority as regards their own know-how. In parallel, self-protective attitudes toward the newly acquired firm resulted in cooperation with the acquired firm in the post-acquisition era being stalled or hampered and to information flow toward the acquired firm employees being suspended. Finding 5 summarises the kinds of buying firm negative emotional reactions identified:

   Finding 5: *The buying firm's negative emotional reactions* toward the acquired firm consist of a not-invented-here syndrome and protective reactions that have a harmful effect on the progress of post-acquisition change and ultimately on both firms' financial performance.

   These emotions from the buying firm's side can be traced back to historical and structural factors. More specifically, negative emotions – be they the not-invented-here syndrome or protective attitudes – toward a newly acquired firm stem from the competitive nature of acquisitions as corporate phenomena, the firms' historical relationship, situations in which a long-term follower is buying out a rival, or in which the acquired firm is regarded as threatening the balance of power in the buying firm, and the buying firm's organisational structure incentivising the significance of having one's 'own turf'. In other words, they are so deeply embedded and ingrained in the buying firm's behaviours that its members have lost their objectivity in evaluating their own behaviour. This explains why these shows of emotions are generally not consciously made in the buying firm, nor is their presence or their consequences noticed in the immediate post-acquisition years. It is, e.g., only as the findings of this research were presented to them that buying firms began realising the effect of their individual micro-behaviours on the overall success of their

recent acquisitions. Finding 5c summarises the identified causes of emotional post-deal reactions in the buying firm toward the acquired firm:

Finding 5c: Buying firm negative emotional reactions can be traced back to the competitive nature of acquisitions as corporate phenomena, the firms' historical relationship, situations in which a long-term follower buys out its rival, situations in which the acquired firm is regarded as threatening the balance of power in the buying firm, and buying firm structures that incentivise a focus on unit profits at the expense of corporate benefit.

Both kinds of negative attitudes disturb the progress and outcome of post-acquisition integration, as the acquired firm's ideas, products, and best practices are left unconsidered, politics and inter-unit friction win over cooperation, additional communication loops occur, and much-needed information is not made available. In turn, this disturbance impacts the performance of the parent firm, as sales and customer segments, opportunities for technology transfer and for improving the parent firm's effectiveness are lost, the potential product development funnel is narrowed, the synergy potential in the acquisition remains untapped, and post-acquisition integration is delayed. This points to the danger inherent in the emotional tensions underlying acquisitions. It also draws attention to the limited attention span of today's managers involved in acquisitions toward other than 'visible' and 'measurable' aspects of post-acquisition performance. However, as the findings here attest, the performance of acquisitions is driven by also other, including emotional, factors. Indeed, the successful implementation of seemingly rational decisions regarding the post-acquisition regime might be undermined by emotional forces. Also, the decision to acquire might itself result from emotional rather than rational reasoning. Hence, the need to account for the emotional and non-rational side of acquisitions is called for. These counter-productive consequences of negative emotional buying firm reactions toward the acquired firm are detailed in the following findings:

Definition 5a: The buying firm's *not-invented-here syndrome* takes the shape of disregarding the strategic potential of an acquisition, blindness toward the product development potential of the acquired firm, a refusal to sell the acquired firm's products or adopt the acquired firm's best practices, and a denial of the acquired firm's brand.

   Finding 5a-1: The buying firm's not-invented-here syndrome impacts the progress of post-acquisition change negatively if product development ideas from the acquired firm are left unconsidered, sales persons refuse to learn about the acquired firm's products, successful acquired firm products are not offered to customers, opportunities for organisational improvement are lost, and there is a reluctance to use the acquired firm's brand.

   Finding 5a-2: By impacting the behaviour of buying firm employees and managers throughout the acquisition process, the buying firm's not-invented-here syndrome ultimately impacts the performance of both firms by resulting in a narrower product development funnel, lost opportunities for technology transfer, lost sales of acquired firm products, lost customer segments, and lost opportunities to improve the parent firm's ways of working through superior processes.

Definition 5b: The buying firm's *protective reactions* following acquisitions relate to hampering cooperation with the acquired firm as well as suspending information flow toward the acquired firm.

   Finding 5b-1: The buying firm's protective reactions against the acquired firm impact the progress of post-acquisition change negatively if they cause unnecessary inter-unit friction and politics, additional communication loops, and fail to make needed information available to acquired firm employees.

> **Finding 5b-2:** Through their impact on the progress of the acquisition, the buying firm's protective reactions against the acquired firm ultimately harm the performance of both firms through lost organisational effectiveness, delayed post-acquisition integration, and not tapping into the opportunities inherent in the acquisition.

These findings shed light upon a theme that has received scarce attention in literature on M&A to date. For one, the presence of the not-invented-here syndrome in M&A has been implicitly referred to by Blake and Mouton (1984), who note that relations at inter-organisational interfaces can be tense at times of M&A. They claim that owing to group dynamics, employees are likely to resent ideas not coming from their group. Shows of superiority on both sides have also been argued to be typical in times of M&A (Buono and Bowditch 1989, 1990, Marks 1991). The current findings on 'not-invented-here syndromes' extend upon and broaden these findings by categorising these reactions and shedding light on their antecedents and consequences in the context of cross-border acquisitions. For another, buying firms' self-protective reactions toward the acquired firm have not been termed as such by prior research. Similar themes have been brought up with regard to typical interorganisational problems during M&A in terms of 'we vs. they', 'attack and defend', and 'win vs. lose' behaviours (Marks 1991). Again, prior research has neither categorised nor looked into the antecedents and consequences of self-protective reactions in the buying firm. This is a contribution made by the present research.

2. On the acquired firm's side, emotional reactions were found to exist, yet more often toward the acquired firm's other units than toward the buying firm. These reactions resulted in the acquired firm's units' mutual distrust, biased and non-rational attitudes and behaviours toward one another. Acquisitions represent a fresh organisational start for acquired firms, as new parents are not so well acquainted with the history of acquired firm units' inter-unit relations. Hence, they offer acquired units the opportunity to reshuffle their future if they play their cards strategically. Acquisitions thus unleash tensions that have existed in the acquired firm for long, which the acquired firm or its previous parent have learnt to deal with. A new owner means a new opportunity to distribute power within the acquired firm, hence shows of power and politics abound. Finding 6 summarises the kinds of negative emotional reactions at work in the acquired firm:

> **Finding 6:** *Negative emotional reactions between the acquired firm's units* relate to distrust, competition, as well as non-rational and biased post-deal behaviours within the acquired firm that harm the progress of post-acquisition change and ultimately both firms' financial performance.

This was especially found to be the case if the acquired firm had prior M&A experiences that had left it with sour inter-unit feelings and frictions. Alternatively, acquired firms whose units had experienced a history of rivalry and betrayal as regards the balance of power in the firm could also see these tensions reawakened following an acquisition. This

often stems from the fact that a new parent is oblivious to the existence of such emotions within the acquired firm and, if they do exist, to their harmful consequences:

Finding 6c: Emotional reactions within the acquired firm that are awakened following acquisitions can be traced back to a history of rivalry and betrayal between the acquired firm's units during its initial founding owner's era, or during its subsequent acquisitive experiences.

As the studied acquisitions showed, however, a lack of attention to the presence of these negative emotional tensions has potentially destructive effects on the progress and outcome of the acquisition and the performance of both firms. Indeed, if left unacknowledged, the post-acquisition era can be characterised by a difficulty in making the acquired firm's units cooperate together, rational decisions regarding post-acquisition not working out, and the post-deal era being characterised by politics and a battle for power. Ultimately, these have financial consequences for the firms' performance, if the sought synergies in the acquisition remain uncaptured, organisational effectiveness is decreased, and a series of erroneous business decisions occur. Hence, a call is made for buying firm managers to pay attention to emotional tensions within the acquired firm. The consequences of such shows of emotions are summarised below:

Finding 6a: Post-acquisition emotional reactions between the acquired firm's units have a negative impact on the progress of post-acquisition change, as cooperation between acquired firm units is hampered, rational decisions on the post-acquisition regime do not work out, and the post-deal years come to be characterised by politics and power play.

Finding 6b: The emotional reactions spurred by the acquisition in the acquired firm ultimately impact the performance of both firms through decreased organisational effectiveness, the failure to capture synergies sought in the acquisition, and erroneous business decisions.

Whilst extant M&A research has pointed to emotional reactions taking place in the buying firm, the role of inter-unit competition and negative emotional reactions *within the acquired firm and its units* has not been brought to light. Interestingly, prior research suggests that the emotional reactions taking place in M&A stem equally from the buying and acquired firms, whereas the present findings point to greater tensions from the buying toward the acquired firm than vice versa. This may be due to a lack of specific wording in prior research as to the location of emotional reactions. In the present study, acquired firms were found to fight more within themselves than against the buying firm. This might stem from the acquisitive setting, wherein the buying firm is generally the one with the final say. If acquired firm employees want to hold on to their jobs and consider a longer-term career in the buying firm, it is not in their interest to exhibit negative tensions toward their new colleagues and their new parent firm.

In sum, these findings have shed light to the emotional dimensions at work in cross-border acquisitions. Unless their presence is recognised, they have the potential to turn into powerful *silent forces* fighting against a rational logic of 'managing' the acquired firm. From a broader perspective, the present findings resonate with social psychological research, drawing close to

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the debate on inter-group relations (Sherif 1962, Tajfel 1978, Liebkind 1988, Hewstone et al. 1996, Assaad and Klein 1998, Helkama et al. 1999) that focuses on the conditions needed for two previously unknown groups to be able to cooperate and accept one another. These theories claim that unless certain positive conditions are set, inter-group relations are characterised by a distrust toward the other group and an 'us' vs. 'them' setting wherein both groups consider themselves superior to the other.

7.2.4   *The silent force of country differences in cross-border acquisitions*

Importantly, the present findings have enhanced the prevailing understanding of how a lack of a joint native language and differences in national cultures, as regards their behavioural and systemic manifestations, impact the progress of cross-border acquisitions.

Despite the rise of cross-cultural management as a discipline and the increased use of culture as a dependent variable in many survey-based studies since the 1990s, in research on cross-border M&A, national culture has mainly been considered with regard to the culture - performance relationship in M&A, alone (Morosini and Singh 1994, Morosini et al. 1998) or combined with an analysis of the effect of organisational culture (Véry et al. 1996, Weber 1996, Weber et al. 1996, Véry et al. 1997, Larsson and Risberg 1998, Larsson and Finkelstein 1999). In parallel, the impact of national culture on the acquisitive and integrative behaviours of buying firms has been addressed (Dunning 1958, Jaeger 1963, Calori et al. 1994, Lubatkin et al. 1998, Angwin 2000, Child et al. 2000, Child et al. 2001, Faulkner et al. 2003, Pitkethly et al. 2003). Although the management of the M&A cultural change process has been addressed by several researchers, these studies have mainly focused on *corporate* culture in *domestic* deals (e.g. Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1993). The works of Olie (1990, 1994) on international mergers as well as of Larsson (1993), Gertsen et al. (1998a), Morosini (1998), Gertsen and Vaara (2002), and Quah and Young (2005) on international M&A remain a rarity in that they also discuss the issue of national culture in the management of the M&A integration process. However, they do not address the dimensions of national cultures present in cross-border M&A nor to they enter an analysis of their impact mechanisms on the M&A process. Indeed, the prevailing understanding of cultural differences in cross-border M&A is often limited to Hofstede's findings, as most studies use Hofstede's dimensions of cultural differences as convenient proxies of national culture distance (Cartwright and Cooper 1992, Calori et al. 1994, Morosini and Singh 1994, Véry et al. 1996, 1997, Weber 1996, Weber et al. 1996, Forstmann 1998, Lubatkin et al. 1998, Malekzadeh and Nahavandi 1998, Morosini et al. 1998, Angwin 2000, Quah and Young 2005). Whilst this might be a matter of convenience in quantitative studies, one needs to recognise that there is a lack of understanding of the types of differences in national

cultures that surface in intercultural interaction during cross-border M&A (Cartwright and Price 2003) and the ways in which they impact the progress of the cross-border M&A process. In this context, the contributions relating to national cultures made in this dissertation relate to 1) the types of differences in national cultures present in cross-border acquisitions, 2) the impact mechanisms of differences in national cultures on the cross-border acquisition process, and 3) ways of managing differences in national cultures. These are discussed next:

1. The analysis pointed to several types of cultural differences in managerial behaviour across the countries studied in the research. Interestingly, the breadth of the identified differences was found to be broader than that of the cultural models, e.g. Hall (1967), Triandis (1982), Hofstede (1980), or Trompenaars (1997), generally used as proxies of national culture in management studies. This points to the importance of doing qualitative and exploratory work on dimensions of differences in national cultures, instead of accepting existing models as such. In so doing, the current findings also contribute to the need for more theory-building in comparative management research (Redding 1994):

    Definition 7a: Behavioural manifestations of national cultures relate to *communication styles* with regard to the degree of directness vs. indirectness, the use of silence vs. small talk, a focus on facts vs. contradiction, and the appropriate level of formality; *management styles* with regard to the degree of hierarchy, the attitude to risk and failure, the preferred decision-making and acceptance style, the approach to gaining trust, and the prevailing relationship to rules; and *managerial logics* with regard to a focus on social vs. financial reasoning, and a commercial vs. technical orientation.

More specifically, some of the identified dimensions of national culture provided novel insights into existing research findings in the domains of M&A and intercultural research:

2. Differences in communication styles were identified with regard to the degree of direct vs. indirect communications, the use of silence vs. small talk, a focus on facts vs. debate, and the degree of formality in communications. The work of Hall (1967) on high vs. low-context communication patterns has thus far dominated research on inter-cultural communication (for a review, see Ting-Toomey 1999, Korac-Kakadabse 2001). The differences in communication styles identified in this research broaden the findings of Hall (1967). Indeed, the current findings enable it to be shown that although many Western countries share a 'low-context' communication pattern, there are nevertheless discrepancies within their communication styles that are not captured using the high vs. low context scale. Hence, more research is required to fine-tune our understanding of the ways in which countries differ in their communication patterns in addition to Hall's (1967) seminal distinction.

3. Cultural differences in decision-making and acceptance styles were identified. This dimension of intercultural differences seems not to have been noted in extant research on intercultural behaviour, be it in the cross-cultural management or the M&A literatures. Findings in a similar direction have been noted by Redding (1980), Bloom (1981), and

Bond (1986), with the distinction between holistic and linear cultures. Holistic cultures consider problems in their context, whereas linear cultures study issues in a sequential, context-free manner. However, these notions have not been extended to the domain of decision-making styles. Hence, the dimension of differences in decision-making and acceptance styles is a contribution to the prevailing M&A and intercultural management literatures.

4. Another dimension of national cultures identified in this research related to the way trust is developed across cultures. Despite a wealth of interest in the significance of trust in interpersonal relationships (for a review, see Kramer 1999), there seems to be little work on the impact of national cultures on the development of trust (Ross and LaCroix 1996, Kramer 1999). Extant findings have noted the impact of cultural differences in terms of individualism vs. collectivism on trust (Johnson and Cullen 2002). Further, the dimension of interpersonal trust vs. wariness has been raised to distinguish between cultures with regard to the significance of interpersonal trust (Almond and Verba 1963, Whyte 1963). In research on joint ventures, Johnson et al. (1996) found trust to develop differently in the American and Japanese cultures. In their theoretical paper, Doney et al. (1998) proposed ways in which differences in national cultures would affect the development of trust across cultures. In this context, the current definition that rises from empirical research in a multi-country setting contributes to both the M&A and intercultural research literatures.

5. Moving on, differences in managerial logics and managerial orientation were brought up with regard to both social vs. financial logics and commercial vs. technical orientations. They were found to undermine cultural assumptions with regard to the role and nature of managerial activity across cultures. Neither of these dimensions seems to have been previously introduced into either the M&A or the intercultural management literatures.

Finally, in addition to differences in national cultures, regional cultures also need to be considered in the cross-border M&A setting given the presence of regional discrepancies within countries:

6. Regional culture has been discussed by extant research in organisations (e.g. Dalton 1971, Zeldin 1983, Schneider and Barsoux 1997, Au 1999). However, in the field of M&A, the notion of regional culture has not been brought up. The current finding contributes to M&A research by highlighting the need to take firms' differences in regional cultures into account in domestic and cross-border M&A alike. This finding points to the complexity of the cultural dynamics at play in M&A, as cultural differences exist not only in terms of national and organisational cultures, but also in regard to regional cultures. This means

that differences in regional cultures can also increase the cultural complexity of domestic M&A. Interestingly, the impact of regional culture on the domestic and cross-border M&A processes and the performance of cross-border M&A has not been accounted for. In this regard, M&A research can be argued to have taken a somewhat simplistic view to the study of the cultural dynamics at play in M&A. Indeed, the present findings pointed to regional cultures acting to either lessen or further increase the distance between the national cultures of the firms involved in a cross-border acquisition:

Definition 7b: In addition to behavioural manifestations of national cultures, *regional cultures* also explain the cultural distance between the participating firms.

Finding 7b: Owing to regional cultures, a buying firm from a certain country can find a cross-border acquisition in a certain region of a country easier than would a buying firm from another country.

Summing up, the current findings enable a fine-tuning of the prevailing understanding of the impact of national culture on the progress of cross-border acquisitions by broadening the scope of the dimensions of intercultural differences and by catering for the presence of regional cultures. Based on the identified differences in national cultures, the notion of cultural distance and its relevance to cross-border acquisitions was brought forward:

7. Based on the findings of the research, a cultural ruler was introduced to portray the studied firms with regard to their respective distance on the identified dimensions of national cultures. This enabled to point out how any difference in national cultures, unless accounted for, is likely to cause misunderstandings between the involved parties in the post-acquisition era. Thus, the greater the firms' cultural distance, the more likely are misunderstandings. This also explains why firms operating in countries sharing a similar cultural background might erroneously believe that cultural differences do not exist, whereas in reality their perceived absence stems from their countries' cultural proximity:

Finding 7c: A cultural ruler can be used to represent the distance between the buying and acquired firms' national cultures. Each dimension of intercultural differences represents an area in which cooperation will be potentially challenging.

In a broader context, the present findings point to the *cultural complexity* inherent in cross-border acquisitions. Ultimately, the cultural distance between the acquired and buying firms depends on the (buying and acquired) firm dyad in question. Not only would it seem that not all dimensions of national cultures, e.g. as identified in this research, are equally relevant per country-dyad. Moreover, in addition to national culture, also regional culture needs to be accounted for. The present findings showed that firms will also differ with regard to their organisational cultures, not only at the corporate, but also unit levels of analysis. Such a degree of cultural complexity per acquisition can explain why attempts to prove the impact of cultural differences on M&A performance have provided conflicting results. In essence, the cultural encounter taking place in cross-border M&A would seem to have so many dimensions (in terms of the national, regional, but also

corporate and unit-level organisational cultures at play) that it would seem difficult to claim an outright answer as to the impact of cultural differences, be they of national or corporate origin, on M&A. In light of the understanding emerging from the analysis of the present findings, it would seem more appropriate to study and appreciate the cultural complexity in the context of each acquisition. This might provide one avenue to explaining why attempts to measure the culture-performance relationship in M&A have proven difficult (as argued by Schweiger and Walsch 1990, Schweiger and Goulet 2000, Schoenberg 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003). To this end, calls have been made for a need for a more in-depth understanding of the progress of the post-deal integration process and the nature of the cultural challenge involved (Stahl and Voigt 2003, Teerikangas and Véry 2003, King et al. 2004). The present findings contribute directly to this gap in M&A research.

In addition to behavioural manifestations, systemic manifestations of differences in national cultures were also identified:

8. Systemic dimensions of national cultures related to the prevailing organisational, legislative, customer relationship, industry, and competitive characteristics of a country. They need to be accounted for if a firm wants to successfully operate in a new country, e.g. following a cross-border acquisition. In research on M&A, the focus has been more on the differences in management styles across countries, rather than in looking at systemic differences in country characteristics and their effect on the challenge of acquiring and thereafter operating across borders. In this context, the current findings are a contribution to extant M&A research. They point to the need to consider differences in national cultures not only in terms of their behavioural, managerial, and communication dimensions, but also as regards ways in which operating in diverse country settings requires appreciating and adapting to different country conditions. Systemic manifestations of country differences relate to work in the field of institutional theories (e.g. Davis and North 1970, Porter 1990, DiMaggio and Powell 1991, Whitley 1992, Biggart and Guillen 1999, Evans and Rauch 1999, Peng 2002), which argue that the institutional environment of countries affects the locally prevailing market dynamics and organisational behaviour. The following definition is advanced:

   Definition 7d: *Systemic manifestations* of national cultures relate to differences in the prevailing competitive, customer relationship, industry, organisational, and legislative characteristics in a country.

Moving on, ways in which behavioural differences in national cultures impact the progress of cross-border acquisitions were identified.

9. The behaviour of both parties during the acquisition process and thereafter was found to be strongly culture-determined, reflecting both parties' respective national cultural

orientations. This explains why misunderstandings in intercultural interactions occur, as both parties enter the acquisition with differing expectations of 'right' and 'correct' behaviour as regards communication styles, management styles, expected organisational behaviour, managerial logics, and managerial orientations. Unless accounted for, these misunderstandings lead to the blurring of the inter-firm intercultural interface and decrease the effectiveness of inter-firm communications, whenever intercultural encounters occur in the post-deal era, e.g. in the sales, R&D, or managerial functions:

Finding 8a: Unless the presence of regional and national cultures is accounted for, any behavioural dimension of cultural differences along which the firms participating in a cross-border acquisition differ becomes a negative force causing misunderstandings and thereby blurring the efficiency of interaction at cross-border inter-firm interfaces. In parallel, any dimension of cultural similarity becomes a positive force supporting mutual interaction.

10. This has further consequences on the post-deal era, as the management style in the buying firm continues to reflect its home country origin. What is more, buying firms unwittingly expect foreign acquired units to begin behaving according to 'their norms', often not realising the cultural roots of these norms and expectations. Generally, unless the presence of national cultures was recognised, acquired firm managers experienced difficulties in getting used to the expected managerial behaviour in the parent firm. Meanwhile, any cultural mistake is likely to be considered by the new parent firm as 'deviant behaviour' and hence has the potential to undermine the potential of a foreign firm to successfully integrate into its new parent firm:

Finding 8b: A failure on the part of the buying firm to realise that the expected managerial behaviour in its organisation reflects its home country origin translates into a post-acquisition managerial challenge for the acquired firm, resulting in misunderstandings and delayed integration until either side understands the cultural roots of this challenge.

As a result, today's international firms with a presence in many countries represent a multitude of national cultures that are manifest in the daily intercultural interactions of its employees. Unless the presence of these cultural differences is recognised, they are allowed to become *silent forces* that disturb the effectiveness of intercultural cooperation.

11. The buying firm's integration behaviour was found to reflect its home country culture and its organisational culture. This finding verifies and extends the findings of Dunning (1958), Jaeger (1983), Calori et al. (1994), Lubatkin et al. (1998), Child et al. (2000, 2001), Faulker et al. (2003), and Pitkethly et al. (2003), who have shown that the buying firms' integration behaviour is influenced by its home country's national culture. This dissertation extends this finding to the context of Finnish managerial culture. What is more, the present findings show that a buying firm's integration behaviour is not only determined by its national culture, but also by its organisational culture:

Finding 8c: The buying firm representatives' behaviour throughout the integration phase reflects their national cultural heritage. This approach is further impacted by the buying firm's corporate or its involved business or product line's organisational culture.

12. Similarly, the acquired firms' integration behaviour was found to be influenced by its organisational and national cultural heritage in terms of the attitude taken in the post-deal era, the way that the acquired firm organises itself in the post-deal era, and the staff's expectations regarding the integration phase. Prior research has looked at acquired firm's expectations and preferences with regard to an upcoming acquisition (Morosini 1998), but not at the other ways in which national cultures impact the behaviour of acquired firms during acquisitions. In this regard, the current finding is a contribution to research in M&A on the cultural roots of the acquired firm's behaviour in the post-deal phase:

Finding 8d: The behaviour of acquired firm members is representative of their national and organisational cultural heritage in terms of the attitude taken in the post-deal era, the way the acquired firm organises itself in the post-deal era, and the staff's expectations regarding the integration phase.

13. Despite the commonly accepted myth that national cultures influence the progress and outcome of intercultural encounters and cooperation, there is little qualitative research looking into why and when national cultures are at play. In the cross-cultural management literature, Tayeb (1996) noted the importance of interfaces but discussed them with regard to customers, trade partners, the public at large, advertising, and negotiating. He noted that interfaces are more present in highly internationalised firms, but did not further specify the argument.

The concept of intercultural interfaces was introduced in this research as a means of identifying the likely location of intercultural encounters in global firms, the logic being that intercultural encounters do not constantly occur throughout a global organisation. To this end, factors enabling the locating of intercultural encounters were identified. This finding provides a contribution to both cross-cultural management and M&A literatures. The notion of intercultural interfaces further provides a link between domestic and cross-border acquisitions, given that intercultural encounters can take place in both, depending on the degree of internationalisation sought in the post-deal era and the buying firm's degree of international reach. Hence, national cultures can also impact seemingly domestic acquisitions, and are not only an issue when acquiring across borders. The following finding was advanced:

Finding 9: The impact of behavioural differences in national cultures on intercultural encounters depends on the amount of *intercultural interfaces* in the buying firm.

Finally, ways of working successfully across cultures were identified.

14. The findings pointed to the challenge of managing differences in national cultures following cross-border acquisitions. Indeed, buying firms tend to under-appreciate and underestimate the presence and impact of national cultures. If they recognise their presence, they might not dare or know how to approach the topic. In practice, this was reflected in post-acquisition integration efforts not being adapted to the acquired firm's

needs, misunderstandings between the parties, and the acquired firm members not understanding the cultural logic of their new parent firm. As a result, the buying firm might erroneously misjudge the operational and management potential of an acquired firm. Consequently, national cultures turned into *silent forces* that disrupted the progress of integration and the realisation of the synergy potential inherent in the deal. In parallel, the cultural challenge inherent in the internationalisation of the buying or acquired firm's operations was often under-appreciated. The question can be raised – why engage in cross-border M&A if the influence of national cultures on the success of the deal is left unconsidered? These findings, elaborated in Finding 10, contribute to research on cross-border M&A that has not looked at ways of managing differences in national cultures:

Finding 10: In cross-border acquisitions, *working across national cultures* has the following characteristics:

Definition 10a: Working successfully across cultures means the acknowledgment and recognition of the presence of national cultures, a respect for and attempts to utilise cultural differences, adapting to local conditions, being able to openly discuss differences and explain the logic behind one's way of thinking.

Finding 10b: Buying firms rarely take behavioural differences in national cultures into account when acquiring across borders as they a) do not perceive there to be any, b) do not dare or know how to tackle the issue, c) do not realise the cultural roots of their organisation's management style.

Finding 10c: The consequence of not recognising and dealing with behavioural and systemic dimensions of differences in national cultures is that they become negative forces that hamper the flow of mutual interaction at inter-organisational interfaces, the potential of foreign subsidiaries remains untapped, and international sales suffer.

Finding 10d: Individuals' or firms' prior international or direct country experience eases their dealing with international colleagues and foreign acquired / parent firms.

15. In addition to the identified behavioural and systemic manifestations of country differences, interviewees highlighted the impact of language on the ease of intercultural cooperation and the acquired firm's integration following cross-border acquisitions. This was especially noticeable in instances, where the buying firm's official or home country native language was not the acquired firm's native tongue. The lack of a joint native language ultimately led to a blurred inter-firm interface, as acquired firm staff experienced a language barrier, felt lost and not trusted, and missed out on information. Misunderstandings also occurred. Translation issues were also brought up as a possible disruption in intercultural co-operation. Buying firm representatives that were able to speak the local language were able to adapt themselves more rapidly to the operations of a foreign acquired firm and generally enjoyed a sound relationship with local staff. In sum, a lack of a joint native language was experienced as an additional hindrance to a newly acquired firm's integration into the operations of a parent firm. Whilst the importance of language has been addressed in the field of international business (e.g. Bruce 1973, Marschan 1994, Marschan et al. 1997, Feely and Harzing 2003), its presence has only been referred to in research on M&A (e.g. Angwin and Savill 1997, Gertsen and Söderberg 1998, Vaara et al. 2001, Quah and Young 2005). Hence, the present findings shed further light on the way in which language impacts cross-border acquisitions:

Finding 11: The presence of *language* differences impacts the progress of post-acquisition integration of cross-border acquisitions by blurring the effectiveness of the intercultural interface between the parties:

> **Finding 11a:** Buying firm managers that do not speak an acquired unit's local language have more difficulty in establishing a trusting relationship with local employees than those that do.

> **Finding 11b:** Working in a parent firm whose official corporate language is not the acquired firm's native tongue puts such acquired firms at a disadvantage. Moreover, it creates a language barrier, results in misunderstandings, makes it more difficult to establish a relationship of trust, and to create a comfort zone between the parties.

> **Finding 11c:** Working in a parent firm whose unofficial (home country) language is not the acquired firm's native tongue results in experiencing a language barrier, missing out on information, feeling lost, the arousal of suspicion toward the parent firm representatives, difficulty in climbing the hierarchy, translation issues, and difficulty in using corporate documentation.

To conclude, this dissertation has advanced the existing literature on M&A with regard to the presence and impact of national cultures on domestic and cross-border acquisitions. The kinds of behavioural and systemic differences in national cultures present in cross-border acquisitions were identified, as well as the mechanisms by which they impact the post-acquisition era. The locations of intercultural encounters in global organisations were also brought up. Finally, ways of dealing with cultural differences were discussed. These represent extensions to the way in which national culture has thus far been looked at in research in M&A. In addition, the impact of language on intercultural cooperation and the integration of a newly acquired firm into a new parent firm was brought forward.

7.2.5 The silent cultural dimensions of post-acquisition structural change

This dissertation further prompted the examination of how the structural changes induced in the acquired firm in the post-deal era were rooted in and paralleled with cultural changes. However, as long as the interrelated nature of the culture – structure relationship was left unrecognised, the acquired units could not be adequately supported on their post-acquisition change journey, resulting in slower, and thus a costlier integration phase. The following contributions to extant M&A research were prompted by the research findings:

1. In looking at the way that the initial definition of organisational fit translates into the subsequent challenge of integrating the newly acquired firm into the parent firm's organisation and ways of working, the notion of 'integrative challenge' was introduced. It pulls together the adopted organisational integration strategy as well as the degree of organisational fit between the firms. The notion of integrative challenge contributes to extant research on M&A by providing a *dynamic* perspective on the notion of organisational fit. In contrast, currently studies on organisational fit have maintained a static emphasis, without addressing its dynamic nature during the integration phase (David and Singh 1994, Stahl and Voigt 2003). It can thus be argued that a dynamic view of the impact of organisational fit on the ensuing post-acquisition integration phase is lacking:

Definition 12a: The degree of organisational fit between the buying and target firms at the time of the deal, combined with the set organisational integration strategy for the post-acquisition regime, translates into the experienced 'integrative challenge' for each of the acquired firm's units. Integrative challenge reflects the degree and likely difficulty of the structural and cultural integration required to align the acquired firm's structural and cultural profiles with those of the buying firm.

2. The significance of the notion of integrative challenge becomes apparent when analysing the dynamics of the post-acquisition change that is being implemented into the acquired firm. Indeed, the studied acquisitions showed that post-acquisition change tends to be regarded by buying firms in terms of its structural facets only. In other words, the cultural dimensions of post-acquisition change tend to remain ignored. As a result, acquired firms are not adequately supported on their integration journey, resulting in slower and costlier integration efforts. Cultural dimensions of post-acquisition structural change were looked at in the examples of corporate-level changes in firm size, international reach, ownership structures, organisational structures, financial reporting structures, and corporate-, unit-, or departmental-level changes to ways of working. These changes were paralleled by cultural changes rooted in organisational and possibly even national cultures in the case of changes in organisation structures, financial reporting structures, and ways of working.

    The analysis of the studied acquisitions showed that, especially in instances of firms lacking cultural and structural fit, inattention to the cultural dimensions of post-acquisition change led to the materialisation of the myth of 'a lacking organisational fit'. In other words, the present findings would suggest that a lacking organisational fit can be managed, albeit the task remains difficult, if attention is paid to both the cultural and structural domains of post-acquisition change:

    Finding 12b: Any kind of post-acquisition structural change reflects an underlying cultural logic at either the national, corporate, unit or departmental level of analysis, and has cultural consequences for the acquired firm.

    Finding 12c: Unless the structural and cultural dimensions of integrative challenge are recognised, the acquired firm cannot be adequately supported in the difficulties it faces during the implementation of post-deal structural changes, and the fatalism inherent in a lack of initial organisational fit materialises in a difficult post-acquisition integration phase.

    Moreover, the identified structure - culture 'dyads' were found to operate hierarchically from the national, corporate, unit, and departmental levels of analysis. Differences in national cultures are reflected not only in corporate and unit-level organisational cultures, but also in their structural preferences. Corporate level structural choices are reflected in corporate cultures as well as unit structures and cultures. Unit-level structural choices are reflected in unit level cultures as well as departmental structures and cultures. Thus, structural changes do not take place in a void of cultural consequences. Unless the buying firm recognises the interrelated nature of structural and cultural change, it is not likely to be able to understand the integrative challenge faced by the acquired firm and be able to support it appropriately on its post-acquisition change journey:

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

Finding 12d: The departmental, unit, corporate, and national levels of analysis of integrative challenge are interrelated hierarchically, as a change at a higher level of analysis has cascading consequences on the structures and cultures at the lower levels of analysis, with the hierarchy of levels of analysis ranging from high to low as: national, corporate, unit and departmental.

These findings extend the prevailing understanding in M&A research on the dynamics of post-deal change by elaborating on the relationship between cultural and structural facets of post-change, especially in a cross-border context. Indeed, earlier research on M&A has characterised the types of post-deal changes as physical, procedural, managerial, and socio-cultural (Shristava, 1986) or the technical, procedural, managerial, and socio-cultural integration processes (Håkansson, 1995). In other words, there seem to be both structural (i.e. technical and procedural changes) and cultural integration-related changes taking place in the post-deal era. These studies, however, have not addressed the relationship between these kinds of post-deal changes, assuming that they take place in parallel with one another. Other studies of M&A have addressed the relationship between culture and structure as follows. Deiser (1994) argued that post-deal changes relate to changes in structures, mechanisms (i.e. systems), and cultures. Greenwood et al. (1994) found that it is difficult to separate structures, processes, and culture from one another, as they are mutually related and reconstitutive. They identified that factors leading to the acquired firm's staffs' loss of commitment were cultural and not structural, leading them to conclude that "culture may manage us more than we can manage it" (quoted from Buono and Bowditch 1989). These findings echoe Datta's (1991) findings on the greater impact of differences in management styles (i.e. culture) than reward and compensation systems (i.e. structure) on the performance of M&A. Thus, extant research in M&A would seem to give initial support to the idea of culture and structure being enmeshed. Despite this recognition, the dynamics of the culture - structure relationship during M&A integration have not been addressed in-depth in prior M&A research. More specifically, their relationships have not been studied in the cross-border context, wherein inter-firm differences exist at also the national level of analysis. This is the contribution made in this research, where these dynamics are further conceptualised at several levels of analysis.

7.2.6 Post-acquisition motivation and uncertainty levels in the acquired firm

Findings from the research shed light on the factors that affect the levels of uncertainty and motivation in the acquired firms in the post-deal phases, thereby refining existing findings. Extant research has extensively focused on the types of *negative* reactions in the acquired firm throughout the acquisition process (Marks 1982, Marks and Mirvis 1985, 1986, Blake and Mouton 1984, Prichett 1985, Burke 1987, Ivancevich et al. 1987, Buono and Bowditch 1989, Napier 1989, Cartwright and Cooper 1990, Marks 1991b, Schweiger and Denisi 1991, Cartwright and Cooper 1993b, Eneroth and Larsson 1996, Lohrum 1996, Marks and Mirvis

1997, Véry et al. 1997, Larsson and Finkelstein 1999, Risberg 1999, 2001, Schuler et al. 2004). Moreover, extant research has advanced that the amount of culture shock (Buono et al. 1985, Buono and Bowditch 1989) and the progress of acculturation (Berry 1983, Nahavandi and Malekzadeh 1988, Véry et al. 1996, Ward et al. 2001) impact prevailing uncertainty levels and the willingness of acquired firm employees to work for the new parent firm. Cartwright and Cooper (1992) have advanced that cultural changes toward lower individual constraint (i.e. greater managerial openness) are better received than ones that introduce greater constraints (i.e. loss of managerial openness) for the acquired firm. In general, calls have been made to manage and plan the human side of M&A (Burke 1987, Schweiger et al. 1987, Cartwright and Cooper 1992). However, most of this research has focused on domestic acquisitions.

The present findings confirm these findings and extend them to the context of cross-border acquisitions. Indeed, the findings of this dissertation pointed to the importance of considering *both* uncertainty and motivation levels in the acquired firm, instead of solely looking for the negative effect of M&A on the affected employees. To this end, the findings enabled identifying factors that cause fluctuations in an acquired unit's uncertainty and motivation levels during the post-acquisition integration phase as depending on 1) the way the integration was managed and organised, 2) the direction of post-deal structural and cultural change, 3) the presence and impact of country differences, and 4) contextual factors. These findings both extend and confirm extant findings on the management of the human side of M&A. Most importantly, these findings show that the entire action, intervention, and management span of buying firm managers in the post-deal era has an impact on the levels of uncertainty and motivation in the acquired firm. In other words, also the distance between the firms in terms of their national cultures has an impact on the way the integration phase will be experienced in the acquired firm: some country dyads are likely to work out better than others. In sum, the prevailing levels of uncertainty and motivation can be regarded as a mirror reflecting the way acquired firm employees have experienced the post-deal era. In so doing, the present findings provide a bridge between integration management, post-deal change, and the human side of M&A:

Finding 13a: During the post-acquisition era, fluctuations in an acquired unit's *uncertainty levels* can be traced back to their levels of pre-deal uncertainty, the extent to which the integration phase has been well managed (as regards the 'fundamentals of integration management'), the extent to which the unit has received integration support from a wide array of inter-firm interfaces, the direction of post-acquisition structural and cultural change, language differences, and contextual factors such as economic downturns and reorganisations.

Finding 13b: During the post-acquisition era, fluctuations in an acquired unit's *motivation levels* can be traced back to their levels of pre-deal motivation, the extent to which the integration phase has been well managed (as regards the 'fundamentals of integration management'), buying firm integration managers' attitudes in the integration effort, the extent to which the unit has received integration support from a wide array of inter-firm interfaces, the amount of negative emotional tension hampering the integration phase, the direction of post-acquisition structural and cultural change, inattention to differences in national cultures, and contextual factors such as economic downturns and reorganisations.

7.2.7   Silent forces and the outcome of cross-border acquisitions

7.2.7.1 The nature and progress of cultural change in cross-border acquisitions

The present findings have enhanced an understanding of post-acquisition cultural change in the context of cross-border acquisitions.

Extant research on the management of cultural change in M&A has addressed: 1) cultural integration strategies (Buono and Bowditch 1989, Cartwright and Cooper 1992, David and Singh 1994, Forstmann 1998), 2) rotation and mutual interaction (Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1994) and the removal of deviants (Buono and Bowditch 1989) as means of achieving cultural change, and 3) communication and the management of the change process (Sales and Mirvis 1984, Buono and Bowditch 1989, Cartwright and Cooper 1992, Schweiger et al. 1994). In other words, current work has provided *tips* for the buying firm to manage the cultural change process, whilst treating cultural change separately from integration management. This leads one to assume that cultural change takes place in parallel and separate from the overall post-acquisition integration efforts. Moreover, these studies have exclusively focused on domestic M&A. It can thus be argued that an understanding of the dynamics of post-acquisition cultural change in the context of cross-border acquisitions, in which cultural differences exist at both organisational and national levels of analysis, is lacking. To bridge this gap, this dissertation has advanced the prevailing understanding of the nature and progress of cultural change in cross-border acquisitions as follows:

1. The present findings pointed to post-acquisition cultural change as taking place in three ways: post-acquisition cultural change was found to occur gradually through the structural changes implemented as well as interactions with buying firm representatives. In parallel, cultural alignment toward the parent firm's corporate value base was taking place in firms seeking a 'One Company' corporate culture:

    Finding 14: *Post-acquisition cultural change* in the acquired firm takes place as a consequence of post-acquisition structural changes implemented in the acquired firm, changes in management and communication styles resulting from inter-firm interactions, and efforts to align the acquired firm with the new parent firm's corporate value base.

    Indeed, a first kind of cultural change was found to be the result of the types of post-acquisition structural changes implemented in the acquired firm. In other words, the mere fact of working in a new parent firm was found to result in emerging, gradual cultural change in the acquired firm, whether this is consciously sought by the buying firm or not. More specifically, structural changes in firm size, a firm's international reach, governance

structures, organisation structures, and ways of working were found to mould and change the acquired firm's units' cultures:

Finding 14a: Cultural change induced as a result of post-acquisition structural change results in changes to the acquired firm's management style, organisational culture, and ways of working.

Another kind of cultural change was found to result from the inter-organisational exchanges taking place in the post-acquisition era. The cultural change thereby induced in the acquired firm's units was found to relate to differences in the way national cultures relate to hierarchy. This means that the other dimensions of difference in national cultures identified in this study would not, per se, induce post-acquisition cultural change, but rather impact its success by blurring interactions at intercultural interfaces.[190] However, the findings showed that buying firms are rarely aware of the impact of national culture heritage on the way they manage their firm and the integration of the acquired firm in the post-deal era. Subsequently, they rarely realise neither the amount nor the nature of the cultural change induced through their interactions with the acquired firm:

Finding 14b: Through intercultural inter-firm encounters in the post-acquisition era, the buying firm representatives unconsciously aim to bring forth a cultural change in the acquired firm that is rooted in the buying firm's home country national culture. This type of cultural change pertains to the degree of hierarchy across national contexts.

The third kind of cultural change taking place in the acquired firms was found to concern the alignment of the acquired firm's value base with the buying firm's sought corporate culture. Given that the studied acquisitions were all made by multinationals, most of which today seek a 'One Company culture' in one way or another, this was found to be a typical cultural target in the post-acquisition era. The findings pointed to the fact that this kind of cultural change is not a matter of a few months or training sessions. Instead, it seemed to be the long-term result of a buying firm's concerted actions and behaviours, interactions between the parties, structural changes that support the sought behaviours, and motivated acquired firm change agents:

Finding 14c: The alignment of a newly acquired firm with its parent firm's advertised or practiced corporate value base depends on the extent to which the buying firm managers genuinely 'walk the advertised talk', the extent to which the message is re-enforced, the amount of inter-firm interactions, the degree of structural changes in support of the sought behaviours, and motivated acquired firm managers driving the change.

2. These findings highlight the systemic nature of post-deal cultural change: it takes place within the acquisition process itself, being the outcome of a successful integration process. In addition, the direction of cultural change was found to depend on the extent to which a buying firm had consciously decided to promote a corporate-wide value base, and the extent to which it had identified an approach to achieving this. Indeed, *regardless* of whether the buying firm seeks cultural change or not, some degree of cultural change

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[190] The attentive reader is reminded that owing to the scope of the study being limited to the study of acquisitions made in the European and US contexts, this finding might not apply as such in e.g. the Asian context.

was found to take place if the two firms interact and if post-deal structural changes are induced.[191] Whilst the former indirectly brings the acquired firm into contact with the buying firm's home country managerial practices and styles, unwittingly expecting conformity to these practices and styles, in parallel the latter further induces cultural change through the structural changes implemented. This emergent cultural change can be made more explicit if the parent firm has a clear view on means of forging cultural alignment through a strong One Company culture implanted throughout its organisation. Thus, depending on the buying firm's success in its internal efforts at implementing its 'advertised corporate culture', post-acquisition cultural change in the acquired firm will be reflected in the latter's cultural alignment with the buying firm's practiced or advertised corporate culture.

Thus, the use of slogans, values, and training *per se will not* bring forth cultural alignment and change in the acquired firm. Rather, successful cultural alignment and change was found to result from the long-term interactions between the firms and the activity of acquired and buying firm change agents. Cultural change is constantly taking place through ongoing interaction and structural changes. Any change to the external, 'visible' part of a culture will impact the underlying values. This explains why even those buying firms that are not fully conscious of their aims with regard to cultural integration are able to achieve cultural change in the acquired firm. However, the more that buying firms were aware of the need to link their official values with their practiced structures and behaviours, the better they could ensure that cultural change progressed in the sought direction.

These findings enhance the current understanding of the dynamics of post-deal cultural change by pointing to its systemic and emergent nature throughout the acquisition process. This is contrasted with views of existing research, where 'change management' and 'the management of cultural change' have been regarded as separate programmes from the acquisition process itself (e.g. Buono and Bowditch 1989, Cartwrigth and Cooper 1992). The findings in this dissertation point to the need to go beyond 'cultural change' programmes to understand means of changing organisational behaviour. In doing so, the findings point to the strong linkages between the amount and type of interactions between the two firms as well as the extent to which the sought cultural change is supported by related structural changes. However, any effort at cultural change in the

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[191] This has some resonance with Larsson and Lubatkin (2001) who found that the use of social controls (i.e. visits, training, retreats) to encourage inter-firm interaction was the most effective means of achieving acculturation following M&A.

acquired firm will not succeed unless the new parent firm ensures that it has the full support of the acquired firm's management and employees toward its endeavours.

Unless buying firms understand the systemic nature of post-acquisition cultural change, they are likely to be surprised at why/why not cultural change is occurring throughout the acquired firm's units and departments in the post-deal era and what is the nature of this change. In such instances, the progress of cultural change has become a *silent force* that has taken its own route. Though cultural change cannot be 'managed' per se, the present findings enable its dynamics to be understood and unearthed so that the buying firm's representatives are able to pull on the right levers with regard to the sought direction of cultural change. In particular, the findings highlight the need for buying firms to recognise that unless they act upon it, the practiced and advertised organisational cultures of their firm will not be aligned:

Finding 14d: In acquisitions by buying firms that have aligned their advertised value base with the organisational structures and the practiced organisational culture, cultural change in the acquired firm progresses in the direction of the advertised value base. Otherwise, cultural change in the acquired firm will emergently follow the practiced organisational culture in the buying firm, resulting in a mismatch with the advertised value base.

Finding 14e: Buying firms tend to underestimate the power of their practiced organisational culture in causing cultural change in the acquired firm, assuming the latter to tend toward the buying firm's advertised organisational culture.

3. Based on the above analysis, it is argued that post-acquisition cultural change in the acquired firm takes place at both the levels of national and organisational cultures. Indeed, the findings showed that cultural change is the result of interactions between the firms as well as the kinds of post-acquisition structural change induced upon the acquired firm. The fact that both of these are embedded in the firms' organisational and national cultural heritage explains why cultural change in the acquired firm ultimately takes place both at the level of organisational and national cultures.

This finding is a contribution to extant research on cultural change in M&A that has not addressed cultural change in cross-border contexts where both national and organisational cultures are present.[192] In a broader perspective, management scholars also agree that there are virtually no studies that attempt to understand the dynamics of multiple cultures interacting simultaneously, especially as regards organisational and national cultures (Tayeb 1998, Hofstede 2001). In parallel, the difficulty of separating the two concepts has also been acknowledged. Extant findings on the interplay between different types of cultures suggest that national culture has an essential role in determining the underlying value base of individuals. In anthropological research on the link between culture and personality, Linton (1959) claims that an individual's base personality is strongly

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[192] The phases approach to M&A by Quah and Young (2005) mentions the need to deal with both national and organisational cultures but doesn't study the dynamic nature of this relationship.

influenced by the culture to which s/he belongs. Moreover, Berger and Luckmann (1964) have shown how it is that national institutions shape the mindsets and behaviours of individuals during their childhood. Organisational culture corresponds in turn to a secondary socialisation process that individuals experience as adults. It can be regarded as contributing to slightly modify the behaviour and attitude of its members, but does not abolish the primary socialisation process experienced during childhood (Berger and Luckmann 1964). Consequently, national culture is likely to be more deeply anchored in individuals' minds than organisational culture. Hofstede (2001) suggests a continuum of cultures (in terms of the importance of values vs. practices and the age of socialisation) beginning with national culture, to social class, professional, industry, and organisational culture. In anthropology, Bastide (1971) undertook a similar approach, seeing the challenge of culture as resulting from its multileveled structure. These multiple levels of analysis explain chain reactions during cultural change processes: a small change in a cultural system induces changes elsewhere in the same system, leading to secondary consequences. A lack of understanding of the dynamics of these chain reactions is what makes the management of cultural change difficult.

What the findings in this dissertation point out is that the national culture of the buying firm exerts an indirect, yet powerful influence on the management style, organisational culture, and structures prevailing in the buying firm. As a result, whatever interaction they undertake with the acquired firm, or whatever change they are implementing in the acquired firm, these interactions and changes are always embedded in the buying firm's national and organisational cultural heritage. The resulting cultural change in the acquired firm takes place at the levels of both organisational and national cultures:

Finding 14f: Post-acquisition cultural change in the acquired firm takes place at the levels of organisational and national cultures given that their interactions with the buying firm as well as the structural changes implemented by the buying firm are both embedded in the buying firm's organisational and national cultural heritage.

To conclude, this dissertation has advanced the prevailing understanding of post-acquisition cultural change in a cross-border context by focusing on the nature of cultural change following cross-border acquisitions as well as the means of forging this change.

7.2.7.2 The nature and progress of organisational identification following acquisitions

Another outcome of successful post-acquisition integration was found to concern the degree to which acquired firm's staff are willing to identify themselves with the new parent firm. The current findings contribute to the prevailing understanding on organisational identification following acquisitions by focusing on the layers of organisational identification as well as means of fostering identification in the post-acquisition era.

The notion of organisational identification has received surprisingly little attention in research on M&A to date, apart from Kleppesto (1998), Vaara et al. (2003), Zaheer et al. (2003), and Empson (2004). Summarising extant research findings, some conclusions can be made. For one, organisational identification has been claimed to result in lower commitment toward the deal. Indeed, the loss of identity following M&A has been argued to explain part of the human challenge in M&A (Marks 1982, Schweiger et al. 1987, Napier 1989, Olie 1990). In a similar vein, inter-group antagonism is maintained as long as both groups stick to their respective identities in an 'us vs. them' setting (Blake and Mouton 1984). Zaheer et al. (2003) claim that the power of organisational identities is at least as strong as that of organisational cultures in slowing down the progress of change, especially in mergers of equals. Thus, a crucial factor in the post-deal integration process becomes the creation of shared identities (Buono and Bowditch 1989, Olie 1990). Furthermore, the process of organisational identification has been identified as a dynamic process of interaction with the surrounding environment as a result of which the system's identity changes constantly (Parsons 1952, Deiser 1994). Recently, Empson (2004) identified organisational identification following M&A as resulting from defining aspirational values, creating and maintaining a strong positive sense of group identity, understanding the reasons for the attachment to the current organisational identity, and the need to ensure that the new identity is more attractive than the former one. In a social constructivist perspective on organisational identification, Kleppesto (1998) regarded identity as "not what we are, but what we become as we try to make sense of the world in general, and of the particular situation at hand" (p. 150). He places emphasis on the sense-making and identity-creation processes in M&A. In the process of identity-creation, 'us vs. them' comparisons and cultural differences are regularly used means of differentiating the two sides from one another. Vaara et al. (2003) outlined the role of metaphors in the development of 'us vs. them' images and images of a joint future during post-merger years.

In the context of extant research on organisational identification in organisational and M&A research, the findings expressed in this dissertation contribute to an understanding of the multi-layered nature of organisational identification following M&A as well as factors that explain the process of organisational identification following cross-border acquisitions. In a broader perspective, the findings contribute to the organisational identity literature, where it has been argued that little is known about the process of organisational identity development (Gioia et al. 2000, Hogg and Terry 2000):

1. The studied acquisitions pointed to organisational identification in today's multinational firms as differing from one subsidiary to another, depending on each subsidiary's *acquisitive history*. Indeed, when analysing the layers of organisational identification per subsidiary, its core identity was traceable to the original founding owner. Identification

Teerikangas, Satu. 2006. 'Silent Forces in Cross-Border Acquisitions - An Integrative Perspective on Post-Acquisition Integration'. Helsinki University of Technology.

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with subsequent parent firms remained to the extent to which their era was remembered with positive feelings and if the era had been particularly long. In this light, when acquiring a company, buying firms should not be lured into thinking that they will be able to attract the acquired firm's staff's organisational identification to their side overnight. Whilst some degree of identification will take place, it is most likely not going to subsume the existing layers of organisational identification to former parent firms and especially not to the founding parent firm:

Finding 15a: A firm's organisational identity carries the load of its historical ownership eras: at its core, employees will always carry an allegiance toward the founding parent firm. The eras of subsequent owners mark the organisational identity of the acquired firm depending on how well these eras have been experienced and the duration of the ownership period. As units within a larger firm are carriers of different acquisitive histories, they are likely to exhibit different patterns of organisational identification.

These findings resonate with the work of Berger and Luckmann (1964), who distinguish between primary and secondary socialisation processes. Making a parallel to organisational life, one could see a company's initial founding era as its 'primary socialisation' period, during which its core values and assumptions are laid out. Subsequent ownership changes at times of M&A represent 'secondary socialisation processes' (Berger and Luckmann 1964). The notion of organisational identification shifting together with ownership eras extends on Parker (2000), who considers identities in organisations not as static, but dynamic, under constant development rather than operating in 'ready states'. The idea of multi-layered organisational identification further reflects thoughts raised with regard to the concept of multi-group membership (Allen et al. 1983, Hernes 1997), the complex vs. unified nature of organisational identity (Dahler-Larsen 1997), and the multi-dimensional nature of identification in organisations (Van Maanen and Barley 1985, Hall 1992, Cohen 1994, Parker 2000). However, such reflections have not been voiced in the M&A arena to date.

2. When looking at layers of identification in the acquired firm, in addition to gradually identifying themselves with the new parent firm in terms of corporate identity, the acquired firm staff were, depending on the situation, found to identify themselves with the cultural layers present, i.e. their home country, their subsidiary, or their respective department. Thus, the degree of organisational identification to the current vs. former parent firms was found to form the 'umbrella corporate identity' to which identification toward the cultural layers present in the parent firm add onto:

Finding 15b: When working as part of the new parent firm, the organisational identification of an acquired unit's members is traceable to the cultural layers present as regards one's department, one's unit, and the country one works in. The layer toward which a person identifies him/herself is situation-dependent.

In a broad perspective, this finding mirrors Social Identity Theory (Tajfel 1978, Tajfel and Turner 1986), which argues that individuals are carriers of multiple identities, and that depending on the social group the individual is present in, a specific identification

will be activated. The findings extend on Parker (2000), who considered identities in organisations as 'cross-cuttings' between professional, gender, regional, and organisational identifications (Parker 2000, pp. 89-89). He further notes that employees use different identities – i.e. profession, gender, and function – depending on the situation. In this dissertation, such situational identities were traceable to a firm's acquisitive and ownership history, its home country, the subsidiary, and the department the employee was working in. They latter three were found to coexist within a broader identification to current vs. previous parent firms.

3. The findings further showed how an employees' degree of organisational identification was dependent upon their years of service, whether they were local or non-local staff, whether they were employees or managers, and whether they were involved in company internal or external work. In other words, local employees with a long history in the company, working, e.g., on a production line were likely to have a stronger identification toward the previous ownership eras as compared to more recent non-local employees working in management positions e.g. in sales and marketing:

Finding 15c: The employees' degree of identification toward the founding parent or a former owner is greater if they are long-term rather than short-term employees, locals rather than newcomers to the region, employees rather than managers, and engaged in internal rather than external company work.

4. Looking at ways in which organisational identification develops, the dissertation pointed to organisational identification toward the new parent developing through the buying firm's efforts to develop a One Company identity, the amount of change implemented in the post-deal era, the acquired firm managers' and employees' willingness to be part of the new parent firm, new recruits, and time. These findings contribute to research on M&A and organisational identification by reflecting on the dynamics of organisational identification. Indeed, depending on how buying firms manage the post-acquisition integration phase, they can expect acquired firm employees to identify themselves more or less strongly with their new parent firm. Organisational identification does not take place automatically, unless post-deal changes are implemented, and unless the post-deal era is positively experienced in the acquired firm. In essence, organisational identification is a result of a well managed integration phase:

Finding 15d: In the post-deal years, the degree of acquired firm members' organisational identification toward the new parent firm is positively influenced by the parent firm's genuine efforts toward creating a corporate identity, the organisational integration strategy adopted, the extent of small changes to the acquired firm's outlook, the acquired firm managers' attitude toward the new parent firm, the acquired firm employees' motivation to be integrated, the amount of new recruits, and the passing of time.

To conclude, this dissertation has made the following contributions related to the development of organisational identification following cross-border acquisitions. For one, the multi-layered nature of organisational identification was unearthed. More specifically, the findings enabled linking a firm's acquisitive history to the development its organisational

identity. Furthermore, the process of organisational identification and the ways in which it relates to the progress of post-acquisition integration efforts was brought to light.

7.2.7.3 The impact of silent forces on the performance of cross-border acquisitions

The findings of this dissertation have further contributed to an understanding of how the integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors influence the performance of cross-border acquisitions.

Indeed, the findings provide a novel perspective on research into cross-border acquisitions and their performance, a stream that has to date largely focused on examining whether domestic vs. cross-border acquisitions score better (Datta 1991, Chatterjee et al. 1992, Morosini and Singh 1994, Weber 1996, Weber et al. 1996, Véry et al. 1996, 1997, Krishnan et al. 1997, Krug and Hegarty 1997, Larsson and Risberg 1998, Morosini et al. 1998, Larsson and Finkelstein 1999, Brouthers and Brouthers 2000), whilst measuring acquisition performance in terms of the buying firm's post-deal increase in sales or profits (Teerikangas and Véry 2006). However, these studies have not been able to provide conclusive evidence as to whether cultural differences have an impact on the performance of cross-border acquisitions or not (Schweiger and Walsch 1990, Schoenberg 2000, Schweiger and Goulet 2000, Stahl and Voigt 2003, Teerikangas and Véry 2003). The same holds for studies on M&A performance, where a lack of understanding of the antecedents of M&A performance traceable to the dynamics and management of the post-acquisition integration process has been highlighted (Hoskisson et al. 1993, Hitt et al. 1998 and Sirower 1998, King et al. 2004). This is the contribution made by the present findings:

1. The findings show that the 'success' of acquisitions is a difficult topic that largely depends on how it is measured. In this study, acquisition performance differed whether is was measured in terms of the progress (and costs) of post-acquisition integration, the extent to which set targets for the acquisition had been met, or the financial performance of the acquired and buying firms as traceable to the acquisition. However, in combination, these four indicators were found to portray an acceptable description of acquisition performance.

2. To understand the antecedents of acquisition performance, the analysis of acquisition performance was further detailed to the level of functions within organisations, i.e. the extent to which the acquisition improves the effectiveness of the sales, R&D, and production organisations whilst in parallel improving the overall effectiveness of the parent firm. Whether these antecedents materialised in positive acquisition performance,

however measured, was found to be undermined by a lack of attention to the presence of silent forces throughout the acquisition process. More specifically:

- As regards the impact of *inter-firm difference*s and the *management of post-acquisition change*, both were found to have a direct influence on the progress of post-acquisition integration, and thus an indirect influence on financial performance, given that they explained the speed of integration efforts and the extent to which integration costs exceeded targets;

- *Negative emotional reactions* were found to be an especially critical factor, as they directly impacted the performance of the sales and R&D organisations, both of which have a crucial role in delivering financial performance. Moreover, negative emotions impacted both firms' willingness and motivation to adopt one another's best practices, thereby indirectly influencing both organisations' potential effectiveness;

- *Negative surprises* stemming from the due diligence phase incur costs and lower financial performance, as they slow down or prevent the successful implementation of decisions regarding the post-acquisition phase;

- *Differences in national cultures* in turn played a key role as regards the extent to which the sought benefits of internationalisation are reached and whether cross-border R&D work leads to improved products. In addition, national cultures blurred intercultural interfaces in either organisation and between them, leading to lost organisational effectiveness and escalating costs in the long-term;

- Finally, *motivation and uncertainty levels* impact the ease and rapidity of implementing post-acquisition change and can result in escalating integration costs. They also dictate the degree to which key personnel is kept or lost. The latter can have severe financial consequences, if a lot of personnel or pivotal persons are lost, and also if this is paralleled with knowledge leaks, the creation of new competitors, lost customers, and lost market share. In sum:

Finding 16: Integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors (i.e. silent forces) inherent in the cross-border acquisition process impact *the financial performance* of the acquired and buying firms through their influence on 1) the ability to increase domestic and international sales of both firms' products following the acquisition, 2) the ability to improve both firms' R&D output and effectiveness following the acquisition, 3) the ability to improve both firms' production output and effectiveness following the acquisition, and 4) the opportunity to improve both firms' organisational effectiveness through the acquisition

7.3   *Managerial implications*

Grounded theory research needs to be both theoretically valid as well as practically relevant (Glaser and Strauss 1967, Glaser 2001). The focus thus far in this dissertation has been on the theoretical validity of the research findings. In this section, the attention shifts to the practical

applicability and relevance of the work. The latter needs to be set in the current economic context, in which cross-border acquisitions remain a recurring and central phenomenon in the corporate world, and which ultimately impact the surrounding societies and individuals therein. In this context, this dissertation provides important avenues for improving managers' appreciation of the challenges and management of cross-border acquisitions. To this end, the main managerial implications stemming from this dissertation are the following:

1. The integrative framework on post-acquisition integration developed in this dissertation provides an overview of the challenges and dynamics inherent in the management of cross-border acquisitions. This allows for a *'bird's-eye' perspective on the cross-border acquisition process* and on how the combined presence of integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors impacts the outcome of cross-border acquisitions;

2. By drawing attention to the *silent forces* at work in cross-border acquisitions, the findings of this dissertation are ultimately a call for managers involved in acquisitions to step back and reflect as to the extent to which they engage in cross-border acquisitions with too 'shallow' an appreciation of the challenges involved in making them work. Indeed, the findings showed that buying firms tend to focus their managerial efforts on the structural (omitting the parallel cultural) facets of post-acquisition change, (to some extent) the basics of integration management and the need to make strategic decisions concerning the post-deal regime, and the measurement of the financial gains from the deal. This was found to be insufficient to secure the long-term success of the integration endeavour and to realise the synergy and performance potential that an acquisition represents to the firms involved. To this end, integration-related strategic, managerial, behavioural, attitudinal, motivational, emotional, cultural, and structural factors have been termed 'silent forces' in this manuscript. Unless their presence and impact on the dynamics of post-acquisition integration is recognised, they are allowed to hamper the progress of the cross-border acquisition process, ultimately preventing the achievement of the synergy potential inherent in the deal. The present findings offer managers an opportunity to get acquainted with and to appreciate the myriad of less advertised, but nonetheless significant factors that impact the progress of acquisitions and the subsequent performance of the participating firms;

3. Importantly, the integrative framework developed in the dissertation sheds light on the *impact of national and organisational cultures on the cross-border acquisition process*, factors that the findings showed remain poorly understood in today's corporate world. More specifically, they show the extent to which both parties enter the acquisition

endowed with differing cultural roots in terms of organisational and national cultures that impact the behaviours and expectations of both parties throughout the acquisition process;

4. In parallel, the findings have brought forward an appreciation of the *nature and progress of cultural change* in acquired firms following cross-border acquisitions. These findings are in contrast with the 'value-talk' of many a global organisation today. Indeed, the findings showed that cultural change takes place emergently, and that its effectiveness depends on the extent to which the buying firm's advertised values resonate with the corporate behaviours practiced daily in the firm;

5. The findings further shed light onto integration management, providing a broader understanding of its nature and importance. The *attitudes* that buying firm integration manager(s) engage in post-acquisition integration with were found to be of importance, as well as the extent to which *roles in the buying firm beyond the integration manager(s)* are recognised as contributing to the acquisition's success. Unless these roles are recognised, existing *negative emotional tensions* can be unleashed that disturb the progress of integration efforts. To this end, the dissertation can serve as a wake-up call for buying firms to realise the 'hidden' potential inherent in their management and employee base to support rather than deter efforts to integrate a newly acquired firm into their operations. Ultimately, all the actions that the buying firm representatives and employees take in the pre-and post-deal eras have an impact on the progress of post-deal change in the acquired firm and on the levels of motivation and uncertainty in the acquired firm. These are in turn reflected in the performance of both firms and the successful progress of cultural change and organisational identification following the acquisition;

6. Buying firms are beginning to wake up to the long-term challenge of managing a global organisation consisting of organisations acquired over time, and more specifically, to the structural and cultural complexity that this represents. In this context, formerly acquired firms tend to be regarded and expected to feel and be like 'part of us' soon after the deal. In other words, the existing emotional, cultural, and identity make-up of the acquired firm tends to be rapidly forgotten. Yet, it continues to exert an influence on the operations of the parent firm. To that end, this dissertation has enhanced an understanding of the *impact of acquisitions on both firms' long-term emotional, cultural, and identity make-up*;

7. Overall, the findings from this dissertation were found to resonate with the notion of systems intelligence (Hämäläinen and Saarinen 2004a, 2004b, Saarinen and Hämäläinen 2004). Whilst drawing on concepts related to systems thinking (e.g. Churchman 1968, Ackoff 1999, Jackson 2000), such as 'the whole is more important than the parts', systems intelligence advocates an actor-based and action-oriented approach. In this

respect, it moves beyond systems thinking, as it is based on the belief that individuals are inherently systemic, i.e. actors simultaneously belong to, take part in, and mould the systems they live in and interact with.[193] In other words, systems intelligence is not content with assessing systems from an external, holistic perspective, but seeks to help individuals understand their role in and influence on the many systems they are a part of. Hence, systems intelligence refers to "intelligent behaviour that recognises the interrelationships inherent in complex systems" (Saarinen and Hämäläinen 2004, p. 10). Additionally, systems intelligence attests to the potential for exponential non-linear growth inherent in human systems and relationships (Gleick 1987, Peterson 1993, Vallacher and Nowak 1994, Gottman et al. 2002): it argues for the potentially powerful impact of any small change in one part of the system on the system as a whole. This means that the behaviours, attitudes, and actions of *each individual* have potentially far-reaching consequences on the development of the family, organisational, cultural, societal, and global systems they are a part of. Ultimately, it can be argued that systems intelligence is a way for managers involved in acquisitions to recognise and deal with the silent forces identified in this dissertation.

7.4 Limitations to the research and directions for future research endeavours

This section addresses limitations to the research and continues thereafter to identify directions for future research endeavours.

As any research, this study has limitations, the most important of which are discussed below. To begin with, an inherent weakness and limitation to the study is the fact that the studied buying firms were all Finnish multinationals. One can argue that this causes a serious disadvantage as to the generalisability of the study's findings to other country settings. This argument can be countered by the basic tenets of the grounded theory method (Glaser and Strauss 1967, Glaser 1978). Indeed, the aim of grounded theory research is to move beyond description (i.e. of acquisitions made by Finnish multinationals) to a higher level theorising of the findings. Hence throughout the study, the focus has been on developing a theoretical understanding of the post-acquisition integration dynamics of cross-border acquisitions. It is up to the skill of the grounded theory researcher to keep questioning and challenging one's findings, i.e. thinking of situations in which they would or would not apply. In doing so, the experiences related by acquired firm interviewees who had experience from a total of eight previous European or American parent firms fit well with the integrative perspective developed in this dissertation. These experiences were used as further evidence to fine-tune

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[193] This facet of systems intelligence answers the recent call made by Ghoshal (2005) on today's management

the analysis. They especially helped to identify the specifics of the Finnish buying firms' typical integration approach, as outlined in this dissertation.

The limitation of studying only Finnish multinational buying firms was further countered by the fact that the buying firms came from different industries and that the acquired firms represented a variety of different country backgrounds. Thus, selecting buying firms from one country was a purposeful way of dealing with the otherwise high variability in the studied firms' cultural backgrounds. The large amount of interviews and acquisitions studied in the course of this research further enabled moving beyond the 'Finnish context'. Indeed, the further the research proceeded, the clearer the integrative perspective on post-acquisition integration became. Finally, one needs to recognise that the choice was also guided by pragmatic reasoning, given the ease and ensuing financial savings of finding and studying target companies in reasonable vicinity of one's university.

A second major limitation concerns the fact that the study was conducted by one person with the use of post-hoc interviews. Both of the afore-mentioned factors are likely to induce significant noise into the research setting as well as potential subjective or post-hoc biases. To counter these limitations, following the completion of the analysis for each studied acquisition, the findings were presented to one or several interviewees classified as 'key informants'. The feedback was constructive and positive, saying that the perspective developed as well as the findings presented for that particular acquisition were particularly relevant and insightful. These key informants have since maintained a positive relationship with the researcher and have a keen interest in hearing the final results of the research. From a research perspective, this degree of interest and feedback is an indication that the results, albeit not only providing positive news for the buying firms, had hit on important issues with regard to the dynamics of post-acquisition integration. Moreover, the key informants highlighted how the way in which each particular acquisition had been portrayed and analysed in this research shed effective light to both recognised and hitherto unrecognised factors relevant to the acquisitions studied.

Based on the analysis and findings brought forward in this dissertation, the following areas are recommended as directions for future research endeavours.

As was noted in the introductory chapter of this dissertation, there is a general lack of grounded theory qualitative research on post-acquisition integration in the context of cross-border acquisitions. Whilst qualitative studies exist, these remain relatively scarce in number if compared to the prevailing importance of M&A as a phenomenon in the corporate world.

theories lacking an actor-orientation.

This dissertation has been an effort in this direction. However, as with any research, it needs to be further developed in more varied research settings.

In addition, qualitative studies on post-acquisition integration could focus more specifically on the dynamics of the relationship between organisational and national cultures throughout the M&A process. In looking at organisational cultures, the presence of a multitude of local organisational cultures in the organisation needs to be accounted for. Again, some pointers to this end were identified in this dissertation, but there is much more work to do in this arena. Likewise, the processes of cultural change and organisational identification need to be looked into in greater detail. Interestingly, the challenges of acquiring domestically and the role of national vs. regional cultures therein has not been studied as of yet.

On a more general level, it would be important to receive research data from varied geographical and cultural settings across countries and industries in order to enhance the prevailing understanding of M&A. Moreover, future studies should ensure that the difference between mergers and acquisitions, and different types of acquisitions (depending on the post-acquisition integration strategy adopted by the buying firm) as objects of study is maintained. Indeed, the integrative and cultural challenge inherent in each of these is different.

Active future research efforts in the area of M&A are encouraged, given the amount of M&A activity that continues to take place in today's corporate environment. It is of crucial importance that the scientific research community remains interested in a phenomenon of such societal importance and is willing to further develop its theoretical and practical understanding thereof.

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Appendix A

Table A-1. Improving the post-acquisition performance of the sales function: typology, silent force antecedents, and performance consequences.

Means of improving the post-acquisition performance of the sales function	Silent forces as antecedent to lost performance	Consequence on acquired firm financial performance	Consequence on buying firm financial performance	Consequence on progress and cost of post-acquisition integration
Increased domestic sales of acquired firm's products	▪ Negative emotional reactions	→ Lost sales: buying firm not-invented-here syndrome or protective reactions in sales result in A^f products not being actively sold by B^f		
Increased international sales of acquired firm's products	▪ Negative emotional reactions ▪ Attention to differences in national cultures	→ Lost sales: buying firm not-invented-here syndrome or protective reactions in sales result in A^f products not being actively sold by B^f → Lost sales: acquired firm lacking sensitivity to needs to foreign markets results in A^f not adapting its product / service offering / features to foreign market needs		
Increased international sales of buying firm's products	▪ Negative emotional reactions ▪ Attention to differences in national cultures		→ Lost sales: acquired firm not-invented-here syndrome or protective reactions result in a lacking interest to promote B^f products in its markets → Lost sales: buying firm lacking sensitivity to needs to foreign markets results in B^f not adapting its product / service offering / features to foreign market needs	

Table A-1 continued. Improving the post-acquisition performance of the sales function: typology, silent force antecedents, and performance consequences.

Introducing B^f ways of working into A^f sales organisation	• Negative emotional reactions • Level of uncertainty and motivation in A^f • Integration management • Organisational fit • Surprises emerging from due diligence analysis	→ Lost sales: buying firm not-invented-here syndrome in sales results in B^f worse sales practices being implemented in A^f → Decreased organisational effectiveness: if A^f sales organisation becomes less efficient than it was prior to the acquisition	→ Sunk costs: investments into the acquired firm do not reap the expected benefits	Costs escalate & delayed implementation owing to: → mistakes in integration management that result in demotivation and high levels of uncertainty in A^f → post-acquisition integration becoming more difficult and costly than expected owing do due diligence surprises → a lack of organisational fit results in B^f ways of working being more difficult to implement, and greater attention needed to the cultural dynamics of structural change → a lack of attention to the cultural dynamics of change results in the A^f culture becoming a silent force of counter-resistance against the change
Increased efficiency and innovativeness of sales operations through B^f learning A^f best practices	• Negative emotional reactions • Integration management • Organisational fit	→ Lost sales: buying firm not-invented-here syndrome results in A^f best practices not being implemented in B^f → Lost opportunity for improving organisational effectiveness if the B^f continues operating along its less effective ways of working		Costs escalate owing to: → a lack of organisational fit results in A^f ways of working being more difficult to implement, and greater attention needed to the cultural dynamics of structural change → a lack of attention to the cultural dynamics of change results in the B^f culture becoming a silent force of counter-resistance against the change

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Appendix A

Table A-2. Improving the post-acquisition performance of the R&D function: typology, silent force antecedents, and performance consequences.

Means of improving the performance of R&D	Silent forces as antecedent to lost performance	Consequence on acquired firm financial performance	Consequence on buying firm financial performance	Consequence on progress and cost of post-acquisition integration
A^f product development potential is tapped	• Negative emotional reactions • Surprises emerging from due diligence analysis • Attention to differences in national cultures	→ Lost product development potential: buying firm not-invented-here syndrome in R&D results in A^f product ideas not being considered for development → Costs escalate & delayed / lost product development: emotional tensions within acquired firm's units results in difficulty in having them cooperate together → Costs escalate & delayed / lost product development potential: A^f staff or product potential not of as high caliber as initially expected, need to invest in development of A^f → Costs escalate & delayed product development: differences in national cultures and language barriers hamper the intercultural interface between international A^f units		
Joint A^f and B^f new product development efforts	• Surprises emerging from due diligence analysis • Lack of organisational fit • Negative emotional reactions • Attention to differences in national cultures		→ Costs escalate & delayed / lost product development potential: lack of organisational fit results in 1) difficulties in having the organisations work together on a joint project owing to differing ways of working, 2) delay in changing A^f ways of working to mirror B^f's → Costs escalate & delayed / lost product development: both sides' not-invented-here syndromes and protective reactions result in difficult cooperation	

Appendix A

Table A-2 continued. Improving the post-acquisition performance of the R&D function: typology, silent force antecedents, and performance consequences.

		→ Costs escalate & delayed product development: differences in national cultures and language barriers hamper the intercultural interface between the two parties	Costs escalate & delayed implementation owing to: → mistakes in integration management that result in demotivation and high levels of uncertainty in A^f → post-acquisition integration becoming more difficult and costly than expected owing do due diligence surprises → a lack of organisational fit results in B^f ways of working being more difficult to implement, and greater attention needed to the cultural dynamics of structural change → a lack of attention to the cultural dynamics of change results in the A^f culture becoming a silent force of counter-resistance against the change
Introducing B^f ways of working into A^f R&D operations	▪ Level of uncertainty and motivation in A^f ▪ Integration management ▪ Negative emotional reactions ▪ Organisational fit ▪ Surprises stemming from due diligence analysis	→ Lost product development potential: buying firm not-invented-here syndrome results in B^f worse practices being implemented in A^f → Decreased organisational effectiveness: if A^f R&D organisation becomes less efficient owing to worse B^f ways of working introduced into A^f	→ Sunk costs: investments into the acquired firm do not reap the expected benefits
Increased efficiency and innovativeness of B^f R&D operations through learning from A^f best practices	▪ Negative emotional reactions ▪ Integration management ▪ Organisational fit	→ Lost product development potential: buying firm not-invented-here syndrome results in better A^f ways of working not being introduced into B^f → Lost opportunity for improving organisational effectiveness: buying firm not-invented-here syndrome in R&D results in A^f best practices not being implemented in B^f	Costs escalate owing to: → a lack of organisational fit results in A^f ways of working being more difficult to implement, and greater attention needed to the cultural dynamics of structural change → a lack of attention to the cultural dynamics of change results in the B^f culture becoming a silent force of counter-resistance against the change

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Table A-3. Improving the post-acquisition performance of the production function: typology, typology, silent force antecedents, and performance consequences.

Means of improving the performance of production	Silent forces as antecedent to lost performance	Consequence on acquired firm financial performance	Consequence on buying firm financial performance	Consequence on progress and cost of post-acquisition integration
Introducing B^f ways of working into A^f production operations	• Level of uncertainty and motivation in A^f • Integration management • Negative emotional reactions • Organisational fit • Surprises stemming from due diligence analysis	→ Decreased organisational effectiveness: if A^f production organisation becomes less efficient, as buying firm not-invented-here syndrome results in B^f worse practices being implemented in A^f	→ Sunk costs: investments into the acquired firm do not reap the expected benefits	Costs escalate & delayed implementation owing to: → mistakes in integration management that result in demotivation and high levels of uncertainty in A^f → post-acquisition integration becoming more difficult and costly than expected owing do due diligence surprises → a lack of organisational fit result in B^f ways of working being more difficult to implement, and greater attention needed to the cultural dynamics of structural change → a lack of attention to the cultural dynamics of change results in the A^f culture becoming a silent force of counter-resistance against the change
Learning from A^f best practices to improve B^f production operations	• Negative emotional reactions • Integration management • Organisational fit	→ Lost opportunity for improving organisational effectiveness: buying firm not-invented-here syndrome results in A^f best practices not being implemented in B^f		Costs escalate owing to: → a lack of organisational fit results in A^f ways of working being more difficult to implement, and greater attention needed to the cultural dynamics of structural change → a lack of attention to the cultural dynamics of change results in the B^f culture becoming a silent force of counter-resistance against the change

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Table A-4. Improving the post-acquisition organisational performance of the participating firms: typology, silent force antecedents, and performance consequences.

Means of improving organisational efficiency in the parent firm	Silent forces as antecedent to lost performance	Consequence on acquired firm financial performance	Consequence on buying firm financial performance	Consequence on progress and cost of post-acquisition integration
Shared financial and IT systems	• Organisational fit • Integration management	→ Costs escalate: owing to new systems being more cumbersome than previous ones → Decreased organisational effectiveness		Costs escalate owing to delayed/flawed implementation: → lack of organisational fit results in B^f systems not being optimal for A^f operations → mistakes in integration management result in delayed systems implementation
New employee potential utilised	• Low levels of motivation (and/or high uncertainty) in pre-deal phase • Low levels of motivation (and/or high uncertainty) in the post-deal phase	→ Lost sales of A^f products: owing to loss of key personnel, lost market share, new competitors, knowledge leaks → Lost sales of A^f products: owing to blurred B^f image in A^f community or country → Costs escalate: owing to A^f pre-or post-deal action against the B^f	→ Lost sales of B^f products in A^f country: owing to company image being damaged in customer minds	→ Costs escalate owing to delayed implementation: as acquired firm managers and employees resist change efforts and do not actively engage in promoting them
Effective cooperation and daily interactions at inter-firm interfaces	• Attention to differences in national cultures • Difficulties owing to language • Negative emotional reactions	Costs escalate owing to complicated interaction patterns: → a disregard to differences in national cultures results in misunderstandings. Language barriers further complicate mutual interaction. → caused by negative emotional reactions on either side		→ Integration costs escalate owing blurred interfaces
Create truly global firm utilising employee diversity and potential in multicultural subsidiaries	• Ethnocentrism (attention to and appreciation of differences in national cultures)	→ Lost organisational effectiveness: owing to demotivated employees who feel they are not accepted as they are	→ Lost opportunity to improve organisational effectiveness	→ Costs escalate: owing to ineffective ways of working across cultures