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# **MANAGING THE CHANGE OF ORGANIZATIONAL CULTURE IN CROSS-BORDER MERGERS AND ACQUISITIONS**

**The role of post-acquisition integration in organizational culture change**

Master's Thesis  
in International Business

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## Table of contents

1	INTRODUCTION .....	5
	1.1 Background to the study.....	5
	1.2 The purpose and structure of the study .....	7
2	THE MANAGEMENT OF ORGANIZATIONAL CULTURE CHANGE.....	9
	2.1 Organizational culture .....	9
	2.2 Organizational change.....	13
	2.3 Acculturation.....	18
3	RESEARCH DESIGN.....	26
	3.1 Research approach.....	26
	3.2 Case selection.....	28
	3.3 Data collection.....	28
	3.4 Data analysis .....	34
	3.5 Trustworthiness .....	36
4	ANALYSIS OF THE RESULTS .....	38
	4.1 The role of organizational culture .....	38
	4.2 Organizational change and acculturation .....	49
5	CONCLUSIONS .....	64
	5.1 The role of organizational culture .....	64
	5.2 Managing the change of organizational culture .....	66
	5.3 Managing organizational culture change through acculturation.....	69
	5.4 Managerial implications.....	71
	5.5 Limitations and suggestions for further research .....	72
6	SUMMARY.....	74
	REFERENCES.....	75
	APPENDICES	
	APPENDIX 1 OPERATIONALIZATION CHART.....	80
	APPENDIX 2 INTERVIEW QUESTIONS (RESPONDENT B), 9.4.2015.....	81

APPENDIX 3	INTERVIEW QUESTIONS (RESPONDENTS C AND D), 10.4.2015	82
APPENDIX 4	INTERVIEW QUESTIONS (RESPONDENT E), 10.4.2015	83
APPENDIX 5	INTERVIEW QUESTIONS (RESPONDENT A), 7.11.2013	84

#### LIST OF FIGURES

Figure 1	The Three Levels of Culture	10
Figure 2	Integration model of structural relationships between acquirer and target	15
Figure 3	Acquired firm's modes of acculturation	20
Figure 4	Acquirer's modes of acculturation	21
Figure 5	The connection between research questions, theoretical framework and empirical data	24

#### LIST OF TABLES

Table 1	Overview of Company X interviews	31
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# 1 INTRODUCTION

## 1.1 Background to the study

Over the years, cross-border mergers and acquisitions (M&A) have become a popular strategic option for variety of firms. They are used as an important instrument for companies worldwide seeking growth, synergies and success. Dick, Ullrich & Tissington (2006, S69) argue that organizations use mergers and acquisitions as strategic means for enhancing profitability and as instruments to deal with the competitive and global environment. However, every merger and acquisition results in an encounter of two previously autonomous corporate cultures (Pribilla 2002, 310). Buono, Bowditch and Lewis (1985, 497) argue that immense amount of adjustment to change is involved in a merger of two formerly autonomous organizations in a comparatively short time-frame. Managing the change is a major challenge and as Larsson and Lubatkin (2001, 1574) state the achievement of acculturation signifies a considerable post-acquisition challenge to acquiring companies. Every acquisition changes the customary pattern and order of activities at both firms and fear, uncertainty and an inclination toward self-preservation on employees' part is fostered by these changes. (Haspeslagh and Jemison 1991, 129.) Companies also often encounter difficulties when merging the two organizational cultures into one, functional organizational culture. Finding ways to overcome these issues and managing the change of organizational culture in a successful manner poses an interesting research question that is further analysed in this thesis. Moreover, cross-national mergers have proven to be especially interesting due to their nature of integrating two different organizational cultures that are set within different national cultures (Larsson & Lubatkin 2001, 1581).

Borys and Jemison (1989, 234) define mergers as a complete consolidation of two, or more, organizations into a single organization and acquisitions as a process of one organization taking over another organization by purchasing it. Similarly, Kogut and Singh (1988, 412) specify acquisitions as a process of purchasing stock in an already existing firm in an amount sufficient enough to attain control. Jagersma describes (cited in Jagersma 2005, 14) acquisitions as "the result of the combination of two companies of different qualities, not necessarily by mutual agreement". However, mergers are the outcome of two equal companies uniting and the consolidation is implemented with the consent of both parties (Jagersma 2005, 14). Jagersma (2005, 17) argues that the reasons behind cross-border acquisitions originate from companies' desires to fortify their strategic position and to achieve these economies of skills. They can prove to be highly valuable for enterprises in various ways such as in firms' capabilities to react more efficiently and competently to the local and global market.

According to Haspeslagh and Jemison (1991, 3) acquisitions have a unique characteristic on their side that cannot be attained through partnerships - an ability to win all the benefits from consolidated assets and shared capabilities. However, according to Cartwright and Cooper (1993, 57) many organizational partnerships do not produce the desired results and prove to be financially disappointing. As Carleton (1997, 67) indicates, between 55-70 percent of mergers and acquisitions fail in their ambitions to attain the sought-after results of increased competitive advantage and growth.

Pribilla (2002, 310) defines a corporate culture as the personality or character of a business and it differentiates a business from all others. Huczynski and Buchanan (2007, 6) describe organization as “a social arrangement for achieving controlled performance in pursuit of collective goals”. Moreover, organizational culture is the informal set of values, beliefs and norms that rule the way individuals and groups in an organization interact with each other and with people outside the organization (George & Jones 2002, 508). It embodies the atmosphere or climate surrounding the organization, predominating attitudes within it, morale, standards, depth of feelings towards it and general benevolence present (Pettinger 2000, 186). Furthermore, Kets de Vries (2011, 67) describes culture as mainly invisibly and intangible contract between an individual and an organization. In addition, organizational culture is the basis upon which an organization’s brand, vision, identity and strategy are founded on (Kets de Vries 2011, 84).

According to Champoux (1996, 121) the change of organizational culture requires taking apart some features of the old culture as well as creating new features. The degree of difference between the old and the desired new culture affects the size and depth of the change. Larsson and Lubatkin (2001, 1575) determine an effective and efficient acculturation process as one of the most demanding post-acquisition challenges for acquiring firms. According to them, acculturation depends largely on how the informal integration process is managed in the acquiring company. In addition, Stahl and Voigt (2008, 173) emphasize the effective management of an integration process as a determining factor in synergy realization. Similarly, Jagersma (Jagersma 2005, 31) determines that appropriate integration is a principal factor when organizations aim to gain a majority of functional and operational synergies. According to Olie (1994, 386) effective merger integration can be defined as “the combination of firms into a single unity or group, generating joint efforts to fulfill the goals of the new organization”. Anderson et al. (2001, 578) state that comprehensive integration of merging companies is required in transferring competence, thus creating value for uniting firms. When beginning the integration decision-making process, it is vital to decide whether changes should be made in one or both organizations (Pablo 1994, 806). Kusstatscher and Cooper (2005, 28) state that in most of the M & A cases the acquiring company assumes that they are doing business better than the acquired, weaker organization and due to that they impose their procedures, products and strategy on the acquired company. Similarly, Weber and Drori (2011, 82) argue that the

acquiring company's management normally determines and imposes the rules, standards, goals and expectations for effective operations in order to coordinate the integration process and achieve synergy. Moreover, Cartwright and Cooper (1993, 58) remind us that integration of two diverse organizations with different cultures and workforces can prove to be a significant managerial challenge for companies. They also continue that failed integration processes can easily lead to problems such as lowered productivity, employee stress, poor morale, high labor turnover and increased sickness absences. Subsequently, Haspeslagh and Jemison (1991, 11) state that value is not created until the human resources of both organizations collaborate and capabilities are transferred, thus post-acquisition integration is successfully performed.

## **1.2 The purpose and structure of the study**

The purpose of this study is to increase understanding regarding the subject of how the organizational culture change can be managed in cross-border mergers and acquisitions. The following chapters will focus on defining important elements of organizational culture, acculturation, management of change and the factors affecting the change of organizational culture in cross-border mergers and acquisitions.

The research question can be divided to sub-questions according to the following:

How to manage the change of organizational culture in cross-border mergers and acquisitions?

- What is the role of organizational culture in organizations?
- How to manage organizational change in mergers and acquisitions?
- How to manage organizational culture change through acculturation?

The aim of the study is to acquire understanding of the processes related to the management of change regarding organizational culture in cross-border mergers and acquisitions. Theories related to organizational culture, the management of change and acculturation are studied and further analysed in relation to a real life acquisition of two previously separate organizations. Sub-questions are formed according to the theoretical framework and relevance to the study in order to be able to answer the research question comprehensively.

The structure of the thesis is as follows. Chapter 1 presents the background of the study and introduces the research questions with its sub-questions. In Chapter 2 essential factors related to organizational culture, the change of organizational culture and acculturation are discussed. Subsequently, Chapter 3 provides the framework for research design and discusses the important factors in relation to the empirical data collection. Furthermore, Chapter 4 presents the analysis of the findings gathered from empirical data collection

process. Conclusions based on the findings are demonstrated in Chapter 5 and managerial implications as well as limitations and suggestions for further research are introduced. Finally, in Chapter 6 a summary regarding the important factors concerning the thesis is provided.

## 2 THE MANAGEMENT OF ORGANIZATIONAL CULTURE CHANGE

### 2.1 Organizational culture

Bratton, Callinan, Forshaw and Sawchuk (2007, 16) determine organizational culture as “a generic term to describe the set of beliefs, norms, artifacts and values that represent the characteristics of an organization, and provides the context for behavior within it.” Furthermore, Kets de Vries (2011, 71 - 72) argues that organizational culture creates the identity and uniqueness of the organization and it embodies all the norms, values, attitudes, behaviours and beliefs of individuals in a company. Moreover, Larsson and Lubatkin (2001, 1576) state that organizational culture is molded by its members’ shared history and presumptions, which create an imperfectly shared system of interrelated understandings. Besides, Bijlsma-Frankema (2001, 194) states that organizational cultures affect their members by providing them with a meaningful way to act. Culture in organization influences its members’ interpretations of varied situations and experiences. Similarly, George and Jones (2002, 537) define organizational culture as an important tool through which an organization motivates and coordinates the behaviour of their members. In addition, Hitt, Miller and Colella (2006, 481) argue that organizational culture indicates the values shared by managers and associates in an organization. Moreover, Bowles and Cooper (2012, 12) define culture as a set of behaviours which is affected by the values held by leadership. Also, Huczynski and Buchanan (2007, 630 - 631) argue that the fundamental strength of a company’s culture rests on the homogeneity of a group membership and the length and intensity of their shared experience in a group. In conclusion, culture can be determined as a “social glue” that creates organizational cohesiveness and guides individual and business behaviour (Cartwright & Cooper 1993, 60). Moreover, organizational culture guides employees and business behaviour in an often unconscious way by providing different values, ideologies, symbols and assumptions that are embedded in the organization (Cartwright and Cooper 1993, 60).

Culture can also be seen as a communal phenomenon (Bijlsma-Frankema 2001, 192). A profound definition for culture is given by Schein (1985, 9) who determines culture as follows:

*A pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.*

Schein (2010, 3) suggests that culture is in constant state of change and it is generated by our interactions with others and shaped by our own behaviour. He continues by stating that culture is to a group what character or personality is to an individual (2010, 14). Moreover, Pettinger (2000, 187) determines that culture is formed from the collection of values, beliefs, traditions, policies and attitudes that dominate throughout the organization. Similarly, Schreyögg (2005, 108) determines corporate culture as a coherent system of values, symbols and basic assumptions. The emphasis is on cultural values and artifacts of one specific system.

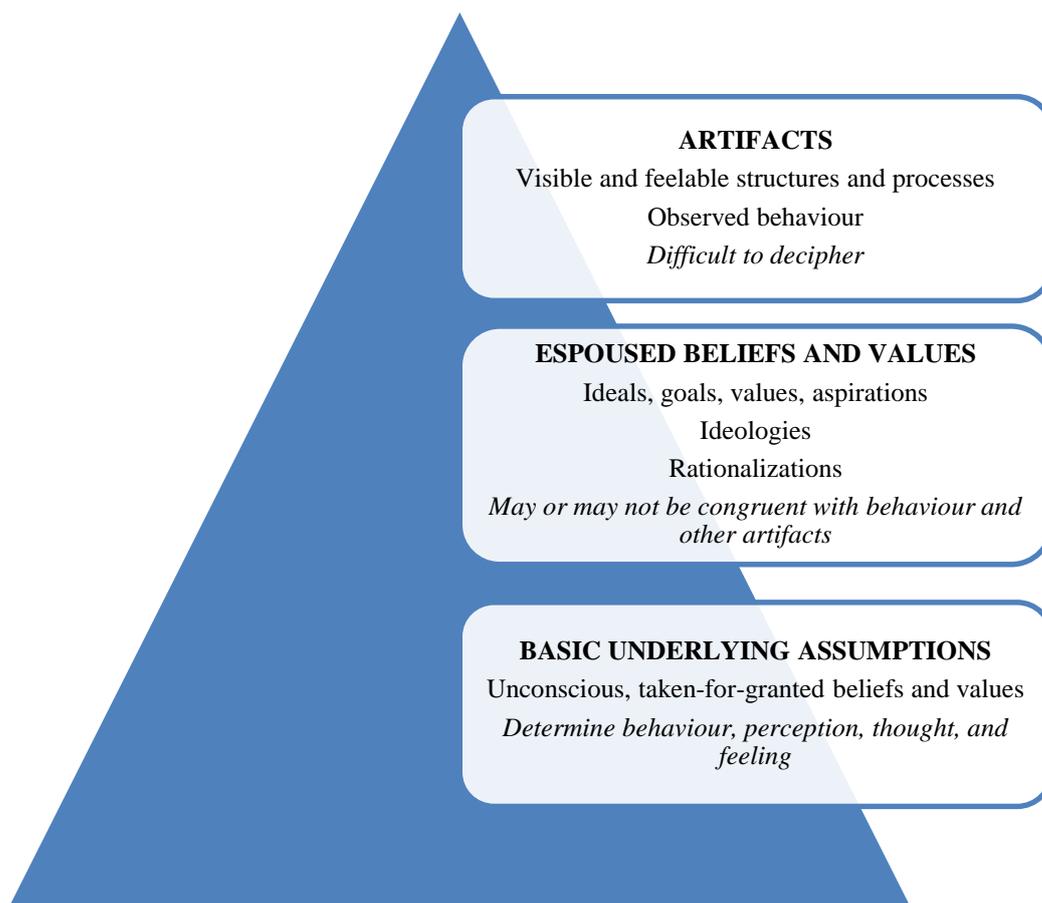


Figure 1 The Three Levels of Culture (Schein 2010, 24)

Schein (2010, 24) has formed a model describing three levels of organizational culture. The first level of culture are artifacts which are observable and tangible aspects of the workplace as well as symbols of an organization's culture (Bratton et al. 2007, 86). Schein (1985, 14) describes artifacts and creations as the most visible level of culture. Artifacts include the visible products of the group, such as its observable ceremonies and rituals; its language; its artistic creations; architecture of its physical environment; its technology

and products; its style, as embodied in manners of address, clothing and emotional displays; and its published list of values. Artifacts also include structural elements such as organization charts, charters and formal descriptions of how the organization works. (Schein 2010, 23 – 24.) Champoux (1996, 105) adds attire, smells, sounds, products and behaviour to the list of artifacts. Huczynski and Buchanan (2007, 626) summarize artifacts as material objects created by human hands designed to facilitate culturally expressive activities. Moreover, Champoux (1996, 106) describes artifacts as a clues to an organization's culture. According to Schein (2010, 24) the main point to understand about this level of culture is that it is both very difficult to interpret and straightforward to observe. Therefore, Schein (2010, 25) reminds that attempting to conclude deeper assumptions from artifacts alone is risky as person's interpretations will unavoidably be projections of his or her own reactions and feelings. The meanings of artifacts gradually become explicit in the event that the observer is part of the group long enough. In order to reach to this level of understanding more quickly, Schein (2010, 25) advises to communicate with the insiders to analyse the espoused norms, values and rules that provide the everyday operating principles by which the members of the group guide their behaviour.

At the second level of Schein's model are the espoused values and beliefs. These refer to the normative aspects of the organization and they signal organizational users and members what ought to be rather than what is (Bratton et al. 2007, 86). Pettinger (2000, 38) defines values as the absolute standards by which people order their lives. Similarly, Bratton et al. (2007, 535) determine value as a collective idea about what is desirable or undesirable, good or bad, and right or wrong in a particular culture. They continue by stating that values are established, lasting beliefs about what is important in array of situations. According to Huczynski and Buchanan (2007, 628 - 629) organizational values are general tendencies to prefer certain states of affairs to others and these values are operationalized into company procedures and practices. Moreover, Bowles and Cooper (2012, 25) specify values as a set of beliefs about the world which drive how we behave. They continue by remarking that values are one of the most important factors in any organizational culture. Moreover, Pettinger (2000, 42) specifies beliefs as the certainties of the world, which provide the foundation for other values, chosen behaviour and attitudes. According to Schein (1985, 15 - 16) when a group faces a new issue, task or problem, the first solution suggested to manage it can only have the status of a value because the group does not yet have a shared basis for determining what is true and factual. Assuming that the proposed solution works and the group shares the perception of success, the value starts a gradual process of cognitive transformation into a belief and, eventually, an assumption. Schein (2010, 26) remarks that only those values and beliefs that continue to work reliably in solving the group's problems and that can be empirically tested will transform into assumptions. The espoused beliefs and moral as well as ethical rules guide the members of the group in training new members how to behave and in how to deal

with certain key situations. They remain conscious and are distinctly articulated as well as often become embodied in organizational philosophy or ideology, which consequently serves as a guideline in challenging or uncontrollable events.

The third level of culture in Schein's model consists of basic underlying assumptions. Huczynski and Buchanan (2007, 630) describe basic assumptions as preconscious, invisible and taken for granted understandings held by individuals in relation to aspects of the nature of reality, human behaviour and the organization's relationship to its environment. Bratton et al. (2007, 87) define basic assumptions as ways of accomplishing organizational goals and taken-for-granted thinking. Examples of these are supposed methods of effectiveness or efficiency and standard administrative procedures. Champoux (1996, 106) argues that as culture matures, many values turn into basic assumptions. These concern many facets of human relationships within the organization, human behaviour, and relationships with elements in the organization's external environment. Schein (2010, 28) defines basic assumptions for so taken for granted that only little variation within social can be found. He continues by remarking that in the event that a basic assumption becomes predominant in the group, behaviour based on any other premise will found inconceivable. Furthermore, basic assumptions are remarkably difficult to change as they often are nondebatable and nonconfrontable. Schein (2010, 28) argues that in order to learn something new with regard to basic assumptions individuals need to re-examine, resurrect and perhaps change some of the more stable portions cognitive structure, thus leading to a release of large quantities of basic anxiety. Moreover, Schein (2010, 217) asserts that culture will be as strong as the group's learning has made it, as culture is a learned set of responses. Emotionally intense experiences bring the group closer together and the more the group has shared these experiences, the stronger the culture of that group will be. If a group works functions successfully, it will reassert its assumptions about itself and its environment, hereby solidifying whatever culture it has developed. (Schein 2010, 217.)

As a result of the previous statements, it can be concluded that organizational culture has a vital role in organizations. Organizational culture is like a corporate fingerprint (Fincham and Rhodes 2005, 537) and it is what distinguishes one organization from other similar organizations (Keyton 2005, 30). In addition, organizational culture is not replicable as each organization is unique with different sets of goals, employees, resources, business opportunities and challenges (Keyton 2005, 73). In the coming chapters, the change of organizational culture is further examined.

## 2.2 Organizational change

According to George and Jones (2002, 645) organizational change is the movement of an organization away from its current state and toward sought-after future state in order to increase its effectiveness. Awal, Klingler, Rongione and Stumpf (2006, 79) argue that the change of culture in general means changing some of the organization's beliefs, values and accustomed ways of doing things. They continue by remarking that changes such as these are often disruptive. Moreover, Hellriegel, Slocum and Woodman (1989, 29) propose that the management of change consists of shaping the actual behaviours of employees and adjusting an organization to the demands of the environment. In addition, Lees (2003, 206) argues that changes in visible behaviour or artifacts have to be accompanied by changes in thought as well. A collective change in thinking at public, private and unconscious levels has to happen in order for culture to change.

Schein (2010, 294) argues that when two organizations are merged or when one organization acquires another organization, a culture clash is unavoidable as it is improbable that two organizations will have the same culture. Schein suggests that the situation can be managed in three ways. First, the two cultures are left alone to carry on evolving in their own way. Second scenario is one culture dominating and by degrees either converting or excommunicating the members of the other culture. Lastly, a third alternative is to integrate the two cultures by choosing elements of both cultures for the new organization. Lees (2003, 114 - 128) offers another view on organizational change in mergers and acquisitions. Lees (2003, 114-128) argues that the first crucial consideration in integration planning is the decision about the structural relationship between the merging firms. He has formulated an extensive model of different acquisition possibilities relating to the relationship choices between uniting companies. The model is composed of six different alternatives and two actors, an acquiring company and a target company, is illustrated in figure 2. According to Lees Model 1 refers to a wholly independent and structural relationship whereby acquisition is approached mainly as an investment. The capabilities and potential the target already controls are the value creative elements in this model. In the second model, Lees illustrates a substantially autonomous relationship between the acquirer and the target company. This model leaves divestment as an easy option if the acquisition does not produce its desired results and synergies. The value in this deal builds up from target companies' managements' attempts to improve business performance whilst preserving business as usual. The third model is a description of a substantially merged relationship. In this model change can cause several reasons for organizational collisions. Lees defines these clashes by introducing five motives which are loss of control, culture clash, split organization, political agendas and eyes off the market which means a situation where merging of two companies lead managers to concentrate too much on internal business operations, forgetting the competitive market situation.

(Lees, 2003, 114-128.) Model 3(a) illustrates a variation on partial merging that is suitable for acquisitions in the high-tech or knowledge sectors. Next, Model 3(b) portrays a mutually merged relationship in a situation where two companies decide that they will create a combined organization that uses the best practices from both companies. Lastly, Lees states that the Model 4 describes the form of mergers and acquisitions that most classical economists think when they ponder on achieving economies of scale by merging. In this model the acquired organization is completely merged into the buyer's business activities. Lees also gives examples of situations where full merging is likely to happen. (Lees 2003, 114-128.) First of all, full merging often occurs in horizontal deals where the acquirer has a well-known significant capability in the industry or sector and it is dominant to the target firm. In the second situation merging is often done when related companies pursue for growth through a new, fully integrated organization. As a third option Lees offers a situation where companies are merging in an attempt to take capacity out of an industry. In the fourth situation for potential full merging Lees sees a scenario of buying to in-fill merger which can mean for example a situation of an acquirer buying a production plant in order to fill a gap in a product range. (Lees 2003, 128.)

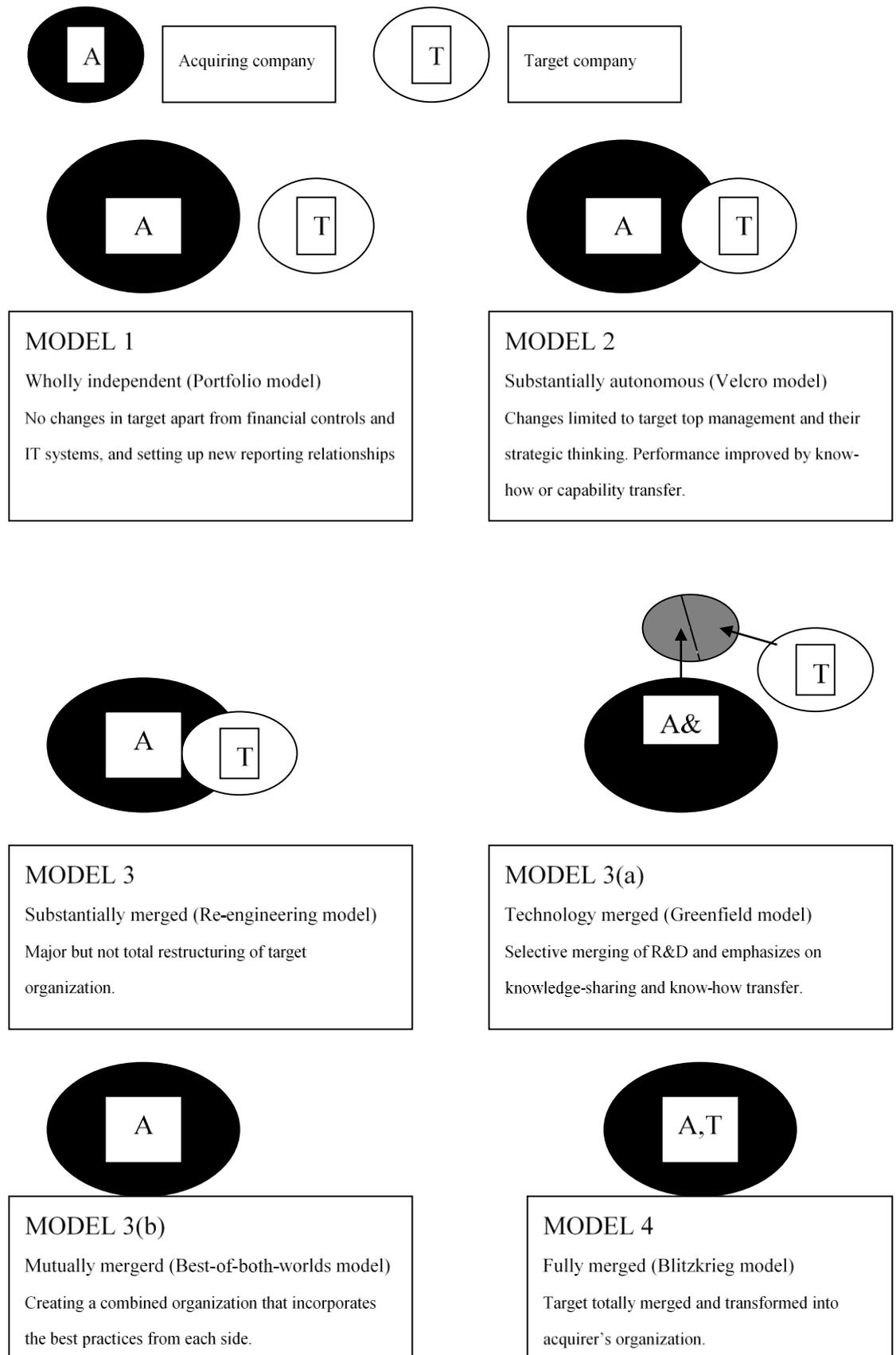


Figure 2 Integration model of structural relationships between acquirer and target (adapted from Lees 2003, 116)

Huczynski and Buchanan (2007, 632) argue that employees generally respond to a new culture in three ways. According to them employees can submit enthusiastically and completely to the new cultural values; they may capitulate and change their outward behaviour but not their internal values, thus faking it; or they may resist the new culture and be defensive. Furthermore, Awal, Klingler, Rongione and Stumpf (2006, 81) state that member's relationships with each other as well as their relationships with the organization's various stakeholders are redefined in consequence of the change in organizational culture. Keyton (2005, 69) reminds that although organizational culture is generally believed to be management driven, the employees also affect it by resisting, rejecting, accepting or subverting management efforts. She continues by adding that culture can be facilitated, albeit not dictated.

George and Jones (2002, 650) state that norms and values in an organization's culture can act as a source of resistance to change. An organization's culture will cause resistance to change, if organizational change interferes with taken for granted norms and values and force people to change their behaviour. Similarly, Champoux (1996, 122) suggests that strong resistance to change can develop when culture change disturbs established social patterns or affects the parts of the old organizational culture that the members of that culture value. Furthermore, George and Jones (2002, 650) add that occasionally norms and values are so strong even when it is explicit that a new strategy must be adopted and the environment is changing, managers cannot change as they committed to their present way of doing business. Moreover, Kets de Vries (2011, 86) argues that resistance is expressed when long-term cultural assumptions are threatened and challenged. Employees expressing positive emotions regarding the merger and acquisition are more likely to demonstrate higher commitment to the new organization, to identify with the post-merger company and to abandon the previous organizational identity. However, negative emotions concerning the merger or acquisition may result in a stronger identification with the old pre-merger organization. (Kusstatscher & Cooper 2005, 44.) Cartwright and Cooper (1993, 60) offer a strong opinion on cultures by arguing that cultures, and especially strong cultures, are not even meant to change, thus leading to a conclusion that the odds are against successful cross-border mergers and acquisitions. Nevertheless, Champoux (1996, 122) reminds that resistance to change is an ordinary reaction to any shape of organization change. Moreover, Beckhard (1988, 93) remarks that change leaders must acknowledge that they will encounter resistance and that they must attempt to understand why this resistance is occurring and take it seriously.

Keyton (2005, 73) emphasizes that only enacted values can create a culture. According to her culture cannot be created by espoused values nor discussing about the changes to the culture will not change it. The most significant tool for accomplishing change in organizational culture is leader behaviour and role modelling (Schein 1983, according to

Keyton 2005, 145). Furthermore, in order to confirm new cultural assumptions and values leaders must walk the talk which means that espoused values must also become enacted values. Keyton (2005, 145 - 146) argues that leaders govern organization's resources and therefore can reinforce their assumptions and value by using formal management mechanisms such as deciding how rewards are distributed, where attention is directed and what gets measured. Consequently, these actions initiate a series of practices and procedures that make other organizational members to act the same way. Leaders can also directly influence culture by choosing which rituals or rites are supported in the organization. Leaders' engagement in these activities and the sincerity in relation to interaction with employees provide signals regarding to what is valued in the organization. Examples of the activities can be for instance company picnics held for the staff or annual sales award dinners. (Keyton 2005, 146 – 147.)

Keyton (2005, 130 – 131) introduces two reasons why cultural change is very difficult to implement regardless of how well the cultural change has been planned. According to Keyton cultures are symbolically constructed and therefore cultural change cannot be forced. Norms, values and artifacts change in the course of time and as values cannot be dictated. Keyton (2005, 131) suggests that a change in values is only materialized after a core group of organizational members relate to the values as their own and construct artifacts and norms to sustain that value. Also, although intentional changes in organizational culture are in general put into effect by management, they are not absolutely followed by them. Keyton points out that managers do not possess a full control of culture and intentional change attempts often fail as the planned changes are inconsistent with the previously established local culture. Consequently, Sinkovics, Zagelmeyer and Kusstatscher (2011, 43 - 44) argue that throughout the merger and acquisition integration process intensive, regular and open communication is vital. It effects positively on employees' emotions and enhances the feelings of security. They continue by stating that a trustworthy, familiar and informative superior is crucial for employees during periods of major significant organizational change and high level of uncertainty. It is important for employees to be prepared for the changes as well as be informed about the negative consequences of those changes. Similarly, Stahl and Mendenhall (2005, 342) emphasize top management's essential role in a merger as it imposes the direction to the new company as well as promotes and symbolizes its unity. Moreover, Sinkovics, Zagelmeyer and Kusstatscher (2011, 44) state that employees expect strong leaders in the post-acquisition process. Furthermore, Keyton (2005, 162) argues that managers can impact their organizational culture by communicating what is important. Sinkovics, Zagelmeyer and Kusstatscher (2011, 44) propose that an explicit correspondence between behaviour and communication is necessary. Messages must be coherent in order to avoid discrepancies that result in reactions with negative emotions and resistance to change. Keyton (2005, 135) suggests that leaders can facilitate organizational change by generating a positive

organizational spirit, enhancing employee's identification with the company and by establishing employee commitment. Second, the empowerment of employee participation in the process is another way to enforce successful change.

## 2.3 Acculturation

According to the Oxford English Dictionary acculturation means the adoption and assimilation of an alien culture. Berry (2005, 698-699) defines acculturation as the dual process of psychological and cultural change that occurs in consequence of contact between two or more cultural groups and their individual members. At the individual level, acculturation includes changes in a person's behavioural repertoire. At the group level, it encompasses changes in cultural practices as well as in social institutions and structures. Similarly, Berry has defined acculturation as a process where new and assimilated models are created by intercultural borrowing through the unceasing transmission of characteristics and elements between different peoples (Berry, cited in McEntire & Bentley 1996, 156). Larsson and Lubatkin (2001, 1574) define acculturation as a following way:

*Acculturation in mergers and acquisitions (M&As) is the outcome of a cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture.*

Moreover, McEntire and Bentley (2001, 154) argue that the acculturation process is especially challenging when the pre-merger organizations are competitors since prior attitudes of intensive rivalry must be forgotten and new ideas of cooperation need to be embraced. In addition, Berry (2008, 330) states that acculturation produces change in either or both groups. Contrary to Cartwright and Cooper's studies on acculturation in the early 1990's which emphasize the importance of pre-merger cultural attributes as the defining factors for post-merger acculturation, Larsson and Lubatkin (2001, 1575) propose that the achievement of acculturation depends largely upon how the acquiring firm manages the informal integration processes. These are for instance the amount of socialization and coordination efforts exercised by the buying firm and its reliance on social controls. Consequently, Larsson and Lubatkin (2001, 1573) allege that "acculturation is best achieved when the buying firms rely on social controls". By social controls Larsson and Lubatkin mean organizations' participation in activities such as training, retreats, introduction programs, celebrations and similar socialization rituals. These activities assist companies in providing a satisfying environment for the employees who can create a united organizational culture regardless of anticipated presumptions of synergies and differences in nationalities and cultures. According to Larsson and Lubatkin (2002, 1579)

social controls are informal and non-authoritarian and they consist of coordination efforts such as task forces and transition team, which underline teamwork, informal communication and cooperation. Moreover, Larsson and Lubatkin (2002, 1578-1579) profess the acquiring firm can try to impose its assumptions, values and beliefs onto the acquired company by changing the target firm's top management, formal structure, name as well as operations and reward systems. They continue by stating that the more formal integrating mechanisms are used to impose buying firm's culture onto the acquired firm, the less likely it is to achieve acculturation. On the other hand, the more the acquiring company resorts to social controls, such as shared experiences or joint socialization, the greater the opportunity to achieve acculturation. Buono et al. (1985, 498) suggest the following regarding the importance of shared experiences:

*Since subjective culture evolves over time as a product of shared experience, when attempting to merge two firms, the greater the number of these shared experiences that can be reproduced within a period of time, the faster a repertoire of symbols and shared meanings will develop with which the merged group of members can begin to identify, and a new culture can begin to take hold.*

Larsson and Lubatkin (2002, 1594) conclude that employees are likely to create a joint organizational culture on their own volition if the affected employees are involved in socialization activities, such as trainings, celebrations, introduction programs, joining retreats as well as other socialization rituals. Allowing autonomy is another prerequisite in that because in case autonomy is restricted additional social control mechanisms are required. Informal coordination efforts such as temporary personnel rotation and change, transitions teams as well as senior management involvement are examples of such mechanisms. Similarly, Haspeslagh and Jemison (1991, 143) remark that one of the most significant challenges a manager will face after an acquisition is dealing with the perceived need of autonomy. Regardless of the expectations of synergies, differences in nationalities and cultures and the relative organizational size, joint informal interactions seem to be effective in achieving acculturation (Larsson & Lubatkin 2002, 1594, 1598 – 1595). However, Larsson and Lubatkin (2002, 1595) remind that if the use of social controls is neglected, that is by acting like a conqueror, disregarding the legitimate beliefs of the target firm and by attempting to impose acculturation through edict, resistance will occur. Finally, Berry (2009, 365) reminds that acculturation is a two-way interaction. Culture contact results in actions and reactions to the contact situation and following such contact no cultural group stays immutable.

Berry has formulated an acculturation model that comprises of four different modes (Berry 1983; 1984, according to Nahavandi and Malekzadeh 1988, 82). Acculturation

happens through four modes depending on the scale to which members value and are satisfied with their existing culture and their assessment of the attractiveness of the other culture (Cartwright and Cooper 1993, 65). These modes are assimilation, deculturation, integration and separation. Nahavandi and Malekzadeh (1988, 82) determine that these modes define ways in which groups solve conflicts and adjust to each other.

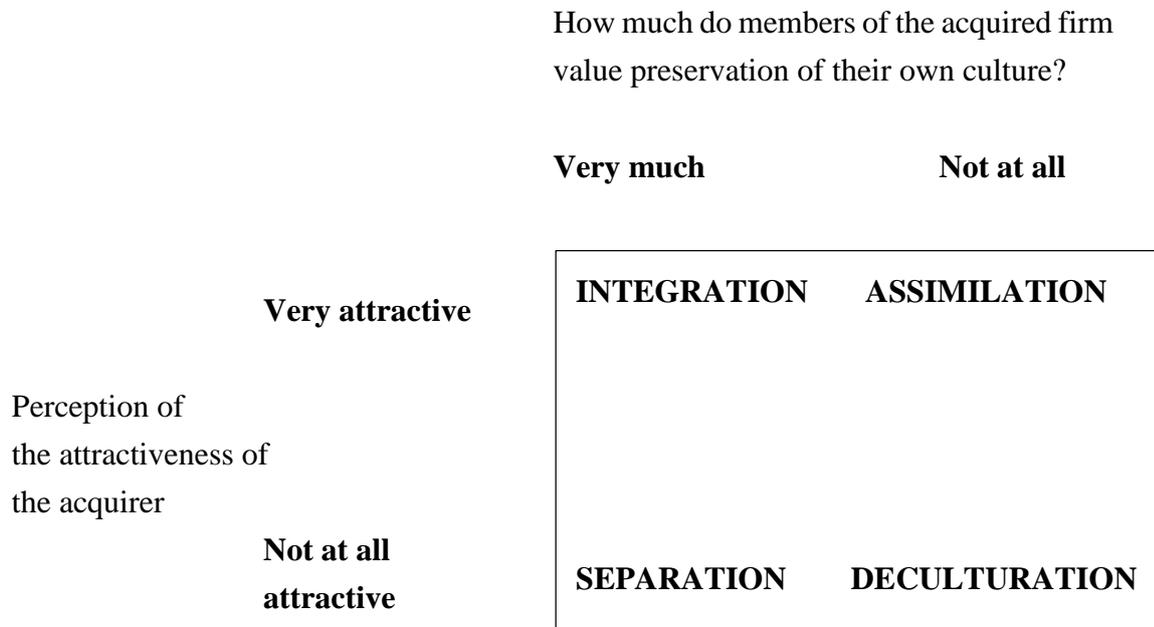


Figure 3 Acquired firm’s modes of acculturation (Berry 1983, according to Nahavandi and Malekzadeh 1988, 83)

Figure 2 illustrates the different ways through which the organizational practices, systems and cultures of two firms can be combined. The way in which the acquired companies and acquirers approach the implementation of the merger define the course of acculturation. The preferred mode of acculturation from the acquired firm’s perspective is specified by the degree to which members want to maintain their own organizational practices and culture and to the degree to which they are inclined to adopt the acquirer’s practices and culture. (Nahavandi and Malekzadeh 1988, 83). Kusstatscher and Cooper (2005, 22) argue that the acculturation mode depends on factors such as on how far company members refuse or adopt the partner’s culture or whether they want to retain or abandon their own organizational culture. However, the preferred mode of acculturation from the acquirer’s perspective is determined by the diversification strategy concerning the type of merger and by the degree to which the firm is multicultural (Nahavandi and Malekzadeh 1988, 83). Acquirer’s modes of acculturation are presented in Figure 4.

Culture: Degree of Multiculturalism

		<b>Multicultural</b>	<b>Unicultural</b>
Diversification Strategy: Degree of Relatedness of Firms	<b>Related</b>	<b>INTEGRATION</b>	<b>ASSIMILATION</b>
	<b>Unrelated</b>	<b>SEPARATION</b>	<b>DECULTURATION</b>

Figure 4 Acquirer's modes of acculturation (Berry 1983, according to Nahavandi and Malekzadeh 1988, 84)

Nahavandi and Malekzadeh (1983, 83) define multiculturalism as the degree to which an organization values cultural diversity and is prepared to encourage as well as to condone it. An organization is classified as multicultural if it contains many different cultural groups and it values diversity (Sales & Mirvis 1984, according to Nahavandi and Malekzadeh 1988, 83). In case an acquirer is multicultural, diversity is most likely seen as an asset and consequently it will permit the acquired company to maintain its own culture and practices. However, if an acquirer is unicultural, uniformity is underlined and observance to unique strategies, organizational practices and goals is rewarded. As a result, the acquirer more probably imposes its own management systems and culture on a new acquisition. (Nahavandi and Malekzadeh 1988, 83 - 84.) Diversification strategy with relation to the type of merger is a second factor that defines the mode of acculturation for the acquirer, thus referring to the degree of relatedness between the acquirer and the acquired companies. Walter (1985, according to Nahavandi and Malekzadeh 1988, 84) suggests that in an effort to achieve operating synergies the acquirer more probably imposes some of its practices and culture in case the merger is with a company in a related business. However, in case the merger is with a firm in an unrelated business the acquirer less likely interferes with the practices or culture.

Cartwright and Cooper (1993, 65 - 66) define assimilation as a process in which members of the acquired organization willingly relinquish their existing culture as well as absorb and merge into the culture of the dominant merger partner or the acquirer. Nahavandi and Malekzadeh (1988, 82) argue that this may happen in an acquired firm that has been unsuccessful and in which its culture and practices are seen by its employees and managers as dysfunctional and as a hindrance to organizational performance. From an acquirer's

perspective, assimilation is the most probable mode of acculturation if the merger is with a related company and the acquirer is unicultural (Nahavandi and Malekzadeh 1988, 87). In conclusion, the acquired firm will cease to exist as a cultural entity and the acquired firm will be merged into the acquirer. Resistance and unwillingness to abandon their previous culture may lead to separation which may result in acquirers displacing resisters as acquirers often aspire to strengthen assimilation (Cartwright and Cooper (1993, 66). Assimilation is the most likely mode

However, deculturation occurs when members of the acquired organization are unsatisfied with the existing culture, whilst at the same time unconvinced as to the appeal of the other culture (Cartwright and Cooper 1993, 66). They do not value their own organizational culture, systems or practices nor desire to be absorbed into the acquiring firm. Thus, it is probable for the acquired firm to disintegrate as a cultural entity. (Nahavandi and Malekzadeh (1988, 82). Cartwright and Cooper (1993, 66) argue that this results in employees experiencing alienation and confusion. Nahavandi and Malekzadeh (1988, 87) add that deculturation is the most feasible mode of acculturation when the merger is with an unrelated firm and the acquirer is unicultural.

Third mode in the model is integration. In this situation both adaptation and interaction exist between the two cultures which results in development of a new culture representing the best of each culture. However, this occurs rarely as this presumes change and complete balance between the two cultural groups. (Cartwright and Cooper (1993, 66). Berry (2005, 705) determines that integration is a possible option when both sides are interested in maintaining one's own heritage culture while interacting daily with other groups. Similarly, Nahavandi and Malekzadeh (1988, 82) argue that integration is induced when members of the acquired company want to stay independent and autonomous as well as maintain their own culture and identity. Integration does not involve loss of cultural identity by either parties even though it presumes mutual contributions by both groups and it includes adaptation and interaction between two cultures. Consequently, employees of the acquired firm attempt to preserve many of the cultural elements, beliefs, basic assumptions and organizational systems and practices that makes them unique. In addition, they are also willing to be merged into the acquirer's structure. (London 1967, according to Nahavandi and Malekzadeh 1988, 82). Nevertheless, Nahavandi and Malekzadeh (1988, 82) remind that integration is feasible only if the acquirer is prepared to permit such independence. This mode of acculturation is most likely for the acquirer in case the merger is with a related company and the acquirer is multicultural (Nahavandi and Malekzadeh (1988, 87).

Fourth mode is separation and it happens when members of the acquired organization oppose any effort to adapt to the culture of the acquirer or assimilate (Cartwright & Cooper 1993, 66). According to Berry (2005, 705) separation occurs when individuals desire to avoid interaction with others and they want to hold on to their original culture.

Similarly, Nahavandi and Malekzadeh (1988, 82) state that in this situation members of the acquired company object to any effort at conciliation and adaptation and they aim to remain completely separate from the acquirer. In conclusion, separation denotes minimal cultural exchange between the two companies. For the acquirer, separation is the most likely mode of acculturation when the merger is with unrelated firm and the acquirer is multicultural (Nahavandi and Malekzadeh (1988, 87). In addition, Nahavandi and Malekzadeh (1988, 82) remark that in organizations the acculturation process can be disregarded if most members of the acquired company are made redundant or by leaving the organization the members can choose not to approve the culture of the other organization. In conclusion, Cartwright and Cooper (1993, 66) propose that integration, assimilation and sanctioned separation can potentially attain satisfactory employee and organizational merger and acquisition outcomes.

Nahavandi and Malekzadeh (1988, 84) argue that merger results in less organizational resistance and acculturative stress when two organizations agree on the preferred mode of acculturation prior the merger. They continue by adding that the degree of congruence concerning each other's preference for mode of acculturation is a key factor in the successful implementation of the merger as the merging organizations may not possess the same preferences with relation to a mode of acculturation (1988, 84). In case the merging organizations do not agree on the acculturation mode, incongruence presumably results in disturbance with individual and group functioning as well as in substantial acculturative stress. Consequently, incongruence may lead to active resistance to absorb any of the acquirer's systems and the departure of key managers and other respected employees. On the other hand, conformity will ease the implementation of the merger and lead to minimal acculturative stress. (Nahavandi and Malekzadeh 1988, 84 - 86. Finally, it is noteworthy to notice that one or more of the modes of acculturation may be in progress simultaneously (Nahavandi and Malekzadeh 1988, 86) as organizations differentiate themselves in the course of time into many subcultures (Schein 2010, 296). Similarly, Keyton (2005, 75 states that organizational culture can be divided into subcultures or it can be organized as a unity. In case the organizational culture is structured as a consensus, organizational members share highly similar or integrated meanings for cultural elements. Moreover, Keyton suggests that think of united and strong culture is generally seen as the ideal organizational culture and as the goal of management. Furthermore, Kets de Vries (2011, 82) adds that large, complex organizations often have a number of subcultures that form the beliefs, attitudes and perceptions of individuals in specialized groups, professional disciplines and specific departments. Hitt et al (2006, 503) argue that while some of the subculture's values are similar to the organization's values, some of them are dissimilar from it and are founded on values shared by a group rather than by an organization as a whole. Consequently, acculturation may take dissimilar courses for various sub-

groups within the acquired organization and Nahavandi and Malekzadeh (1988, 86) emphasize that acquirers should take various subcultures into consideration and realize that each subculture may need to be managed differently.

The theories introduced in this thesis related to organizational culture, organizational change and acculturation provide an interesting theoretical framework in relation to the research question “How to manage the change of organizational culture in cross-border mergers and acquisitions?”. Theories introduced in Chapter 2.1 regarding organizational culture function as a basis for all the other theories presented in this thesis as the all of them are related to organizational culture. Next, Chapter 2.2 illustrates the realities, possibilities and challenges concerning organizational change in mergers and acquisitions. Finally, in Chapter 2.3 theories related to acculturation are presented. Moreover, Chapters 2.1 and 2.2 build the basis for Chapter 2.3 as acculturation is founded on the change of organizational culture. Accordingly, the theories presented in this thesis are later analysed and compared with the empirical data collected from the case Company X.

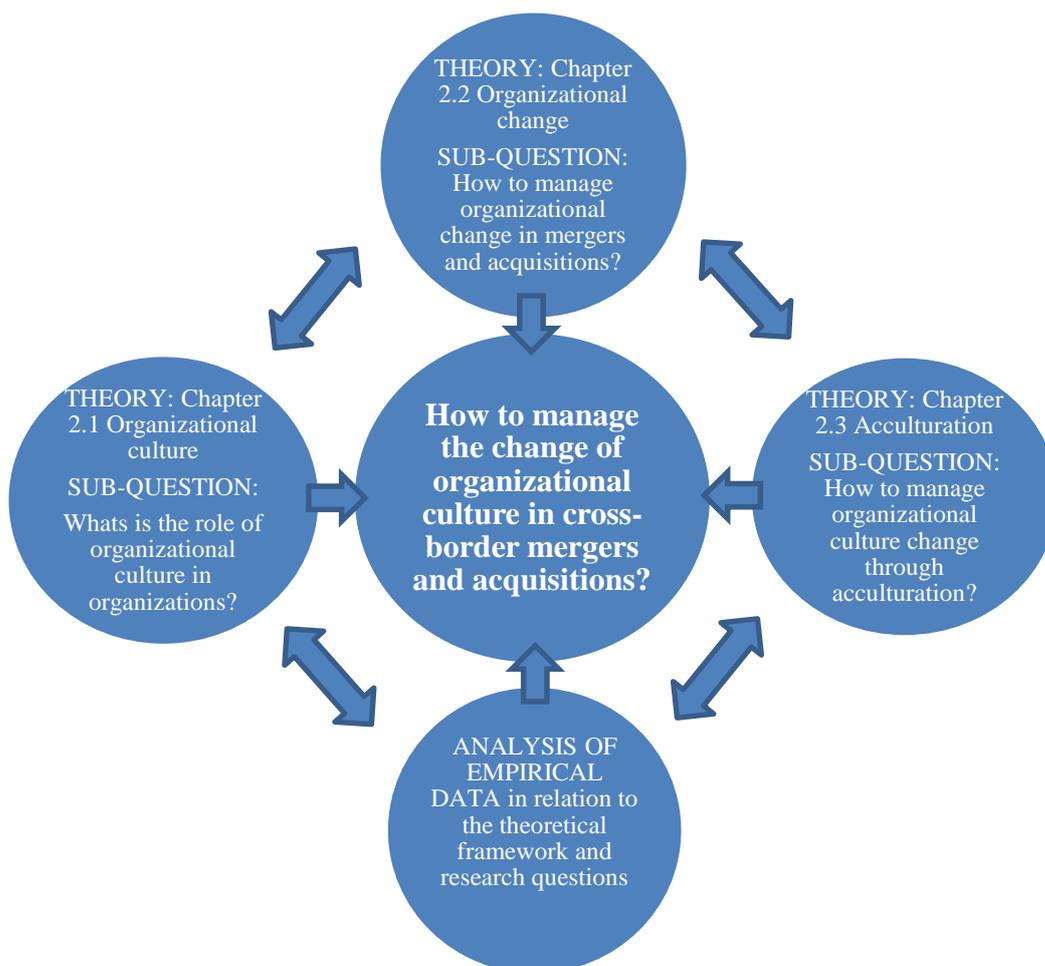


Figure 5 The connection between research questions, theoretical framework and empirical data

Figure 5 illustrates the relationship between research questions, theoretical framework and empirical data in this thesis. The research question “How to manage the change of organizational culture in cross-border mergers and acquisitions?” is analysed in relation to the theories presented in this thesis, sub-questions and the empirical data collected by the researcher. All of these are connected to each other and together they formulate the basis for analysing the research question. Next chapter introduces the research design of this thesis and discusses the process of collecting, analysing and presenting the data. Finally, the results are analysed in Chapter 4 and the conclusions based on the results are presented in Chapter 5.

### **3 RESEARCH DESIGN**

Denzin and Lincoln (1994, 14) describe research design as a flexible set of guidelines connecting strategies of inquiry to theoretical paradigms and methods for collecting data. Moreover, Silverman (2001, 4) continues by defining methodology as the choices researcher makes about methods and data collection, case selection, form of data analysis in planning and executing a research study. In this chapter research approach, case selection, data collection, data analysis and the trustworthiness of the study are discussed. The structure of the research design chapter is as follows. In the sub-chapter 3.1 general issues concerning different research approaches, methodological decisions and research strategies are discussed in detail. Subchapter 3.2 introduces the case Company X and explains the decisions related to case company selection and confidentiality as well as provides information about the Company X and the acquired target Company Y. In the data collection subchapter 3.3, different data collection methods, interview types and the progression of the data collection process are discussed. Subchapter 3.4 presents the data analysis process. Finally, the trustworthiness of the study is evaluated in subchapter 3.5. The conclusions of the study are portrayed in Chapter 4.

#### **3.1 Research approach**

Silverman (2001, 25) proposes that the choice of research method should depend on the purpose of the study. Similarly, Eriksson and Kovalainen (2008, 27) suggest that the research question and its focus determine the suitable choice of method. Moreover, Alasuutari (1994, 82) defines methods as practices that researcher may use as a means to produce, process and analyse observations. Furthermore, Silverman (2001, 4) determines methods as specific research techniques. This study is conducted as a qualitative case study research because qualitative research method and case study approach proved to be the most suitable research methods for this thesis. Hirsjärvi, Remes and Sajavaara (1997, 130) describe case study as a research providing detailed, intensive information about a singular case or a small group of interrelated cases. Moreover, Eisenhardt (1989, 534) defines case study as a research strategy which aims to understand the dynamics present within single settings. According to Siggelkow (2007, 22) case study research can generally allow closer access to theoretical constructs and offer more convincing arguments about causal forces than extensive empirical research can. In addition, Siggelkow (2007, 21) lists inspiration, illustration and motivation as important uses for case research. The case study approach in this thesis allowed the researcher to gather detailed information regarding a complex and interesting acquisition and therefore compare the theories re-

lated to this research field to an actual, real life acquisition. Moreover, Eriksson and Kovalainen (2008, 116) argue that one reason for the popularity of the case study research is due to its capacity to present multifaceted business issues in understandable, personal and practical format. Furthermore, Siggelkow (2007, 20) argues that choosing a particular organization exactly is often desirable as it may provide certain insights that other organizations would not be able to give.

Kirk and Miller (1986, 10) define qualitative research as a socially located, empirical phenomenon, characterised by its own history. Denzin and Lincoln (1994, 4) propose that the word qualitative implies an emphasis on meanings and processes that are not precisely measured or examined in terms of intensity, quantity, frequency or amount. The typical features of qualitative research are the use of inductive analysis and qualitative methods in data collection, each case is seen as unique and the data is analysed according to that, research plan evolves in the course of the study, research is comprehensive in nature and the data is collected in natural, actual situations (Hirsjärvi et al. 1997, 165). Similarly, Boeije (2010, 119) describes the qualitative research process as the alternation between data analysis, data collection and sampling. The process is presented as an iterative, cyclical, spiral-shaped or recursive procedure. All the above mentioned characteristics of qualitative study apply for this study. The research plan evolved in the course of the study and the further the case was studied, the more dimensions it provided for the researcher to analyse and to focus on, thus offering an iterative and cyclical process of data collection, data analysis and comparison between the theoretical framework and the collected empirical data. Inductive reasoning was used in the study and as Eriksson and Kovalainen (2008, 22 - 23) suggest the research process in inductive reasoning begins from empirical materials and not from theoretical propositions. Similarly, Eriksson and Kovalainen (2008, 21) continue by adding that inductive reasoning relates to more generic statements and claims drawn from observed case. In addition, Silverman (2001, 4) divides four significant methods used by qualitative researcher into analysis of texts and documents, observation, interviewing, recording and transcribing. All of these were used in this research process and these methods will be further discussed in data collection chapter 3.3. Moreover, as Eriksson and Kovalainen (2008, 37-38) argue the key to success in qualitative business research is researcher's ability to define and redefine the research questions throughout the research and understanding the concept of research being an iterative process where the adjustment of data collection and research design, theoretical concepts, research questions, analysis and findings is a constant process.

### **3.2 Case selection**

The Case Company X is chosen for this study due to its several cross-border acquisitions performed during the past decade and its strategy regarding the implementation of its unified corporate culture into the acquired companies. Its acquisition of Company Y allows us to study further the role of organizational culture in cross-border mergers and acquisitions, the acculturation processes and how the change of organizational culture was managed. Company Y was a wholly owned subsidiary of Company Z and it employed 100 – 500 employees at the time of the acquisition.

Company X operates in the service sector. It is a leading company in its field of business and its net revenue in 2013 was 200 – 800 million euros. It currently has 1000 - 5000 employees in 5 – 15 countries. Confidentiality relates to data and the agreement concerning how the data is covered in the research in order to secure privacy. Examples of such data are field notes, records, digital recordings of interviews and transcripts. (Boeije 2010, 46). Company X's field of business, countries of operation, location of the headquarters, board of directors, personnel, turnover and other identifiable features are disguised in the thesis. Research participants have been informed that their identities will remain confidential and will not be exposed at any time. Therefore, the following pseudonyms for Company X will be introduced in the empirical data: Company X, Company X Group, Company Y, Company Z, Country A, Country B, Country C, Intranet, City A, City B, City C, Year X, Year Z and Respondents A, B, C, D and E.

### **3.3 Data collection**

Theoretical framework determines the method and nature of data worthwhile to collect for the analysis of the study (Alasuutari 1994, 83). Eriksson and Kovalainen (2008, 51) argue that organizations and people are the source of information in most qualitative business research studies. Similarly, Denzin and Lincoln (1994, 14) state that the researcher has a variety of methods for collecting empirical data, such as analysis of document, artifacts and cultural records, interviews, direct observation and the use of personal experience and visual materials. Moreover, Eisenhardt (1989, 534) adds that data collection methods such as questionnaires, archives, observations and interviews are generally combined in case studies. Furthermore, Eriksson and Kovalainen (2008, 77) divide empirical data into two categories: primary and secondary data. Primary data is collected by researchers and can be in form of observation, interviews, writing or presented in some other form by participants. Eriksson and Kovalainen (2008 77 – 78) continue by defining secondary data as material that is not collected by the researcher. Documents, video recordings, diaries, stories, movies, memos and television programmes are categorized as

secondary data. Hirsjärvi, Remes and Sajavaara (2001, 80) continue by adding that information can be retrieved from primary, secondary or tertiary sources. Hirsjärvi et al. (2001, 81) state that primary sources consist of articles, reports, course books, studies and theses. They continue by defining secondary sources as publications and files that provide primary sources. Encyclopedias, abstracts and indexes form secondary sources. Third source of information is tertiary source that provides information about primary and secondary sources. Primary and secondary sources, as defined by Hirsjärvi et al. (2001), were used as sources of information in this thesis when writing the theoretical framework and gathering the empirical data. The use of secondary sources was limited and the use of primary sources was emphasized. Secondary sources were used only in cases when the use of primary sources was not possible due to the availability of the material in question, such as the availability of an article or an earlier study. The use of secondary sources is informed in the text and only primary sources are cited in the list of references. Moreover, in this study empirical data was collected by interviewing five Respondents located in Country A and Country C. Other forms of data collection were the analysis of written documents presented online and in Company X' intranet, as well as the presentation regarding the management of change in the Company Y acquisition provided by Respondent C. Course books, articles, academic journals and studies were used as a source of secondary data in the thesis.

Cartwright and Cooper (1993, 59) argue that culture can be evaluated in several ways and methods such as questionnaires, observations and interviews are generally used. Similarly, Keyton (2005, 169) defines interviews as a good way to collect information in order to identify cultural elements and to aid in generating explanations for those elements. Eriksson and Kovalainen (2008, 81 – 83) divide interview types into three categories: structured and standardized interviews, guided and semi-structured interviews and unstructured, informal, open and narrative interviews. Similarly, Fontana and Frey (1994, 361) state that interviews can be unstructured, semi-structured or structured. In this study, interviews were conducted as a combination of semi-structured and unstructured interviews. Eskola and Suoranta (1998, 87) define semi-structured interviews as a process where all interview questions are the same for every interviewee, but the respondents may answer the question in their own words. However, Kidder and Judd (1987, 274) determine several advantages to unstructured interviews: interviewee's responses are spontaneous, detailed, personal and self-revealing rather than forced, general and superficial. Unstructured interview allows the researcher to observe interviewee's impressions, opinions, thoughts and feelings throughout the interview as the conversation proceeds. In the course of the interview also the subject may change and the unstructured interviews resembles a regular conversation more than the other interview types. (Hirsjärvi et al. 1997, 205.)

Five Respondents were interviewed for this study. The data collection process started in November 2013 when Respondent A was interviewed for a qualitative course work

related to this thesis. Respondent A was chosen as the interviewee for this study due to Respondent A's position and experience in the Company X in Country A. The aim of the interview was to find out Company X's merger and acquisition strategies in Country A, how these strategies differ from Company X Group's general strategies related to mergers and acquisitions and how well the "unified Company X organizational culture" influences the Company X's organizational culture in Country A. Questions 8 – 13 presented in Appendix 4 relate closely to this thesis and the answers provided by Respondent A regarding the issues concerning Company X's organizational culture are presented in this thesis. However, all the other Respondents work in Country C and are closely connected to the Company Y acquisition. Respondents A and B were directly contacted by the researcher in order to arrange interviews with them. As a result, Respondent B suggested Respondents C and D as suitable interviewees when the researcher informed that she would like to interview former Company Y employees who have continued to work at Company X after the acquisition. Respondent E, on the other hand, was suggested by the Company X Group's Senior Vice President of HR as a suitable interviewee regarding the acquisition of Company Y as Respondent E worked closely with the acquisition of Company Y.

Table 1 Overview of the Company X interviews

<b>Country</b>	<b>Interviewee(s)</b>	<b>Date of the interview</b>	<b>Duration of the interview</b>
Country A	Respondent A (Executive Vice President)	7.11.2013	1 hour
Country C	Respondent B (Country Manager)	9.4.2015	1 hour
Country C	Respondent C (Director Operations) and Respondent D (Vice President Works Council and Senior Specialist Legal Foreclosure Corporate)	10.4.2015	1 hour
Country C	Respondent E (Director, HR & Internal Communications)	10.4.2015	1 hour

Table 1 presents the overview of Company X employees interviewed for this study. Three of the interviews were conducted in 2015. However, Respondent A was interviewed already in 2013 for a qualitative course work related to this thesis. Despite the long time frame between the interviews, Respondent A's interview is still current and closely related to the thesis subject and therefore it is included in the empirical data material collected for the thesis. Interviews for Respondent A, B and E were conducted as personal interviews. Kidder and Judd (1987, 225) argue that the most valuable advantage in personal interviews is in data quality. The interviewer can improve data quality by establishing rapport and by motivating the interviewee to answer the questions accurately and fully (Kidder & Judd 1987, 225). However, Respondent C and D's interview was a group interview. Interviewing Respondents C and D together proved to be a good decision as there was a productive dialogue between the Respondents when describing the organizational cultures of Company X and Company Z and the differences between those two

cultures. Respondent A's interview was located in Company X's office building in Country A. However, interviews with Respondents B, C and D were conducted virtually as a video conference interviews in Company X's facilities in Country A and Country C, and Respondent E was interviewed through an online video meeting via Lync. Although

According to Schein (2010, 316) obtaining the initial data in a group setting is more suitable and justifiable than conducting individual interviews as culture is a set of shared assumptions. Schein (2010, 319) continues by stating that it is vital for the group to understand that culture presents itself at the level of espoused values and artifacts and the aim is to try to interpret the shared tacit assumptions that are situated at a lower level of consciousness. Therefore, the Figure 1 was sent to Respondents B, C, D and E (hereafter referred as Respondents) via email before the interview in order to familiarize them with Schein's three-level model of basic assumptions, espoused values and assumptions. Figure 2 regarding the integration model of structural relationships between acquirer and target (Lees, 2003) was also sent to the Respondents before the interview. Respondents were told that these two models will be used in the interview and their use in the interviews were explained shortly. Culture assessment was conducted according to Schein's culture assessment model (Schein 2010, 315 -327). In the beginning of the interviews it was explained to the Respondents that at first the Company X's organizational culture is described through artifacts. Figure 1 was shortly introduced and Respondents were informed that artifacts are visible and feelable structures of the culture, thus everything that one can see and feel around oneself. After that Respondents were given opportunities to describe themselves how they define Company X's artifacts and organizational culture. According to Schein's model different categories were offered as examples of artifacts once Respondents had first described artifacts themselves. A list of artifacts were not given to Respondents beforehand as Schein (2010, 320) states it is important not give a such a list before a spontaneous discussion has happened as it may otherwise bias the Respondents' perception of what is important. During the interviews following categories of artifacts were introduced to the Respondents: physical environment and layout of the workplace; manners of address and dress code; observable ceremonies and rituals; language; celebrations, trainings and retreats; how work and family life are balanced; how people get punished and rewarded; behaviour and interaction with colleagues and supervisors; the use of titles; leadership and management styles; how decisions are made; and how conflicts and disagreements are handled. The same process was conducted regarding Company Y's organizational culture and questions concerning Company Y's organizational culture were especially asked from Respondents C and D who previously worked at Company Y prior the acquisition. According to Schein's model of cultural assessment espoused values were identified after determining the artifacts. Based on these artifacts and espoused values shared underlying basic assumptions are identified and further analysed in Chapters 4 and 5.

Boeije (2010, 63) proposes that a crucial factor for a successful interview is the suitable fit between interviewee's frame of reference and interview questions. Moreover, Patton (1980, 211) argues that one of the most significant elements determining the way interviewee will respond to the interview question is the way a question is worded. He continues by stating that when researcher uses qualitative interviewing strategies for data collection it is pivotal to use open ended questions so that interviewees are permitted to respond in their own terms and words (Patton 1980, 213-214). According to Kidder and Judd (1987, 248) open ended questions permit the interviewees to answer in comparatively unrestricted way instead of forcing them to choose one of several statements that may seem unsatisfactory. Patton (1980, 211) proposes that for qualitative measurement purposes good interview questions should, at least, be neutral, singular, open ended and clear. The interview questions in this thesis were predetermined, however, not finalized. Interview questions were modified during the interview according to the information received from the Respondents. Rewording and modifying the questions in the course the interviews proved to be a worthwhile decision. It allowed the researcher to obtain more valuable information of the subject as initially assumed in the beginning of the interview. This is in accordance with Eskola and Suoranta's (1998, 87) definition of interviews as an interaction where both parties have an influence on one another. Similarly, Denzin and Lincoln (1994, 353) describe interview as a conversation where the interviewer creates the reality of the interview situation. Interview questions were divided into two themes: Theme 1 and Theme 2. Questions in Theme 1 refer to Company X and Company Y's organizational cultures. Secondly, questions in Theme 2 relate to the acculturation processes and the management of change in the acquisition.

All the interviews were tape-recorded and transcribed soon after the interviews were conducted. Respondents were asked at the start of the interview permission for recording the interviews and it was permitted in all of the interviews conducted for this thesis. O'Leary (2004, 169) suggests that audio recording permits the researcher to preserve raw data for a later review, thus allowing the researcher to concentrate on the interview process at hand. This applied for all the interviews conducted for this study as the use of tape-recorder allowed the researcher to pay full attention to the interviewees without having to concentrate on writing notes related to all the answers. Kidder and Judd (1987, 225) argue that in order to acquire meaningful and complete data, the interviewer's ability to clarify interviewees' insufficient and indefinable answers, to correct and communicate respondent's misunderstanding, and to moderate concerns and answer questions is important. All the tape recordings, with the exception of Respondent B's interview, were clear and relatively straightforward to transcribe into text. The quality of the recording in Respondent B's interview was in some parts unsatisfactory. Some words were inaudible and it therefore complicated the process of transcribing the interview. Same issue was encountered

in Respondent C and D's interview, although with lesser intensity. However, with thorough attention to diligent transcription process most of the recordings were usable. Field notes were taken during the interviews to remind the researcher which issues should be further inquired during the interviews as the Respondents offered new information that the researcher was not aware of before the interviews. This resulted in modifying the interview questions in the course of the interview and it offered new dimensions in the empirical data.

Hirsjärvi, Remes and Sajavaara (1997, 193) remind us of another advantage related to interviews. They state that if the researcher needs to supplement the collected data after the interview, it is easy to contact the interviewees later. All the Respondents in this study informed the researcher that in case further information is needed, they are willing to answer further questions and provide clarifications to previous questions. It was also agreed with Respondents A, B, C, D and E that the research report will be approved by the Respondents before the research becomes publicly available. Thereby Respondents have the possibility to revise, modify as well as to remove some of the data in order to protect the anonymity of the Company X. It was also stated that the material provided by the Company X and the interviewees remain confidential and will only be used for research purposes.

### **3.4 Data analysis**

The object of analysing qualitative material is to clarify the research data and provide new information regarding the research subject (Eskola & Suoranta 1998, 138). According to Boeije (2010, 14) qualitative data analysis is a continuous process during the life cycle of a research project. Boeije (2010, 76) has formulated a following definition for qualitative analysis:

*Qualitative analysis is the segmenting of data into relevant categories and the naming of these categories with codes simultaneously generating the categories from the data. In the reassembling phase the categories are related to one another to generate theoretical understanding of the social phenomenon under study in terms of the research question.*

Patton (1980, 268) defines analysis as a process of organizing data into patterns, categories and descriptive units. Similarly, Coffey and Atkinson (1996, 27) state that identification of key themes and patterns is the first stage on qualitative data analysis. Patton (1980, 268) describes interpretation as the phase where significance and meaning are attached to the analysis and descriptive patterns are explained. Hirsjärvi et al. (1997, 211)

define interpretation as process of reflecting the analysis results and drawing conclusions from it. According to Patton 1980, 268) in the final stage of analysis, evaluation refers to a process of evaluating the analysed and interpreted data and assigning value to it. After the interviews were conducted the tape-recordings were transcribed into text in a studious manner. At first the data was segmented according to the interviews and later by the themes into relevant categories. Key themes and patterns were recognized and once the data was organized into relevant categories, the findings were analysed. Analysis was done by carefully studying the collected data and by finding the connections between the empirical data and the theoretical framework. Value was assigned to the data by interpreting the results within the research framework. In order to improve the intelligibility of the research findings, some of the quotations presented in Chapter 4 are slightly modified in some parts. Denscombe (2003, 184) states the following regarding transcribing taped interviews:

*Normally the researcher need to add punctuation and a sentence structure to the talk, so that a reader can understand the sequence of words. – Transcription is not a mechanical process of putting tape-recorded talk into written sentences. The talk needs to be “tidied up” and edited a little to put it in a format on the written page that is understandable to the reader. Inevitably, it loses some authenticity through this process.*

Due to this process the text is intelligible also for the readership who were not present at the interview situation (Denscombe 2003, 184). The researcher took careful notice that Respondents’ messages were not altered and the modifications concerned only the intelligibility of the text. Before publishing the research, Respondents also had the possibility to comment the research findings in order to guarantee the validity of the findings and that the quotations were not mistreated in the process of transcribing the interview material.

Silverman (2001, 12) argues that quantitative researches aim to analyse written data in a manner which will produce dependable evidence about a substantial sample. However, in qualitative research documents and texts may be analysed for dissimilar purposes. According to Hirsjärvi et al. (1997, 217) the analysis, interpretation and drawing conclusions is the key issue in any research. Based on the collected empirical data the researcher was able to draw conclusions on the acquisition, examine the connection between the theoretical framework and the empirical material and the research questions were answered.

### 3.5 Trustworthiness

Thorough attention to data collection generates credible and reliable material (Gerson & Horowitz 2002, 216). In order to avoid mistakes, it is important to evaluate the reliability of the study (Hirsjärvi et. al 1997, 213). Kirk and Miller (1986, 29) continue by stating that reliability is the degree of which the finding is not dependant of coincidental circumstances of the research. Patton (1980, 337) suggests that qualitative objectivity refers to the quality of observation made by the researcher. However, subjectivity refers to irrational, biased and unreliable behaviour.

Kirk and Miller (1986, 19) divide objectivity into two components: validity and reliability. They define reliability and validity as follows:

*“Reliability” is the extent to which a measurement procedure yields the same answer however and whenever it is carried out; “validity” is the extent to which it gives the correct answer.*

Furthermore, validity is the degree which the finding is interpreted in an accurate manner. Similarly, Silverman (2000, 175) defines validity as another term for truth. According to Hirsjärvi et al. (1997, 213) reliability signifies the repeatability of measurement results. They continue by stating that validity refers to the research method’s ability to measure exactly what it is intended. Additionally, Peräkylä (1997, 201) argues that enhancing objectivity is a tangible activity in research practice. However, Silverman (2001, 13) argues that instead of reliability, authenticity is often the issue in qualitative research. Audio tape-recording was used as a method for capturing interview data in order to guarantee that the information provided in the interviews and used as a basis for analysis and conclusions does not solely depend on the researcher’s memory of the interviews. As Denscombe (2003, 175) states audio tape-recording provides a permanent record and therefore it is also offers a possibility for other researchers to check the interview data. The researcher evaluates that in case the tape-recordings should be transcribed again it would yield the same results, hence confirming the reliability of the research. Validity of the research was ensured by following the guidelines of reliable qualitative research practices. Denscombe (2003, 189) offers another view on validity regarding interviewing by arguing that direct contact at the interview situation means that the relevance and accuracy of the data can be checked whilst the data is collected.

According to Malterud (2001, 486) an in-depth, well prepared, and thoroughly documented analysis separates scientific approach from superficial conjecture. She continues by stating that the researcher’s task is to compare, confirm and organise alternative interpretations. The reliability of the research can be enhanced by providing a precise report on how the research was conducted (Hirsjärvi et al. 1997, 214). The report should include,

for instance, information about the circumstances and places where the data was collected, distractions during the interviews and how long the interviews were. The data collection process is clarified in the data collection chapter and the tape recordings are saved in case they need to be checked later. Silverman (2000, 187) remarks that the reliability of the interpretation of transcribed material may be seriously weakened by a failure to transcribe seemingly insignificant, yet important, overlaps and pauses. Thorough attention was paid into transcribing the interview tape recordings as carefully as possible and in parts where the recording was inaudible or incomprehensible the researcher did not make assumptions regarding what was said based on the researcher's own thoughts.

Qualitative data exemplifies extensive amounts of data, and analysis signifies some level of generalisation and conceptualism (Malterud 2001, 486). However, a successful qualitative researcher does not overstate the extent of the material. A rigorous knowledge of the research material is vital during research analysis in order to be able to distinguish what in the research material is relevant related to the research question. (Malterud 2001, 468.). Moreover, Peräkylä (1997, 212) argues that an essential dimension of validity contains the correspondence between the observations made by the researcher and a theoretical paradigm. Gerson and Horowitz (2002, 211) argue that useful information derived from the interviews vary. According to them no single interview can provide more than restricted understanding of the general processes and social forces. In order to fully understand the significance of the interviews, the researcher needs to compare a series of interviews. (Gerson and Horowitz (2002, 211.) This was conducted by interviewing five Respondents in order to acquire a comprehensive interpretation of the circumstances related to the case and how the empirical data gathered from the interviews can be compared with the theoretical framework. However, interviews with personnel who were unsatisfied with the acquisition and therefore decided to return to Company Y after the agreed two year period following the acquisition could have strengthened the credibility of the research. Information given on the circumstances regarding the departure of the personnel is relied on the interpretations of Respondents B, C, D and E and may not fully reflect the perceptions of the Company Y staff members who decided to return to Company Z. However, interviewing such personnel was not possible and therefore it poses a suggestion for further study in case Company X desires to receive a more extensive picture of the events regarding the acquisition of Company Y and what could be possibly done differently in the future regarding the merger and acquisition processes at Company X. Another matter to consider is the status of the Respondents in Company X. All the interviewees are management level employees and therefore may not reflect the opinions of the employees working in lower levels of hierarchy in the organization. However, when these limitations are acknowledged, it can be stated that the objectivity, reliability, validity and credibility of the research are followed as guiding principles throughout the study in order to provide a trustworthy study.

## 4 ANALYSIS OF THE RESULTS

In this chapter research findings are analysed and discussed. These findings are based on the interviews conducted with Respondents A, B, C, D and E and on the material provided by Respondent C regarding the management of change in the Company Y acquisition. The information based on the presentation may not be copied or used by third parties. The discussion is divided into two parts according to interview themes. Quotations are from Respondents' interviewees and they are based on the transcribed interview data. Conclusions based on the findings are presented in Chapter 5.

In order to facilitate the legibility of this chapter, Respondents are once more briefly introduced. First, Respondent A is the Executive Vice President in Country A. Second, Respondents B, C, D and E work in Country C. Respondents C and D previously worked in the acquired Company Y which was a wholly owned subsidiary of Company Z. After the acquisition, Respondents C and D continued at working at Company X. At present, Respondent C is the Director of Operations in Country C and Respondent D's title is the Vice President Works Council and Senior Specialist Legal Foreclosure Corporate. Moreover, Respondent B operates as Country Manager in Country C and Respondent E is the Director of HR & Internal Communications.

### 4.1 The role of organizational culture

All of the Respondents were asked to describe Company X's organizational culture. Schein's three-level model of basic assumptions, espoused values and assumptions (Figure 1) was used as a basis for describing the culture and it was presented prior the interviews to Respondents B, C, D and E. The model also functions as a basis for Theme 1 in Respondents B, C, D and E's interviews and the results are analysed according to the model. According to Schein's model espoused values are defined after identifying the artifacts and based on these espoused values and artifacts shared underlying assumptions concerning Company X are determined in Chapter 5.

Often used description by the Respondents regarding Company X's organizational culture was a performance-oriented, strong culture with centralized hierarchy. Respondent C determined Company X's organizational culture as follows:

*What I see with Company X is strong culture. It's for me working with Company Z for 32 years that what I met in Year X was a very strong culture. Culture is of being very proactive, being very professional and you can feel and hear it because also the people of Company X also want it very visible and I feel it.*

Respondent C further explained that the strong culture was the reason Respondent C stayed with Company X after the two year period agreed at the time of the acquisition. Respondents B, C, D and E informed that former Company Y employees had the right to return to Company Z after two years since the deal was made. Respondent C provided a description of the agreement:

*It was Year X when Company X bought us and then from that point two years after that we had the right to return to Company Z and I stayed as the only person of the former management team of Company Y, the 100% subsidiary of Company Z and I was the only who one stayed with Company X because of the strong culture.*

Moreover, Respondent B described Company X's culture as follows:

*First of all, people are very performance-oriented and organizational-oriented. The structure is changing and evolving now, but it has been a structure with very tough and strong hierarchy. We have strong local teams that really work together and everyone is very performance-oriented, working together with a very strong and tough hierarchy.*

When Respondent B was asked to clarify whether this strong and tough hierarchy applied only to Country C or to the whole organization, the response was:

*It's all around Company X. It's same here, everybody very much oriented at performance. That's good, it's not a bad thing. It's positive, really. – We all are part of the company where has been a very strong hierarchy and the decision-levels at local level, like in Country A or County C or in all the other countries are quite low. – It's a very centralized hierarchy.*

Conversely, later on the interview when artifacts regarding leadership and management styles were discussed, Respondent B further explained the level of hierarchy by stating:

*In Country C there's not a very strong hierarchy. What we do here is that we want that as many of the decisions as can be made will be made as low as possible in the organization. So we enable people to take the decisions in number of areas. So it's not, I have to say, here in Country C, it's not a very strong hierarchy.*

However, Respondent B mentioned that certain things are decided in Country B where Company X Group headquarters are situated. Respondent B was asked if instructions regarding how matters should be dealt are given from Country B or if Country C has a freedom to define them themselves. Respondent B answered:

*No, we have certain things like for instance the way we work with the bonus structures. It's like we are getting laws almost, things has to be done like this and that. And up to now, it was difficult to deviate from that. If that's the rule we do it but sometimes it's ridiculous. People from the Head Office tend to like instructions instead of listening. There are also rules on absence or rules on whatever, there's rules for everything. I don't know if that if that is experienced in Country A but we certainly do that here in Country C. There's rules for everything! So it's over-organized. It's good to have a good Head Office, I fully agree with that and there are very good people but they are very directive with directions instead of listening. It has been like that and I have discussed this in the executive team and with the CEO of Company X Group. The way I look at the organization is it should be more colleagues working together, exchange of arguments. I can live it with what the Head Office decides, I have no problem with that but there has to be exchange. There has to be a balance.*

Respondents C and D made the comparison between the hierarchy at Company X and Company Y by describing the differences in the two companies. Respondent D stated:

*Well the Company Z culture which presses on Company Y was more like steering from above down. The Company X culture is more about taking responsibility and playing level is more on working floor instead of top-down.*

Respondent D was further asked to clarify if that means that the employees of Company X has to take responsibility on their own work and no-one is supervising them the same way than at Company Y. Respondent D replied:

*Yeah, people are supervising me. Yes because another part of Company X culture is, in my opinion, being in control. Company X wants to be in control and that's why we have the Business Intelligence department as one of the... well, it's a very important department in the Company X culture. And in Company X culture all the people on the working floor has to stay in some way or another in contact with Business Intelligence. You have to show that you take responsibility. In the Company Y culture that was quite different.*

Respondent C continued by stating:

*In Company Y culture responsibility was lacking because Company Z and also Company Y was very hierarchical. So the boss is telling you everything. And the employees were not empowered.*

Respondent C further explained that in Company X they want to empower the employees and this happens for instance by making a connection with them and having discussions with them for example regarding how to develop the processes at Company X and involve them in Lean Six Sigma processes instead of telling them how processes should be done. Respondent C also determined that the employees are more empowered at Company X than at Company Y.

Respondent E was also asked to describe the leadership and management styles at Company X and the description is as follows:

*It's like doing stuff together, doing it with the total team. A lot of communication. Could be much more, it's always not enough, but I think that's also my "communication heart" speaking. But I think we are communicating a lot. Of course through Intranet. We do a lot through the town halls. So I think, all in all, it's pretty open. We support from the internal communication part, which I do as well. We support openness and sharing and getting ideas from the employees as well.*

Respondent E clarified the concept of town halls by explaining that town halls are held at least four times a year and then everyone gathers in the Company X restaurant. Furthermore, town halls are mostly informational events where management team members or the Country Manager inform employees regarding what has been done. Also matters regarding future actions are discussed and questions are answered. Open communication at Company X was also mentioned by Respondents C and D. When discussing about the differences in interaction between colleagues in Company X and Company Y, Respondent D described:

*It's more, you know, there are no stairs anymore. You know, it's more people on equal base. – Hierarchy is not visible.*

Respondent C continued by saying:

*It's also very important to say in everything as a manager in Company Y it was more often "I'm telling you to do that because I'm the boss". Instead of "let's do this because of your opinion about that and looking to the best decision.*

Respondent C further confirmed that at Company X the culture is more communicative. According to Schein's three-level model of basic assumptions, espoused values and assumptions Respondents were asked to define Company X and Company Y's artifacts in various areas. When Respondents B, C, D and E were asked to describe the artifacts at Company X following the physical environment, all the Respondents described the facilities as having an open office layout. Respondent B described the facilities at Company X by saying:

*It's open offices with no-one, even myself, has his own office. It's all shared open spaces with partly limited number of square meters. It's very tight together. And no walls. It's all open spaces. Of course we have meeting rooms that if you want to do something that is confidential but no-one here has here his own office. That is a certain way of working together. There are no limits anymore, you can go everywhere you want. It's a bit different for most of the other countries but we feel that... the reason a boss should have his own office, I can't think of a reason. If I have a meeting, I need a room. If I work with my mail or other things I can work like everybody else in open floor space instead of having all 40 square meters and all other people have six square meters. It's ridiculous.*

Respondent E further explained the office layout by saying:

*We work in open work spaces. Not even our management team has separate rooms so everything is out in the open. The office is bright. It's a pretty new office because we are here only since a little of the end of Year Z. It's built because we went into the office, so the interior part wasn't there before. There are sound screens between some departments, but no cabinets. Otherwise it's an open office space. We have three floors. We have a large restaurant. And in the middle of the floors are meeting rooms, the rest is work space. Also, four or six people sit together on the block of desks.*

Respondent C offered an example of the differences between the physical environments in Company X and Company Y by explaining that at Company Y there were more

offices and managers were sitting in their own offices separate from the department. However, at Company X the managers and team leaders are sitting in the department with other people and Respondent C considers this as really beneficial. Respondent B added that the criteria for organizing the office layout is to place the people that have the most interaction near each other.

All the Respondents described the dress code in Company X as informal. Respondent B determined that employees can wear jeans and T-shirts as long as the clothes are clean and do not expose inappropriate pictures. In customer meetings employees wear suits. Respondent C and D further determined the dress code at Company X by telling that it is more informal than at Company Z. However, when Respondent C has a meeting with Company Z or similar institution, Respondent C wears more formal clothing according to the dress code at Company Z. Similarly, the Respondents described that the communication between colleagues is informal. Respondent B clarified this by saying that the culture at Company X is that everyone is called by first name regardless of the status in the hierarchy. Respondent B added that informal communication and dress code are very good things as there are no thresholds and the current changes in Company X Group's management affect positively Country C's work environment as well.

As part of describing the artifacts at Company X and Company Z, Respondents were asked to describe the celebrations and trainings. Respondent B determined them at Company X as follows:

*Around Christmas every year we go somewhere to eat something, have some music, dance and not many long presentations because we hate all those presentations. It's an informal way to celebrate together before the holidays. And once every quarter we have quarterly meeting with all staff where we discuss briefly what our targets are, where we are and things like that and then we have informal chat and something to eat. It's not a dinner but something small every quarter. Also, departments go out once every year to have dinner with each other. It's in informal setting and they think it's very good. It's facilitated by us. That's once a year and I know certain departments that meet more than once a year. Of course you have formal meetings too. But informal meetings like this are good. Attendance is something like 80 % of the staff, so it's very good.*

Respondent B further described the meetings by telling that they are held in the evenings, with the exception of quarterly meetings, and food and beverages are offered in the meetings. Respondent B also told that the events are organized only for the staff and employees' families do not attend the events. Furthermore, Respondent E mentioned birthdays, general national holiday events, Christmas breakfast and town hall meetings as

celebrations at Company X. Respondent E also told about the organization for employees that organizes all kinds of events ranging from Christmas breakfast to going somewhere to cook something together. Moreover, Respondents C and D compared the differences between Company X and Company Y and Respondent C stated that the difference between these organizations is that at Company X more meetings and trainings are organized for the personnel. Respondent C offered an example of that:

*Training at Company Y was more the initiative of the employee to follow a course or training than it was really the culture. Training and the development is more in the culture of Company X.*

Respondents C and D also described the differences between the two organizations by saying that Company X culture is more organized and more events for the purposes of spending time together with the colleagues in an informal, fun setting are organized at Company X. Organizational culture regarding the balance between work and family life was also discussed in the interviews with Respondents B, C, D and E. Respondent B said:

*Let's raise it this way. We try to be flexible in our working hours because we have quite a lot of young, married women with young children and if they have to bring their children to school or where they are staying. They are allowed, for example, start at 9:30 but they have to work eight hours a day. – We also have number of people who work four days a week, like if they work Wednesdays or Fridays. We also try to be flexible with that because for number of people, certainly with young families, they need to be also home. On the other hand, there's like the European working hours of working 38 – 40 hours a week, so we expect people to work that many hours. And if they have to be home or do other things, because we have people that have 1,5 hours commute single way, then we allow sometimes also to do some work at home. But it's not a standard. The standard is that people work here. For a number of people we allow them to work at home if they have special circumstances to do the work at home. It's like a dialogue you're having. On one hand it's a dialogue, we want to allow what's important for people at home, but on the other hand we want people to work at least 38 hours a week. It's not like a free lunch. The most important thing is that it has to be discussed in the teams. And in the teams they decide what's best to allow in certain situations to work at home, but we have people that have difficulty in balancing the work and the home and we can't accommodate them. So if that's a big problem, they should look for another job because we can't solve that with our setting. It's not like we're free and everything is flexible, it's not like that but it certainly is something that is discussed in the teams.*

Respondent D explained that the labour conditions are the same than in Company Z as it was agreed that way. Respondent E said the following regarding the balance between family and work at Company X:

*I think it's ok. It depends, I think, also lot on leadership how they go around with that. And I think it's good at the moment for me personally, my boss is very good with the balance between the private and the work environment. And it's good, for instance for people like me, because I'm working hard all the time and I think I need to work hard but then it's okay if you have a boss who's telling you every now and then to work a little bit less hard. That's good.*

Respondents B, C, D and E were asked to describe how conflicts and disagreements are handled at Company X. Respondent B said:

*For me teams are very important. If there's a conflict, I prefer to have to out in the open. You know, to have it really discussed. – Everybody works with open feedback. Always positive, but also negative. But it always has to be constructive. And sometimes there are real conflicts, it happens every year two or three times. Sometimes it's resolved, sometimes it's not resolved. That's a problem. I'm also involved because I'm part of the two parties but then I try to resolve the conflict. Certainly it is with management department. It hardly happens. – It's good to have a conflict once in a while but they always have to be solved in some terms. That is the culture here.*

Respondent E defined the way how conflicts and disagreements are handled at Company X as follows:

*I would say among employees, we don't have that many. And if we do, it's a culture of open transparency. So, be upfront about things. – I think overall it's open, transparent and you can disagree with stuff and be open about it. And at least that's what we always say people to do. I hope they are also feeling it like that.*

In addition, Respondent C and D determined that problems are solved in a social, communicative manner.

One remark often made by the respondents was the importance and impact of national culture. Larsson and Lubatkin (2001, 1580) state that members of the same national culture have a uniform and common set of historical experiences and institutions that affect

their administrative preferences. Examples of these factors can be elements such as a political system, language, geography, economy, racial mix, climate, educational systems and media mix. Respondent B offered an example regarding the impact of national culture and how it affects the organizational culture in Country C. Respondent B was asked if Head Office in Country B gives instructions on how to act between colleagues in Country C and Respondent B answered:

*I'm from Country C, we're from Country C. It's not in our culture (to take directions). Our culture is that you discuss with each other and then you come to a decision. It's culture also. So I'm not saying it's bad but we're from Country C and for us from Country C it's very difficult to live when someone tells what to do. It's the way our culture is in Country C. If a boss tells us you have to do that every Country C men or woman will say why? That's the way it is. That's where we are. I also have to cope with it. Because if I wanted the staff here to go left, I have to explain to them why it's better. If I would say I would go left, then you would go left. That's how it works. That's to do with differences in culture with companies also. In Country C, you're kind of free.*

Respondent B also explained how some of the things has already changed in Company X regarding the directions given to Country C management and said:

*General tendency in the past was that if I would say well that maybe we do it in our way, the answer would be no. I have to say it's changing now and it has changed during the past half a year. So I'm very positive about the change that it's coming. And I want to be very clear that I'm not against rules, I'm not against what the CEO of Company X Group says. It's about how do you get the best output, it's in my opinion the intelligence and knowledge of all the people and then to decide what's the best way to do it. It's a different way of working.*

Respondent B also told that certain things have already improved and Respondent B also wanted to emphasize that the attitude towards the Head Office is positive and the issues are dealt in an open manner.

Respondents B, C, D and E were asked to describe Company X values. All of the Respondents were very aware of the Company X values and were able to identify them immediately. Furthermore, Respondent E was asked whether Respondent E feels that the values are implemented in Company X culture and the answer was:

*Yeah, I think so, we at least try to have them here and to everybody at least to see the values and what they stand for. I, on the other hand, think as well that if*

*you're not feeling them, such as what do you mean with caring for instance, they can be pretty hollow because they are very general. But what we try at least is to be more clear about what do we as Company X mean by caring and what do we as Company X mean by professional and I, for instance if we have new candidates for functions, ask the question do you think you're more result-oriented person or more caring person and most of them luckily say we can be both and I think that's true. Caring is not the opposite of result-oriented, for instance. You can be both and I think in that case we are caring, but it's also for me for instance caring is also telling somebody the truth about something and it can be pretty harsh but it can still be caring.*

Respondents B and C also mentioned also agreed that the values are implemented in the Company X culture. When asked whether the values are enacted in the culture, Respondent B said:

*It's implemented here as part of our performance measurement. We evaluate each staff's performance in these areas. -- That is what we use also in our annual reviews of the people. I fully agree with those values and we should, this is the one thing we have in, have in common in the whole company, all over the place. So yes, I'm very much in favour of this and an advocate of these four values.*

Respondent B also added that the values are determined by the Head Office in Country B and in this case it's a very good thing. In addition, Respondent B told about the changes in management in Company X Group's management in Country B by saying that it is more in favour of decision-making since the changes in management and they listen each country more now. There are still tough targets to be met but it is more communicative and Respondent B is very pleased with the changes. Respondent B told about the changes:

*The culture there now is really listening to each other and agreeing with each other. How can we get the best value out of this company is by motivating people and not by shouting at people or telling them what to do. – That's the reason I decided lastly to stay because of the changes. I'm very motivated now to work with the company and I believe that the future of the company and also now the management of the company from Country B, they're very good. They're very, very good.*

When Respondents C and D were asked if these kind of values were present in Company Y as well or are they part of something that belong to Company X culture, Respondent C responded that they are very much like Company X values. Especially customer-orientation as a value was emphasized as a difference between the two companies. Commercial behaviour was highlighted and Respondent C said:

*If you want to have good performance, the potential is there because you know the employees of Company Y have really a lot of knowledge. So that was not a problem. The problem was the commercial behaviour because the difference between Company Y and Company X is also that every employee must have commercial thinking. You know, your customer is really important for you because it's your bread. And being with Company Y you know that you have one big customer, Company Z, and if you are a 100 % subsidiary you're always getting the business.*

Respondent D added:

*You're being always covered when you're a subsidiary of a larger corporation. The set of mind at the Company X culture has to be quite different.*

Respondent C continued by saying:

*Company X culture is more customer-oriented, caring. You know, the corporate values are like professional, being professional in behaviour. – Company X has more measurable environment than Company Z. – We would like to measure everything. That was not the culture of Company Z. They are moving forward to that but it was more the DNA of Company X to measure and have high performance culture.*

Respondent C also mentioned that customer-orientation was not very developed at Company Y because the customer belonged to the same company and as Company Y produced services for Company Z. Respondent C described the situation:

*You could say everything to your colleague, you know. And now your former colleagues is your customer, so you have to be commercial, you have to be caring, you have to be professional and act in a proper way. And you see in several departments, also by several employees that they stick in that kind of mindset that they see their former customer as a colleague and you can say everything. You have another role now.*

Respondents were also asked whether they feel there is one unified Company X culture concerning all Company X Group countries. Respondent A replied:

*We have One Company X principle and in once a year we try to gather the management together in one place where all good practices are shared between different Company X countries. Company X Group has shared, common values in all of the Company X Group countries. These are a manifestation of a joint culture, but culture isn't born in a year or two. In countries where Company X Group hasn't performed mergers and acquisitions and it has grown through organic growth, it is easier to identify the culture. However, the situation is much more unstable in countries where the number of personnel has grown through acquisitions. There you previously had a culture and after an acquisition the number of personnel changed radically due to personnel coming from a different organizational culture. What is the organizational culture then? Is it an old one or new one or a mix of these two cultures? So it complicates the formation of a unified culture as their own local cultures are in state of change as well.*

Respondent B also stated that creating a unified Company X culture is a program accepted by the management teams, country managers and senior managers in order to improve the culture together. Respondent B remarked that there is a long road ahead but Company X Group is working on it to get a proper, performance-oriented culture where people work together. Respondent E determined that the communication community of Company X works closely together and little by little the situation is changing for the other departments as well. Respondent E also added a following comment regarding the unified Company X culture:

*We're getting there but I also think that Company X Group gives the room to do that, it's very important to see that there are X number of more or less different cultures we're dealing with. So yeah, there can be a Group culture but in the overall Group boundaries and culture stuff there's also for instance in our case the Country B culture. – Yes, we have I think this common culture but there are differences and there will always be differences and I think that's good. I think Group realises that as well and that's ok.*

## **4.2 Organizational change and acculturation**

Second theme in Respondent B, C, D and E's interviews was the change of organizational culture and acculturation. Respondents were asked to define which model of the

Figure 2 regarding the integration model of structural relationships between acquirer and target (Lees, 2003) applies for the acquisition of Company Y. According to Respondent B the model best suited in this case is Model 3b (mutually merged). This model represents a mutually merged relationship in a situation where two companies decide to create a combined organization that incorporates the best practices from both companies (Lees 2003, 114-128.) Respondent B explained the situation:

*Best of both worlds. We always want best of both worlds. Certainly, you know that was the thing with the acquisition: the skills and the competences in different companies were quite different. The qualities. So by adding that you would add a lot of synergies. – So we spent almost two years to really integrate it until in Year Z the integration was completed. That was the most important thing for us to recapitalize from the values and the value we want to create for this company. That we come from mutually merged company where everybody was happy. It's impossible to get everybody happy but you know, that was our purpose instead of like the Blitzkrieg (Model 4). I wanted all the skills in the company to create value for the future.*

Respondent B also added that cultures also has to be allowed to evolve and change as otherwise the skills in the company will be demolished and value will be destructed. However, Respondent C stated that the none of the models presented in Figure 2 apply because at the time of the acquisition Company Y was located in City A and Company X was located in City B. Respondent C continued:

*So it were two separate companies with separate financial reporting, with separate IT system, so everything was separated. Both of the companies acted under the Company X flag. Both of the directors, the director in City A and the director in City B, reported to the CEO of Company X Group. – So Company Y embraced the tough operating model of Company X more or less as a cosmetic thing. The departments got Company X names but nothing changed because they operated like they were the subsidiary of Company Z. The employees still felt themselves as Company Z employees. When we came together in Year X, then the target operating model was very fast implemented and a new company with Company X culture was born.*

Respondent C continued by telling that when Company Y legally merged with Company X in Year X and came to the same location in City A, then the Blitzkrieg model (Model 4) was applied with a very tight agenda. Blitzkrieg model (Model 4) portrays a

situation where the target company is totally merged and transformed into the acquirer's organization and business activities (Lees 2003, 114-128). Respondent C explained:

*We had to merge very fast. So then we revisited the target operating model, so it was no longer a cosmetic thing but it was really the target operating model. First with the Country B model. So that's' the steps in becoming one company.*

According to Respondent E the model was 3b (mutually merged). However, Respondent E mentioned that it was the best of both worlds with a remark that it is a little bit more Company X than Company Y. Respondent E further explained the situation by telling that even though they looked for the best of both worlds, it still needed to be Company X with the resource-oriented culture that is part of the Company X Group culture. Respondent E said:

*So that's why if it is the best of both worlds it's little bit like 50% / 50% and that's not the case. It's more like 70% Company X and 30% Company Y.*

Respondent E continued by telling that one of the reasons for acquiring Company Y was the knowledge they had in a particular sector that was lacking in Company X in Country C. Company Y's knowledge and experience from that sector was then to be combined with Company X. Respondent B also determined that Company X's culture is the dominant culture and good parts of the other culture were integrated to Company X culture. Respondent B defined the process as follows:

*We have to, we're part of overall Company X Group. You want to have a shared culture so it's not two equal cultures. It were for Company Z it should be the culture of Company X but in certain areas we had to allow the culture of Company Y. If we wouldn't have done that, we would have destructed value. So the dominant one is Company X.*

Respondents C and D, however, mentioned that the only thing they feel that is left of Company Y's culture in the current Company X organizational culture are the IT systems and no other parts of the culture were integrated in the current organizational culture.

Respondent E told that at the start when Company X and Company Y were still located in different cities, Model 1 (wholly independent) was present and Model 3b concerns the situation once the companies moved into the same office building. According to Lees (2003, 114-128) Model 1 refers to a wholly independent and structural relationship between the two organizations and where no changes are implemented in the target organization apart from financial controls and IT systems and the creation of new reporting

relationships. Respondent E defined the events in the following way when asked how Respondent E would describe the situation at the start and whether Model 3b applied instantly after the acquisition:

*It wasn't. What we did was on all functions, for instance we had the IT Manager at the time getting to contact with the IT Manager at Company Y and for instance the one who was responsible for operations getting into contact with operations person in Company Y. I was in contact with the communication partner at Company Y. So what we did at first was ok seeing how both worlds worked, what systems they used, how to go next, going to this system or that system. It was a little bit maybe Model 1, it was wholly independent but that was just because we were still investigating what to do.*

Respondent B also told about the initial situation of Company X and Company Y being located in different cities. Respondent B specified that the plan was to get the two companies working in the same facilities as soon as it was possible. Respondent B further explained how moving into one building together was a condition for Respondent B for working with this acquisition:

*Yeah it was for me a condition. I wouldn't be able to mix the two cultures if we would have stayed in two different offices.*

Respondent B also told that during the months when the offices were in different cities, parts of the company were already mixed before moving together in City A. According to Respondent B 20 % of the personnel were mixed before the move and this concerned especially the management. Moreover, Respondent E described the situation as follows when asked whether the organizational culture started to change already during those months:

*No, not really. We eventually decided to get the whole company into one building and one new building because before it was always still City A and City B. Of course management team went back and forth, so I went to City A two times a week, but the other employees, there were some teams travelling as well but a lot of them just sat where they always sat and did their work and did not really experience there were some other colleagues as well in another place in Country C.*

Respondent E was also asked what kind of changes were made in Company Y's organizational culture in Company Z during the first months and Respondent E said:

*I personally think not a lot. They knew of course that there was this company called Company X and what we did very early in the process was changing logos and stuff, so actually get the Company X look and feel everywhere. Really actually feeling it, for instance the performance-oriented culture of Company X, really getting there that wasn't the case at the time. It was more ok what sort of systems do you have, seeing what best practice parts are and what best to use going forward. But not that much I think Company X feeling. I think that only started for the greater part of the group when they actually got to the new building.*

According to Respondent E moving everyone to a new building in City A was a strategic decision made by the management based on several factors such as which is the most central location in Country C in relation to Company X's clients and a defining factor was also the agreement Company Y employees had with their Works Council allowing them right not having to move far. As a clarification, Respondent E further explained that Works Council is consisted of people who are chosen to represent the employees in most HR issues. Furthermore, in addition to cost related reasons, the decision to move everyone into a new building instead of moving into Company Y's office facilities also concerned the idea of everyone having a fresh start together regardless of which city the employee previously worked. It would also facilitate the integration of cultures. Respondent E also stated that it proved out to be a right the decision. However, that decision affected greatly all Company X employees in City B as due to that change they had to start working in City A which meant longer commutes to work for Company X employees. Respondent E's response regarding whether the employees at Company X were happy about the change and the longer commutes was:

*No, they were not. We tried to arrange some stuff to make it a little bit easier, like some transportation to get them to and from the train station, but that's just small things we could arrange. But no, if you ask them, personally I think if you ask them they were not happy about it. And I personally not, I would've preferred City B as well but I see the bigger picture here and that it is good for Company X being in this new office together with everything, with everybody.*

Respondents B, C, D and E were asked to describe how the organizational culture changed since the acquisition and whether they felt the changes. Respondent B replied:

*Yes, certainly changed because culture is always created by the people who are your company. We had X people from the existing Company X in Country C and X people from Company Z\*. And I can tell you that the culture in the Company Z*

*business field is totally different from the culture in the Company X business field. Yeah the first two years have really had an impact on everybody because those people were more solistic, they didn't want to change. They were not positive about changing. They had an agreement that was signed by the bosses that they could decide up to two years from the start of the acquisition until the 1<sup>st</sup> of December Year Z to go back to Company Z. If I wanted to do something which they did not like, there was always a number of people that would say "hey, if we don't like it, we go back to Company Z". So the culture was like being almost blackmailed in certain areas. It was very difficult to get it into one Company X culture.*

*\* The number of personnel in Company X and Company Z was the same at the time of the acquisition.*

Respondent C and D discussed about the agreement concerning Company Y's employee's right to return to Company Z after a two year period. As Respondent C earlier stated, Respondent C was the only person from Company Y's management team who decided to stay at Company after the two year time frame. Respondent D said:

*Well as Chair of the Works Council we made a strong point to Company Y employees to think about the decision they have to take. We all could see that Company Z was changing a lot over the years and the question to be answered to all the employees was if they could find similar job at Company Z when they would return or if they would stay at Company X with their job they are used to do. And there's always some things that are insecure in the future but this model, I think they made the best choice because the people who returned to Company Z, I think 90% of them still don't have another job.*

Respondent C added that for approximately 95% of the people who returned to Company Z there are no jobs for them at Company Z or they have been offered a leave premium to leave to Company Z. Respondent C explained the situation:

*They returned to Company Z and they are sitting every day at the department doing courses and nothing else and some of them, a lot of them has already received an offer leave Company Z. All the former management team members got already an offer to leave Company Z with money. – The people, they believe Company Z has a job for them but I spoke with all the people before making the*

*decision that they must be very conscious what is going to happen because I predicted that Company Z has no job for them. Nevertheless, X number people returned.*

However, Respondent C emphasized that it was a good success that only 24% of the Company Y full-time employees returned to Company Z and 70% of the Company Y full-time employees stayed at Company X after the two year period. Moreover, Respondent B told that at the time of the acquisition 64% of the Company Y employees said that they will return to Company Z after the two year period and only 27% of the Company Y employees did return to Company Z. Respondent B also mentioned that in the past the percentage of returnees in Company Z's previous acquisitions has been 60 % – 70 % and that both Company Z and Company X are pleased with the result. Respondents C and D also explained how the Company Y employees were told what the future at Company X organization would look like and they assured them that they would have a good future with Company X. When asked were the employees who returned to Company Z unhappy with Company X's culture, Respondent C replied:

*They were a little bit, not all of them, but they were a little bit afraid that there was a really high-performance culture with Company X, so you had to be professional, proactive etcetera and at first we were two separate companies, Company X in City B and Company Y in City A. But the speed, the speed and having to change was for the Company Y people something they were afraid of because they were not used to changes because when they work at Company Z they never changed.*

Respondent C further explained the situation by telling that before working at Company Y, Respondent C was part of Company Z's management team and therefore Respondent C has a perspective on what Company Z thinks about Company Y and how the employees of Company Y were never involved in any changes of culture. Respondent C told that the management team at Company Z called Company Y as castle because it never changed and further explained the reactions among Company Y employees regarding the changes by saying:

*So when the people met Company X, the Company X culture and they saw the KPIs, proactivity, the energy, the dynamic and the way that if you are not performing as manager you get fired, the people became afraid. They thought "Oh, Company X is a little bit like fire. Firing place." If you don't reach your KPIs, you have a really big problem. They saw it that it was also practice when I became the Director of Operations I changed the whole manager level. So all the people*

*where changed and there became new managers. So they saw the changes and they thought about it that Respondent C is changing all the managers, probably he is also going to change me. But that was not in the question because if you really want to achieve change, people have to move and to get into motion. And former management team of Company Y, they don't ever want to change because they were not happy when Company Z sold Company Y to Company X. They wanted another shareholder.*

Respondent C further explained Company Y's management team's reasons for resistance:

*They knew which parties were interested in Company Y and one of the parties was really sympathetic for them. That party also said to the management team that if I become your shareholder, I'm not changing a bit. So everything remains the same. The management team of Company Y didn't want to change so that party was like a heaven.*

Respondent E described the feelings of resistance and reactions to acquisition the following way:

*Company Y people, what I heard later on was that it was a lot to take in Company X coming and some even saying that it was like tsunami. There was a lot of stuff we needed to do from one day to the next. For instance, especially on the result-oriented part. Company X is pretty strong on result-oriented performance, so very performance-driven on results. And I think I experienced that myself because I was there when formerly the company I worked for was bought by Company X and it was the first step from Company X into County C. I remember that as well because then I was at the company being taken over like my colleagues at Company Y. And it can be a lot if you're not used to being that performance-oriented or that result-oriented that all of a sudden there is a culture shift from being that much on performance and results, having KPIs and having set plans and being accounted for everything you do if it's normally like I'm here from half past till nine and I'm doing the best I can. And then all of a sudden everything is being analysed and everything you do will result in some of a financial bonus.*

Respondent B proposed the following:

*If people resist change it is because they don't feel that this change improves the situation for themselves. That's the only thing. So outside that is how you solve it*

*is to convince people that this change will improve the situation and it will be good for them. So we have spent a lot of management time in convincing people that change is good for them and then they will change. Nobody will change because I tell them to change. It's all if they see it's positive for them. You always have like 10% of people that don't want to change. What I've seen in my career is that management spend a lot of time for people who didn't want to change anyhow. Don't spend any time with them and focus on the people who will change and want to change.*

Respondent B also emphasized the importance of communication regarding what changes should be done, how they will be achieved and what employees' roles are in the organization. Respondent B also mentioned that having management supporting all the changes and understanding to lead by example are important factors. Respondent C also underlined the significance of communication. Similarly, Keyton (2005, 129) suggests that the key to all change processes is communication. Moreover, Keyton (2005, 159) also indicates that the speed of change has an influence on the outcome of cultural change. The speed of change should be slow enough to overcome resistance or objection. However, on the other hand the speed of change must be fast enough in order for the change process to have a momentum and not leave organizational members uncertain of how to achieve their daily work. Respondent C said:

*By doing Model 4, the Blitzkrieg Model, people became a little bit afraid of what speed things are changing and what it means for them. So we had to get people involved with changing the processes and instructions and some of them grew a little bit anxious on what is really happening when they also saw the changes in manager level.*

Respondent C also stressed the importance of communication with the employees and Works Council when deciding on matters such as the labour conditions and benefits regarding the employees and Respondent C feels that they succeeded in that in Company Y acquisition.

Respondent A offered a following opinion when asked about whether culture can be managed:

*You can try to influence the culture but you cannot decide it from anyone else's behalf. People draw their own conclusions on what is ok and what is not ok here and in my opinion the definition of culture is what is acceptable and reprehensible behaviour in that community.*

Moreover, Respondents B, C, D and E were asked to describe how the change of organizational culture was managed in Company Y acquisition. Respondent C told that a task force including both Company Y and Company X employees was assembled in order to manage the change processes. Furthermore, Respondent C formulated a plan regarding the change of organizational culture and how the changes in target operational model should be implemented and the plan was sent to the Board of Directors of Company X Group for approval. Once the plan was approved, Respondent C was told to implement the plan and stay in contact with them in order to achieve the planned milestones. Respondent C told that Respondent B as Country Manager also was involved in the process. When asked whether Respondent C received instructions from Country B regarding the change plan or was Respondent C able to decide it, Respondent C answered:

*I had a framework. But I asked for the framework myself. I wanted to adapt the Country B model because I looked everywhere in Europe to the perfect model of what fits in Country C because I know the Country C way or working and that was the Country B model, so we fully adapted the Country B model. It is also very important to say that in all the changes, brainstorming sessions etc. Respondent B was always communicating with Works Council.*

Respondent B stated that Country B did not give instructions regarding the change of organizational culture and the change process was implemented by the Country C employees without the involvement of Country B. Respondent B explained that before starting as a Country Manager, Respondent B had a discussion with the Head Office and Respondent B's plans and ideas regarding the post-acquisition integration and the change of organizational culture in Company Y acquisition were discussed and approved. Respondent B was given authority to proceed according to these ideas and further instructions regarding the matter were not given from the Head Office. Respondent B was told then that matters important to Company X, such as the values and performance-oriented management, have to be implemented in the culture but the realization of this was up to Respondent B.

Respondent C sent the researcher a presentation illustrating the Deep Dive Performance Management Operations in Country C regarding the management of change in Company Y acquisition. This plan was presented to the Head Office in Country B and it involves detailed information regarding the plans how to manage the change and how to implement it. Due to confidentiality reasons, the presentation cannot be presented here in its entirety. However, the management of change according to the presentation's Walk the Talk Operating Model can be summarized the following way. The Model is consisted of four components which are Performance, Live the Corporate Company X Values, 5 Pillars of High Performance Organization and Passion to Perform. Theory and action are

combined in the plan and in the first component, Performance is seen as the result of the relationship between potential and interference. This means that the lower the interference, the higher the performance. However, in a case of high interference, the performance is lower. In the second component, Live the Corporate Company X Values, interferences are decreased by merging Company Y and Company X and by planning to abandon Two-Company culture thinking. One set of corporate values are also set in place and the implementation of those values is planned. Third, 5 Pillars of High Performance Organization is concerned with plans regarding quality of management, action-orientation, long-term focus, innovation and quality staff. These plans include matters such as leadership and result-orientation; openness to change; working together as a one team; being attractive to customers; inspiring and empowering the employees and investing in flexible and resilient people. Fourth component, Passion to Perform, includes plans, for instance, in relation to executing changes in management, empowering staff, staying focused, showing leadership in vision and action as well as to committing to Company X. The presentation also introduces the achievements and detailed schedule regarding the change process. The plan is very detailed and it illustrates the significant changes that Company X has implemented in the organization due to the acquisition.

Respondent E offered another opinion regarding how the change of organizational culture was managed in Company Y acquisition:

*I think it was managed ok because in the first period there was Person X from Company X Group involved as well. It was not only me involved from communication or only my counterpart from Company Y, but also the overall Group responsible from communication was involved, so it was like triangle. And I think that was good, and the Group people came with some sort of a program or way to handle acquisitions and I think it was managed ok. I only think that because it was still in two different offices and it was pretty hard to get everybody involved. It was a lot of the time just the management teams involved and not the rest of the company.*

Respondent E was further asked to tell about the directions given from Country B. Respondent E answered:

*We knew it was going to be a Company X company so then you had sort of rules you do but I don't have a feeling it was the Group deciding and us just implementing. I think we had enough to say as well. – Group knows that it's different countries and different cultures. Of course you need to be within certain boundaries and that's ok but they know it's not a sort of copy paste thing you can do*

*because it's different country to country and also even company to company which are acquiring. So there are always some adjusting needed in the plan.*

When Respondent E was asked whether an integration manager was involved in the process, Respondent E said:

*Yeah, we had someone coming from the headquarters who was leading this whole product with all the triangles. We had communication, IT, Finance and everything, and on top of that he was there. And after a while when we made first contact with the stuff like that I took over that part. Then I was in the role from more like the strategic program management next to the communication. I took over from him and we had this action list, for instance, in where are we on different subjects, where are we on IT, what steps do we need to do on Finance and stuff like that.*

Respondent E stated that the Integration Manager did the first part and after the initial 100 day period \* (\*Respondent E's estimation) the responsibility of the process was given to Respondent E and Country B.

Respondents were asked to define whether Company X has one, unified organizational culture in Country C. Respondent B stated that when 50% of the personnel come from a different organization, it is difficult task to integrate the cultures into one culture. However, Respondent B feels now that at present it is becoming more of an integrated culture now and it is very hard to know now who comes from the Company X and who from the Company Y culture. Respondent B continued by saying:

*If your goal is to get one culture and half of the staff before the merger comes from a different culture, you're going to realise that if someone has been working for 30 years, he's not going to change the culture. I can help it but still your overall culture changes due to the acquisition. It will not go to the culture you had before the changes, there are other people. But if you want to steer culture change that takes you two or three years. You're not able to change the culture in a half a year or something like that. Management has to change, they are used to working in different ways, people have to get used to each other, you need to introduce how you are working together. We're not there where we want to be but we have certainly changed a lot during the past years and certainly the past half a year.*

However, Respondents C and D stated that regardless of Company X culture some of the former Company Y employees still act the way as they were part of Company Y organizational culture. Respondent C said:

*There are a few, only with counting on with my one hand, who are in their mind-sets acting in their behaviour still like a Company Y employee.*

According to Respondent C these employees have not adapted the Company X culture in their behaviour. In addition, behaviour like this can sometimes be seen from Company Z's part as well when Company Z still orders Respondent C to solve some issues as if Respondent C was still employed by Company Z. Respondent E mentioned the following regarding the matter:

*We've become more and more one company, I would say. Still, that differs from department to department because there are some teams where most of the people are from one company. And then it's a little bit difficult to integrate those both cultures. But it's getting there. Especially since the date when everybody had to decide whether to stay with us or go back to Company Z. And some of them went back and the other ones stayed. And now there is more or less an environment of "okay, this is the team we are going to move forward with". And that's good. Good also for integrating the cultures because now everybody can look around and see their colleagues and they will be, normally speaking, here a half a year from now as well. So it's not "okay, I'm looking at someone who maybe is going back at Company Z in a little while". So I think it's good.*

Respondent E added that Company X has little by little a more unified organizational culture and having new employees also affects the situation as they do not share the history of having previously been a Company Y employee or being located in City B as a Company X employee. In addition, Respondent A stated:

*Culture is not something that someone can decide that from this day on you have this culture. Culture is how people feel themselves what is punishable and rewarded in this organization.*

Respondents C and D stated that they have a positive opinion regarding the organizational culture change processes in relation to Company Y's acquisition. Both of the Respondents said that they identify themselves with Company X's organizational culture and even though there are still some former Company Y employees who do not share the same mindset, the general opinion towards the changes is positive.

Respondents were asked what is their opinion regarding the success of the acquisition and its integration processes. Respondent C said:

*I think it was a successful operation. It was very dynamic and energetic because Blitzkrieg is very active and also exciting but I think in our case it was the only remedy to do.*

Respondent D also added that Blitzkrieg was the best option and now there is a Company X organization with a Company X culture. Respondents B, C, D and E were asked if Company X could do something differently in the future in order to manage the change of organizational culture in a better and more efficient way. Respondent E replied:

*If I look back the process it would've been nice to be even sooner in the same building but that's just not always possible. So for instance in this case it was not possible to check into this office early because it was not ready. As long as there is this travel distance, there's this difference between the two companies and it's always difficult to get them both aligned on the same culture. – It's the best thing I think to get people as soon as possible in same room to get start getting to know each other and there you go on further on the details but that's not always possible.*

Respondent E also mentioned that compared to the earlier Company X acquisition in Country C when she worked at the acquired organization, Company Y's acquisition processes were more thought through. The integration was plan was more adjusted to the culture and to which sort of firm Company X was acquiring. According to Respondent E in the previous acquisition Company X's attitude was more like "we are here and deal with it". Moreover, Respondent E stated that this acquisition was organized in a better way. Respondent B stated that also in future acquisitions it is important to acknowledge the significance of local culture and the cultural differences. Respondent B added that the current way of Head Office allowing the local culture act within the constraints of Company X Group is a way to success. Furthermore, Respondent D stated that Company X managed the organizational change process well but Company Z should have informed its employees more regarding what was happening. Respondent C also added that Company Z did not involve Company Y's management team and employees enough. In addition, Respondent D mentioned that it felt like the transaction with Company Y was more like a transaction driven opportunity for Company Z. However, both Respondents C and D felt Company X engaged and involved the employees of Company Y in the process but the way that Company Z treated its employees was not very nice nor gentle. As a suggestion how Company X could enhance its organizational culture and to create a

unified organizational culture, Respondent E emphasized the importance of communication.

## 5 CONCLUSIONS

In this chapter conclusions based on the research findings are presented. Results are considered in comparison with the results of earlier research and with relation to the theoretical background. These results are also examined in relation to the research question of this thesis and its sub-questions. The research question “How to manage the change of organizational culture in cross-border mergers and acquisitions?” is reviewed and the sub-questions “What is the role of organizational culture in organizations?”, “How to manage organizational change in mergers and acquisitions?” and “How to manage organizational culture change through acculturation?” are discussed.

### 5.1 The role of organizational culture

Siehl (1985, 125) states that the question whether organizational culture can be managed has produced a great deal of debate among both practitioners and academics. Martin (1985, 95) introduces the different viewpoints of cultural pragmatists and cultural purists by stating that cultural pragmatists commonly view the culture as a key to productivity, commitment and profitability. They also argue that culture can be, as well as should be, managed. However, cultural purists argue that culture cannot be managed. It is an expression of people’s deepest needs and cultures cannot be created by leaders as the members of the culture create it. In Company X’s case the point of view seemed to be in the middle ground of these two extremes. On one hand, it was believed that culture can be managed and extensive change plans were formulated. The changes were implemented according to these plans and they affected the whole organization. However, on the other hand, views regarding organizational members as the source of organizational culture were expressed and it was stated that culture is not something that can be dictated. Company X emphasized the importance of communication in its change processes and its aim was to inform the employees of the changes, goals, visions and shared values as well as possible. Management support and leading by example were also mentioned as important factors. These are in line with several theories presented in this thesis by authors such as Keyton (2005), Sinkovics, Zagelmeyer and Kusstatscher (2011) and Stahl and Mendenhall (2005). Keyton (2005, 129, 162), for instance, proposes that communication is the key to all change processes and managers can influence the organizational culture by communicating what is essential in their organization. Company X also wanted to empower and involve its employees to participate in the change process and it was often stated that this differed from Company Y’s organizational culture.

Respondents were asked to describe Company X and Company Y’s organizational cultures according to Schein’s three-level model of basic assumptions, espoused values

and assumptions (Figure 1). Company X's organizational culture was defined as a performance-driven and result-oriented culture that empowers its employees and prefers informality in relation to matters such as communication, dress code, language, behaviour and interaction between colleagues and supervisors. The hierarchy in the organization is centralized and although Company X Group's Head Office in Country B determines the *modus operandi* in all of its countries, it also acknowledges the unique characteristics in relation to different local cultures and allows this to be taken into consideration in Country C's operations as well as in the post-acquisition processes related to Company Y acquisition. The value based on open communication is represented also in Company X's open office layout that supports interaction among employees. Company Y employees defined that Company X's culture differed from the organizational culture of Company Y in many ways and even though the changes in some areas were quite substantial, the viewpoint towards the changes is mainly positive at present.

Keyton (2005, 35) states that an organization's culture is the set of values, artifacts and assumptions emerging from the organizational members' interactions. Moreover, Krefting and Frost (1985, 156) argue that individuals are seldom consciously aware of their culture as it appears unshakably real, and it is familiar and taken for granted. However, all the Respondents seemed aware of their organizational culture and they were able to define the essential characteristics of Company X's organizational culture as well as were able to compare it to Company Y's organizational culture. All the Respondents were very clear on the four values defined by Company X and they stated that these values are also implemented in the organization. Company X's values were often mentioned during the interviews and it was stated that the values are enacted in their daily working environment and they are implemented as part of the performance measurement system. This was seen as important as like Keyton (2005, 73) underlines the culture is created only on enacted values. However, it is worthwhile to acknowledge that all the Respondents are management level employees at Company X and therefore responsible for implementing the strategies and values in the organization. Consequently, they are familiar with the values and in order to acquire a more substantial view whether all the other employees feel that these values are enacted in their organizational culture, further inquiries should be made.

According to Schein's model of cultural assessment espoused values are identified after determining the artifacts. Accordingly, based on these artifacts and espoused values shared underlying basic assumptions are determined. Values construct guidelines for organizational behaviour as they are the principles, strategies, qualities or goals that are perceived as worthwhile, ideal or desirable in an organization (Keyton 2005, 24). Based on the empirical data presented in Chapter 4, following values regarding Company X' culture can be presented. Values such as "We value open communication", "Employees should be empowered and they are responsible for their own actions", "Result-driven performance is a respected operations model in our organization", "It is important to

measure and evaluate the performance of our employees” and “Organizing informal events for our employees and spending time together is important”. Consequently, based on the artifacts and espoused values, following basic assumptions regarding Company X’s culture can be formulated. These are “Communication is a key to success”, “We trust our employees”, “Performance-oriented behaviour is the right way to operate”, “We focus on the results and if targets are not met, there will be consequences”, “Strengthening the sense of solidarity among colleagues is important in order to create a one, unified organizational culture” and “We care about our employees”. Keyton (2005, 25- 26) argues that basic assumptions guide behaviour by instructing organizational members how they should think, act, feel and perceive. Keyton adds that basic assumptions are extremely difficult to change as they do not appear at the level of conversation. They are so taken for granted beliefs that organizational members no longer talk about them. According to Respondents’ description of Company Y’s organizational culture and of the differences between Company X and Company Y’s organizational cultures, it can be concluded that the basic assumptions concerning both companies differ significantly from each other. This, consequently, caused anxiety and resistance among the employees involved in the change process as they had to modify their basic assumptions. This is in accordance with Schein’s (2010, 28) argument related to the anxiety experienced by the employees when basic assumptions are changed. Furthermore, Kets de Vries (2011, 86) also asserts that resistance is expressed when long-standing cultural assumptions are threatened and challenged. Resistance to change was clearly visible in the Company Y acquisition and actions related to managing the change of organizational culture were taken in order to manage that resistance. It was also concluded by the Respondents that organizational culture plays a significant role in organizations and therefore influences the daily working environment considerably.

## **5.2 Managing the change of organizational culture**

Krefting and Frost (1985, 156 - 157) emphasize that the management of culture should be thoroughly contemplated and cautiously undertaken. They continue by stating that the role of manager in this process is risky, multifaceted and difficult. It is the responsibility of a manager to deal successfully with the implications of an unpredictable, unconsciously rooted organizational conditions, and to find and release blocked or hidden human resources. In Company X’s case diligent plans for the change of organizational culture were made and changes throughout the organization were implemented according to these plans. Respondents were asked to evaluate which model of the Figure 2 regarding the integration model of structural relationships between acquirer and target (Lees, 2003) applies for the acquisition of Company Y. Three models were suggested: Model 1, Model

3b and Model 4. In addition to that it was also suggested that none of the models presented in Figure 2 applied during the first months after the acquisition. The time period since the acquisition was divided into two sections: the time when Company Y and Company X were located in different cities and the time since moving into the same office building in City A. The differences in perspectives regarding the structural relationship between the acquirer and the target are seen when comparing the opinions presented by former Company Y employees and the employees of Company X. According to Company X employees Model 3b (mutually merged) was applied after the companies moved into same facilities. They felt that best practices from both companies were incorporated into the new, combined organization and synergies were attained this way. However, the former Company Y employees felt that the model best suited for this acquisition after moving into same office building was Model 4 (fully merged). The speed of change was fast and as according to Model 4 (Blitzkrieg model) Company Y was totally merged and transformed into the acquirer's organization and business activities. Former Company Y employees stated that the IT systems are the only thing that is left of Company Y's culture in the current Company X organizational culture. The difference in opinions was striking and it poses a question whether something could be done differently in order to attain the best synergies possible in future mergers and acquisitions. Lees (2003, 207) states that a general problem in acquisitions is the destruction of the culture components in the target company that deliver value. He continues by determining that generally it is unintentional and it may occur in any areas of basic assumptions. He reminds of the importance of protecting the target culture and it is debatable how well Company X was able to create synergies and apply the best of both world model (Model 3b) in Company Y acquisition. Also, it is arguable which model was intended to be used as regardless of extensive communication between the parties and plans created in order manage the change successfully, parties involved in the change process did not agree on which model was used as a basis for defining the structural relationship between the acquirer and target company when the question of the structural relationship was raised during the interviews. Whether the plan was to implement a mutually merged model (Model 3b) or the Blitzkrieg Model (Model 4, fully merged) is also debatable.

Also differences in opinions were indicated in the course of the interviews in relation to the extent of Head Office involvement in the post-acquisition processes and the question of the overall responsibility regarding the management of change processes in Company Y acquisition. Opinions regarding the Head Office involvement ranged from having no Head Office involvement at all to the presence of an Integration Manager sent by the Head Office in Country B. It was stated that Country C was solely responsible of the post-acquisition integration processes in Company Y's acquisition and, on the other hand, it was said that the Integration Manager was responsible of managing the change process until the responsibility was transferred to one of the Respondents after a certain period of

time. However, Respondents did agree that Country C was responsible for implementing the plans and it was able to influence the post-acquisition integration processes in Country C.

Krefting and Frost (1985, 168) argue that it is difficult to control or predict the outcome of efforts regarding the management of culture due to the complexity of organizational culture. Also, Lundberg (1985, 179) states that “creating a vision of a new, more preferred organizational culture is a necessary but not sufficient step toward that culture’s establishment”. He continues by determining that in addition to a new cultural vision, a strategic plan for transitioning is still needed. This strategy analyses what intentional, general processes need to be implemented in order to transform the present culture into the new one. A detailed plan regarding the management of change was formulated regarding the Company Y acquisition and the vision of new organizational culture was created. Moreover, Lundberg (1985, 183) argues that the feasibility of culture change rests upon an appropriate strategy and action plans once the new cultural vision has been formed. This means the implementation and selection of a series of interventions that produce, manage and consequently stabilize the new vision. Post-acquisition integration in Company Y acquisition was implemented according to the plan formulated by the Respondents and its realization was closely monitored.

Kets de Vries (2011, 157) argues that for many people in an organization, change represents a loss of security that is attached to a specific job. As a result, this insecurity produces anxiety and reinforces the impulse to cling on to old behavioural patterns. Resistance to change was also encountered in Company Y’s acquisition and open, extensive communication was used as one of the methods to overcome the resistance of change. Actions defined in the detailed Deep Dive Performance Management Operations in Country C plan regarding the management of change were also used. Moreover, Kets de Vries (2011, 158) emphasizes that unless employee resistance is managed, the change will not be successful. Rollinson and Broadfield (2002, 687) argue that even though in most organizations change of some kind is inevitable, the change is not welcomed by everyone. The change process can be highly disruptive for those required to change and it can lead to the loss of some aspect of organizational life that is valued by these people. Furthermore, Rollinson and Broadfield (2002, 687) state that often the strongest advocates of change are the people who will remain comparatively untouched by these changes and it can make the change process for those affected even a more unpleasant experience. Therefore, any strategy concerning the resistance of change needs to be diligently selected according to the reasons behind the resistance. Respondents felt that in Company Y acquisition resistance was managed successfully as only approximately 27% of the Company Y employees returned to Company Z, although initially 64% of the Company Y employees said that they will return to Company Z after the two year period. Also compared to Company Z’s previous acquisitions, the percentage of employees returning to

Company Z was considerably lower than in its previous acquisitions with other companies. However, interviews with personnel who decided to return to Company Z were not conducted for this research. The opinion regarding the success of managing the resistance and the change of organizational culture could have been different in that case whether interviewing such personnel would have been possible. Respondents B, C, E and E may not fully reflect the opinions of those Company Y organizational members who decided to return to Company Z and therefore the notion of the success regarding the change processes may be partly unilateral in some aspects. However, on the other the hand, the events indicate that Company X was able to manage the resistance and the change of organizational culture successfully and according to the targets set by the management. It was expected that some of the Company Y organizational members will return to Company Z after the two year period and it was acknowledged that resistance to change will occur. This is in accordance with the theories presented, for instance, by George and Jones (2002), Champoux (1996) and Kets de Vries (2011). As Champoux (1996, 122) states resistance to change is an universal reaction to organizational change and resistance will occur if the organizational change touches the taken for granted norms and values in an organization and therefore force people to change their behaviour (George and Jones 2002, 650).

### **5.3 Managing organizational culture change through acculturation**

Second interview theme in Respondents B, C, D and E' interviews concerned the acculturation processes and the management of change in the acquisition. In order to be able to review the sub-question "How to manage organizational culture change through acculturation", several aspects related to subject were discussed during the interviews. Larsson and Lubatkin (2001, 1574) state that acculturation in mergers and acquisitions can be determined as the end result of a cooperative process whereby the values, beliefs and assumptions of a two previously independent organizations form a jointly defined culture. Moreover, according to Berry's 1983 model of acculturation (Figures 3 and 4) acculturation occurs through four modes depending on the scale to which members value and are satisfied with their existing culture and their assessment of the attractiveness of the other culture (Cartwright and Cooper 1993, 65). These four modes are assimilation, deculturation, integration and separation. According to the model, when the merging organizations agree on the preferred mode of acculturation prior the merger, the merger results in less organizational resistance and acculturative stress, hence concluding that the degree of congruence concerning each other's preference for mode of acculturation is a key factor in the successful implementation of the merger (Nahavandi and Malekzadeh 1988, 84). In the course of the interviews, Respondents referred frequently to the scale of resistance

experienced by Company Y employees as well as how the Company Y employees did not want to change. They wanted to preserve their own organizational culture and Company X was not seen as an attractive acquirer especially in Company Y's management's opinion. Nahavandi and Malekzadeh (1988, 83) determine that the preferred mode of acculturation from the acquired firm's perspective is defined by the degree to which members want to maintain their own organizational practices and culture and to the degree to which they are inclined to adopt the acquirer's practices and culture. According to the model, it can be determined that the preferred mode of acculturation from Company Y's perspective was separation. Nahavandi and Malekzadeh (1988, 87) state that separation is the preferred mode of acculturation for the acquired firm when they do not consider the acquirer as attractive and the members of the target organization value their culture and practices and want to maintain them. According to the interviews this was the case. However, the preferred mode of acculturation from the acquirer's perspective is defined by the degree to which the firm is multicultural and by the diversification strategy concerning the type of merger (Nahavandi and Malekzadeh 1988, 83). The degree of Company X's multiculturalism was defined by information provided by Respondents regarding Company X's organizational practices, the way its previous acquisitions have been handled and how it emphasizes its united Company X organizational culture in its operations. Therefore, based on the empirical material it can be concluded that from Company X's perspective the preferred mode of acculturation was assimilation. Assimilation is the most likely mode of acculturation from the acquirer's perspective when the merger is with a related firm and the acquirer is unicultural (Nahavandi and Malekzadeh 1988, 87). Moreover, Cartwright and Cooper (1993, 65 - 66) determine assimilation as a process in which members of the target organization willingly relinquish their existing culture as well as absorb and merge into the culture of the acquirer or the dominant merger partner. Nahavandi and Malekzadeh (1988, 87) state the following:

*If there is incongruence between the two companies regarding the preferred mode of acculturation, a high degree of acculturative stress will result and the mode of acculturation triggered by the contact between the two companies will hinder the implementation of the merger.*

Moreover, Nahavandi and Malekzadeh (1988, 84 – 86) add that incongruence may result in active resistance to absorb any of the acquirer's systems and the departure of key managers and other valued employees. In Company Y's acquisition only one member of the former Company Y management team stayed in Company X after the agreed two year period and the dissatisfaction experienced by Company Y employees regarding the ac-

quisition was highlighted oftentimes during the interviews. Characteristics related to acculturative stress were described during the interviews and the incongruence between the two companies regarding the preferred mode of acculturation was discussed.

However, Larsson and Lubatkin (2001, 1573 - 1575) suggest that the achievement of acculturation is dependent upon the management of informal integration processes. They further state that the use of social controls is the best way to achieve acculturation. Examples of these are, for instance, celebrations, trainings, retreats and introduction programs as well as other socialization rituals. Based on the interviews, it can be concluded that Company X considers these as important elements of its organizational culture and the use of social controls has been a part of their operations throughout the post-acquisition integration process. Moreover, Larsson and Lubatkin (2002, 1594 – 1595) add that joint formal interactions seem to be effective in achieving acculturation in spite of the relative organizational size, the expectations of synergies and differences in nationalities and culture.

#### **5.4 Managerial implications**

In view of the above, it can be concluded that the organizational culture change was managed to certain extent in the Company Y acquisition. Careful, detailed plans regarding the management of change were created and the implementation of those plans was followed and measured. Respondents also evaluated that the post-acquisition integration processes and the management of change were successfully performed in Company Y acquisition and that they are on the right path to creating even more united Company X culture now. However, although all the Respondents emphasized the importance of open communication between the different parties involved in the Company Y acquisition and the *modus operandi* regarding the management of organizational culture change, several aspects indicate that the communication between the parties could be enhanced in the future mergers and acquisitions. Factors such as ensuring that the defined goals represent the same for all the participants and all the parties involved in the process understand them in the same way are important matters to acknowledge in order to achieve anticipated synergies. Based on the results, Respondents' views of the integration models or what was the ultimate goal regarding the achievement of synergies and the extent of integration of Company X and Company Y' cultures were not the same even though the change plans were formulated together. In order to improve the communication and manage the organizational culture change even more successfully, thorough attention to explicit communication between the parties should be emphasized.

Also, paying attention to the involvement of personnel in the change processes as well as managing the resistance of change in a careful manner are important factors to take

into account. Moreover, agreeing on the preferred mode of acculturation prior the merger could result in less acculturative stress and organizational resistance, hence improving the possibilities for successful post-acquisition integration processes. Furthermore, acknowledging the importance of the management of informal integration processes as well as the implementation of social controls is essential in order to achieve acculturation successfully. For instance, the use of celebrations, trainings, introduction programs and shared experiences among the employees enhance the creation of shared organizational culture. Based on the results, it was clear that Company X considers these as important factors and it also values them in its organizational culture. Moreover, another important aspect to consider regarding the achievement of organizational culture change is the leader behaviour and role modelling. Company X acknowledged this in its change plans and actions, and it was stated that management support regarding the changes and leading by example are significant factors in the management of organizational change processes. Moreover, also the importance of local culture and cultural differences should be acknowledged in order to manage the change of organizational culture successfully in cross-border mergers and acquisitions.

## **5.5 Limitations and suggestions for further research**

The research presents interesting possibilities for further research as the subject of managing the change of organizational culture in cross-border mergers and acquisitions offers a multifaceted area of research. Due to limited time and the scope of the study, the research was conducted in its current size. However, it provides an extensive basis for further studies for instance if Company X wants to analyse its post-acquisition processes in more depth. Interviewing the employees who decided to return to Company Z would give a different perspective on the change processes and the success of managing the change of organizational culture in Company Y's acquisition. Also including interviewees from different levels of hierarchy in the organization would bring even more versatility to the opinions presented by the interviewees. Moreover, another aspect to consider is the use Figure 2 in the interview process regarding the integration model of structural relationship between the acquirer and the target. Respondents were asked to evaluate which integration model in their opinion applied for the Company Y acquisition the best, and therefore they were given categories for their responses. As a result, the Respondents also used the terminology given in Figure 2 in order to describe the most suitable model for Company Y acquisition. However, regardless of the categories Respondents were not limited only to the integration models presented in Figure 2 as Respondents C and D remarked that during the initial months after the acquisition none of the models presented in Figure 2 applied for the Company Y acquisition. In conclusion, the subject of how to manage the

change of organizational culture in cross-border mergers and acquisitions could be studied even in more extensive manner when above mentioned suggestions are taken into consideration.

## 6 SUMMARY

Companies often seek rapid growth through acquiring potentially valuable enterprises or attempting to enhance their organization's profitability by merging with other firms. For instance potential synergies, corporate renewal, possible economies of scale, routes to new market entries and opportunities to strengthen organization's strategic positions seem to fascinate companies worldwide. However, a majority of mergers and acquisitions fail to produce anticipated synergy realizations and expected financial advantages. The failure rate is high for both national and cross-border mergers and acquisitions, and the researchers have been trying to solve the problem of dismal merger and acquisition success rate for decades. Furthermore, the recent research has also acknowledged the large effect of cultural aspects that influence cross-border merger and acquisitions activity significantly. Moreover, successfully managed post-acquisition integrations, chosen merger models, integration decision-making processes and acculturation strategies can affect M&A activity greatly. Especially, efficiently managed integration processes can prove to be extremely valuable in cross-border mergers and acquisitions. Organizations should remember to also emphasize the importance of human resources in their decision-making since complete integration cannot be done without the employees' commitment to the integration processes.

Organizational culture represents the unique characteristics that separates the organization from other similar organizations. It is a set of artifacts, beliefs, values, attitudes, norms and basic assumptions that influences companies' operations in their daily working environment, and it provides its organizational members a meaningful way to act and behave in an organizational environment. Managing the change of organizational culture is a major managerial challenge and it was concluded in the thesis that several factors can influence the success of managing the organizational culture change in cross-border mergers and acquisitions. Factors such as open communication, managing the resistance of change, formulating extensive change plans and following the implementation of those plans, defining the preferred acculturation model prior the merger as well as involving the personnel in the change processes proved to be important factors in relation to managing the change of organizational culture.

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## APPENDIX 1      OPERATIONALIZATION CHART

The research problem	The sub-problems	Theoretical framework (chapters)	Interview themes / interview questions
How to manage the change of organizational culture in cross-border mergers and acquisitions?	What is the role of organizational culture in organizations?	2.1	Defining the role of organizational culture in company X. Questions 1 – 7.
	How to manage organizational change in mergers and acquisitions?	2.2	The management of change. Questions 8 – 15.
	How to manage organizational culture change through acculturation?	2.2 2.3	The role of acculturation in organizational culture change. Questions 8 – 15.

## **APPENDIX 2                      INTERVIEW QUESTIONS (RESPONDENT B), 9.4.2015**

### Background

- a. How long have you worked at Company X?
- b. What are your areas of responsibility at Company X?

### THEME 1: ORGANIZATIONAL CULTURE

1. How would you describe Company X's organizational culture?
  - a. How do you describe the artifacts at Company X?
  - b. Did they change after the acquisition? How did they change?
2. How would you describe Company X's values? Why?
3. Company X states that its core values are "X", "X", "X" and "X. Do you feel that these values are followed through in Company X's organizational culture?
  - a. How are they implemented?
4. How has the organizational culture changed since the acquisition?
5. Do you feel that there is one unified Company X culture and is it implemented in all of Company X countries?
6. How does Company X enhance its organizational culture?

### THEME 2: ACCULTURATION

7. According to Lees (2003) model of integration strategies, which model describes the structural relationship between Company X and the target organization? Why?
8. How would you describe Company Y's post-acquisition integration processes regarding the change of organizational culture?
9. How was the organizational culture change process managed?
10. CEO of the Company X Group stated that "a unified culture is the main key to success" and "if we all work the Company X Way, we will build a strong and lasting One Company X Culture". How was the strategy of one unified Company X culture implemented in the Company Y acquisition?
11. Were there resistance to change? How did it occur?
12. In the future, could Company X do something differently in order to manage the change of organizational culture in more efficient and better way?

## **APPENDIX 3                      INTERVIEW QUESTIONS (RESPONDENTS C AND D), 10.4.2015**

### Background

- a. What is your role at Company X?
- b. How long did you work at Company Y?

### THEME 1: ORGANIZATIONAL CULTURE

1. How would you describe Company X's organizational culture?
  - a. How do you describe the artifacts at Company X?
2. How does Company X's organizational culture differ from the acquired company Y's organizational culture regarding the artifacts? What are the differences?
3. How did the changes occur?
4. How would you describe Company X's values? Why?
5. Company X states that its core values are "X", "X", "X" and "X". Do you feel that these values are followed through in Company X's organizational culture?
  - a. How are they implemented in the organization?
6. Can you describe the differences in values when comparing the two organizations?
7. How has the organizational culture changed since the acquisition?

### THEME 2: ACCULTURATION

8. According to Lees (2003) model, which model describes the structural relationship between Company X and the target organization?
9. How was the organizational culture change process managed?
10. How did you perceive Company X's organizational culture at the time of the acquisition?
11. Were there resistance to change? How did it occur?
12. How was the resistance managed?
13. In your opinion, does Company Y's organizational culture still exist or was is fully integrated or assimilated into Company X's organizational culture? Can you give some examples of that?
14. Do you identify yourself more with the pre-merger or post-merger culture?
15. In the future, could Company X do something differently in order to manage the change of organizational culture in more efficient and better way?

## APPENDIX 4                      INTERVIEW QUESTIONS (RESPONDENT E), 10.4.2015

### Background

- c. How long have you worked at Company X?
- d. What are your areas of responsibility at Company X?

### THEME 1: ORGANIZATIONAL CULTURE

13. How would you describe Company X's organizational culture?
  - a. How do you describe the artifacts at Company X?
  - b. Did they change after the acquisition? How did they change?
14. How would you describe Company X's values? Why?
15. Company X states that its core values are "X", "X", "X" and "X. Do you feel that these values are followed through in Company X's organizational culture?
  - a. How are they implemented?
16. How has the organizational culture changed since the acquisition?
17. Do you feel that there is one unified Company X culture and is it implemented in all of Company X countries?
18. How does Company X enhance its organizational culture?

### THEME 2: ACCULTURATION

19. According to Lees (2003) model of integration strategies, which model describes the structural relationship between Company X and the target organization? Why?
20. How would you describe Company Y's post-acquisition integration processes regarding the change of organizational culture?
21. How was the organizational culture change process managed?
22. CEO of the Company X Group stated that "a unified culture is the main key to success" and "if we all work the Company X Way, we will build a strong and lasting One Company X Culture". How was the strategy of one unified Company X culture implemented in the Company Y acquisition?
23. Were there resistance to change? How did it occur?
24. In the future, could Company X do something differently in order to manage the change of organizational culture in more efficient and better way?

**APPENDIX 5      INTERVIEW QUESTIONS (RESPONDENT A),  
7.11.2013**

1. Could you tell about your job and your areas of responsibility?
2. How long have you worked at Company X?
3. The CEO of Company X Group has informed that the strategy is to seek growth through acquisitions. How does this affect Company X in Country A?
4. Can Company X decide its own growth strategy in Country A or will Country A receive instructions regarding strategy from the headquarters in Country B?
5. What is the growth strategy for Company X in Country A?
6. How do the decisions concerning Area A affect Company X in Country A?
7. Are acquisitions part of Area A's growth strategy?
8. How do you describe Company A's organizational culture? Do you feel that there is one unified Company X culture and is it implemented in all of Company X countries?
9. Do you feel that there is one unified Company X culture in Country A?
10. Does that also concern Country A's office in City B?
11. Should the unified Company X culture concern all the offices in Country A?
12. Does Survey X evaluate Company X's organizational culture?
13. Does Company X have instruments for the purpose of measuring and evaluating the organizational culture in matters such as the success of the implementation the one unified Company X culture?
14. Who is responsible for the Survey X?
15. What is the policy regarding the material provided in the Intranet?