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# **THE ART OF BUILDING TRUST VIA E-COMMUNICATION CHANNELS**

**Post-acquisition integration as a special context**

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# 1 INTRODUCTION

In this chapter, a short introduction to the background and purpose of this study is presented. First, within the background section main concepts and phenomena contributing to the choice of the research topic are introduced. Second, the objective of the study together with the structure is presented.

## 1.1 Background of the study

As a result of the rapid growth of Internet the importance and use of electronic communication channels have increased remarkably. This has had various effects on the international business interaction as technological development has provided new ways of bringing different national cultures closer together via e.g. low-cost e-mail which has enabled communication independent of geographical, temporal, or hierarchical limitations. (Ulijn, Lincke & Karakaya 2001.) Moreover, as global communication has become easier, less expensive new business opportunities have emerged (Yuan, Head & Du 2003, 89). As a result, virtual communication channels have become important tools in cross-border M&A integrations as well. However, the electronic communication channels have changed the traditional communication environment and how the relationship and trust between individuals is established in a number of ways – creating both challenges and opportunities contrary to traditional face-to-face communication. As stated by O’Hara-Devercaux and Johansen (1994, 243) "Trust is the glue of the global workspace – and technology doesn't do much to create relationships". If people communicating electronically are not aware of the obstacles of trust building in electronic channels, the final outcome can be a self-fulfilling, never-ending downward spiral of distrust, resulting eventually in low-quality outcomes or even into discontinuation of the business endeavour (Moore, Kurtzberg, Thompson & Morris 1999).

Trust can be defined as a psychological state of how individuals expect the other party to reciprocate one’s cooperative actions (e.g. information sharing) in a situation that involves risk or vulnerability (Citera, Beauregard & Mitsuya 2005, 164; Ebner 2007, 3). The risk inherent in business environment can be related to a fear of deception or opportunistic behaviour as the mixed-motive nature of interaction, like in M&A context, sometimes can tempt partakers to follow a distributive, profit maximizing strategy at the expense of the other (Thompson, Wang & Gunia 2010, 501). The uncertainty of the other party’s behaviour is especially high in multicultural communication in which not only social but also cultural barriers exist to hinder the building of trust (Naquin & Paulson 2003).

The term M&A is an abbreviation from mergers and acquisitions. The term is often used as equivalent for both “mergers” and “acquisitions”, and here it will be used to refer to acquisitions (cf. Hasset, Rääkkönen & Rantala 2011). Post-acquisition integration phase means the period of time following the legal acquisition agreement where both parties have agreed to the conditions of the deal and the acquisition has been finalized. Across the globe, M&As have over years become an increasingly popular diversification and growth strategy for companies to follow (Haleblian, Devers, McNamara, Carpenter & Davison 2009; Shimizu, Hitt, Vaidyanath & Pisano 2004). Through mergers and acquisitions, different forms of motives and synergy benefits are being pursued such as knowledge and skills sharing, shared resources, access to new markets and networks, gaining competitive advantage, increased market power and operational efficiency, and reduction of competition. (Calipha, Tarba & Brock 2015; Haleblian et al. 2009; Stahl & Voigt 2008, 163).

These synergy benefits, however, posit a need for significant rearrangements of organizational structure in the form of removing overlaps, and establishing common business understanding and organizational culture. In addition to that, actions to fit the two separate organizations together are required, asking for both “hard” (restructuring and strategic analysis) and “soft” issues (concerning people and culture) to be tackled. (Cartwright & Cooper 1995; Dagnino & Pisano 2015.) When integrating two companies, constant communication and dialogue between the acquiring and acquired side usually take place as important decisions about the future of both companies have to be made. These rearrangement activities usually put relatively more pressure on the acquired firm and can even result in destruction of knowledge base in the form of employee turnover or disruption of the existing routines of the organization. (Ferreira, Santos, de Almeida & Reis 2014.) To manage this process, establishing trust between the acquiring and acquired firm becomes crucial.

Nevertheless, in mergers and acquisitions the process of building trust can be considered as even more challenging than in regular business negotiations. After the announcement of an M&A, some kind of turbulence is generally expected, especially in the acquired firm. Stahl and Sitkin (2015) state that this creates a fertile ground for the development of distrust due to the unpredictability of the situation, increased levels of uncertainty, feelings of vulnerability and increased risk for misinterpretations.

As a result, trust can be considered the cornerstone of any successful interaction and long-lasting relationships (Ebner 2007; Thompson et al. 2010). In today’s globalized world, many business activities are conducted across national borders. As a result, the use of different electronic communication channels such as video-conferencing, telephone conferencing, instant messaging (IM), and e-mail have become an integral part of multinational companies’ daily communication. Despite the many benefits of virtual communication, they also present challenges for the establishment of trust. In



electronic interaction, especially email and chat, the communicators are not co-present which reduces their ability to assess the counterpart's trustworthiness through interpretation of reactions, gestures, and other social cues, therefore inhibiting the establishment of mutual rapport and trust (Jap, Robertson & Hamilton 2011; Schoop 2001). Moreover, feelings of physical and psychological distance lead to a sense of anonymity and facelessness. This can contribute to more negative pre-relationship perceptions of the other, and to sweeping assumptions of the counterpart's cooperativeness and trustworthiness. (Citera et al. 2005, 166; Ebner 2007, 7; Nadler & Shestowsky 2006.) Consequently, the risk for misunderstandings and conflict is increased in e-communication setting as there is usually less rapport between negotiators to mitigate the negative effects of specific misunderstandings (Moore et al. 1999; Turel & Yuan 2008, 147). However, trust between negotiators enables more effective information sharing, problem solving, and overall cooperation, resulting in more integrative outcomes and mutually beneficial agreements (Citera et al. 2005, 165; Ebner 2007, 3). As a result, the importance of trust is emphasized in the context of electronically conducted M&A integration communication as without it the ability to communicate over e.g. sensitive issues virtually without having the need to travel to another part of the world to do that should increase. Building trust can be challenging as when integration and synergy actions are being negotiated, particularly the acquired party might feel vulnerable and insecure of the future. (Stahl and Sitkin 2005; 2015.) Despite the increased effort and investments required from e-communicators to build trust, it will undoubtedly be a valuable action for participants in M&A integration to pursue.

## **1.2 Objective and structure of the study**

The role of trust in the success or failure of acquisitions is largely unexplored (Stahl, Chua & Pablo 2015, 70). Although some research already exists on the topic (cf. Butler 1999; Gulati 1995; Stahl and Sitkin 2005; 2015; Zaheer, McEvily & Perrone 1998), it has been acknowledged that the factors facilitating or hindering the development of trust in M&A integration together with the consequences the trust might have for the integration process and post-acquisition performance have not yet been studied comprehensively enough (Stahl, Angwin, Very, Gomes, Weber, Tarba & Durand 2013, 342343). Moreover, existing studies provide contradicting results about the relationship between trust outcome and communication channels used. Moreover, there is no consensus on whether the impact of e-channels is merely positive or negative. Some researchers argue that face-to-face negotiations produce more integrative outcomes due to the richness of the media (higher level of information exchanged and quicker

development of trust) (cf. Galin, Gross & Gosalker. 2007). On the contrary, researchers such as Croson (1999) claim the opposite, while other studies (e.g. Naquin & Paulson 2003; Purdy, Nye & Balakrishnan 2000) found no significant difference between face-to-face and e-communication outcomes. Finally, there is very little existing research on how the use of virtual communication media such as email, instant messaging and web-conferencing influence the trust building process in M&A integration process. This is where this study is going to concentrate. The focus of the study is illustrated in Figure 1.

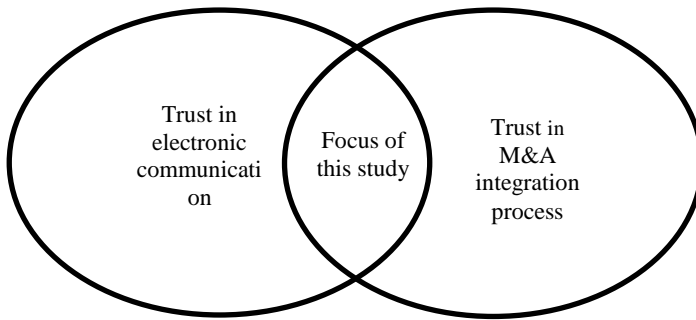


Figure 1 Research gap

The objective of this thesis is to analyse how the use of electronic communication channels influence the post-acquisition integration process in terms of trust establishment and overall efficiency. The sub-objectives are:

- What are the building blocks of trust in M&A's
- How the use of e-channels influence the process of trust establishment?
- and What kind of consequences trust and the use of e-channels have for the post-acquisition integration process

In addition, the objective is come up with recommendations for companies with regards to appropriate usage of e-channels in integration processes to facilitate the selection of correct communication channel for specific tasks. This is something that companies could use to increase e-communication effectiveness and, hence, to facilitate the integration process as a whole.

This thesis concentrates on studying post-acquisition integration. Consequently, the pre-acquisition phase where companies evaluate each other's competences and the acquisition agreement is prepared and signed, has been left out. The reason for focusing on solely post-acquisition integration phase is that in terms of trust building, post-acquisition context provides an interesting and versatile ground for studying the different factors contributing to the establishment of trust. As mentioned earlier, it has been said that post-acquisition integration creates a fertile ground for the birth of distrust (cf. Stahl and Sitkin 2005). In this study, both the acquiring and acquired side of the acquisition are heard as the trust establishment process can depending on which side one is. In addition to this, the role of e-channels is highlighted. More and more

acquisitions are conducted across national borders and due to the presence of geographical and temporal distance, electronic channels and tools are sometimes the only media available for managing the integration process. Lastly, even though the interest of this study covers all the different electronic communication channels, the main focus will be on studying the different dimensions of lean, text-based CMC, mostly email, as this provides the most drastic contrast to face-to-face communication – the channel considered as most natural and rich in terms of interpersonal communication.

For this study, a specific post-acquisition integration between one Finnish and British company was selected as the basis of the empirical part of the study. The theoretical framework was built based on existing literature and theories on the topics of trust in M&A's and trust in virtual environment, and at the end the framework was modified according to the empirical findings of his study. The theories chosen are derived from several disciplines such as Information Technology, International Business and Psychology in order to gain a thorough understanding of the different factors and dimensions contributing to the phenomenon. The literature originates to a large extent from 21<sup>st</sup> century due to the quickly changing nature of information and communication technology. However, also older sources were accepted when they provided contrasting views or were otherwise valid in today's standards. All these theories and existing research will provide the required theoretical support for the empirical part of this study, with the help of which new theoretical contributions will be introduced. The structure of this study is presented in Figure 2.

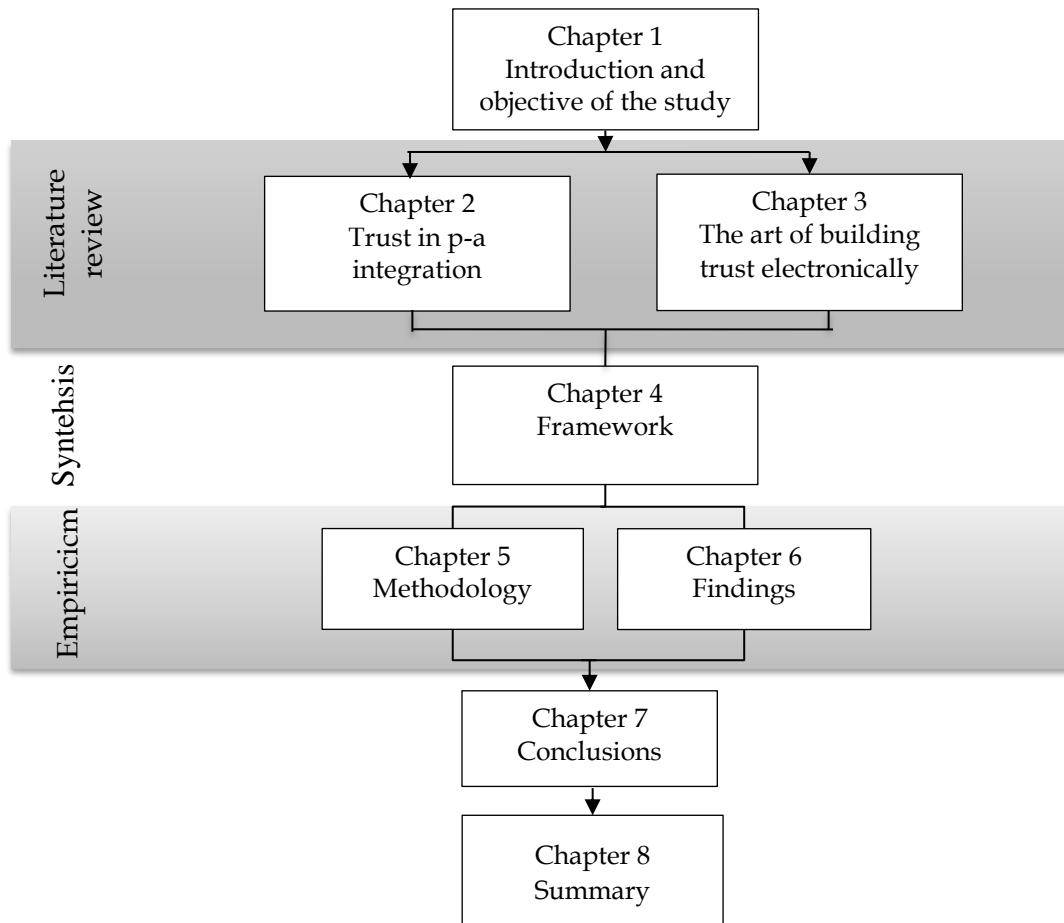


Figure 2 Structure of the study

In chapter 1, background and purpose of the study together with the key definitions and concepts were introduced. In chapters 2 and 3, a literature review for the basis of the theoretical framework is presented. Chapter 2 defines the concept of trust and why it is essential to have trust in post-acquisition integration context, while also introducing the different building blocks of trust. In chapter 3, different e-communication channels and their distinguishing characteristics are introduced. Moreover, the impact of e-channels on the development of trust is elaborated. In chapter 4, a synthesis and theoretical framework for the building of trust via e-communication channels is constructed based on the findings emerged from the previous two chapters. After that, methodology and research approach used in this study are introduced in chapter 5. Key findings of the study are then presented in chapter 6, after which the theoretical and managerial contributions together with the suggestions for future research are discussed in chapter 7. Finally, a conclusive summary of the study is provided in chapter 8.

## **2 TRUST IN POST-ACQUISITION INTEGRATION**

In this chapter, the role and importance of trust in post-acquisition integration context is discussed based on existing literature. First, M&A as a context for trust establishment together with the concept and different levels of trust are introduced after which the different drivers of post-acquisition integration success are explained to give a more thorough understanding of the basic factors influencing the realization of an integration process. Lastly, the two topics are brought together and the building blocks of trust in integration process are presented.

### **2.1 The role of trust in post-acquisition integration**

#### ***2.1.1 What makes M&A's special in terms of trust establishment?***

The lack of managing the "soft" side of M&A integration has been mentioned as one of the main reasons behind a failure of an M&A. Usually too much emphasis is put on "hard" financial and economic factors whereas human resources issues and activities (soft side) are being neglected in the integration planning phase being considered as hard to manage. Instead, priority is given to issues appearing more critical under the time and resource pressures such as retaining customers and product portfolio decisions. (Kusstascher & Cooper 2005; Birkinshaw, Bresman & Håkanson 2000). Managing employees' emotions and expectations and being sensitive to them are, however, of utmost importance. High uncertainty following the announcement of the merger combined with higher work load and diminished communication create an effective breeding ground for a variety of different negative emotions and feelings such as fear and anxiety, stress, insecurity, frustration, shame, depression, all of which contribute to the development of distrust between the two organizations (Cartwright & Cooper 1993, 344; 1995, 37; Hassett 2011, 120–121; Kusstatscher 2015, 92; Kusstatscher & Cooper 2005; 23–29).

Usually positive emotions exist also, especially if the buying company is seen as having better performance. However, the most common reaction, especially from the acquired side, is called "merger syndrome", referring to the defensive and fearing the worst kind of attitude towards the change. This kind of emotional uproar has several, usually negative, consequences (e.g. decreased motivation and job satisfaction, loosing of key personnel, the emergence of rumor mills, increased contentiousness and stress) which, if not managed properly, can lead to the failure of the M&A. (Kusstascher & Cooper 2005; 25–29). It has been, however, stated that the existence of positive

emotions such as hope and joy can, in fact, undo the influence of negative emotions. As stated by Kusstatscher (2015, 95–96) “the more employees experience positive emotions, the better they will be able to cope with the inevitable negative emotions which come along with a merger or an acquisition, its changes, uncertainties and challenges.”

Nevertheless, cultivating positive emotions in post-acquisition context is considered a rather difficult task, making it a challenging context for the establishment of trust due to the predominance of negative emotions resulting from the unpredictability of the situation, increased levels of uncertainty, feelings of vulnerability and increased risk for misinterpretations (Stahl & Sitkin 2015; Kusstatscher 2015, 99). Moreover, there are several other factors affecting the process of relationship building such as previous interactions and experiences with the opposite party, the existence of mutual trust and power relations, to name a few (Cronin 2007). From these, trust can be considered as most important factor (cf. Stahl & Sitkin 2005; 2015).

In post-acquisition integration phase, there are diverse and conflicting motives to be resolved before and during the integration (Hassett 2011, 112; Shrivastava 1986; Thompson et al. 2010, 499). If no trust exists, the probability of reaching mutually satisfying, integrative outcome is almost non-existent (Cronin 2007, 13; Citera, Beauregard & Mitsuya 2005, 165). It is natural for participants not to be too trusting as they would then have too great a risk to be taken advantage of. Being too trusting usually also reduces the need to monitor the actions of the other party, something that is important to do in order to be sure each party is doing what was agreed. However, if there is no trust, parties constantly question everything the other says, inhibiting them to accept each other’s suggestions and, finally, resulting in an impasse situation where neither of the two sides is sharing enough information and critical facts, making the establishment of a viable agreement hard or impossible to reach. (Lewicki & Polin 2013.) As a result, trust seems to have a significant impact on reducing transaction and negotiation costs by lowering the need for expensive monitoring systems and complex agreements. (Stahl and Sitkin 2005; Zaheer, McEvily and Perrone 1998; Butler 1999). Some also argue that trust itself works as an alternative for strictly defined contracts and control methods as mutual trust creates pressure for both parties to avoid opportunistic behavior (Gulati 1995).

Moreover, at the personal level, after the acquisition announcement rumors of possible layoffs start spreading quickly, taking a lot of employees’ energy, reducing performance and productivity. As a result, emotions such as fear and betrayal arise easily. At this stage, the personnel go through careful individual risk analysis of whether to stay or leave the firm. When there is strong basis for trust and the acquired firm members expect that the acquiring firm’s management can be trusted, the integration process will be improved in a number of ways. For example, trust has been seen to

enhance employee performance and commitment, and makes them more willing to put organizational goals ahead of personal ones. (Stahl & Sitkin 2005; Zaheer, McEvily & Perrone 1998; Butler 1999.)

Under the conditions of high trust levels agreements can be reached more quickly and reaching consensus is facilitated. This is a result of reduced information asymmetries due to the increased openness and activity in sharing important information (Zaheer et al. 1998). Moreover, trust has been claimed to play a vital role in enhancing communication and cooperation which, consequently, should result in more positive performance (Fadol & Sandhu 2015). Trust has also been shown to reduce the risk for conflict and help people to work through possible disagreements (Galford & Drapeau 2003). Especially, in as a challenging environment as M&A integration, where having disagreements on sensitive issues such as the probability of lay-offs and rearrangements are constantly present, the importance of trust becomes highlighted as without it, too much energy and resources is wasted on resolving different conflicts, blaming, and scrutinizing the other and drifting into distributive negotiation behavior rather than trying to find integrative solutions together. (Zaheer et al. 1998.) As a result, it can be argued that building and maintaining trust before, during and after the integration phase can make or break the successfulness of the process.

### **2.1.2 Defining trust**

Trust can be defined as a psychological state of how individuals expect the other party to reciprocate one's cooperative actions (e.g. information sharing) in a situation that involves risk or vulnerability (Ebner 2007, 3; Citera et al. 2005, 164). The risk inherent in business setting can be the fear of deception or opportunistic behaviour, as the mixed-motive nature sometimes can tempt negotiators to follow a distributive, profit maximizing strategy at the expense of the other (Thompson et al. 2010, 501). The uncertainty of the other party's behaviour is especially high in multi-cultural interactions in which not only social but also cultural barriers exist to hinder the building of trust (Naquin & Paulson 2004). In mergers and acquisitions, the process of building trust is usually challenging. After the announcement of an M&A, some kind of turbulence is generally expected, especially in the acquired firm. Stahl and Sitkin (2015) state that this creates a fertile ground for the development of distrust due to the unpredictability of the situation, increased levels of uncertainty, feelings of vulnerability and increased risk for misinterpretations.

According to Naquin and Paulson (2004, 234–234) there are two routes to establish trust: *deterrence and identification*. When negotiators are using *deterrence* as a tool for building trust, they believe that as long as one party has the power to punish or deter the

other for unwanted and deceitful behaviour, the more they will trust each other. If this ability to punish for violations of trust is lacking and the opposite party believes they can achieve more gain by breaking trust, negotiators are more likely to follow trust breaking behaviour. In an e-communication context this trust building strategy can be seen in different attempts to create a structured and regulated communication environment. Trust based on *identification* refers to a deeper level of relationship which evolves with time as people learn to know each other and predict the behaviour of the opponent (Ebner 2007, 4; Lewicki & Polin 2013; Naquin & Paulson 2004). However, Naquin and Paulson point out that although the more regulated and predictable setting might increase participants' confidence, highlighting deterrence and rules provides little space for actual development of trust and this could inhibit the creation long-term business relations. Some have even argued that deterrence based trust is not even an actual form of trust as strong methods of regulation and sanctions are merely seen as qualities of distrust (Rousseau, Sitkin, Burt and Camerer 1998). As a result, an alternative classification of different trust levels is presented in Figure 3.

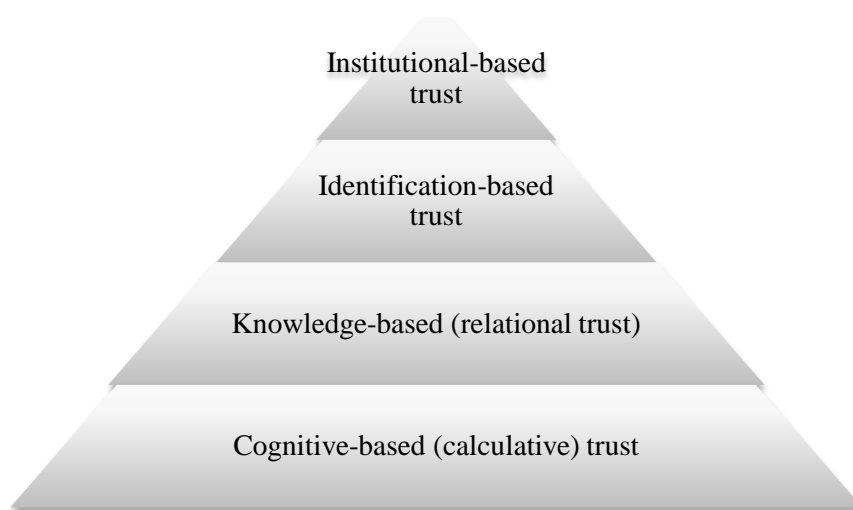


Figure 3 Different levels of trust

A more suitable substitute for deterrence based trust would be *cognitive-based (also called calculative) trust (CBT)* which is based on rational evaluation of the other party based on previous actions, predictability and cognitive assessment of other's trustworthiness. Trust emerges when the other party is believed to perform actions that are beneficial for the trustee (Rousseau et al. 1998). In other words, it can be characterized as an "ongoing, market-oriented, economic calculation where each party assesses the benefits and costs to be derived from creating and sustaining a relationship" (Paul & McDaniel 2004, 185). CBT can be built e.g. by establishing functional reward systems and clear and well-defined contracts (Gwebu et al. 2007).



A higher level of trust can be obtained when it is built on *knowledge-based trust* (Ebner 2007, 4–5; Naquin & Paulson 2004, 233). This form of trust can also be referred as relational trust. At this stage, both parties have gathered sufficient amount of knowledge of each other's trustworthiness (Gwebu et al. 2007). It is established when trustor and trustee have had repeated interaction over time during which both parties have demonstrated reliability and dependability, creating positive expectations and enabling a deeper, emotionally charged relationship based on mutual attachment and reciprocal caring (Rousseau et al. 1998). If participants share openly information about their background, personal characteristics and problems, the more likely they are going to recognise common lines of interests. This will result in a feeling of common group-membership. As a rule, people usually trust those with whom they have something in common. Moreover, as the parties learn to know each other better, the ability to establish *identification-based trust* – this refers to the predictability of the other, and to mutual desire to help the other reach their goals and establish joint goals– increases. (Ebner 2007, 4; Lewicki and Polin 2013; Naquin and Paulson 2004.) In business environment, especially in M&As, a significant part of identification based trust is about the establishment of a common business understanding in the form of “common product specifications, cooperative agreements, and a sense of shared identity” (Kasper-Fuehrera and Ashkanasy 2001, 246).

The highest stage of trust has been identified as *institutional-based trust (IBT)* which is closely related to identification based trust. Here, both parties know profoundly each other, have mutual understanding of things and identify each other's interests and needs. To foster this kind of trust, there are several different activities to pursue such as creating shared values and vision, setting goals together, and creating joint activities. (Gwebu et al. 2007). As will be discussed in chapter 2.2, having shared integration strategy and aligned measures together with creating synergies are some of the most central drivers of post-acquisition integration success. Hence, reaching institutional-based trust level should be seen as one of the main underlying objectives to achieve when realising a post-acquisition integration process.

### **2.1.3 Building and maintaining trust**

How should people then behave in order to attain the trust of their negotiator opposite? Ebner (2007, 5) posits some guidelines. Firstly, as mentioned above, it is essential that people participating to the situation appear, to some extent, similar to each other. This requires sharing of personal information, which in turn helps the opposite side to gain better insight into the interests, values and norms of the other, resulting in more integrative outcomes and desire for long-term business relationships (cf. Morris et al.

2002; Moore et al. 1999). Secondly, the more negotiators show positive emotions and initiate cooperative behaviour, the more likely the opposite party is going to act in a reciprocal way (cf. Cheshin, Rafaeli & Bos 2011, 4). On the other hand, if the opposite party has previously shown cooperative behaviour, it is vital to fulfil the other's expectation of reciprocation i.e. return the favour. Thirdly, the making of concessions also signals that the negotiation partner is more interested in mutually beneficial joint solutions rather than merely striving for personal profit maximization (Ebner 2007; Paese, Schreiber and Taylor 2003). Fourthly, the overall reputation of being cooperative – with others or with the opposite party in question – enhances the tendency to trust (Ebner 2007). The final aspect, also supported by the deterrence-based trust strategy (Naquin & Paulson 2004), states that if negotiators are somehow dependent upon the opposite party (e.g. they hold power in terms of reward or punishment), the more negotiators trust that the other party is not going to violate the business relationship.

Maintaining the established trust is equally important in order to ensure the stability of a long term relationship. The transfer from building to maintaining trust can be compared to moving from calculus based trust to relational trust. Factors contributing to successful maintenance of trust are to a large extent similar to those needed in the trust building phase e.g. effective communication, personal relationships, integrity, contract conformance, and competence. Communication plays perhaps the most important role as it is known to enable the maintenance and restoring of trust. Not only does it decrease the risk for misunderstandings, it also reinforces and improves cultural understanding of the values, norms and beliefs of the opposite party. Integrity and keeping one's word and promises are also important building blocks of long-term trustworthy behaviour. Lastly, the ability to show consistently good performance plays an integral role in maintaining the trust levels. (Babar et al. 2007; Fachrunnisa & Hussain 2013; Gwebu et al. 2007.)

According to Lewicki, Tomlinson and Gillespie (2006, 1000–1001), three varying levels of initial trust has been identified: a zero-trust baseline, initial positive trust and initial distrust baseline. In the first assumption, it is believed that trust always begins from zero and evolves from there to positive or negative direction based on the future encounters and experiences. The assumption of positive initial trust claims, on the other hand, that in the early phases of the relationship people tend to experience moderate or even high levels of trust, based e.g. on individuals ability to rapidly process information to make initial judgements and personality factors i.e. person's propensity to trust. This is particularly strongly present in virtual environment. As members of virtual communication environment do not have the time to develop trust gradually, they act as if trust was present from the beginning. In the literature this is referred "fast trust" or "swift trust". This initial expectation of trust then helps them to better cope in complex,

uncertain and ambiguous environment with strangers. However, if not supported with appropriate action, trust will quickly diminish and turn to distrust. (Blomqvist 2002, 184; Jarvenpaa, Knoll & Leidner 1998.)

Lastly, it is argued that sometimes people may start a relationship with initial distrust which may be based on negative reputation of the other, situational factors promoting negative judgements, and cultural or psychological factors fostering biased negative views of the other. From M&As' point of view, actions reinforcing initial distrust might include different monitoring and control mechanisms which sends an indirect message to employees that they are not trusted, thus, they do not trust the management. As a result, employees share less information which makes it more difficult for management to evaluate the trustworthiness of the employees, leading to a vicious cycle of distrust. (Lewicki, Tomlinson and Gillespie 2006). Next, different drivers of post-acquisition integration success are introduced, followed by identification of most important building blocks of trust in the chosen context.

## 2.2 Drivers of successful post-acquisition integration

On a general level, different drivers of successful post-M&A integration have been identified. Based on previous research and literature, seven factors essential for the success of post-acquisition integration were selected, presented in Figure 4.

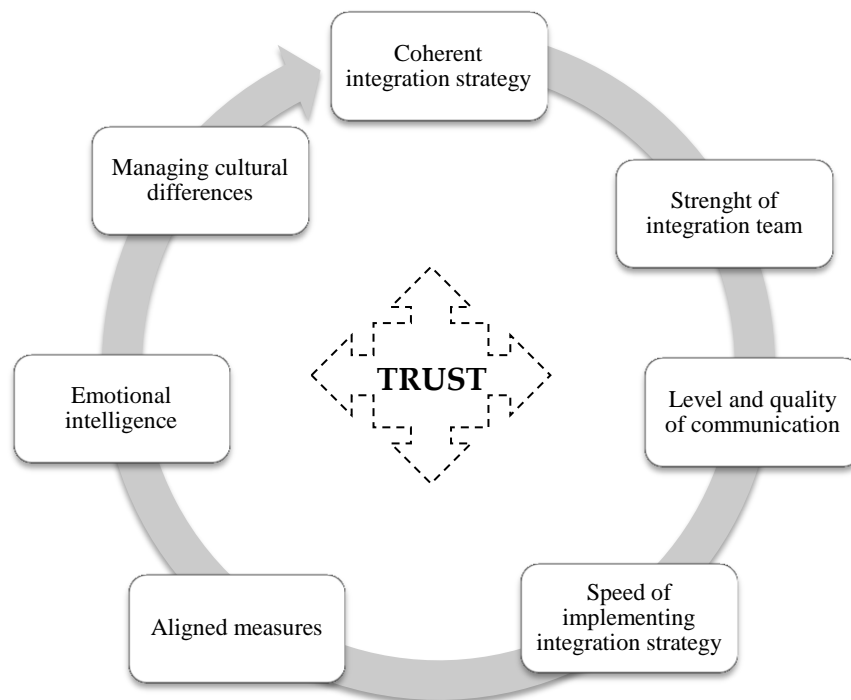


Figure 4 Drivers of post-acquisition integration success

Firstly, the *integration strategy* should be well defined, customized according to the characteristics of both sides, and conducted well in advance, not when the integration should already be started (Epstein 2004; Gomes, Angwin, Weber & Tarba 2013, 23-24.) Moreover, companies should remain open minded about the company structure and not be too much focused on the existing processes and organizational structures. Usually, the two companies have complimentary qualities which, when put together, would enable the achievement of desired synergy benefits. Having the emphasis on equality and judging both companies and their personal by the same standards should also facilitate the establishment of mutual commitment and motivation to reach common goals. (Epstein 2004.) This, as will be explained in later, contributes strongly to trust establishment as well.

Secondly, in order to have the strategy implemented, Epstein (2004) also emphasizes the importance of *strong integration team*. More importantly, the team should *have a strong, sound and motivated leader* with people oriented approach, include members from both companies, fully dedicated to the integration project on a full-time basis. (cf. Ferreira et al. 2014; Dagnino & Pisano 2015; Gomes et al. 2013; Koch 2002, 273) Not only can the integration team facilitate the implementation of integration strategy, they are also better able to identify possible issues such as cultural clashes more proactively as their focus is completely on the successful realization of the integration. Preferably, the integration team should be established already before the deal has been closed and members of the integration process should be involved in the strategy planning (Ferreira et al. 2014; Calipha et al. 2015, 14).

Thirdly, the *consistency, amount and quality of communication* should never be overlooked. The role of communication is to build confidence, provide some tangible goals, and provide explanations and responses to ease the anxiety and concern of the different stakeholders affected by the acquisition. (Epstein 2004). In M&As employees commonly have feelings of uncertainty and fear related to their future in the company, the mitigation of which requires high levels of communication every step of the integration process, decreasing the likelihood for key personnel leaving the firm (cf. Gomes et al. 2013; Schweiger, Csiszar & Napier 1998). Once the employees are locked in, an integral part of the communication process is to articulate the roles and responsibilities clearly, as early as possible. As lay-offs are usually unavoidable, the people affected should be treated with dignity, informed promptly about the decisions made, and preferably helped to find new positions. This kind of benevolence also increases positive feelings of the management in the eyes of the retained people. (Epstein 2004). However, Ferreira et al. (2014) point out that managers should avoid overcommunication as some degree of ambiguity is good to be maintained in order to have more flexibility to cope with unexpected and changing situations.

Fourth driver mentioned in literature is the *speed of integration strategy implementation* (Epstein 2004, Gomes et al. 2013). Too slow pace can be understood by employees as a sign of uncertainty and instability, and especially the key personnel might start to pursue opportunities in rival firms. In addition, slow pace gives room for rumors and can damage the moral of the employees (Ferreira et al. 2014). Early implementation of strategy helps to mitigate risks, reduce fear and uncertainty as well as enable earlier achievement of synergy benefits. Nevertheless, too quick- or slow-paced integration can both have negative effects on the integration outcome, and it has been suggested that the integration should be quick enough to minimize feeling of uncertainty and anxiety but slow enough to ensure careful and effective communication (Epstein 2004, Ferreira et al. 2014, Gomes et al. 2013).

Fifthly, the creation of *aligned measures* and *set of goals and milestones* for the integration process should not be forgotten. This enables the integration manager to monitor closely the progress of integration, better manage the change and, if necessary, make adjustments to improve the efficiency. Moreover, having jointly established goals and direction works as a basis for shared performance culture and overall cultural integration (Epstein 2004; Gomes et al. 2013, 24; Koch 2002, 274-275).

Next, *emotional intelligence* plays an important role in enabling successful integration outcomes. Emotional intelligence (EI) can be described as individual's ability to be aware of own and other's emotions, enabling people to better cope with environmental pressures and to control harmful emotional impulses and moods i.e. helping negotiator to display more positive than negative emotions. EI has been shown to contribute largely to successful management of relationships, building of networks, and developing rapport and feelings of trust, something which is crucial for the establishment of online trust as well which will be introduced more in detail later on. (Kim, Cundiff & Choi 2015, 479-481; Hine, Murphy, Weber & Kersten 2009; Jap, Robertson & Hamilton 2011). In addition, EI increases negotiator's ability to more accurately interpret and detect opponent's concerns and interests (Kim et al. 2015). The ability to show and express positive emotions in M&A context has been argued to have various positive effects such as increased commitment, positive social behavior, increased activity levels and performance. Moreover, positive emotions make people more compassionate and helpful towards each other, and if positive emotions are demonstrated by an organizational leader, the "emotion manager", the effect will most likely be contagious. (Kusstascher 2015, 95, 100).

Lastly, an important aspect for successful cross-border M&A integration process is *managing corporate and national cultural differences*. (Gwebu, Wang & Troutt 2007; Gomes et al. 2013, 26; Shimizu et al. 2004.) During the pre-acquisition stage, paying attention not only to the strategic but also to the cultural fit can have significant influence on how well the integration is managed (Calipha et al. 2015, 15; Cartwright &

Cooper 1993, 330; 1995, 39). In the post-acquisition integration, focusing on sociocultural i.e. human integration to develop shared identity, and eventually trust, between the two organizations has been considered important for the successful management of cultural differences. In case of deeper level of integration, it has been argued that cultural differences pose greater challenges for the synergy realization and reaping of benefits, which makes this an even more important dimension for the success of cross-border M&A integration (Stahl & Voigt 2008, 162, 172). If cultural differences are not managed properly, employee stress levels are likely to increase and less cooperation and negative perceptions towards the cooperation are to be expected, lowering the success rate of the integration process (Shimizu et al. 2004; Weber, Shenkar & Raveh 1996).

However, perhaps the most significant underlying driver of M&A integration success is the creation of *trust* between the acquired company and the acquirer (cf. Stahl & Sitkin 2005.) In fact, many of these drivers are similar to the building blocks of trust identified in post-acquisition integration context, as will be discussed more in detail next.

### **2.3 Trust building in post-acquisition integration**

When evaluating trustworthiness of the opposite party, there are different characteristics on which to conduct the assessment: competence, integrity, benevolence, openness, and value congruence. The *competence* (or ability) dimension refers to other party's ability to meet performance expectations such as quality standards (Stahl & Sitkin 2015, 477; Stahl & Voigt 2008, 162). *Integrity* and behavioural consistency is related to other party's reliability, dependability, and overall consistency of previous actions, and that their words and actions correspond to each other. *Benevolence*, on the other hand, refers to the person's interest in and demonstration of concern towards the welfare of others. In M&As, this means being sensitive to the needs of the acquired firm employees and demonstrating that employees are not being exploited and their interests are protected. In addition, it is crucial to openly share information with employees and make sure communication between both parties is effective, including the provision of accurate information, adequate explanations and free exchange of ideas and timely, honest feedback i.e. ensuring the *openness*. Finally, *value congruence* refers to the extent of shared values, norms and goals which, from its part, contribute to the development trust among individuals and groups. (Stahl & Sitkin 2015, 577; Stahl & Voigt 2008, 162; Whitener, Brodt, Korsgaard and Werner 1998.)

In Figure 5, Stahl and Sitkin (2005, 86-93) present five antecedents of trust affecting target firm members' trust in initial takeover situation. Firstly, the *takeover friendliness*

plays an integral role for the development of trust. In hostile takeover, the acquiring company is usually not aiming for cooperative integration. On the contrary, they tend to seek dominance, impose strict control systems and overlook the “soft” factors of integration, thinking only of financial measures (Stahl et al. 2015, 72). As a result, the basis for trust is weak and the acquired firm is likely to demonstrate strong change resistance, especially, as they did not want to be acquired in the first place. This is also likely to foster “us vs. them” thinking, inhibiting the development of shared identity. In friendly, cooperation-driven takeovers, the buying company is motivated to reach an integrative and trusting relationship with the target firm e.g. by reducing control mechanisms and preserving the autonomy of the target firm as much as possible. As a result, the acquired firm will more likely perceive the acquiring managers to have benevolence and integrity.

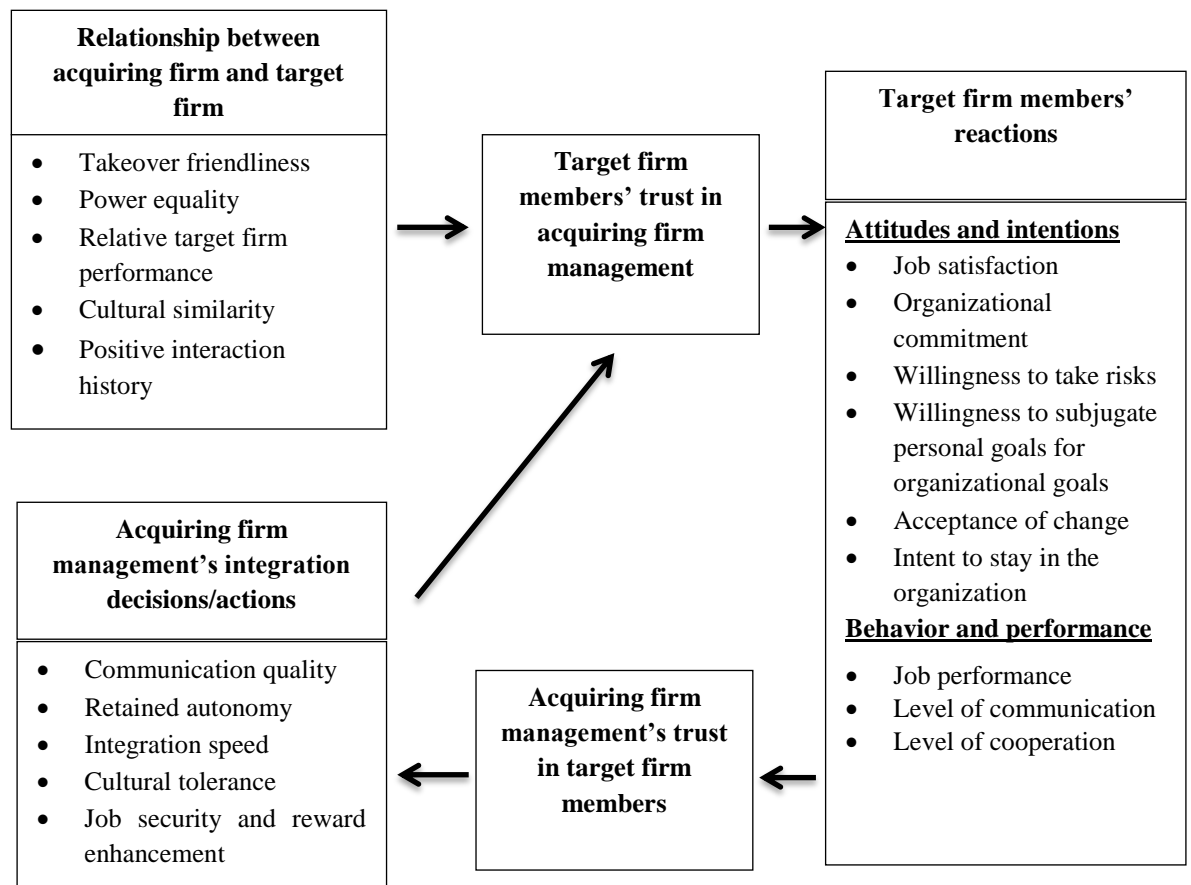


Figure 5 Model of trust in the post-acquisition integration process (Stahl & Sitkin 2005, 86)

In addition, by providing timely and credible information and ensuring *the quality and consistency of communication* – i.e. making sure that the communicated message does not change and the commitments communicated are realistic – the uncertainty and

stress related to the change can be reduced remarkably, decreasing the risk for distrust towards acquiring firm's managers. (Cartwright & Cooper 1993, 344; Galford & Drapeau 2003; Stahl and Sitkin 2005; 2015.) This finding is almost completely in line with one of the success drivers mentioned in previous chapter, namely the level and quality of communication.

Secondly, related to the level of control versus autonomy, the perceived *power equality* and *the level of autonomy* are also important factors. Especially, if the acquiring firm is significantly larger than the acquired, they might be more inclined to exercise greater dominance and control, and showing ethnocentric cultural behavior, trying to force their culture and identity to the acquired firm. This might increase acquired firm member's perception of acquiring managers' competence but decrease the likelihood for them to demonstrate benevolence. As the power distance increases, the less powerful party usually becomes more distrusting towards the more powerful one as they feel they are being exploited and overlooked, and have no reason to believe the dominant party would have need to show trustworthy behavior. (Stahl and Sitkin 2005; 2015.) Therefore, when the acquirer is aiming for a "merger of equals", it is crucial to make the acquired firm members feel they are valued and involved in the process of integration (Lakshman 2011). This included taking members of the acquired firm to the integration team as well. Whitener et al. (1998) mention the importance of sharing and delegation of control as according to them, employees' trust levels are higher when they feel they are able to participate in decision making. Moreover, sharing and delegation of control demonstrate respect and high levels of trust from managers' side towards their employees, making the subordinates feel they are valued in the organisation.

Thirdly, the *perceived performance of the acquiring firm* can have positive impact on the development of trust. If the acquired firm sees the acquiring as a healthy, well performing company, the expected benefits such as job security, compensation prospects etc. derived from the takeover are greater and, hence, the acquiring managers' competence is seen in a much more positive light (Galford & Drapeau 2003; Stahl & Sitkin 2005; 2015). However, the relative performance effect works the other way around as well. If the acquired firm has performed poorly in the past, it might lower acquiring firm's trust on its competence and result in increased dominance and arrogance from acquiring firm's side. Related to the competence dimension, the *speed of integration* can also have significant impact on target firm's image of acquiring managers' competence and ability. Any hesitation in the speed of integration may turn into suspicion and distrust on acquiring firms ability to carry out the integration successfully. (Stahl and Sitkin 2005; 2015.)

Fourthly, *cultural similarity* and perceived distance between the two firms plays a major role for the development of trust. The more two firms have similar cultures and share values and norms, the easier the integration should be. The more differences and



distance there are, the more the acquired firm will perceive the acquiring managers to lack competence, benevolence and value congruency – resulting in greater feelings of resentment and distrust. (Cartwright & Cooper 1993, 332; Stahl and Sitkin 2005, 2015; Stahl & Voigt 2008, 162.) Overcoming national and organizational cultural differences and managing these efficiently is usually one of the most challenging but also most important tasks as was mentioned in the previous chapter as well. In order to succeed in this, the acquiring firm should demonstrate strong *cultural sensitivity and tolerance* for cultural diversity (Stahl and Sitkin 2005).

Fifthly, *the existing relationship history and familiarity* between the two firms has also an impact on trust establishment. Trust evolves over time through repeated interaction between the parties involved. When the interaction history and interactions have been positive through successful completion of transactions, trust is strengthened and a basis for shared identity is established. Moreover, it is important that both parties comply with mutually accepted norms, hence, not only the duration but also the quality of the relationship matters. (Stahl and Sitkin 2005; 2015). As a result of all of the mentioned factors, the trust between acquiring and acquired firm will be either positive or negative, and it will have different consequences on how people react to the post-acquisition integration, and how it influences their behavior and performance.

Lastly, one factor influencing especially the target firm members' trust in acquiring firm management is the reward and job security systems. *The attractiveness of acquirer's HR system* has been found to be a significant if not the most powerful predictor of trust as the employees' attitudes and reactions towards the takeover usually depend rather heavily on the personal benefits and losses they perceive to follow from it (Stahl et al. 2003; 2015; see Cartwright & Cooper 1996). If the acquired firm members feel they have greater career advancement possibilities or otherwise feel the benefits of the acquisition are greater than losses, the resistance to a takeover is significantly diminished and this has also a positive effect on the mutual trust and overall commitment (Stahl and Sitkin 2005). Hence, the HR policies and practices are important indicators of acquiring firm's fairness and benevolence towards the target firms, ultimately influencing how trustworthy it is considered to be (Stahl et al. 2015, 83).

In M&A post-acquisition integration, finding the common ground, having shared vision and developing a value creating strategy is important for the success of the integration (Koch 2002, 274–275, 279). The integration interaction can easily be directed towards rather contentious communication tactics as both sides, but especially the acquired one, try to safeguard one's back and raise one's status opposed to the other. However, as mentioned earlier, it is of a great importance that instead displaying contentious behaviour, members of M&A integration should strive for problem solving tactics, promoting concession making, showing willingness to change the conditions of

the offer or agreement, and actively trying to understand the other's needs and interests (cf. Ebner 2007, 5). E-communication channels, although in some ways more challenging than the traditional ones, can help negotiators to better strive for this kind of behaviour (Potter & Balthazar 2000). The different characteristics of electronic communication media and the challenges and opportunities these create for establishment of online trust will be elaborated next.

### **3 THE ART OF BUILDING TRUST ELECTRONICALLY**

In this chapter, the different characteristics of electronic communication channels, also referred as e-communication or virtual communication, are introduced more in detail. Moreover, the art of trust establishment and role of trust in electronic communication is going to be elaborated. This includes the introduction of different trust promoting and inhibiting factors together with some implications on how is it possible to enhance the levels of trust in e-communication setting.

#### **3.1 Electronic communication channels**

##### ***3.1.1 Characteristics***

Different communication media have varying degrees of richness. The richer media allows more effective exchange of multiple types of informational cues such as visual cues (body language, facial expressions, and eye contact), aural cues (the tone of voice, speed, loudness) and status cues (power, control etc.). On the contrary, a “lean media” is lacking most of these cues, and many researchers claim this makes it a more challenging environment to conduct complex interaction. (Daft & Lengel 1986; Citera et al. 2005; Drolet & Morris 2003; Galin et al. 2007.) Different e-communication channels available today are generally divided into three categories: video-, audio-, and text-based. Real-life examples of these channels used in business environment are video-conferencing, telephone conferencing, instant messaging (IM), and e-mail. The richness and efficiency of each of these channels can be evaluated through three major attributes; how well they convey different social cues, how synchronous the communication is, and what is the level of anonymity. Figure 6 illustrates the richness of different communication channels when considering the level of synchrony and amount of social cues.

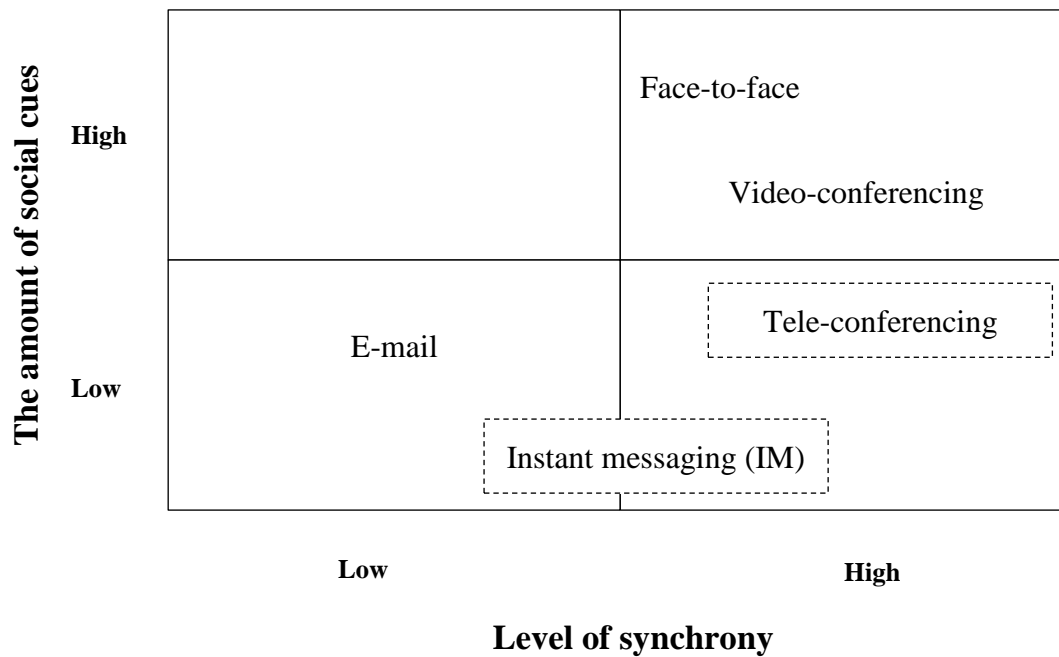


Figure 6 The richness of media when considering the level of synchrony and the amount of social cues

Most e-communication channels are described as lean media, where participants are denied many of the *social context cues* that people rely on in interpersonal communication such as facial expressions, vocal nuances, physical proximity and touch (Ebner 2008, 7–8). In addition, the lack of social norms – which are also transmitted via e.g. body language and physical appearance – generates difficulties as people, especially in cross-cultural situations, are not able to look for clues of common social norms by simply paying close attention to the opposite party’s behaviour (McGinn and Wilson 2004). As the nuanced information provided by e.g. head nods and acknowledgments (“uh-huh”) is eliminated, the way people interpret messages usually change quite extensively (Ebner et al. 2009). Consequently sarcasm, cynicism and humour as ways to animate discussion can become a risky communication strategy as these are easily misunderstood when using lean communication channels (Ebner 2007, 8). As a result, e-communicators need to pay excess attention how they frame each message to make it as unambiguous as possible.

Secondly, when communicating electronically participants are rarely co-present but are separated from each other by geographical and/or temporal distance. This creates an *asynchronous* communication setting in which the two parties read each other messages whenever they want and respond whenever desired. It can take minutes, hours or weeks between the time the message is sent and read. (Friedman & Curral 2002; 2003.) This asynchrony gives text-based e-communication two unique characteristics: reviewability (the ability to have a record of each message that can be read as often as desired) and

revisability (the ability to revise and carefully proof-read and modify the message before sending it) (Friedman & Curral 2003, 1327). Furthermore, another characteristic unique to email communication is the ability to forward opposite party's messages without their knowledge to other people such as colleagues or supervisors and to send the same message to a large group of receiver with one click. Similarly, when one receives an email with several people in cc field, they can choose to send the answer to all people in the email chain or only to the primary sender. As a result, email presents a communication channel which is a hybrid of interpersonal and mass interaction. (Cronin 2007, 26–27.)

Lastly, as a result of the lack of social context cues and asynchrony, the *level of social awareness* between communicators is inevitably affected in e-communication. When communicating via computer-based-communication channels (email, IM) or phone, participants have no visual access, leading to a sense of impersonality, where the other is viewed as the “faceless other”. As a result of the lack of visual access, e-communicators tend to concentrate more on the content of the message rather than on the individual characteristics of the opposite party. (Nadler & Shestowsky 2006, 154–156.) As McGinn and Croson (2004) state in their study, this has a significant impact on the quality and depth of the business relationship – and trust.

Face-to-face communication is normally perceived as the most natural way of communication (Drolet & Morris 2000, 35). Due to the richness of verbal and aural cues face-to-face communication is automatically less vague thus risks for misunderstandings decrease (Galín et al. 2007.) *Video-conferencing* is generally viewed as the closest substitute for face-to-face communication in terms of media richness. However, even this form of communication includes limitations that reduce the social cues available e.g. due to the limited space in the screen. Moreover, the transmission of aural cues can also be hindered as a result of technical problems and delays in transmission. (Purdy et al. 2000, 166). Nevertheless, video-conferencing, or better web-conferencing, provides nowadays also additional features such as document-sharing and simultaneous editing, shared desktop access, and other features facilitating and enriching the communication. Web-conferencing can also enable multidirectional interaction through e.g. applications for voting, chat, and giving instant feedback, making it possible for the participants to have an influence on the content of the meeting in real time. (Suduc, Bizou and Filip 2009).

The next medium most commonly preferred in terms of media richness is the *telephone*, also referred as *teleconferencing*. However, the degree of media richness is now significantly lower as all visual cues and nonverbal signals are eliminated (Drolet & Morris 2000, 35–36). Despite of this, telephone still allows the synchronous flow of communication and the transmission of various vocal cues such as different tones and nonverbal vocal sounds such as “uh-huh”, “mmh” “ahh” as well as silence. The third

group of electronic media is called *computer-mediated communication (CMC ) or text-based communication*. This communication channel enables the sending and receiving of electronic, text-based messages but allows visual cues conveyable only via printed form (Purdy et al. 2000). In addition, the writing down and presentation of information takes remarkably more time and effort in text-based e-communication when compared to oral presentation which – in turn – lengthens communication process (Purdy et al. 2000; Citera et al. 2005; Galin et al. 2007). CMC can be divided in two categories: e-mail and instant messaging (IM). The main difference between these two is that IM, unlike e-mail, enables synchronous communication.

All of these three main attributes – amount of social cues, level of asynchrony and anonymity – influence the process of relationship building and establishment of trust in both positive and negative ways. The challenges and possibilities related trusts building via electronic channels are discussed in chapter 3.2. First however, the different factors influencing the selection of a communication medium are introduced.

### 3.1.2 Factors influencing the selection of medium

When it comes to evaluating the appropriateness of a specific channel in terms of achieving optimal communication outcome, Yuan, Head and Du (2003, 93–94) distinguish different attributes that affect the efficiency and effectiveness of the communication media. Firstly, efficiency is built through three factors: *ease of use, clarity, and response speed*. Different communication channels require different levels of effort and set of skills. As voice is the most effortless and natural form of communication, video and audio channels are usually preferred to text based channels (Drolet & Morris 2000, 35). Efficiency is also affected by the clarity of the information received. Text can be viewed as a relative clear form of communication but is not as good medium for complex explanations as voice or video communication. Yet, the clarity of the two latter can be weakened by e.g. bad video or sound quality (Yuan et al. 2003). In addition, communication efficiency is linked to the response speed, in other words, how synchronous the exchange of messages is via the chosen communication channel.

Secondly, Yuan and colleagues (2003) introduce factors affecting communication effectiveness including *expression power and memorability*. Firstly, expression power of a medium depends to a great extent on the task that lies behind the negotiation. Usually, it is better to use richer media like voice or video for complex tasks while information that requires printed cues (e.g. figures and charts) is better presented via text-based channel. Memorability of a medium refers to negotiator's ability to remember the information exchanged in previous conversations. The reviewability of text-based e-communication makes it the easiest medium to check and scan, whereas adding audio to a text-only medium may improve understanding and create links with existing information in long-term memory (cf. Friedman & Curral 2003, 1327; Shachaf 2008).

Based on the above, *nature and complexity* of the task at hand should work as fundamental criteria for appropriate channel selection. This is corroborated by Daft and Lengel (1986) who argue that for each communication situation there is a matching media to be used, depending on the complexity of the task. However, as criticized by Cronin (2007) and DeRosa, Hantula, Kock and D'arcy (2004) this theory assumes that the richness of media is fixed for all individuals and for all situations. Therefore it does not take into account the effect of individuals' previous user experience of a specific medium, team member familiarity, and the nature of the task. This view of the importance of individual experience and task's nature on the perceived richness of the media has been supported by other researchers as well (e.g. Tan et al. 2004; Ebner 2008).

As a result, the *role of individual and their experiences* can have an impact on the perceived richness of the selected channel. In fact, Walther (1992) suggest that with time people communicating via lean media learn to adapt to the constraints of the medium at hand and find ways to compensate for the lack of non-verbal cues by e.g. using emoticons or including social content in messages. Consequently, the establishment of relationship and trust – topic which will handled later in this chapter – should be just as possible via text-based electronic channels as it is via face-to-face media; it only takes more time to do it.

Galín and colleagues (2007, 5) also contemplated how the sequence of the communication media used in multimedia interaction affects the process and outcome of e-communication. If e-communicators engage in face-to-face interaction prior to starting e-communication, they have better basis for establishing common ground and, hence, are more likely to use “soft tactics” (e.g. increased flexibility, making compromises), resulting in more integrative and mutually beneficial communication outcomes. In contrast, e-communication prior to face-to-face contact is likely to enhance the use of “hard tactics” (e.g. increased persistence), and participants may start to see face-to-face situation as a “combat zone” – a place where people go to resolve disagreements not solvable via electronic channel. Similarly, Henttonen and Blomqvist (2005, 115) argue that a face-to-face meeting works as a precondition for the relational, trust-based communication to take place.

A different view is provided by Wilson, Strauss and McEvily (2006) who state the order of media use, whether starting with face-to-face or electronic interaction, has only effect on the communication efficiency and trust development at the first encounter but as the number of meetings increased, trust in computer-mediated encounters rose to the same or even higher level than in face-to-face settings. To summarize, even though there is no clear consensus on the matter, it would seem that once the mutual context and basis for shared knowledge and experiences are established, the leanness of the media should no longer have an impact on the effectiveness of communication in terms of openness and trust, helping participants to compensate for the limitations inherent in the media (Alge, Wiethoff and Klein 2003).

Furthermore, the outcome of computer mediated communication is influenced by the culture the negotiator comes from (Graf et al. 2010). For instance, in some cultures non-verbal communication and gestures play a signification role in understanding the other, and in lean, virtual interaction, this might lead to difficulties in comprehension (DeRosa et al. 2004, 220). In addition, whether participants come from individualistic or collectivistic culture has been suggested to have an impact on how information is shared or how integrative the strategies used are. Graf et colleagues (2010, 499-500) state that people from collectivistic cultures (e.g. Asia) share significantly more information and aim for integrative strategies, trying to avoid conflict and pursue for harmony.



Moreover, non-Western, collectivistic countries have been claimed to put more value on the achievement of trust, knowledge, and commitment between the negotiators whereas in Western cultures the negotiation outcome is measured by the personal value and joint profit gained (Thompson et al. 2010). On the contrary, communicators from individualistic cultures (e.g. North America) are prone to share less information, and pursue individual interests and value-claiming behavior, even at the risk of conflict. However, Jarvenpaa and Leidner (1998) propose a somewhat contradictory finding as according to them, people from individualistic cultures have greater propensity to trust and, thus, engage more in open and precise communication.

An important aspect related to appropriate channels selection is the language used in cross-cultural communication. Negotiating in non-native language is becoming more and more common due to the development of new e-communication channels which enable quick and cost-effective cross-border communication (Lai, Lin & Kersten 2010). Even though English has acquired a well-established position as the lingua franca of business communication, for a majority of business people it is only their second or third language. In international business communication the efficacy of expressing oneself in the selected interaction language becomes a critical factor. The use of a non-native language has major effects on communicator's ability to use persuasive tactics and to express information and opinions clearly and rapidly. In contrast, native speakers are more confident in their communication performance, resulting in increased power differences (Lai et al. 2010). The language and cultural barriers result in a decrease in accuracy in both written and spoken language, consequently, increasing the time and effort needed to understand each other's messages (Shachaf 2008). In electronic communication, however, the asynchronous channels can be seen to offer more equal possibilities for parties with different language levels to express themselves as there is more time for them to reflect their answers.

All the above mentioned factors – ease of use, clarity, response speed, expression power, memorability, the individual's experiences, the order of use, culture of origin and language used – have each an impact on how successful the communication via e-channels is, ultimately having also an impact on the development of trust. Next, the role of trust and the different trust inhibiting and promoting factors of e-channels are introduced.

## 3.2 Building virtual trust

### 3.2.1 *The role of trust in e-environment*

Trust establishment via electronic channels – especially in text-based, computer-mediated communication (CMC) – is a problematic concept in various different ways and there are multiple different aspects that influence the process of trust building such as the number of parties involved, the information systems used, and the personality and level experience of the participants (Turel & Yuan 2008, 143; Ebner 2007). The possibility to directly supervise and contact each other has been taken away and virtual team members cannot observe other people's effort and communication, leading to a situation of behavioural invisibility where the risk for deception, neglecting others and misunderstandings increase under the condition of distrust (Wilson et al. 2006, 16). Therefore, managers and other members of virtual work organisations would need to be able to establish even higher trust levels than in face-to-face settings. Without it, the work performance together with job satisfaction are likely to decrease as employees are spending excessive time monitoring one another, consequently, sharing less information and spending less resources on the primary task at hand – and decreasing the success rate of M&A integration (Derosa et al. 2004, 225; Wilson et al. 2006, 17). Moreover, as Kasper-Fuehrera and Ashkanasy (2001, 241) propose, the medium's capacity to enable the transmission of emotional and nonverbal messages such as those involving some kind of facial expression is important for effective communication of trustworthiness. Consequently, one could argue that in the case of using the more or less lean e-communication media as a communication channel, the establishment of trust is challenged further.

Another important factor related e-communication is the establishment of rapport. Rapport building is one of the most essential – and challenging – task e-communicators have to perform when striving for a trust-based relationship. However, for the most part, rapport is built not only through words and phrases but – more importantly – through tone of speech, gestures, and overall nonverbal signals. As established earlier, nonverbal cues increase the richness of the information communicated which reinforces positive emotions, mutual awareness of another, and harmonization – all of which are essential building blocks of a relationship. As a result of successful rapport building process, the trust level between e-communicators tend to be higher, and strategies employed are more cooperative by nature. (Jap et al. 2011, 1610; Kim et al. 2015, 479.) As Hine et al. (2009, 194) suggest, the different tactics regularly employed to build rapport comprise “behaving in a friendly manner, and acknowledging with others' ideas, attitudes and

values.” Due to the decreased richness of leaner e-communication channels, the establishment of rapport can become a challenging task.

Related to the establishment of rapport is the concept of grounding, first introduced by Clark and Brennan (1991). The idea behind this is that when interacting with each other people try to create or “ground” a mutual sense of understanding, mutual ground of beliefs, knowledge and assumptions. According to them, there are eight tools needed for successful grounding: co-presence, visibility, audibility, co-temporality, simultaneity, sequentiality, reviewability, and revisability. When reflecting different communication media to these characteristics, video conferencing lacks only co-presence. Telephone, on the other hand, lacks not only co-presence but also visibility. Nevertheless, the e-mail represents the greatest shortages, lacking all the tools except reviewability and revisability. Consequently, e-mail would seem to create the most challenging environment for the establishment of mutual ground between e-communicators

Nevertheless, it has also been argued that e-channels can affect the establishment of a trusting relationship positively, and some researchers believe electronic communication channels are as good or even better media for the establishment of a relationship as face-to-face communication (cf. Walther 1992; Croson 1999). Different underlying factors contributing to the trust development in global virtual teams, consistent with the antecedents of trust in post-acquisition integration introduced by Stahl and Sitkin (2005) are: ability (performance), integrity, benevolence, shared values as well as individual’s propensity to trust (Järvenpää, 1998; Henttonen & Blomqvist 2005, 115).

As a result, Internet and its services create a rather bewildering and contradictory situation for e-communicators to untangle in terms of establishing rapport and trust with the opposite party. Because of this the role of trust and building it actively is even more emphasized in virtual communication setting as without trust, the communication efficiency via e-channels can be considerably hindered. Next, the different factors promoting the establishment of virtual trust are introduced. After this, the trust inhibiting factor are presented as a way of increasing the awareness of the possible pitfalls of e-communication contributing to the birth of distrust. Lastly, different tools available for e-communicators to reinforce e-trust are presented.

### ***3.2.2 Trust promoting factors of e-communication***

It has been acknowledged by many researchers that CMC channels have potential to enhance the development of trust in several different ways. Here, the following positive consequences are presented: enhanced expression power, decreased influence of cultural differences, increased neutrality, increased equality, and task orientation.

Firstly, e-channels can enhance individuals' *expression power* in two major ways. The ability to bundle multiple arguments together can, even though also potentially increasing the risk for misunderstanding, have a positive impact as well. In face-to-face communication a rule of turn taking is present which means that both parties are usually allowed to make only one or two comments at a time before others will have their turn. On the contrary, text-based communication provides negotiators the ability to write multiple comments and arguments all in one e-mail without any interruptions from the other side. (Friedman & Curral 2001, 2003; Ebner, Bhappu, Brown, Kovach & Schneider 2009.) This should increase satisfaction and feelings of equalisation as one person cannot dominate the discussion and participants are better able to express their opinions.

Secondly, it has also been said that ICT has mitigated many of the negative aspects of *cultural differences*. First of all, it enables people to communicate regardless of time and space differences. Asynchronous, text-based communication channels have improved individuals' ability to compose and decode messages, thanks to reviewability, and non-native speakers are better able to express their thoughts by e-mail than by talking. Moreover, as in text-based communication the accent of the opposite party and other vocal cues cannot be heard, another cause of misunderstanding is eliminated. The lack of social and nonverbal cues has also been suggested to diminish risk for misunderstanding and conflicts resulting from cultural differences in the use of these cues. However, it is important to point out that synchronous chat (IM) has been found to merely amplify the cultural differences among e-communicators as differences in language skills, time zone and location are more strongly present. (Shachaf 2008.) Based on the earlier mentioned characteristics of lean, text-based media and its benefits, it is no wonder that in cross-cultural communication people tend to prefer leaner forms of media, especially if they do not know the opposite party well, and move to richer alternatives only if it is necessary for the accomplishment of the task (Shachaf 2008; Ruppel, Gong and Tworoger 2013).

Thirdly, it has been argued that leaner, asynchronous media such as email *increases the neutrality*, enabling an emotionally "cooler" communication environment than in synchronous media. Time pressure and need for immediate answer created by synchronous settings give communicators less time to contemplate their answers and deal with spontaneous feelings and displays of emotions such as frustration and anger, thus increasing the possibility for offensive and competitive behavior. On the contrary, thanks to the rehearsability and reviewability, in asynchronous media the emerging emotions can be reflected with time and the negotiator has the possibility to calm down and to consider the consequences of the reply, leading potentially to more integrative and problem-solving behavior. Moreover, synchronous communication is claimed to lead to more competitive and tactical, less friendly communication (Pesendorfer and

Koeszegi 2005;2006, 145-153). Pesendorfer and Köszegi (2005) concluded in their study that in asynchronous, text based communication the quantity of messages including thanking and apology was larger than in synchronous communication setting, demonstrating a more polite behaviour. Moreover, the impersonal nature and lower social awareness linked to computer-mediated communication contribute also to a conclusion, that any aggressive or negative expressions conveyed through electronic media should be taken less personally, resulting in a more neutral communication environment. As the opposite party is not able to interpret all aggressive or negative signals so accurately, he or she will not become so easily agitated and the risk for conflict should decrease. (McGinn and Croson 2004; Giordano et al. 2007.)

Finally, as the distracting elements of social context cues and emotions are more or less eliminated, it is easier for e-communicators to concentrate on the actual content of the message and issues at hand, rather than on the social factors such as emotional or personal appeals present in face-to-face context. This is referred as *task orientation*. (Tan et al. 2004; Barsness & Bhappu 2004; Nadler & Shestowsky 2006.) As one of the participants in the research of Tan et al. (2004, 13) summed up: “It lets me focus on what is said, not how it is said.” Resulting from increased task orientation, the working efficiency should increase as no extra time or energy is wasted for ruminating the tone of voice or facial expressions of the opposite side. Text-based communication can also increase the communication effectiveness by enabling the negotiators to restate the agreements made later on. Furthermore, some researchers have argued that the combination of rich and lean media e.g. videoconferencing and text-based communication can be, in fact, richer than either of the medium on its own as both media provide different benefits in terms of achieving an efficient communication outcome. (Shachaf 2008.)

### ***3.2.3 Trust inhibiting factors of e-communication***

Despite several trust promoting factors, the many shortages and challenges related to virtual encounters and the characteristics of e-communication, namely the lack of social cues, asynchrony and anonymity, can further increase the probability for the establishment of distrust (Friedman & Curral 2003, 1327). As a result of the negative aspects of electronic communication, the following trust inhibiting tendencies can be identified: Increased risk for misunderstanding, increased frustration and anxiety, increased competitiveness, negative biases and perception of the other, flaming, inaccurate interpretation of emotions, and low level of user experience.

The use of electronic channels has the potential of *increasing the risk for misunderstanding*. First of all, higher levels of asynchrony, as mentioned earlier,

enables argument bundling. Even though this might increase communicators power to express their opinions, it has also the potential to increase misunderstandings as the ability to bundle multiple arguments together without interruption hampers the possibilities for e-communicators to ask clarifying questions at the time of misunderstanding and, as a result, the receiving party might become overwhelmed of the information received (Morris, Nadler, Kurtzberg & Thompson 2000; Ebner et al. 2009). If the mistake or misunderstanding takes place in the beginning of the message, the latter part might be read in a state of misunderstanding or even anger or frustration as the sender cannot self-correct the mistake at once – something that would be possible in face-to-face context (Friedman & Curral 2003, 1331–1334).

Consequently, asynchrony can be cut out for *increasing frustration* (Giordano et al. 2007). Not only does the process take more time and misunderstandings occur more easily, the time lag between messages makes e-communicators uncertain of why it takes so long to answer and whether the other party has even received the message. The increased anxiety can easily turn into growing distrust (Ebner, 2007). In addition, reviewability together with the tendency to focus more on the content of the message (task orientation) increases the risk of people giving excessive attention to the different tones and nuances of the message, resulting in unnecessary rumination (Friedman & Curral 2003, 1331; Ebner 2007). Consequently, words and expression interpretable as negative can develop into increased feelings of anger – especially as the receiver of the message has a reason to believe that the sender has thoughtfully considered the content of the message before sending, resulting in a perception that the insults made were intentional (Friedman & Curral 2003, 1332). Moreover, the “getting down to business” attitude related to e-communications result in participants underestimating the importance of “schmoozing” (i.e. revealing personal information etc.) and “ice-breaking” (Morris et al. 2002, 42; Nadler 2001), all of which having the potential of leading into growing distrust between the communicators.

As a result of the excessive rumination of message content, negative behavioural biases can easily occur. Together with the feeling of psychological distance, decreased level social awareness and co-presence e-communicators easily start to attribute negative motives to the other’s actions (Thompson & Nadler 2002, 119). The tendency for people to see the other in the worst possible light is called *sinister attribution bias* (Ebner 2007; Thompson & Nadler 2002). When e-communicators become caught up in this kind of behaviour, even those messages intended as positive and friendly might change in the reader’s mind into less positive, even insulting (Ebner 2007, Byron 2008). Other behavioural patterns contributing to the escalation of conflict in e-communication are called *burned-bridge bias* and *squeaky wheel bias*. Burned bridge bias refers to people’s tendency to overlook the need for rapport building behaviour such as politeness in virtual setting, resulting in more direct and aggressive behaviour,

something which is encouraged by the feelings of anonymity. *The squeaky wheel bias*, on the other hand, refers to individual's tendency to use a negative and aggressive emotional style in e-communication as they believe intimidation is the most effective way to achieve goals. (Thompson & Nadler 2002, 117–120). Lastly, some e-communicators are under the illusion that it is expected that parties behave differently in virtual environment compared to face-to-face situations. They believe that as e-mail and other e-communication media are created to foster efficiency, it is acceptable to take short cuts such as to send one or two word answers, ignore some messages, and most importantly, to eliminate some or all social lubrication techniques. Morris et al. (2002, 42) refer to this as the *efficiency bias*. All of these four biases can eventually result in severe conflict and decreased levels of trust (Thompson & Nadler 2002, 118).

Next, the level of social awareness influences how we perceive the opposite party in reference to ourselves. If the other is perceived as a stranger and communicators have no basis for mutual identification, they usually evaluate themselves more favourably to the other and imagine the counterpart to be abstract and not worth the investment. (Nadler & Shestowsky 2006). Consequently, it is also claimed that *negative initial impressions* are also formed more easily via electronic communication media as people tend to like the discussion partner less than those using face-to-face channels (Nadler & Shestowsky 2006). These negative perceptions are quickly strengthened and distrust emerges unless e-communicators become aware of these and start “unmasking” each other, i.e. make themselves more identifiable by introducing pictures or other means of social lubrication to the messages – also called “schmoozing” (Ebner 2007; Morris et al. 2000; Moore et al. 1999).

Furthermore, the facelessness and mutual invisibility in text-based computer-mediated communication (CMC) can lure individuals to engage in *trust-breaking and contentious behaviour*. As the opposite party is identified as a stranger – a faceless e-mail address (Nadler & Shestowsky 2006) – it feels easier to cause damage to them, especially thanks to the physical distance and shield of anonymity (Ebner 2007, 7). In addition, lower social awareness due to the lack of social cues leads easily to increased competitiveness in the form of contentious, analytical and self-interested behaviour as e-communicators are prone to feel less bound to appropriate behavioural norms (Nadler 2001; Morris et al. 2002, Giordano et al. 2007). This can result in a failure of evaluating and recognizing relevant information about the counterpart's priorities. Consequently, the competitive behaviour may become emphasized in e-negotiations. (Barsness & Bhappu 2004; Drolet & Morris, 2000.)

The likelihood for *flaming* and expression of negative emotion has been said to be higher in electronic media (Alonzo & Aiken 2004; Dubrovsky et al. 1991, Nadler 2001). This is for the most part a result of the missing social cues without which arguments made via text-based e-channels might come across ruder than intended

(Morris et al. 2002, 7). According to a study by Dubrovsky et al. (1991), flaming is eight times more likely in e-encounter than it is in face-to-face, and, as a result of it, e-communicators end up using more aggressive tactics, such as threats, name calling, ultimatums, and final offers, which are then mirrored by the other side (Friedman & Curral 2003; Morris et al. 2002). As participants are inclined to see the others message in a negative light – even before the dialogue has started – every subtlety that could even remotely be interpreted as offensive will most likely be understood as one, consistent with sinister attribution bias. The inability to see the other party also impedes communicators from seeing how the opposite party reacts to their message, which makes the use of ambiguous communication such as humour a risky action to take in text-based communication. (Morris et al. 2002).

The *expression and accurate judgement of emotions* is also harder via virtual, less rich communication media, and the risk for miscommunication is greater than in face-to-face context. Byron (2008) proposes that due to the characteristics entailed to leaner communication media such as email, there is a risk that the emotion communicated is understood as more neutral or negative than intended. For the former occasion, the term *neutrality effect* is used. The sender of the message clearly hears the different intonations of emotional intensity embedded in the text but the readers cannot hear these, making the tone of the message more neutral, due to the fact that the channel does not enable the sender to include facial expression and tone of voice into the message. This way, even messages intended as positive in nature might be understood as neutral at best and negotiators might feel less connected to each other. On the other hand, neutrality effect can be seen to have positive consequences as it might increase negotiator's task orientation and does not make them to be too focused on scrutinizing the emotional content of the message. In worst case scenario, the message is understood more negatively than intended, leading to the latter occasion, *negativity effect*. As a result, even positive message might be understood as having negative tone in it. When it comes to conveying negative emotions such as fear and sadness, under negativity effect these are understood as signs of hostility, annoyance or other variants of anger, increasing the risk for conflict.

Although e-mail and others forms of e-communication are already widely used all around the world, those and Internet in general are still quite a new phenomenon, not fully adopted by all users. Consequently, there are still differences in *the level of experience* in the use of e-communication channels, which can have negative implications for communication outcome and success, ultimately influencing the trust levels as well. (Ebner 2007; Cronin 2007; Tan et al. 2004.) Inexperienced e-communicators tend to trust the medium less, resulting eventually in distrust towards the opposite negotiator (Ebner 2007). Moreover, the age and experience of the communicator have an impact on how the emotional content in emails is perceived.



According to Byron (2008), older age is usually negatively related to person's ability to express, regulate, and perceive emotions when using lean CMC channel, and they tend to avoid expressing too much emotions as they perceive the medium as emotionally neutral based on their own use and experience.

Even though there are many factors and characteristics in virtual communication environment provoking the birth of distrust among the participants, it is possible for e-communicators to avoid or at least mitigate the above mentioned challenges remarkably. The different tools to better control these e-communication challenges are introduced next.

### **3.2.4 Ways to build e-trust**

The different tools and methods for mitigating the negative consequences of the use of e-channels for the establishment of trust are now introduced. Based on the existing literature the following methods are presented; decreasing ambiguity, ensuring the quality and frequency of communication, increasing the comfort of the users with training, expressing positive emotions, schmoozing, increasing virtual co-presence, and creating shared group membership.

First of all, in text-based communication it is important for communicators to adapt their behaviour and style of communication in order to avoid misunderstanding and increase the efficiency of interaction. One way of achieving this is by *decreasing the ambiguity of the communication*. It is important for e-communicators to become aware of how they convey their messages and also to learn to manage their reactions. Instead of bundling large amount of arguments together, more frequent interaction by sending shorter, less ambiguous messages enables better feedback and correction of mistakes in order to avoid the accumulation of misunderstandings. (Friedman & Curral 2003.) After all, according to Stahl and Sitkin (2005) the frequency of communication is one of the most important building blocks of trust in M&As as well. When used in a right way the reviewability together with the possibilities provided by word-processing tools can actually help negotiators to avoid misunderstandings. By connecting clarifying questions right after the unclear parts of the other's message or by sending the ambiguous message back to the sender as it is, we can highlight the ambiguousness of the message and encourage the other to construct clearer messages in the future. (Ebner 2007, 13.) Developing and maintaining a predictable pattern of communication should help virtual negotiators to maintain higher trust levels (Olson & Olson 2012, 267.)

All in all, *timely responses and overall open, high quality communication* and honesty together with having integrity and keeping commitments and promises have been considered important for building virtual trust. Providing constant and constructive

feedback as well as ensuring frequent communication is crucial in order for people in virtual communication setting to improve their performance and reduce the uncertainty inherited in virtual communication. Rapid pace of interaction also reduces stress related to the sender's doubt of whether or not the message sent has been received successfully. (Henttonen & Blomqvist 2005, 114; Järvenpää et al. 1998.)

Secondly, it has been acknowledged to be essential that negotiators are encouraged and trained to develop their e-communication skills in order to create a comfort level high enough to enable the establishment of trust (Cronin 2007, 148). *As the comfort of using communication technologies* increases, the users will create more positive attitudes towards the systems and they are more likely to adapt a wider range of e-communication applications, thus, increasing also the performance (Tan et al. 2004, 9; DeRosa et al. 2004; Suduc et al. 2009). Additionally, as trust towards the medium increases, the creation of interpersonal trust between e-participants negotiators should be facilitated – after all, one of the prerequisites for developing trusting relationship in electronic settings is that the users accept the technology used and perceive it as useful and easy to use. (Ebner 2007, 15; Brown, Poole & Rodgers 2004, 130.)

Moreover, the importance of a stable and reliable ICT platform with wide bandwidth should not be underestimated as it also plays a role in communicating trustworthiness via virtual communication channels (Kasper-Fuehrera & Ashkanasy 2001, 239). Nevertheless, it is important to remember that the adaptation of e-communication media is still in progress and differences in the level of experience are going to exist for some time still due to e.g. differences in technological development in different countries or generations represented. If the other one is feeling insecure and suspicious about the use of e.g. e-mail, the more experienced party should be able to notice this as the uncertainty in using the medium is easily reflected as distrust to the other party. In this kind of situation, considering the use of another communication medium might be a viable option. (Ebner 2007, 15.)

Thirdly, whether one is *displaying positive or negative emotions* to another can have significant impact on the success of the interaction and for the development of the business relationship (Kopelman, Rosette & Thompson 2006; Thompson et al. 2010, 498). Positive emotions have been shown to facilitate the adoption of creative problem solving strategies, increase concession making, reduce hostile behavior, and result in integrative, mutually value adding outcomes, whereas negative emotions tend to do the opposite and, in addition, increase self-centered behavior and insensitivity towards the opponent's concerns (Kim et al. 2015, 479). Positive and negative emotion in virtual communication can be expressed through two different ways: flexibility and resoluteness. As there are no social or emotional cues available, or the amount of these is limited, people try to find other cues to fulfil this gap. This is done through observing the communication behaviour of the other. Actions showing flexibility such as

responsiveness, cooperativeness and willingness to make concessions, are effective ways to reinforce positive emotions of oneself. Resolute behaviour i.e. “acting tough” and not giving in is a common way of showing negative emotions and anger.

The role of emotions in virtual communication is corroborated by a study of Jarvenpaa et al. (1998, 53–56) where it is claimed that maintaining a positive tone in team communication in a form of compliments, encouragement or by expressing enthusiasm and optimism, should reinforce the commitment to the other members of the team, increase team cohesiveness and, hence, trust. When expressing positive or negative emotions in e-communication, these emotions can become mimicked by the opposite side, referred to as social contagion. Even though e-communicators are denied most of social cues, it has been shown that e-negotiators mimic each other’s e-mail structure (e.g. length, content, and grammar), connotations (e.g. tone), and even the reply time. (Thompson & Nadler 2002.). Hence, the more the words imply agreement instead of aggression or negation the more successful the e-communication process will be.

Next, when it comes to anonymity and perceived facelessness, there are ways for e-communicators to “unmask” each other i.e. make themselves more identifiable by introducing pictures or other means of social lubrication (e.g. revealing of personal information) to the messages – also called “*schmoozing*” (Ebner 2007; Morris et al. 2000; Moore et al. 1999). In fact, “schmoozing” is perhaps one of the most powerful tools available for e-communicators to establish in-group perception, rapport and common ground. As Morris et al. (2002, 9) define it: “Schmoozing is a means of social lubrication that involves talking about personal or background issues not currently under negotiation.” In other words schmoozing is about “breaking the ice” between communicators who are strangers to each other. However, as Morris et al. point out, the use of this kind of small talk might appear more or less awkward in electronic environment as spontaneous and rapid-fire dialogue and turn-taking is inhibited in many forms of e-communication.

Nevertheless, there are several ways that schmoozing can be incorporated in the context of e-interaction in form of exchange of photographs, use of emoticons, and sharing of personal information (Walther & D’addario 2001). Other nonverbal cues present in online communication include; asterisks to emphasize some content, capital letters to communicate intensity, the length of the message, response time, degree of formality, and the presence of signs of politeness such as greetings, thanking etc. (Byron 2008). However, as Morris et al. (2002, 22) argue, while the use of emoticons might complement verbal messages and function as a form of “social lubrication”, they may not always be so well-suited to business negotiations between strangers. As an example of the power of schmoozing, Morris and colleagues proved that only a five-minute introductory phone call before the actual negotiation created initial rapport, and

the positive perceptions created during the phone conversation were maintained throughout the entire negotiation process. These findings are corroborated by Nadler's (2004, 230–234) research which indicated that schmoozers shared more information, made fewer threats, and engaged in reciprocal behaviour, and – naturally – developed more trust and respect towards each other.

Related to schmoozing, achievement of *virtual co-presence* is an important prerequisite for the establishment of interpersonal trust as it increases the sense of connection between the participants. The sense of virtual co-presence can be enhanced by e.g. increasing the speed of interaction and enabling people to track what others are doing in real-time. In addition, having virtual meetings regularly, encouraging everyone to participate and documenting the decisions made are good tools for increasing the efficiency of e-communication and establishing co-presence. (Dubé & Robey 2009; Altschuller & Benbunan-Fich 2010.) When a sense of virtual co-presence has been achieved, it has been shown to help e-communicators to overcome the traditional limitations of CMC negatively affecting the development of trust (Altschuller & Benbunan-Fich 2010; McGinn & Croson 2004). McGinn & Croson (2004) also highlight that in cross-cultural communication where participants tend to feel even more “out-of-tune” with one another due to physical distance and cultural differences, the sensitivity to create social awareness might be of particular importance.

Lastly, when considering factors enabling better accuracy in the judgment of emotions, the length of the relationship and degree of familiarity, as well as the level of user experience play a crucial role. As Byron (2008) posits, the better the communication partners know each other, the more accurate and rich the used communication channel will become and the less likely they are going to evaluate the message and the sender negatively. As stated earlier, prior relationship history or *feeling of a shared group membership* has a significant influence on the development of interpersonal trust in e-negotiations and M&A integrations in general (Stahl & Sitkin 2005). Feelings of group cohesion and familiarity have been found to create more sociable and warm interaction among the participants of virtual interaction and, hence, have a significant impact on how the communication medium is perceived and messages understood (Yoo & Alavi 2001). These two factors tone down the effect of disagreements and may prevent impasses as the established rapport encourages e-communicators to be aware of each other's actions in a more positive light. On the other hand, communicators who perceived the other to be an out-group member, have been shown to face difficulties in communication, rapport building – and in reaching an agreement (Moore et al. 1999, 25.) However, the challenge of establishing a relationship in M&A integration context where usually no prior ties exist between the individuals may seem as a taxing task (Morris et al. 2002, 9). Despite the increased effort required, building a trusting relationship should be the first thing in people's mind before beginning the actual

integration process. The rapport created beforehand is maintained throughout the process, enabling more integrative negotiation behaviour. (Morris et al. 2002; Nadler & Shestowsky 2006; Cronin 2007; Galin et al. 2007.)

As a concluding remark of this chapter, this study assumes that as a result of increased use of virtual communication tools, the process of trust building in international M&A integration context is affected by the different factors characteristic to electronic communication. The importance of trust and the process of trust building in itself is a central element of any business endeavor, not to mention M&A post-acquisition integration process which is generally considered to be a breeding ground for distrust (cf. Stahl & Sitkin 2005; 2015). When the dimension of electronic interaction is added, it can be argued that trust building between the different parties in M&As becomes even more challenging. Therefore, it is of utmost importance for companies not only to understand the importance and role of trust in the process but also realize the impact different electronic and virtual tools have on the process, and how is it possible to enhance virtual trust. To achieve this, a framework has been developed for trust building via e-channels post-acquisition integration process which will be introduced next.

## 4 FRAMEWORK FOR TRUST DEVELOPMENT VIA E-CHANNELS IN POST-ACQUISITION INTEGRATION

In this chapter, a theoretical framework based on the existing literature is developed. At the end, this framework will be used as the basis of operationalization and will be modified according the findings of the empirical research. First, the three different building blocks of the framework are introduced separately after which the actual framework for trust development via e-channels in post-acquisition integration context is introduced.

### 4.1 Trust and its consequences in post-acquisition integration

As mentioned earlier, there are different factors contributing to the development of trust in post-acquisition integration context. In Figure 7 these are introduced when the effect of electronic communication channels is not yet taken into account. In addition, different consequences of how trust/distrust influences the integration process are presented.

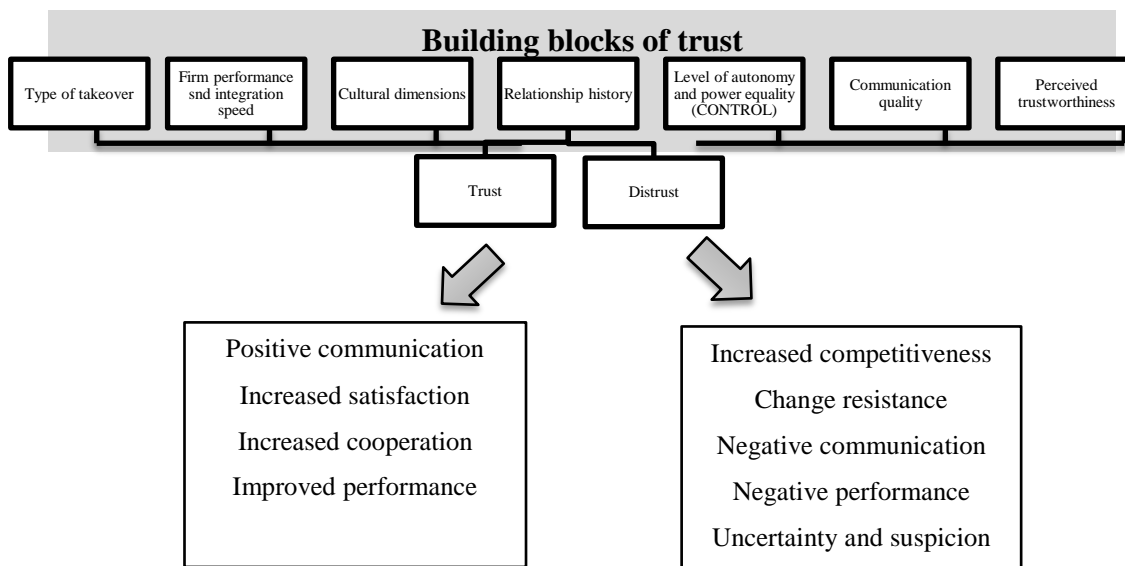


Figure 7 The influence of trust/distrust on the integration process

The factors chosen here correspond to a large extent to those introduced by Stahl and Sitkin (2005;2015). Firstly, the type of takeover, whether it is hostile or friendly, has usually a rather significant impact on the establishment of trust. Secondly, the good

performance of the acquired as well as acquiring firm encourages trust as neither of the sides needs to worry that the other would not fulfill their side of the bargain. Furthermore, the speed of integration and how confidently the integration is realized can influence the trust positively or negatively. Thirdly, in cross-border acquisitions, the role of culture should not be neglected. Instead, trust between target and acquiring firm is strongly enhanced the more the cultures resemble each other. In case cultures differ, as they usually do, it is important that both sides demonstrate tolerance to each other's cultures and try not to suffocate the culture of the other. After all, efficient management of cultural differences is mentioned as one of the cornerstones of successful M&A integration (cf. Gwebu et al. 2007.)

Fourthly, the existence of positive interaction history and relationship between the two firms usually positively influences the establishment of trust as the firms have already created a basis for shared group membership by sharing positive experiences of one another – something that works as a ground for knowledge-based trust (cf. Ebner 2007, 4–5; Naquin & Paulson 2004, 233). Fifth factor is related especially to how well the acquired firm members are involved into the integration process and how much they are given freedom and autonomy in realising the integration strategy. Decreasing the amount of control from acquiring firm side is usually considered as a demonstration of trust. Moreover, involving target firm into the strategy planning and treating them as equals are important ways to enhance trust. As mentioned earlier, trust itself can work as an alternative for strictly defined contracts and control mechanisms as mutual trust creates pressure for both parties to avoid opportunistic behavior (cf. Gulati 1995). Sixthly, the communication quality and frequency of communication is considered as perhaps the most important building block of trust and integration success (cf. Epstein 2004; Stahl and Sitkin 2005). High quality communication and transparency should help to mitigate the birth of rumor mills and feeling of uncertainty and fear, therefore increasing the likelihood for trust to take place. Finally, both firms can enhance their perceived trustworthiness through showing integrity, benevolence and good performance as well as by being open and having value congruence (sharing similar values and creating the base for that) (cf. Stahl and Sitkin 2015).

Resulting from these factors, either trust or distrust is established between the acquiring and target firm. If there is trust, it can be expected that the integration process is facilitated as people share information more openly and are more willing to work together to achieve the shared goals i.e. showing cooperativeness and positive communication behavior. As a result, there should be less change resistance as employees are more committed to change and the performance and satisfaction of employees should increase. However, if distrust should take place, all the mentioned positive effects are reversed. Firstly, as the two sides do not share similar values and target firm members do not feel involved into the planning and execution of the

integration process, change resistance is likely to be higher. Moreover, if they feel they are being exploited and dominated by the other side, they are not sharing relevant information or emotions as they fear it might be used against them. All of these can lead to increased competitiveness, decreased performance and higher levels of uncertainty and suspicion.

## **4.2 The influence of e-communication channels on trust establishment in post-acquisition integration**

As has been established earlier, when the virtual dimension of interpersonal communication is taken into the picture, many challenges but also opportunities may arise for the establishment of trust. Based on the existing literature on the subject, the different characteristics, both those promoting and inhibiting the development of trust in virtual post-acquisition interactions, are now going to be handled and some propositions for the basis of empirical research are presented.

### ***4.2.1 Characteristic of e-channels inhibiting trust in post-acquisition integration***

In this chapter, the different characteristics of e-communication negatively affecting the establishment of trust and their supposed consequences on the integration process are presented and gathered in Figure 8. Post-acquisition integration in itself forms a challenging context for the establishment of trust due to the versatile emotions and unique characteristics linked to it. Despite the many benefits of electronic communication, these have also the potential of aggravating the birth of distrust and increase the uncertainty in the already volatile post-acquisition integration setting (see chapter 3.2). Therefore, it is of utmost importance that the different trust inhibiting factors of e-communication are recognized early on so that people involved in post-acquisition integration know to avoid these pitfalls by adapting their e-communication style accordingly.



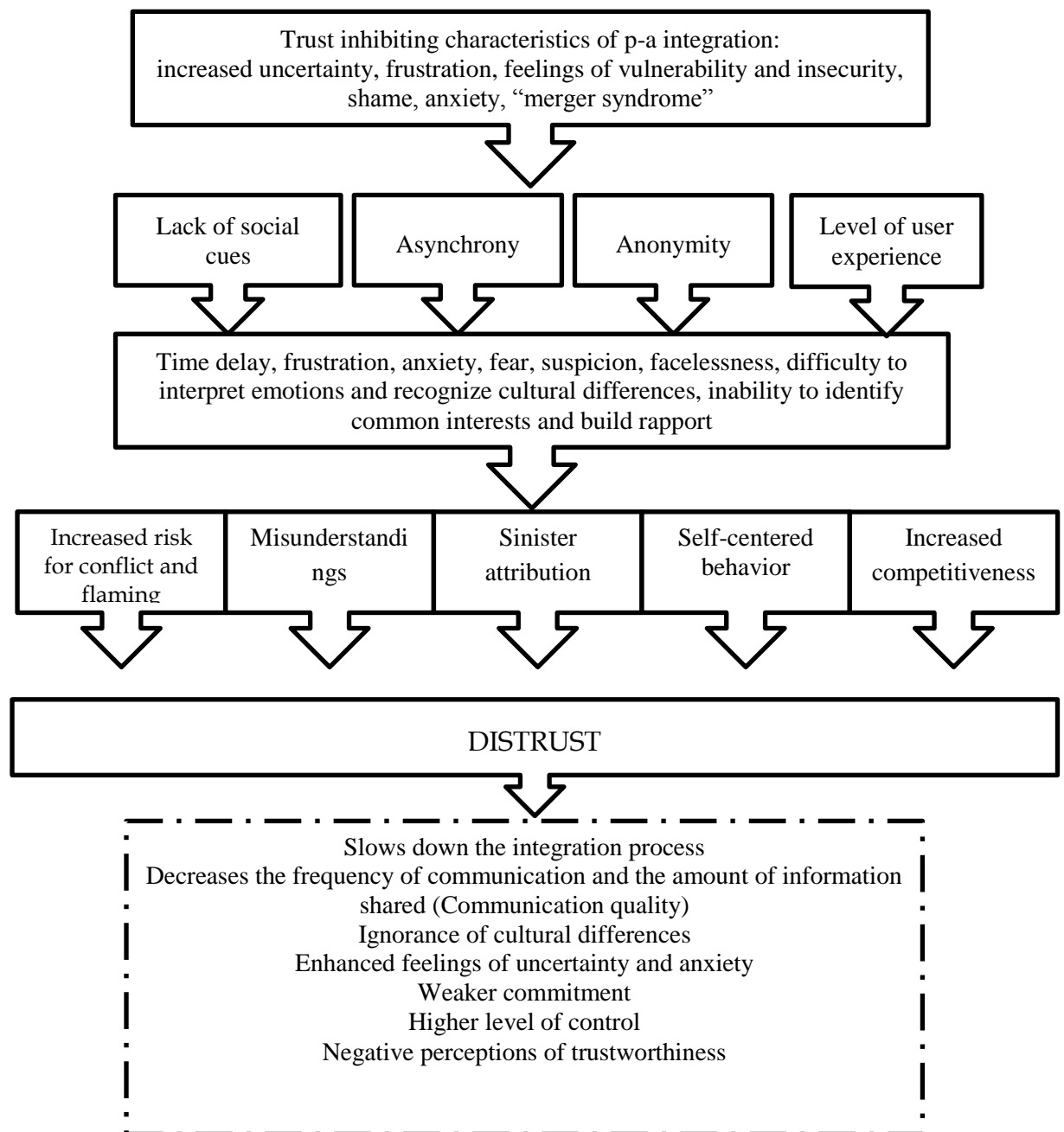


Figure 8 Characteristics of e-communication inhibiting trust and their consequences on the integration process

When it comes to considering the richness of the media, three characteristics were mentioned: the level of social cues, asynchrony and anonymity. Fourth factor significantly influencing on how rich the chosen media is perceived by its users is the level of experience and comfort in using the media. If the experience levels are low and experiences are negative, this together with the three characteristics mentioned above make the establishment of trusting relationship in post-acquisition integration rather

difficult. The time delay related to asynchrony can create feelings of uncertainty, anxiety and fear as the sender of the message cannot be sure, whether the opposite side has received the message or not. Moreover, it is not possible for them to see the immediate reactions nor correct mistakes or make clarifications as there are practically no social cues available. Additionally, the ability to bundle multiple arguments into one message can make the message overwhelming for the receiver. Consequently, *the risk for conflict and flaming as well as misunderstandings can increase remarkably in post-acquisition integration context.* (cf. Morris et al. 2000; Ebner et al. 2009.) Another source of conflict in e-communication environment is that the identification and management of cultural differences is hindered quite significantly.

Anonymity with the lack of social cues can inhibit the identification of common interests, correct interpretation of emotions, and building of common ground between the communicators, hence, inhibiting the establishment of rapport. As a result, *members of post-acquisition integration are more susceptible to see the other in the worst possible light (sinister attribution bias),* and even those messages intended as positive and friendly might change in the reader's mind into less positive, even insulting (cf. Ebner 2007, Byron 2008; Thompson & Nadler 2002). Moreover, as the other is seen as impersonal, faceless other, *people might engage in more self-centred and competitive behaviour, possible leading to trust-breaking behaviour* as it might feel easier to cause damage to others and people are more be prone to feel less bound to appropriate behavioural norms, thanks to the physical distance and shield of anonymity (cf. Ebner 2007, 7, Nadler & Shestowsky, 2006).

Distrust in electronic communication setting can, consequently, influence the integration process in several different ways. Firstly, it can be argued that due to the time delay and extra time required to handle issues electronically, not to mention the lower amount of information shared, *the integration process is likely to be slower.* Due to distrust, the sharing of relevant information and frequency of communication is also usually decreased, *influencing the quality of communication negatively.* Secondly, as people's ability to interpret cultural differences is hindered and communicators consider each other as strangers, *it becomes easier to ignore cultural differences altogether, ultimately increasing the risk for conflict and flaming.* Thirdly, the employees *level of commitment can be compromised* as it becomes harder for them to identify common values, and build a deeper relationship with the acquiring firm members due to the anonymity and lack of social cues. Fourthly, as the perceived trust levels are lower and it becomes more challenging to evaluate the trustworthiness of one another, *the acquiring firm could, as a result, increase the level of control and reduce the autonomy of the target firm members.*

#### ***4.2.2 Characteristic of e-channels promoting trust in post-acquisition integration***

As when discussing the trust inhibiting characteristics of e-communication, here the trust promoting factors and their consequences are similarly presented in Figure 9. The starting point for considering the richness or leanness of the media is the same as in preceding chapter but with a different point of view as asynchrony, anonymity and lack of social cues can also provide many advantages when compared to rich communication setting of face-to-face interaction. Moreover, if proper training for the use of e-channels is provided and users feel comfortable in using the different channels and are accepting the channel, it has been argued that the leanness of the media loses its importance as people start to use the channels in a more versatile manner, this way complementing shortcoming of leaner channel. (cf. Ebner 2007, 14; Tan et al. 2004, 9.) After all, one of the prerequisites mentioned for developing trusting relationship in electronic settings is that the users accept the technology used and perceive it as useful and easy to use (cf. Ebner 2007, 15; Brown et al. 2004, 130).

The different characteristics of lean e-communication media generally considered positive with regards to trust establishment in post-acquisition integration are collected below the four determining characteristics in Figure 9. Firstly, it could be argued that due limited amount of social and status cues, people should feel more able to participate into conversation and decision making made via e-channels (cf. Croson 1999; Cronin 2007; Dubrovsky et al. 1991). In addition, asynchrony gives people the possibility to review and revise their message with time, and express their opinions and arguments without interruptions. (cf. Friedman & Curral 2001, 2003; Ebner et al. 2009.) As a result of these two, *expression power of individuals participating in post-acquisition integration should increase or at least be levelled*, especially if the communication is in non-native language. Moreover, as the participants have more time to contemplate the structure and wording of the messages, *the risk for misunderstandings should decrease*.

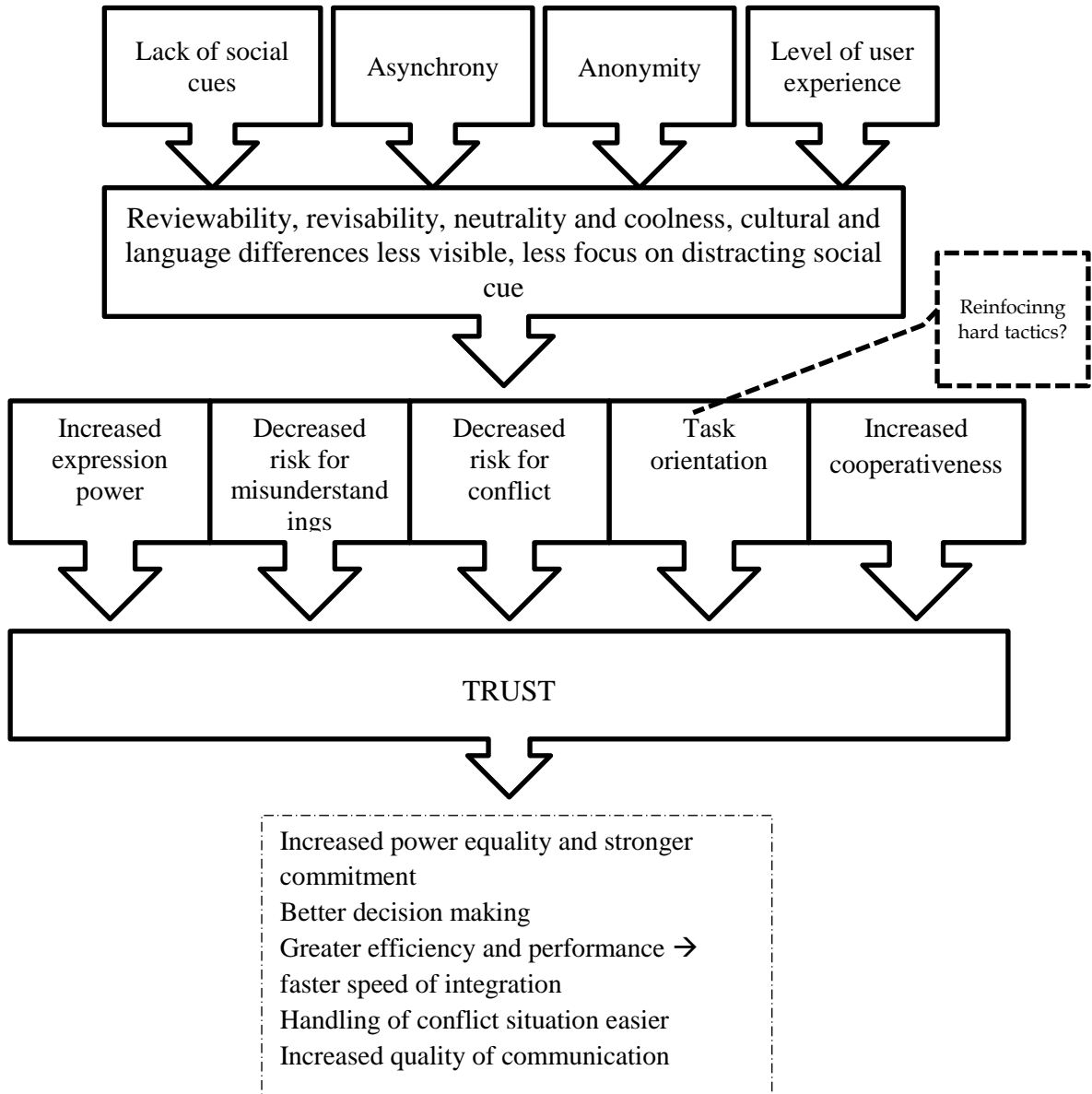


Figure 9 Characteristics of e-channels promoting trust and their consequences on the integration process

Secondly, it has been argued that email creates a neutral and “cool” communication environment. As a result, the probability for offensive and competitive behavior should diminish, thus, *decreasing the risk for conflict and flaming* (cf. Giordano et al. 2007; McGinn & Croson 2004; Pesendorfer & Koeszegi 2005;2006, 145-153). Another factor supporting this claim is that cultural and language differences are significantly less visible in e-communication setting, making it a *more culturally neutral environment for cross-border post-acquisition integration discussions*.

Lastly, as e-communicators pay less attention to the distracting social cues such as rumination of other’s reactions, the e-communicators should be better able to

concentrate on the task at hand. Consequently, *people might become more prone to demonstrate cooperative behaviour* as completing the task at hand becomes more important than thinking of personal issues. (cf. Walther 1992; Altschuller & Benbunan-Fich 2010.) As a result of all of these, trust establishment between individuals should be enhanced, which can have many contributions to the post-acquisition integration process.

First of all, the increased expression power of individuals should increase the power equality between target and acquiring firm, resulting *in increased commitment and more efficient decision making*. Moreover, *the integration speed and efficiency should increase as a result of task orientation and decreased risk for conflict* as people's focus is on the efficient realization of the process rather than on handling personal issues. Moreover, *the neutrality should provide a better environment for the management of different conflicts*. The asynchronous communication channel would seem to offer a better medium for emotionally charged interaction, suggesting that it might also be suitable alternative for post-acquisition integration communications as well. However, it could also be argued that increased task orientation only reinforces the hard tactics used in integrations as due to the impersonal nature of many of the e-channels less attention is given to the handling the emotions and concerns of the people involved.

Next, as a result of thorough composition of messages in electronic environment *the quality of communication can also be considered to increase*. In addition, thanks to the mass communication feature of computer-mediated communication, especially email, *the efficiency of communication and cost-efficiency of interaction can be enhanced* as it is possible to convey same message to a large amount of people regardless of temporal or geographical borders, thus, no extra time is needed to address everyone separately nor do the managers have to travel constantly to different locations.

### 4.3 Framework

Figure 10, which is based on Stahl and Sitkin's model of trust in the post-acquisition integration process (2005, 86) present a theoretical framework which illustrates the trust building process in M&A integration process, taking into account which factors influence, according to the existing literature, the development of trust between target and acquiring firm members the most (cf. Stahl & Sitkin 2005; 2015), what are factors influencing the development of "virtual trust" and what kind of consequences the electronically promoted trust or distrust has for the post-acquisition integration process and, finally, how the use of e-channels influence the integration process as a whole.

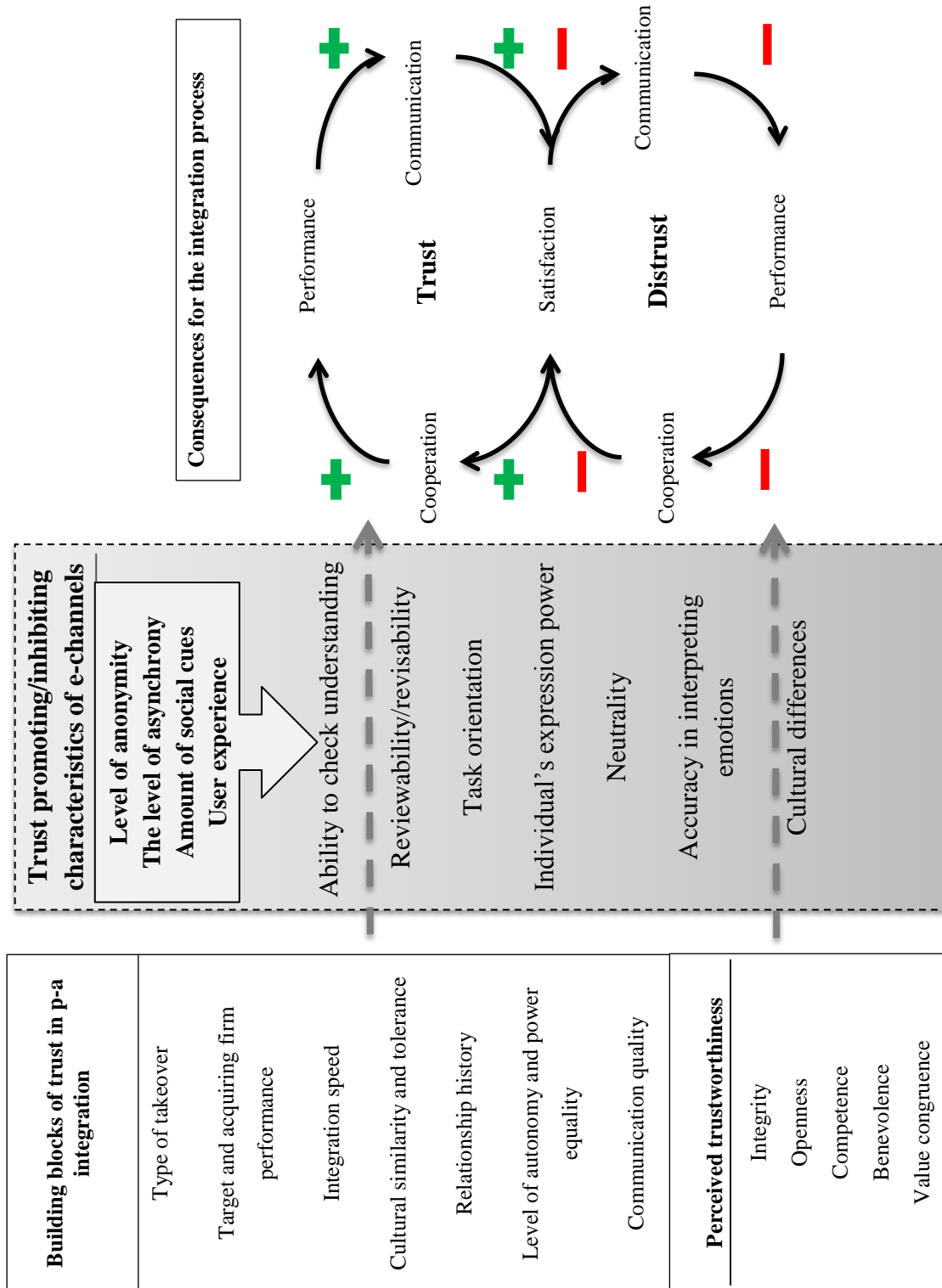


Figure 10 Framework for building trust via e-channels in post-acquisition integration context(modified from Stahl & Sitkin 2005, 86).

The antecedents for the establishment of trust between acquiring and target firm introduced earlier in Figure 7 are presented first in the left side of the framework. All these building blocks of trust have an impact on the perceived trustworthiness of the other, the different dimensions of which – *competence, integrity, benevolence, openness, and value congruence* – were introduced already in chapter 2.3 (cf. Stah & Sitkin 2015, 477–577; Stahl & Voigt 2008, 162 et al. 1998). With this framework, based on the existing theories and literature it is, however, suggested that wide use of electronic communication channels in multinational companies during post-acquisition integration can promote or inhibit the development and maintenance of trust between the acquired and acquiring firm, hence, having also an impact on how well the trustworthiness of the other can be evaluated. The four main characteristics of e-communication suggested to influence the trust development are put on top of the column in the middle: *the amount of social cues, the level of anonymity, the level of asynchrony, and the level of user experience*. These, as presented in Figure 8 and Figure 9, can have either positive or negative impact on trust levels in terms of the ability check understanding, reviewability and revisability, task orientation, level of neutrality, expression and interpretation of emotions, and cultural differences.

As a result, the framework suggests that when there is a strong basis for trust and the impact of virtual channels is positive, the integration process will be further improved as trust should enhance *employee performance and commitment, increase cooperativeness and satisfaction*, and, most importantly, improve *communication and information sharing*. All these four behavioral aspects of trust creation can also be seen as initial building blocks of trust: showing cooperative gestures, demonstrating good performance, and communicating frequently and openly are important for the establishment initial trust and reinforcing one's trustworthiness in the eyes of the other. Together these should result in mutual *satisfaction* with the relationship. It is also important to remember that in M&As, the trust development process is a two-way street: It is not only acquiring firm's responsibility to gain the trust of the target firm employees but they also have to win the trust of acquiring firm members.

Before elaboration of the empirical findings and conclusions in light of the above introduced framework, it is essential to have a look on how the empirical research was conducted. Consequently, the design of the research will be introduced in the next chapter.

## **5 RESEARCH DESIGN**

In this chapter the research approach, the methodological choices, data collection and analysis methods are introduced. Moreover, the selected case company is introduced as well as the trustworthiness of the study is evaluated.

### **5.1 Research approach**

The most fundamental decision a researcher has to make is whether to use qualitative or quantitative methods. The main difference between quantitative and qualitative research lies in the research procedure: in quantitative research the focus is on producing quantifiable results through explanation, testing of hypotheses, and statistical analysis, emphasizing the objectivity the researcher (positivist view). Qualitative research, on the other hand, understands reality as being socially constructed (constructivist view), and the aim is to link the research to real life setting and provide a deeper and holistic understanding of the issues studied, going beyond the “what” by seeking to understand the “why” and “how” questions underlying action. (Eriksson & Kovalainen 2008, 5; Hirsjärvi, Remes & Sajavaara 1996, 161; Marschan-Piekkari & Welch 2004, 8; Silverman 2000, 8.) In practice, however, it is rather challenging to determine a clear line between qualitative and quantitative research as in some cases qualitative data might be possible to codify in to quantifiable form or be collected in a manner that allows statistical presentation (Ghuri & Gronhaug 2002, 86). Moreover, these two approaches can even be seen as complementary: on one hand, quantitative methods can be used as preliminary data collection method for qualitative research when, for example, some background information is needed that can be collected through traditional surveys. On the other hand, qualitative methods can be used in a similar way for quantitative research purposes. Third option is using qualitative and quantitative methods side by side as equally relevant approaches. (Hirsjärvi et al. 1996, 133).

For this study, the chosen research approach is qualitative. As the research problem of this study is abstract and descriptive by nature, and focuses on people’s personal experience and behavior in a specific situation, qualitative research approach is the most logical option (Ghuri & Gronhaug, 87). Other characteristics of this study justifying qualitative approach are the following: Firstly, human is preferred as the primary instrument of data collection, approaching the issue from their point of view (researcher uses observation and discussion rather than different measurement tool) (Hirsjärvi et al. 1996, 165; Miles & Huberman 1994, 6). In this study, the empirical data is collected through open, one-on-one interviews with members of the case firms. Secondly, an inductive analysis is used to when analyzing empirical data, meaning that researcher



aims to analyze and observe the collected data in a detailed and versatile way, identifying also the underlying, less obvious themes, not just through testing previous theories and predetermined hypotheses (Hirsjärvi et al. 1996, 165; Miles & Huberman 1994, 6). In this study, existing theory forms the basis for theoretical framework and can, thus, be categorized as a deductive study. However, the objective is not to just test the validity of the framework but to use the empirical data to further develop the framework, making the framework flexible for findings emerging from analysis of the empirical data.

Thirdly, the data in this research is collected using qualitative methods which enable the opinions and “voice” of the subjects to emerge. The endpoint is in trying to discover their personal understanding of the situation, and how this guides their actions (Hirsjärvi et al. 1996, 165; Miles & Huberman 1994, 6). For this study, interviews were chosen as the primary data collection method. Fourthly, in qualitative study the subjects of the research are selected carefully following the objectives of the study, not by using random sample (Hirsjärvi et al. 1996, 165; Jankowicz 1995, 212). The informants for this study were selected based on recommendations of the people inside the organization who knew the expertise and background of each other and were competent to select the most appropriate informants after having been informed of the purpose of this study. Fifthly, in qualitative research it is typical that the research plan is modified several times in the course of the research process (Hirsjärvi et al. 1996, 165). In this study, the research plan and even the research problem became refined multiple times as the theoretical background became more extensive and the empirical research approach more defined. Finally, a qualitative study seeks to analyze situations and instances as unique and individual, which is then reflected in the interpretation of the data (Hirsjärvi et al. 1996, 165). In other words, the primary goal is not to produce generalizable findings. This study concentrates on a post-acquisition integration process of one specific case, trying to produce an in-depth, holistic description of the different variables influencing the process in virtual context. The emphasis is to create a basis for further discussion and research by highlighting the importance of the topic.

As this study aims to explain contemporary phenomenon within real-life context to develop a full understanding of the issue, case study is selected as the most appropriate research strategy (Yin 2003, 1-2, 6; Metsämuuronen 2006, 91; Silverman 2005, 126). Another fact supporting this choice is that case studies generally answer to research questions including “how” or “why” with theory-building approach, as is in this study. Moreover, the need for case study arises when there is a desire to have in-depth understanding of complex, perhaps less known, social phenomena, allowing researcher to describe meaningful characteristics of real-life events holistically. (Yin 2003, 1-2, 6.; Metsämuuronen 2006, 91; Ghauri 2003, 109; Smith 1991, 152.) The case study method has been suggested to be particularly well suited for studying phenomena situated in

cross-border setting (Ghauri 2004, 11). This study is conducted as a single-case study where one cross-border acquisition is selected to provide detailed information of the different variables influencing trust development within electronic communication context based on participants' personal experiences. A single case -design is a suitable alternative when a particular case meets all relevant conditions necessary for testing, challenging or augmenting the theory, and it can provide useful insight not accessible previously (Ghauri & Gronhaug 2002, 178-179; Ghauri 2004, 114; Yin 2003, 40).

A common concern related to case study research is that as it concentrates on studying just one or few cases, there is little base for scientific generalization to other cases (Smith 1991, 151. Yin 2003, 10, 32). However, the objective of this type of research should not be statistical generalization but analytic generalization where the findings are generalized to theories (Eriksson & Kovalainen 2008, 17). In this study, the theoretical framework based on existing theories provides the basis for empirical research and works as template to which the empirical findings are compared to. However, the generalizability of the results is not the main objective of the study but to gain a deep understanding of one specific case, making this study intrinsic by nature. According to the Aristotelian logic, by studying one case closely enough, one can find out what is significant in the phenomenon and what things are likely to emerge on a more general level as well (Hirsjärvi et al. 1996, 181-182).

## **5.2 Case description**

As this study is conducted as a single case study, the fundamental basis for the case selection was that it fulfills certain criteria in order to provide adequate data for the purposes of the research problem. Therefore, the case was selected only after research problem was formed and preliminary research about existing theories was carried out. As this study is conducted as a part of a research project, one of the main reasons for this particular case to be selected was that it was one of the companies committed to the research project. Moreover, as this study concentrates on a unique case of post-acquisition integration process between two organizations, this specific case seemed to be the most suitable for the following reasons: the integration of the two organizations was officially finalized within a year from conducting this study, making it a relatively recent case; organizations originate from different countries, enabling the consideration of cross-border context; and both organizations have a long-history of using virtual communication tools to manage cross-border operations. All these three criteria create an intriguing setting for research on the challenges related to building and maintaining trust in post-acquisition integration context when the communication relies to a large part on virtual communication tools. The company was eager to participate in the

interviews as they see it as a way to learn and develop their practices further with the help of the findings.

The case company, here referred to as Alpha, is a large Finnish software company. The company has almost 50 years of experience of operating in the field. The headquarters are located in Finland but the company has offices in more than twenty countries and customers in over 100 countries, making it also one of the market leaders in its respective field of business. In 2011, the company was sold to large US based company, here referred to as Omega. Omega allowed Alpha to continue their business as usual as full integration was not regarded necessary due to the strong brand and performance of Alpha.

In 2013, Omega acquired another company, referred to as Beta, to extend company's software portfolio, the ultimate goal being in providing complete workflow from software and product design to fabrication. In addition, other motives for the acquisition included to strengthen Omega's presence in existing markets and to increase growth in strategically important markets. Beta is located in UK, specialized in providing software solutions analysis and design in their respective field, having more than 30 years' experience in the domain with global presence in several continents.

The acquisition process was started by parent Omega but later it was decided, that Beta was to be integrated under Alpha's brand, making Alpha responsible for the execution of post-acquisition integration. The reason for this was that Alpha's and Beta's product portfolios complemented each other well and they both shared strong experience in the international market. The sudden change of integration executor from Omega to Alpha was somewhat confusing for both parties since Beta was largely under the impression that as Omega had acquired them, they would also be the one to complete the integration. This, however, did not happen. Instead, Omega's subsidiary, Alpha, was to take charge.

The integration was supposed to start in March of 2013 but was delayed due to the fact that Beta's fiscal year was to end three months later than Alpha's. As a result, the acquired Beta was allowed to continue "business as usual" until then. Finally, in spring 2014, the integration was started, first for Beta's overseas offices, and then for the UK headquarters, the objective there being to bring Beta's and Alpha's UK offices under the same roof as both companies were located in the same city in UK. For this, new facilities were renovated. The integration of overseas offices was done in a tight schedule, and as Alpha did not have great amount of experience of acquisition integrations, some issues and challenges emerged during the integration process. Alpha, however, did learn from its mistakes and as a result, integration process in the UK was considered much more successful endeavor. Nevertheless, some issues still occurred in the UK as well: the relocation of UK offices was supposed to happen in January 2015

but was again delayed, and happened finally in May 2015. As a result, the integration was completed about a year after the acquisition.

At the beginning of 2016, both Alpha and Beta were brought under Omega's brand. This makes this integration rather unique as, basically, at the time Alpha was integrating Beta, Alpha was being integrated in Omega. As a result, the integration process had not been the simplest possible by nature, and, therefore, provides an interesting case for the purposes of this study.

### **5.3 Data collection**

The collected qualitative data can be divided into primary and secondary data sources, depending on whether the researcher produces the data by themselves or if the data is originally produced for other purposes. Different qualitative data collection methods available are observation, interviews, focus groups, surveys and documents, to mention a few. (Hirsjärvi et al. 1996; Ghauri & Gronhaug 2002; Smith 1991, 155.) As the objective of this study is to find out about underlying and partly emotional variables influencing the development of interpersonal and inter-organizational trust based on people's personal experiences, interview seemed like the most appropriate data collection method supported by secondary information sources such as company websites and newsletters (cf. Metsämuuronen 2006, 113, Hirsjärvi & Hurme 1985, 15; Daniels & Cannice 2003, 187).

There are different interview types for the researcher to choose from: structured and standardized interviews where there is a clear order and structure for each question, guided and semi-structured interviews, theme interviews, and totally open, unstructured interviews where there are practically no guidelines directing the course of the interview and is, thus, closest to normal discussion (Eriksson & Kovalainen 2003; Hirsjärvi et al. 1996, 204-205). For this study, semi-structured interview was selected as the most appropriate data collection type. In a semi-structured interview there is a predetermined set of topics and themes to be discussed but the interviewer has flexibility with regards to the wording and order of the questions unlike in structured and standardized interviews. The advantage of semi-structured interviews is that the material gathered is more systematic and structured than in open interviews which makes the analysis of the data somewhat easier but at the same time the tone of the interview still remains conversational (Daniels & Cannice 2004, 192; Kovalainen & Eriksson 2003; Metsämuuronen 2006, 115).

In an interview, the informant's voice and views are heard better and the information gathered is usually rich as the informants can provide information in a wider context and more accurately than they would through traditional, text-based surveys. Moreover,

interviews present a flexible way of collecting data as the researcher can modify e.g. the research questions flexibly in the course of the interview based on the situational factors, intuition, and the characteristics of the informant. It also enables interviewer to observe the informant and their behavior (cf. Kvale, 1996, 84; Daniels & Cannice 2004, 187; Hirsjärvi et al. 1996, 201; Metsämuuronen 2006, 113). However, interviews have also some drawbacks as a chosen data collection methods. Firstly, interviews take time and resources. Secondly, the knowhow and skills of the interviewer have a central stage as the course of the interview is based on the interviewers knowledge of the topic discussed, how well the interview is planned, and how well the interviewer is able to manage the direction of the interview. Thirdly, the context and overall situation might influence, how the informant responds to specific questions. The informant might also give certain answers just to please the researcher or to provide a good image of themselves. (Ghauri & Gronhaug 2002, 102; Hirsjärvi et al. 1996, 201–203.)

To make sure all necessary topics are covered during the interview, great effort was put on the careful operationalization of the research question. The operationalization (Table 1) table was then used as the basis of the interview guide (Appendix 1 Interview guide). In the interview guide, the themes and topics flow from general to more specific to help the informants to get themselves comfortable with the topic discussed. Moreover, under each main question more specific probing questions were included. The interview guide, hence, helped the researcher to steer the conversation to the right direction and to make sure the discussion did not wander away from the main topic of the interview. The interview guide included both open and closed question which is typical for semi-structured interview designs. The interview questions and order of them were modified according to the background of person being interviewed, acknowledging the fact that each informant has different input to give on each of the main themes of the interview (cf. Daniels & Cannice 2004, 192; Kvale 1996, 88). During the interview, follow-up and probing questions outside the interview guide were also posed, enabling elaboration of issues and points arising from a specific theme emerged during the discussion. As the aim of operationalization is to bring the theory and real life context closer together, the operationalization of the research problem was done to make sure that the empirical study was conducted based on relevant theoretical framework of the research problem (cf. Eskola & Suoranta 1998, 75). The operationalization of the research question is presented in the following table:

Table 1 Operationalization of the research question

<b>Research question</b>	<b>Sub research questions</b>	<b>Main themes</b>	<b>Theoretical background (chapter number)</b>
How to build trust via electronic communication media in post-acquisition integration context?	The role of trust in post-acquisition integration?	The role of trust in integration	2.1
		Building blocks of trust in integration	2.3
	How the use of e-channels influence the process of trust establishment?	User experience and attitudes towards e-channels	3.1.2. ; 3.2
		Differences between F2F and e-communication	3.1; 3.2
		Trust building via e-channels	3.2; 4.2
	What kind of consequences the use of e-channels have for the integration process?	The role of e-channels in integration	4.2; 4.3; n/a
		Effectiveness of e-channels in integration	4.2; 4.3; n/a
		Consequences for the integration process	4.3; n/a

The informants for this study were selected on the basis of their role in the integration process and their specialized knowledge of the issue. This sort of key informant technique differs largely from other forms of interview where informants might be chosen randomly to enable a sample covering a wider range of issues. Key informant technique is a form of purposive sampling, sometimes also referred as theoretical sampling, where the researcher, together with possible collaborators, makes the decision of whose views are relevant in terms of the researched issue and the

researcher's theoretical position (Jankowicz 1995, 212; Silverman 2000, 105). Key informant interviews are considered especially useful when the purpose of the study is to identify central characteristics of the issue, based on the personal experience of the people involved into the process – as in this study (Jankowicz 1995, 157; 212). The interviewees chosen represented both acquiring and acquired side of the integration, all having varying background and experience of mergers and acquisitions, and they all occupied a senior management position in their respective organization. For this study, the first interviewees were appointed by the leader of the research project who had previously already interviewed the people in question and was, thus, familiar with informants' background. After that, more interviewees were selected based on the suggestions of the first two participants. The allocation of interviewees between acquiring and acquired firm are presented in Table 2. As can be seen, relatively more interviewees become from the acquiring side of the integration. The main reason for this was the fact that interviewees located in Finland were easier to have contact with.

Table 2 Allocation of participants between acquiring and target firm

<b>Company</b>	<b>Interviewee's title</b>	<b>Duration</b>	<b>Interview language</b>
<b>Alpha</b>	Product development manager (Finland)	00:59:53	Finnish
	Manager of corporate business development/Integration manager (Finland)	01:18:14	Finnish
	Business Platforms Unit manager (Finland)	01:07:42	Finnish
	Manager of internal communications (Finland, telephone)	00:47:31	Finnish
	Chief Information officer (Finland)	01:24:03	Finnish
	Business administration director (Finland)	01:26:06	Finnish
<b>Beta</b>	Business Service director (UK, interviewed F2F)	01:27:46	English
	Product development manager (UK, Skype)	01:22:49	English
	Product development manager (UK, Skype)	01:18:35	English

After the suitable interview subjects were identified, an introductory email about the research topic together with the invitation to the research project was sent. All of the interview subjects demonstrated interest towards the topic and a suitable interview time was found easily. Couple of days before the interview, one more email was sent to remind the interview subject about the main themes of the interview so that they could prepare themselves for the interview if they wished. In total, nine interviews were conducted within the time frame of three months, the duration of which varied

between 50 minutes to 1 and a half hours. Two of the interviews were done via Skype, one by telephone and the rest face-to-face. Four of the face-to-face interviews were held in a private conference room and two in the interviewee's private office room. As the conference rooms were specifically reserved for the interview, there were no interruptions and the environment was quiet and private. When it comes to the interviews conducted remotely via Skype or telephone, no significant differences were noticeable in the behavior of the informant when compared to the other interviews. The informants spoke openly and clearly, even though at the beginning of one of the Skype interviews some awkwardness was observable in the behavior of the informant which, however, became more relaxed as the interview went on.

Six of the interviews were held in Finnish which was both informants and interviewer's native language, making the interaction fluent and natural. With informants from Beta interviews were held in English due to the English nationality of the interviewees. As the interviewer's English skills were fluent, this did not pose any challenges in terms of interaction. All interviews were recorded with the permission of the interviewee. The main advantage of using a recorder is that enables the researcher to concentrate more on the discussion and dynamics of the interview, rather than having to take extensive notes at the same time, and it also gives the researcher the possibility to return to the data in its original form as many times as needed. However, the risk related to using tape recorders is that the respondent might be hesitant or even refuse to answer some sensitive questions or otherwise scrutinize too carefully e.g. the wordings of the answer. Moreover, the interviewer might not pay enough attention to listening as the information is going onto the tape which, in case of technical issues or bad sound quality, can create challenges when it comes to transcribing the tapes. (Gauri & Gronhaug 2002, 103; Kvale 1996, 160-162; Silverman 2000, 126; Hart 1991, 196; Yin 2003, 92). To avoid these, the confidentiality of the research and the purpose of the study were discussed in the beginning of the interview, and notes were taken to write down the main points of each answer. However, all informants seemed to be very comfortable with the presence of the recorder and the researcher could not notice any change in the attitude of the interviewees when the recorder was switched on. Therefore it could be concluded that the use of recorder did not affect informant's willingness to express themselves openly.

## **5.4 Data analysis**

In data analysis, the purpose is to bring clarity to the collected data and, consequently, produce new information of the research topic. In analysis phase, the gathered results and data is to be comprised and transformed into clear and understandable form without



losing its informational value. As the amount of data gathered data via qualitative methods can be extremely large, it is essential for the researcher to be able to identify the information relevant for the research question. The role of the researcher as a subjective interpreter is important to take in to account in qualitative research as the analysis is influenced by the background and knowledge of the interpreter, at least to some extent. However, the researcher should not let their personal assumptions or experiences limit the interpretation of the qualitative data. Instead they should be surprised and be open to unexpected findings as the research proceeds. To remain open-minded during the data collection, researcher should identify their pre-assumptions and use them merely as preliminary hypotheses which most likely will be modified after the empirical data has been analyzed. (Eskola & Suoranta 1998, 19-21, 138.)

There are different steps to be taken when analyzing interview data in order to transform all the separate interviews into coherent and theoretically relevant picture of the research subject (Gerson & Horowitz 2002, 216-217.). In this study, after transcribing the interviews enough time was reserved for careful reading of all the transcripts and for considering the different connecting and differing factors between the interviews. After rigorous reading of the materials, different sets of categories and concepts began to emerge under which the data was organized. As stated by Gerson & Horowitz (2002), only after this can the researcher start to create more formal analytic categories and concepts, which are defined through interactive and iterative process of moving back and forth between data and concepts. As a result of this iterative process, the categories providing the explanatory focus for the analysis are clarified, after which the interview material can be organized into analytic groupings. At this stage, it is useful to compare the results with the existing theoretical background.

For this study, thematic analysis was selected as the main method for analyzing and processing the qualitative data. When analyzing data through thematic organization, it is essential that the theory and empirical data are in close interaction with each other (Eskola & Suoranta 1998, 176). The themes may arise from the data inductively but also be formed deductively based on the theory. In this study, the interviews were transcribed as a whole and then coded according to emerging concepts and themes by using NVivo software designed for qualitative data analysis, keeping in mind the research questions of this study. The coded themes were then clustered into upper main themes according to common characteristics following the themes introduced in the operationalization table and theoretical framework (Figure 10 and Table 1). The different themes and categories emerged and used in the analysis are presented in Appendix 2 coding of empirical data). First the main themes with regards to the building blocks of trust together with interviewees' perceptions of trust were categorized and clustered. Next, the building blocks of virtual trust were identified in order to find out the similarities and differences there are with the overall building

blocks of trust in post-acquisition integration context. After this, the different consequences of trust and e-trust for the integration process were taken into focus. The titles of each team followed largely the ones introduced in the theoretical framework

Using operationalization table and framework as basis for analysis was done to preserve a strong link between the theory and empirical findings. Relying on theoretical framework and propositions as a strategy for analyzing the data helps the researcher to focus on the most relevant data, identify the central themes related to main research problems and ignore other irrelevant data. (Yin 2009, 106-107, 130; Eskola & Suoranta 1998, 175-176.) However, it is important that the pre-determined propositions do not limit the analysis too much to give room for surprising and unexpected findings.

As most of the interviews were conducted in Finnish, it could be argued that transcription and translation of the data would be somewhat challenging. However, due to the researcher extensive knowledge on both languages, it can be concluded that the analysis of the data was not influenced negatively as a result of the translation process.

## 5.5 Trustworthiness of the study

In this section, the trustworthiness of the study will be evaluated. The basic objective behind trustworthiness is to clarify, how well the study persuades the audience as well as the researcher themselves that the study is worth taking into account, and the results are to be trusted and not biased in any way (Lincoln & Guba 1985, 291). This is done by evaluating the whole research process by suitable criteria. For this study, Lincoln and Guba's (1985, 294–328) criteria of trustworthiness are applied as these are considered well suited for the purposes of qualitative research. There are altogether four different criteria, each paying attention to different aspects of the study; *credibility*, *transferability*, *dependability*, and *confirmability*.

*Credibility* is closely related to the more conventional concept of internal validity, and refers to how truthful the information conducted is and how well the results correspond with the reality (Lincoln & Guba 1985; Pandey & Paitnak 2014). The credibility of a study can be augmented through prolonged engagement by using sufficient amount of time to learn from the research target and by establishing a mutually trusting relationship. This can happen through evaluating possible distortions influencing the information gathered, and through persistent observation to provide depth into the information gathered. In addition, triangulation is also way to increase the probability that the findings of the study are considered credible by the audience. (Lincoln & Guba 1985, 301–305.) Different methods of triangulation mentioned in the literature include the use of different information sources (data triangulation) and research methods (methods triangulation), other investigators (investigator

triangulation), and multiple theoretical perspectives to examine and interpret the empirical data (theoretical triangulation) (Lincoln & Guba 1985, see Denzin 1978; Pandey & Patinak 2014, 5747–5748). Moreover, member check i.e. sending the collected data, interpretations and conclusions to the informants to check, is an efficient way for increasing the study's credibility (Lincoln & Guba 1985, 314–315).

In this study, credibility was increased through getting to know the case company long before the actual interview took place. In addition, the researcher had access to previous interview material gathered from the interviewees, enabling to familiarize themselves with the professional background of the informants more in detail. Moreover, the access to the previous interviews also enabled the researcher to compare and verify some of the answers of the informants which were based on similar interview questions. As interviews were conducted anonymously, there is also a strong reason to believe that the research subjects did not distort the information shared in any way. Moreover, all of the interviewees seemed committed and interested about the research topic and were eager to share their experiences and opinions.

The interviews were conducted in Finnish and English, hence, always with the mother language of the interviewee. As the researcher has fluent English skills, the use of foreign language was not considered as inhibiting the communication or understanding. Moreover, the analysis process was comprehensive thanks to the use of tape recorder as it enabled to review the data gathered multiple times, word-by-word. Furthermore, member check was used to enhance the credibility as the results were sent individually to all interviewees for them to check the validity of the analysis. Internal documents and preceding interviews were also utilized to evaluate the results. The connection between research problem, theoretical framework and data collection was ensured by using the operationalization table as the basis for design of the interview guide. Consequently, the theoretical framework also provided the general structure for the data analysis. However, the credibility of this study is affected by the limited scope and time restraints, as there was time to conduct interviews in only one company, limiting the possibilities to produce more generalizable information which could have been achieved better by a multiple case approach.

A second criterion to be evaluated is *transferability*, referring to how well the findings of the research are applicable in other contexts (Lincoln & Guba 1985, 291, 316). It is not the researcher's responsibility to evaluate, how transferrable the findings are. Instead the researcher should provide the potential applier the necessary information through thick description of the study, including information such as how the study was conducted, how was the case company like, what were the criteria for suitable case company etc. The better the research process is described, the better someone else can evaluate its transferability. (Lincoln & Guba 1985; Mäkelä 1990.)

In this study, the research process, methods and case company together with the relevant criteria for case and interviewee selection were introduced throughout chapter 5. Moreover, the theoretical framework together with literature review is introduced and explained, providing wider understanding of the research context. However, as neither company name nor names of the interviewees were mentioned, the evaluation of transferability is hindered. Nevertheless, as mentioned earlier, this should increase the credibility as under anonymity informant should be more honest in their answers. In addition, due to the limited scope and size of the study, the transferability of the results to other contexts is very limited, perhaps possible only for the context with similar background and size. Lastly, the case in question was in many ways unique, which may further limit the transferability.

Third criteria relevant for the evaluation of trustworthiness is called *dependability*, referring to how well the result of the study could be repeated in the same context, and how much the researcher and the research context have influenced the findings (Lincoln & Guba 1985, 300, 316-317). This dimension of trustworthiness can be considered as addressing the issue of reliability of the study (Pandey & Paitnak 2014, 5750). Interviews as a data collection method are generally considered to be more or less subjective by nature. As a result, objectivity is pursued by conducting the research as unbiased and factual possible. (Lincoln & Guba 1985, 300, 316-317).

The research process and the interview context together with the course of the interview are described in the methodology section of this study. In addition, the interview guide is available in the appendices of this study to enable outside evaluation of the nature of the questions. The interview questions were designed based on the theoretical framework and the aim was to remain as objective as possible in the interview situation with regards to the phrasing of the questions. However, as the researcher had already developed the theoretical framework before starting the interviews, the existing knowledge base and personal interest of the researcher might have had some influence on the course of the interview and how the discussion moved forward. Moreover, as this was the first study ever conducted by the researcher, the inexperience might have affected the quality of the interview data and how in-depth the information gathered was.

Lastly, *confirmability* refers to how well the findings of the study can be confirmed by other researchers, and whether the findings and interpretations are linked to the data in an understandable manner (Eriksson & Kovalainen 2008; Lincoln & Guba 1985, 319; Mäkelä 1990, 54). One way to enhance confirmability is to provide the reader tools for confirmability audit, including an audit trail in form of structure of themes, definitions, and relationships identified in the course of analysis process, and any information regarding the methods of data gathering used in the study (see Halpern, 1983). The confirmability in this study was reinforced by providing a description of the research

process and methods used together with displaying the interview questions. Moreover, the structure of data analysis including the codes and categories used to manage the rather vast primary data is provided in Appendix 2 coding of empirical data, enabling other researchers to follow the logic and thinking process with regards to classifying the interview data. Moreover, as the names of the company and the interviewees could not be mentioned, the possibilities for other researchers to replicate the study are hindered. Finally, the use of semi-structured interviews, although providing more in-depth information than highly structured ones, gives the researcher and the interviewee more room to maneuver in terms of the order of the questions and what questions are actually asked in the interview situation. As a result, conducting an exact replicate, whether by the outsider or even the researcher themselves, is more or less impossible.

## **6 TRUST IN POST-ACQUISITION INTEGRATION AND THE IMPACT OF E-CHANNELS**

In this chapter, the findings based on the empirical data are introduced. The objective is to provide answers how the use of electronic communication channels influence the post-acquisition integration process in terms of trust establishment and overall efficiency, approaching the issue through the sub-objectives of this study; 1) what is the role of trust in post-acquisition integration, 2) how does the use of virtual communication channels influence the process of trust establishment in the chosen context, and 3) what kind of consequences the use of e-channels have for the integration process efficiency. Moreover, some guidelines regarding the appropriate use and design of e-communication channel strategy are provided based on the challenges experienced during the integration process by the interviewees.

### **6.1 E-channels in post-acquisition integration**

#### ***6.1.1 The use of e-channels in case companies***

The role of e-channels as an essential part of today's business environment was acknowledged by all of interviewees as in almost every meeting arranged in multinational companies there is always someone who participates to the meeting via virtual channel, making the use of virtual communication tools a prerequisite for managing today's international business processes. Without these the international business as we know it would not exist.

In the case company, the role of virtual channels during the integration process was varying, depending on the need. For the most part, electronic channels were used to support the actions related to integrating and developing the operations, and to transmit regular routine tasks such as scheduled quarterly and monthly reports, forward-going product development tasks etc. All of the interviewees relied on a combination of richer and leaner channels quite extensively, using email as the channels for transmitting detailed information and phone or video to go through the information in email or more complex issues.

E-channels provide, in many instances, the only method for taking the first contact with new colleagues and for building the relationship. For managers, who don't have the time or resources to have chats or video meetings regularly with all of their subordinates, email provides an efficient way for sending requests and following up the process. The e-channels make it possible for members of the team or managers of the

integration process to make sure the ongoing process is progressing into the desired direction and that everyone is on the same page. As a result, e-channels are considered the most efficient way for following up the progress of different processes. Text-based e-channels are also great for sharing detailed information and data as one can send files and presentations directly to the person needing the information, rather than being required to explain the data verbally.

Nevertheless, as pointed out by many of the informant, e-channels should be regarded as merely supporting tools for face-to-face interaction; they are suitable for maintaining the already established relationship, trust, and business processes but not perhaps for the initial creation of these:

*Tool is always a tool, we should not give it a bigger role than that. It supports our operations, but it, as any other tools, one can easily misuse.* (Chief information officer, Alpha)

Having face-to-face contact was considered the most important medium for establishing a deeper, trust-based relationship between the two firms, and without it the integration process would have been significantly more challenging. When meeting face-to-face, more personal data is revealed to the other party, helping the establishment of rapport and common ground. Achieving this level of understanding can be regarded as essential to have in post-acquisition integrations. As a result, as stated by the interviewees, not only does the existence of common ground help to understand the way of working, knowing the other in a more personal level makes it possible for them to identify and interpret more silent information and signals conveyed in virtual, especially text-based communication. Consequently, after meeting face-to-face, the virtual day-to-day work is facilitated remarkably. The necessity of having virtual tools lies, thus, in the ability of handling day-to-day work efficiently as without the presence of these, managing the fundamental processes keeping the business rolling would become much more challenging and energy consuming.

### **6.1.2 The order of use of e-channels in post-acquisition integration**

Regarding the division between face-to-face and e-communication channels during the integration process, at the beginning the importance of face-to-face meetings should be acknowledged. This became also evident from the empirical data as, according to the interviewees, during the first six months there were at least four of five meetings in UK and two in Finland. The objective for the first meetings was to establish rapport and get to know each other, and after that it was more about agreeing on the methods of

communication and explaining how much the acquiring side is going to intervene to the daily work and to which extent Beta is going to remain autonomous. All in all, the role of face-to-face meetings, especially at the beginning of the integration, cannot be underestimated as they are an effective way of building initial rapport and trust during the volatile and uncertain times, as it gives the target firm members better possibilities to express their concerns and expectations related to the integration and also is a way of giving the change a face:

*At the beginning, I wanted to see them all face-to-face and to discuss with them, where are we going and how they react to the change [...] so that they have change to speak out loud, if they want to share their expectations and possible fears they experience or something else. (Product development manager, Alpha)*

Moreover, making the effort of traveling to the other location and discussing with people and interviewing them was also seen as an significantly helping the managers not only to identify the key people better but also identifying those people who are potentially at risk of leaving the company. The sooner these people are identified, the better the acquiring firm management can engage them into the company and prevent the loss of valuable knowledge. Moreover, having the possibility of seeing the way of working in person can also make it easier for them to understand in which areas there are room for improvement and acquiring firms processes could be implement, and which things are best left as they are. Similarly, the key people from target firm should be invited to the acquiring firm premises as this way the establishment of mutual and shared understanding is facilitated. As a result, the target firm members are also more likely to embrace the practices used in acquiring firm as they have had the possibility to see the way of working in person. If face-to-face contact is not possible to arrange, the next possible option according to the informants would be video conference.

Despite the many benefits of richer face-to-face meetings, e-channels are great in supporting the relationship and level of communication established. In fact, some of the informants did not have the first contact face-to-face. Instead they chose to send an introductory email or make a brief phone call to the new colleagues and subordinates in the acquired firm. This takes less time and effort but can still significantly help to establish initial perceptions of trust. Moreover, one of the informants suggested that one way to use the e-channels even better in integration context would be to provide video streaming services whereby people, who cannot be present physically at the face-to-face meetings (e.g. regional offices), could actually see everything that's happening in real-time or later on virtually. As a conclusion, it would recommended to have the first



contact primarily via face-to-face channel, after that the leaner equivalents work fine as well.

In addition to that, it is also important that e-communicators have the ability to flexibly change the channel used according to the need and nature of the task and the situation at hand, having been provided with the knowledge for choosing the most appropriate channel with regards to the purpose of the communication. Moreover, combining the different channel instead of relying on just one is recommendable. For example, email or Lync can be used to provide background information about the task and to ask whether the other is free to take a phone call or video chat to talk the issue through. This kind of flexibility can become significantly important when technical problems occur and the chosen channel refuses to work. When the participants are comfortable and flexible in the use of other channels, the technical problem can be bypassed by using a combination of alternative channels to get the message through.

### ***6.1.3 Consistency in the use of channels***

Throughout the interviews it was repeatedly mentioned that some kind of communication channel strategy providing guidelines for the use of different tools would be beneficial, not only during the integration process but afterwards as well. At the beginning of post-acquisition integration process, the two organizations can have very differing approaches on the use of e-channels and how people are used to communicate in these. Alpha, for example, had a polite and constructive way of conducting virtual meetings based on unspoken rules of communication, always striving for professional interaction. On the contrary, as pointed out by one member of the acquired firm, at Beta the style of communication was regarded as somewhat more aggressive and confrontational. When merging such different e-communication cultures together, without clear and consistent guidelines or code of conduct, the risk for conflict resulting from different communication styles can be increased.

It was also stated by multiple interviewees that it would be beneficial to have company level instructions on which channels to be used in which situations so that everyone in the organization would use the channels in a similar way. Especially at the beginning, there were differences in the way different virtual tools were adopted at the target firm: at Beta, people were more used to select the channel based on individual preferences whereas at Alpha the approach to e-channel selection was seen as more systematic and organized, showing a difference in the organizational culture. Moreover, Beta was regarded as having a more email oriented e-communication culture than Alpha where – to some extent – managers preferred to use richer e-channel for communication.

*I think the consistency of tools is important, so the simple statement of that, we use Lync for chat, that's it, [...], whereas we could've started where some people use Skype, some people use Lync, some people use another tool, some use messenger. And then you think, well how are we supposed to collaborate if I don't even know which tool somebody is going to be using. (Product development manager, Beta)*

If companies provide the employees with too many tools and is constantly requiring people to learn new methods for communicating and performing their responsibilities, they might become overwhelmed and even opt out on using the new channels, sticking only with the ones they are already comfortable with. Within the case company, this issue became also evident from some of the comments. What made the situation even more challenging is that not only did Beta had to take on the tools used by Alpha, Omega was also using their own tools, making the portfolio of different virtual communication channels even more wide and complex. As a result, the importance of having a clear portfolio of virtual tools and consistent instructions and guidelines for the use of these can be considered important. Not only would this have the potential of increasing the communication efficiency and, as a result, enhance cooperation and performance, it could also contribute to the development of trust.

*[...] it is no wonder if there is lack of trust, if one person is using one tool and other prefers another. And as both are using different channels, neither of the two might have the skills for using the channel of preference of the other. And then the other wonders "why cannot he/she use this channel, this is so easy to use". So naturally this does not much promote the establishment of trust per se. (Manager of internal communications, Alpha)*

However, one interviewee from Beta's side provided a different view, saying that it would be important to provide people flexibility in the use of channels and let them choose the channel they feel most comfortable with, at least at the beginning of the integration, as people need some time to adapt to the new situation and tools. This is a valid point although if going on too long, it has potential of creating some challenges if people become too attached to one specific channel. Again, providing sufficient levels of training is crucial in order to increase the comfort of the users, which eventually enables the implementation of more unified, company level instructions on which channels to be used in which situations. If members of the organization, both at the target and acquiring side, do not have the understanding of why to use certain channels in certain situations, they are not able to use the most appropriate channel for the task at

hand which, in turn, decreases the chances of handling that task successfully and efficiently.

#### **6.1.4 Factors influencing the channel selection**

*And again it's using the right tools at the right time, communicating at the right time. (Product development manager, Beta)*

From the interviews, different factors influencing the appropriate channel selection emerged, namely the complexity of the task, the level of emotionality, the urgency and importance of the task, the level of e-communication and language skills of the other, and number of participants and amount of information to be shared. Firstly, the choice of communication channel depends to a large extent on the *complexity of the task* at hand. Based on the data gathered, electronic text-based channels are mostly suitable for simple tasks of the integration such as sending scheduled reports and dealing with running errands such as following the progress of the integration, providing detailed technical or numeric data, or making some decisions related to the continuation of certain parts of the project. Moreover, if parties involved into handling the task already have established shared understanding and have background information of it, use of lean, text-based e-communication channels can be effective. However, if the message communicated includes some complex problem-solving, large amount of information, expression of concern or negative emotion, handling of personal issues, making of key-decisions, or requires some level of visualization, according to the informants the use of richer channels such as phone, video or face-to-face is always better than trying to solve the case by email. This should prevent the issue from escalating into possible conflict and it is also a way to enhance presence and show caring towards the other. Moreover, if the task has, due to the use of incorrect channel, escalated into circle of miscommunication and -understanding, great amount of time gets usually wasted, making telephone conference or arranging a face-to-face meeting alternatives worthwhile to consider.

Hence, people handling the task should evaluate the complexity level of the task already before the communication is started, in order for them to be able to reserve enough time and resources in case the issue actually needs to be handled directly face-to-face or by video connection. After all, arranging a face-to-face or videoconference meeting requires planning and making sure that everyone involved are able to participate. If this had not been given enough consideration beforehand and people involved start handle the issue using leaner channels, precious time is wasted and

arranging a face-to-face or virtual meetings is considerably more challenging as less time is left for making it happen.

Secondly, when it comes to the *handling of sensitive and emotionally charged issues* via lean communication media such as providing feedback or doing appraisals, handling HR issues such as rearrangements, salary concerns or other decisions concerning the people instead of tasks, the general opinion of the interviewees was that text-based e-channels do not provide as neutral medium for the handling of these as suggested by some of the existing theories (cf. McGinn & Croson 2004; Giordano et al. 2007). Based on the interviews it seemed that email as a communication environment for sensitive issues can create more harm than good. The possibility to send an angry email irreversibly to multiple recipients escalates the issue widely, making it difficult to repair the situation. As email does not allow the immediate reaction and handling of the situation, people involved quickly start to ruminate on the issue. Even if all the people included into the email were not directly related to the issue, it influences the mood negatively which is hard to fix by email afterwards and, consequently, takes significant amount of face-to-face time from managers and people involved to solve the issue later on. As a result, email and other leaner communication media are perhaps not the best choice for the transmission of negative feedback; instead these situations are best to be handled face-to-face, whenever possible.

However, in cross-border integration, where the participants are geographically dispersed, arranging face-to-face meetings is a taxing and time consuming task. Handling difficult issues by electronic media requires lot more work as people affected cannot be gathered to same room so easily. As a result, usually many emails and phone calls are required to calm down and solve the situation. Nevertheless, some of the informants acknowledged that the distance provided by the asynchrony and anonymity of email can sometimes help people involved in an conflict or otherwise challenging situation to calm down before sending an answer to e.g. an insulting or otherwise emotionally charged message. As a result, even though handling emotional issues by default via email is not recommended, it can, to some extent, prevent the escalation of the issue further.

Thirdly, the *level of importance and urgency of the issue*, as well as *the amount of time* that the participants have to solve the task have an impact on which channel is best to be used. If the level of importance of the task is low or is otherwise mundane by nature and does not need to be solved right away, leaner e-channels were considered a more suitable option. If the urgency of the task increases but is still simple by nature, instant messaging provides a good channel for colleagues in different locations to check simple but urgent issues. If the complexity of the question or task increases and level of priority is high, the use of phone can be considered as a viable alternative. When the level of importance is significantly higher but urgency lower, arranging face-to-face

meetings was considered the best solution as many of the informants felt in virtual meetings making key decisions is rather challenging to achieve.

Fourthly, some of the interviewees also considered it to be relevant to take into consideration the opposite party's *skills and preferences in the use different channels*. Different people have different ways to use the e-channels - some may prefer email and some telephone. To some extent, it is good to take these differences into consideration, especially if it is known that the other does not feel comfortable in using a certain channel, e.g. if the person is strongly email oriented, one knows they reply to their emails quickly and the use of phone or other more synchronous channels is not always needed. Nevertheless, it is important to bear in mind that encouraging this sort of behavior can cause challenges in the long run and it would be advisable for organizations to invest in the training of the employees in order to decrease their uncertainties and increase the comfort in using all the relevant channels so that using the most appropriate channels would not be inhibited due to the personal preferences of some individuals. When this is achieved, members of the organization do not have to pay extra attention to learning the e-communication habits of others as everyone is inclined to use the same channels.

Fifthly, related to the above mentioned, one thing to be considered in channel selection is also *the language abilities* of the other. If one knows or suspects that the other is not comfortable in using the language as a non-native speaker (in business environment the language used is generally English) the use of text-based communication – thanks to its revisibility and reviewability dimensions – can decrease the risk for miscommunication and make the other party more comfortable in their communication.

Lastly, the choice of channels depends on the *amount of people involved into the situation and the required amount of data to be shared* among the participants. According to some interviewees, for larger groups, live meetings through Lync are a good alternative as it enables all participants to see the same material shared by the initiator, enabling also speech. If the number of participants and the amount of hard data to be shared is lower, teleconference works fine as well. When it comes to using instant messaging, this is used mainly to check small issues and if the other party is awake and free to take a phone call. It was mentioned that IM in Lync is also a great way to check the status of the opposite side, whether they are in a meeting or otherwise busy. This could, however, also create some negative consequences for the efficiency for the communication if the opposite e.g. keeps the status as “busy” to be left alone, even though they would have the time to communicate with others.

## **6.2 Trust in post-acquisition integration context**

### ***6.2.1 Challenges related to trust establishment***

As mentioned in the literature review, post-acquisition integration can present a rather challenging context for the establishment of trust. According to one of the interviewees, what makes M&A context different from regular business negotiation, for example, is that the relationship goes much deeper as it is not only about reaching a business agreement but there are two different organizations with different policies that are being integrated. One of the interviewees referred to M&A as a marriage between two organizations, stressing the importance of building deeper relationships and higher levels of trust.

The importance of managing the soft side of acquisition integration became also evident from the interviews. As the integration process is initiated, members of both organizations are suddenly surrounded by strangers with whom one should start working. Feelings of pressure for building a relationship coupled with the uncertainty related to who these people are and how one should behave with them is not a simple task for an individual to manage on their own. The sudden, and to some extent, forced relationship between acquiring and target creates also unspoken requirements for establishing trust.

The different people within the two organizations have also different prerequisites for the establishment of trust, depending largely on the position one holds in the company. People in the management are usually long aware of the change and have a deeper understanding of the reasons behind the acquisition and are therefore perhaps open to accept the change and are more prone to have trust. However, people at the lower organizational levels it can come as a surprise and shock, as they do not access to the information early, thus having a limited understanding of the underlying factors and. The presence of this kind of divide was strongly indicated by especially one of the interviewees from Beta's side, making the establishment of trust due to the feelings of uncertainty and disbelief more challenging at the beginning.

Next, the importance of how one expects to benefit from the change can be crucial on how the acquisition is welcomed. This is in line with the findings of some previous studies as well (cf. Stahl et al. 2003; 2015). Within the target firm majority of the senior management were shareholders, so there was an immediate monetary benefit for them which, in its turn, seemed to create some a level of goodwill towards Alpha and the change. Similarly, for some the career possibilities might suddenly look bright whereas for other the situation may be the opposite and, consequently, these people might feel

tempted to move to the rival company. The risk of not providing attractive career prospects can, thus, be a rather disruptive factor for the establishment of trust.

What made this case special in terms of trust establishment is that the start of the integration was rather confusing for both sides of the integration. The pre-acquisition was handled mainly by parent Omega but even at the time the deal was closed, there was still no certainty on who would be in charge of the integration. At the end, it took approximately couple of months before the role of Alpha as being responsible the integration was confirmed. As a result, the situation at the time was extremely vague and confusing for both Alpha and Beta.

*In that sense, it has had an influence on them (members of Beta) as they did not know what is happening, that first they fear that something is going to happen but then everyone wonders why nothing is happening. And then, something starts to happen. (Product development manager, Alpha)*

Consequently, Alpha did not have the chance to start planning the integration as early as would have been necessary. As determining the roles and having a well-thought integration plan is generally considered crucial for the success of post-acquisition integration, it can be said that the starting point for showing competence, and hence establishing trust, was rather weak. What made the situation even more challenging was that at the time the integration was being pursued between Alpha and Beta, Alpha was being integrated to parent Omega. One of the interviewees from Beta described the situation as “getting on a moving bus”, which created a lot of stress for many people involved.

### **6.2.2 How trust is understood?**

Trust as a concept can be understood in different ways, depending on individual perceptions and experiences. Among the informants, the most important cornerstone of trust was that words and actions correspond each other, in other words, keeping promises and doing things as was communicated according to the agreed schedule, no matter how unpleasant the task or change related to that would be. This corresponds directly with the integrity dimension of trustworthiness (cf. Stahl & Sitkin 2015). Related to this, being honest and transparent when justifying ones actions is understood as a sign of trust:

*[...] trust means that I can rely on somebody to have applied a diligent thought of what they are trying to do or trying to say. So, I understand that*

*people might make mistakes, but if they've done it in an honest way, that's fair enough.* (Business Service director, Beta)

In addition to the integrity dimension, the fact of having confidence in one another to fill the role and task assigned to a person was mentioned as the most significant sign of trust by two of the informants, one from the acquiring and other from the target side. This definition of trust includes the risk and vulnerability factor related to the concept of trust, and how individuals with existing trust are confident enough to expect the other to reciprocate one's cooperative actions (cf. Ebner 2007, 3; Citera et al. 2005,164).

*Trust to me means confidence that they have, I've confidence in them and they have confidence in me to do the task, to fill the role they've asked me to do.* (Product development manager, Beta)

This reciprocal confidence in the capabilities and skills of the other is closely related to the ability/competence dimension of trustworthiness (cf. Stahl and Sitkin 2015). It would seem that if people trust that the other one is able to fulfill whatever task assigned to them, and the other is willing to grant them the autonomy of organizing and realizing the task, trust is established. This is corroborated by one of the informants:

*Well trust is of course about having a freedom, to a certain point, to organize things by yourself, things that belong to your (--) own area of responsibility.* (Manager of internal communications, Alpha)

These definitions of trust provided by the informants are largely following the idea introduced in existing literature, and although trust can take many forms depending on the individual, the basic idea seems to be the same – being honest, doing things as promised, showing confidence in each other, and being willing to expand own value base and mindset and merge it with the one of the other – are all signs of trust.

### **6.3 Building blocks of trust in post-acquisition integration**

Based on the theoretical literature and the empirical data of this research, there are various factors influencing the establishment of trust at individual and organizational level. Here, the different factors emerged from the interviews are introduced, namely quality and consistency of communication, openness and cooperativeness, communication of vision and goals, careful planning and role division, integration speed, presence and reachability of the manager, and organizational similarity and relationship history.



### 6.3.1 *Communication quality, openness and cooperativeness*

One of the factors constantly mentioned throughout the interviews was the importance of *frequent and high quality communication* between the target and acquiring firm members, which is consistent with communication quality dimension introduced in the theoretical framework (Stahl & Sitkin 2005; 2015). Not only should the communication be frequent and as open as possible, it should be thoughtfully directed and easily accessible to those people concerned by that information. Moreover, as was indicated in interviews, it is important that the flow of information from one organizational level to another is ensured and made as efficient as possible so that the level of information asymmetry is as low as possible.

If both parties are in the same position in terms of the amount of information, the efficiency and speed of executing the integration process should, as a result, be better. In addition to the above mentioned dimensions of communication, the *consistency* of messages communicated from acquiring firm to target firm became evident and was mentioned by many of the informants.

*[...]so one of the things that I think I try to do is, I started of by talking with them about a set of core things that we need to do. And I haven't changed those core things, [...] I'm still basically saying the same things, we need to do this, because of this.[...]* (Business service director, Beta)

If the communicated message changes over time, it could have serious consequences for the level of trust as well. With Omega, the trust levels were perceived as lower due to the fact that the messages communicated and the actions realized seemed not to go hand in hand. Especially Alpha who was responsible for the realization of the integration, was feeling the frustration of it. The quality of communication is thus directly related to the levels of perceived integrity. Consequently, being honest, direct and acting upon the messages conveyed instead of saying one thing and doing another is considered important. The main responsibility in ensuring the consistency of communication lies at the managerial level who should be able to maintain a long-term view on issues and keep on pursuing the chosen line of action so that the reasons behind every decision and change are clearly explained and justified, and that these reasons do not change over time. If the acquiring firm management is not able to justify clearly the decisions made, the opposite side is unlikely to see the issue through the same lens:

*[...] obviously the inability to communicate the reasons why some things is valued over another, when the other side sees it in a different way, I think*

*these kinds of things, these weakened trust, the mutual trust.* (Integration manager, Alpha)

Hence, with purposeful and consistent communication, on one hand, the acquired firm members can be helped to understand the way of working and overall organizational culture of the acquiring firm better. On the other hand, if the communication connection works efficiently in both ways, acquiring firm gets access to the information of target firm members and also can try to better understand their point of view, and possibly derive some valuable lessons from there.

In order to ensure the quality of communication, important prerequisites to have are *openness and willingness to cooperate*. Even though both of these can be thought as something following from trust, openness and cooperative approach can also work as preliminary building block of trust (cf. Ebner 2007; Stahl & Sitkin 2015; Zaheer et al. 1998.) This became evident from the informants' answers as well.

*[...]in the point of trust, it comes from the openness and the information you're providing. If you feel somebody is telling you everything they know and they're being honest, then you trust them. If you feel they're keeping things hidden, then you get, that's when your trust (-) away, you know, okay there a bit more going on here, you're not really telling me everything.*  
(Product development manager, Beta)

As a result, having an open way of communication from the start can effectively trigger the establishment of a trust-based relationship. This includes listening to the other, seeking to learn to know each other better, doing decision with good intentions and being open and transparent about the reasons and intentions of every decisions made and action taken. Moreover, showing cooperativeness by accepting the decisions made – although not always pleasing – and committing to the realization of the assigned task can significantly improve one's trustworthiness in the eyes of the other. Other aspect of cooperativeness emerged from the empirical data is to proactively participate in the task fulfilment and showing real interest and positive attitude towards the realization of the task at hand. This includes embracing the new procedures and tools introduced during the integration process, willingness to understand the opposite side and, overall, by showing commitment to the process. Furthermore, cooperativeness can be enhanced by being ready to improve and develop the skills of oneself based on the feedback, making an effort in staying in the schedule, and otherwise being able to answer to the new requirements set by the management proactively are likely to increase the perceived levels of trust between the parties involved.

### 6.3.2 *Shared vision, role division, and integration speed*

Having shared vision, goals and, as one informant phrased it, a state of will and determination, can be considered as a crucial precondition for the establishment of trust and effective execution of integration process (cf. Koch 2002). This was also supported by the empirical data of this study:

*[...]People started, little by little, to believe that it was our common goal, and from my opinion it is an important building block of trust, because without the vision it is a bit like running in the dark – so how can one even build trust without being able to tell, what we are actually wanting to achieve. (Integration manager, Alpha)*

Repeating the goals and the vision at the beginning of every meeting without altering the message will result in people starting to believe and embrace the vision. Moreover, the reasons and motivations behind the acquisition should be communicated clearly. If the vision and goals are not determined early on, there is a risk that target firm employees start to form their own ideas about the reasons why acquisition was performed and make their own speculations about the direction the company is heading. Even though Alpha's management strived to communicate the vision early, the message did not reach efficiently all parties affected:

*[...]I don't think that [the goals and strategy] was, that wasn't stated clearly early on. So everybody makes their own mind about why this acquisition occurred, where do they want to go with this, what are trying to do. [...]people have a vision for this but we're not quite involved into that vision yet, we're not being told what it is. (Product development manager, Beta)*

Hence, the communication of vision and goals of the acquisition process should be planned early on. All in all, the *role of planning* in the successful realization was acknowledged by many of the informants. Having a clear plan of the steps to be completed well in advance, and *having the roles and task divided* meaningfully between the key people involved within the integration process is crucial.

*[...] to have the responsibilities somehow clearly defined, then this kind of trustful action is possible as well. (Manager of internal communications, Alpha)*

As a result of this, following up the achievement of goals is easier. Moreover, it also should help in the creation of trust as having clearly defined plans, roles and responsibilities within both organizations right at the beginning should help to reduce feelings of uncertainty and, consequently, increase commitment and performance.

*The speed of executing the integration* can have various consequences for the establishment of trust. From the interviews it could be concluded that having a slow rather than a rapid speed of integration had more positive impacts on the success of the process. Firstly, the slow start of the integration was considered to reinforce trust as there is more time to get to know each other. Moreover, letting the acquired firm continue business as usual and then introducing gradually changes help to avoid discontinuations in the business:

*[...]the initial thing is to make sure that everything carries on as normal, and then just start understanding how the two parts of the business come together, how each side works, how do we develop stuff here, how do they develop stuff, where are common themes, where are the differences so that we can start to learn about how we move forwards.* (Product development manager, Beta)

As the integration of operations was done gradually, the target firm did not feel as overwhelmed or anxious of the integration, making it easier for them to adapt to the change when introduced one by one. This kind of approach also creates a feeling of stability within the target firm as introducing changes incrementally gives members of the target firm time to deal with the fears and stress related to the process. Once the target firm members are more deeply rooted into the organization, the success in realizing the integration is likely to increase. With the regional offices of Beta, which were integrated first, the situation was rather different and the integration was done with a tight schedule once the mandate for the integration was given. This was regarded as having negative consequences for the development of trust. The main reason for this was that there was not enough time to have all key people involved into the planning and decision making. In the regional offices this resulted in some loss of key personnel and increased change resistance, hence, the integration process was regarded as more challenging – mostly due to the rush.

### **6.3.3 *Level of involvement and reachability of managers***

Similarly, the importance of *involving target firm members* into the integration process and making the acquired firm members feel they are being valued and equally treated in

the process of integration can have a great impact on how well the changes introduced by the acquiring firm are welcomed (cf. Lakshman 2011, Stahl and Sitkin 2005;2015). As stated by many of the informants, this kind of involvement can be done by giving key positions to target firm managers and by making sure that they feel they have power to influence the decisions. If acquiring firm fails at engaging the key people into the company, there is a potential risk of losing valuable human capital.

When key positions are given to target firm members, they feel they and their skills and knowledge are being appreciated. Moreover, providing key people with important roles is also a way for demonstrating trust from acquiring firm's side. Showing them that they are treated equally with acquiring firm personnel and included into the team can make a great impact on how the trust is established:

*[...]So, there was an element of trust from their part that they gave us the chance which was quite an important thing for me that I was given the opportunity [...] because I think if they had brought somebody over our heads, I think the whole thing would have just disintegrated. (Product development manager, Beta)*

From Alpha's side, this was a way to show to the acquired firm that their skills and knowledge are respected and they are considered as equals to the colleagues in the acquiring side. It is, indeed, important that both sides of the integration process have influence in order to increase the commitment and decrease resistance to change (cf. Stahl and Sitkin 2005). This includes making decisions of changes related to the integration process together with the people affected by the change. In this way, even though the decision made would be considered unsuccessful, the responsibility of it is shared between both parties and little basis for blaming the other - and fading of trust - exist. Within the integration process between Alpha and Beta all informants of target firm felt that their opinions were heard and taken into account. More importantly, if Alpha decided to do something against Beta's advice, they were prepared to take full responsibility for the consequences, thus making it easier for target firm members to realize the task assigned as they knew their opinion had been heard and understood.

Next, granting a sufficient *level of autonomy* for the target firm members to do their work is important. Higher level of autonomy can, hence, be seen as a demonstration of trust from the acquiring firm's side. One of the interviewees from Alpha mentioned that it is important that the target firm can experience that "they are steering the boat". In this case it meant that Beta was left in charge of managing the daily work of the team and they were able to express their opinions on how different processes are designed and executed, instead of Alpha forcing ready-made procedures and process on them.

An example of a negative experience related to the amount autonomy was mentioned by one of the informants, this time from Alpha' side, related to the handling and integration of salaries between the two companies. The problem was that the salaries in Beta were not at the same level as at Alpha, and, additionally, the resources to run the integration were scarce, creating extra work for people operating the integration. Even though Alpha tried to bring salaries to the same level, parent company Omega did not give authorization for that due to strict company policies and financial situation. This created frustration for one of the informants especially, as she felt her hands were tied and she could not do anything to change the situation even though she wished to. This incident can be regarded as weakening trust between organizations as the limited autonomy in making decisions due to rigid company structure was experienced as a source of frustration and doubt regarding Omega's organizational competence. Moreover, as a result of the limited autonomy, the acquired side experienced frustration and disappointment of not having the same advantages i.e. not being treated equally with regards to the acquiring company.

Within the integration process, the role of managers and management in general is regarded as important for the successful realization of any post-acquisition process (cf. Ferreira et al. 2014; Dagnino & Pisano 2015). The findings from the empirical data of this study suggest similar. Firstly, *the presence and reachability* of not only the closest line manager but also higher senior management is considered important. This became evident from the example provided by one of the interviewees about the CEO from Alpha's UK office frequently visiting Beta when they were still in separate offices. This was received by the personnel of Beta very positively which contributed to the development of trust as well. In addition, management from HQ also visited the office, creating this way stronger presence and, in a way, gave the acquired firm a feeling that they were not left alone. Consequently, it is vital for people affected by the integration to have open contact with their supervisors and, in short, having someone to talk to and ask questions. Hence, by having the time to listen to the subordinates' managers can show they respect the employees and their concerns. Moreover, reserving some of the resources for face-to-face meetings was seen as an efficient way to reinforce presence further. Having a close contact and interaction with the employees and coming down from "the ivory tower", the management can better identify the sources of fears, uncertainties and even prevent the birth of rumors and speculation – something which easily takes away employee efficiency. (cf Kusstatscher and Cooper 2005; 25-29) As stated by one of the informants: *if you are invisible, you cannot possibly hear and know, where others are going.* (Product development manager, Alpha)

When it comes to the position and role of the target firm managers, even though some of them are usually replaced as a result of rearrangement operations, it is nonetheless important that, especially at the beginning of the integration, the

management team is included into the chain of communication, and to have every manager, both from the acquiring and acquired side, involved into the process. When making the announcement and telling about the forthcoming changes to the acquired firm members, in order to have people on board it was considered helpful that the former CEO of acquired firm is committed to the acquisition and willing to help. This way the employees are more inclined to welcome the change, especially if the CEO is well liked in the organization.

#### **6.3.4 Organizational similarity and relationship history**

Finally, the trust establishment is also influenced by the level of *organizational similarity and shared values*. Between Alpha and Beta there were some differences in the organizational culture, the size of the two companies and overall of working. Beta was described as having relatively small, agile and autonomous organization and culture, and low levels of bureaucracy. On the contrary, Alpha was considerably larger in size and had more complex, to a large extent automated, processes. What added the complexity was that Alpha was part of an even larger and more complex organization, Omega, which imposed its own procedures on top of those introduced by Alpha. From Beta's point of view, some of these differences were seen as having negative consequences. Firstly, it was no longer possible to have as close relationships with overseas offices and other people in the organization due to the sheer size and number of employees. In addition, there was no personal relationship to the CEO of the company due to the increased distance. Previously, Beta's members had a low threshold for going to speak to the CEO. After being integrated to Alpha, this was no longer a possibility for them.

When it comes to the level differences in organization practices and how the core of operations is understood, there were also some disagreements and fundamental differences in the way certain operations were managed. One of the informants gave an example on the issue of how customer service was perceived by the two organizations. For Beta it was critical to answer to customer calls and issues as quickly as possible, whereas Alpha aimed to understand the fundamental reasons behind the numerous calls and figure out how the product could be improved in order for customer not having any more reason to call the company with regards to product failures or other non-conformities. These kinds of differences were seen as something deteriorating trust:

*[...]And when there was not enough talk about these kinds differences at a fundamental level, how the core of the business and operations is understood, I think that also created distrust [...]* (Integration manager, Alpha)

Consequently, communication of reasons and justifying the procedures of both of the organizations are required in order to be able to achieve integrative solutions of combining the two ends of spectrum in an efficient way. When this is achieved, additional value for both companies as well as for the customers can emerge. If these fundamental differences are not identified early on and communicated clearly, trust towards the process of the other can decrease, creating difficulties for the efficiency of operations.

Despite the many differences mentioned above, the two companies share also various similarities; same field of business, overseas offices in similar locations, and similar business activities. This was considered as helping both sides to understand each other and build common ground which from its part has been acknowledged to build trust (cf. Clark & Brennan 1991, 127). In addition, the similarities in national cultures were seen as a facilitating factor for the establishment of trust and rapport:

*But actually, I think that because we have northern European culture, our connection to the people in Finland is quite strong, we are not very different at all, I don't think. Yeah, there are some local differences, but for the most part, the way that we view the world is quite similar. (Business service director, Beta)*

Finally, having *shared relationship history* was also considered to have an impact on how trustworthy the other part was perceived as. The two companies had had business together several years ago and although this endeavor did not end as expected and actually created some friction, at the long run it was reflected as facilitating the integration process. As their roads crossed now several years later, the fact that they knew each other and they had a lot of commonalities, the acquisition was quickly regarded as a perfect match and people were rather excited about the change. Thanks to the previous history, Beta knew that Alpha's way of working is honorable and that Alpha is competent in their field of business. However, due to the long time gap in-between the previous cooperation and this acquisition, the relationship history did not have a considerable influence on trust establishment in this case although it definitely had some impact on how the two companies perceived each other.

Next, the impact of electronic channels on the establishment of trust is going to be discussed. As mentioned in the theoretical framework, e-channels can have both positive and negative consequences for the level of trust between two organizations in a p-a integration context. Moreover, as will soon be noticed, there are several tools for e-communicators to enhance the development of trust.



## 6.4 E-trust in post-acquisition integration

### 6.4.1 *Trust inhibiting characteristics of e-channels*

Similar to the findings of existing research, from the interviews conducted for this study several factors possibly inhibiting the establishment of trust in virtual communication setting were identified; lower level of involvement, increased risk for misunderstandings and conflict, the level of formality and task orientation, the level of user experience, reliability of the channel, and cultural differences.

Firstly, geographical distance together with the lower levels of feeling the presence of the opposite side can lead to more strained interaction. As a result of this, the level of trust might be affected as the feeling of connectedness and strength of relationship might be perceived as weaker, leading to *a lower level of involvement*. For example, in a situation where one or two members of the team are in different location than the others, participating via e-channel can easily create a feeling of being “an outsider” as it is hard via teleconference – or sometimes even via videoconference – to know what is actually happening at the other end of the line. Additionally, one of the informants also mentioned that for them making an invitation to a virtual meeting and getting people together to handle an issue is sometimes too much work due to increased complexity of using electronic means instead of more natural alternatives. As a result, sometimes these issues might get solved only by people in same location, leaving the others outside of decision-making

Moreover, if the person in other end is quiet or shy by nature or otherwise has not enough confidence to actively participate in the conversation happening via virtual meetings tools, these kinds of people might feel temptation of just staying silent and listening, even though their input and opinions would be appreciated. This was also corroborated by one of the managers at Alpha . As these people get easily hidden behind the channel, other participants might by accident forget their presence or think that the person at the other side of the line is not interested or engaged to the issue, possibly leading to negative perceptions of trustworthiness. Hence, it should be recognized that in virtual meetings the importance of involving people into discussion, addressing and inviting them actively into the conversation is crucial in order to increase their courage and engagement.

Secondly, due to the asynchrony and lower levels of social cues available, *the risk for misunderstanding* was considered higher in virtual communication environment by many interviewees. First of all, when using leaner e-channels, it is considerably harder to check understanding and to be sure that both parties are using the same language i.e. same concepts and words with the same sense. In face-to-face interaction, the shared

understanding can be increased by e.g. drawing pictures and visualizing the message, whereas in e-communication all the materials are usually prepared in advance and making modifications to these is limited or impossible. As a result, making decisions and solving issues via e-channels can be hampered significantly and risk for miscommunication is increased. Moreover, if someone, who have understood the issue or task assignment differently than intended and consequently realizes the task wrongly, the competence of this individual might be considered weaker by the manager. As a result, the perceived trustworthiness of the subordinates can decrease in the eyes of the manager as it difficult for managers to know if the mistake was intentional, due to the lack of competence or just a result of an honest mistake resulting from simple misunderstanding.

The use of e-channels was also seen as *increasing the probability for conflict*. Firstly, the easiness of sending an email instead of contacting a person directly by phone or face-to-face, combined with the ability of sending the same message for multiple receivers at the same time, might have negative consequences for the trust development and increase the likelihood for conflict. As an example one interviewee mentioned the communication of negative feedback or other negative message, which should be concerning just one person but was sent to multiple receivers instead due to the sender's anger and frustration. As a result, instead of handling the issue one-on-one with the person in question to minimize the negativity, people not directly involved in to the issue were included as well, creating a spillover of negativity and source of unnecessary rumination. Moreover, as the expression and interpretation of emotions is hampered via lean e-channels due to the lack of facial expressions and tone of voice, it is harder for the participants to analyze the true meaning of the other's messages and comments. As mentioned by some of the informants, in e-mail communication context it is very easy to extract wrong information and get upset of something said due to the use of ambiguous wording, for example. As the tone of voice and facial expression are taken away, the wrong selection of words can have surprisingly negative influence on the communication outcome. Moreover, the asynchrony and inability to see if the other has received one's message creates feelings of uncertainty and possibly frustration and anger, which might, in turn, deteriorate the trust.

*The levels of formality and task orientation* characteristic to lean electronic communication channels have also potential of weakening the development of trust. Firstly, majority of informants identified that in email communication people behave and communicate in a more polite and formal way, focusing on business matters only. Albeit this kind of behavior can facilitate the efficient handling of business operations, it was acknowledged that sharing of sensitive information or communicating about difficult or personal issues is hampered significantly. The limited ability in sharing personal data can, as a consequence, slow down the relationship building and

establishment of trust. Similarly, due to the indirect nature of communication, the risk for conflicts can increase as it is harder for managers and other people participated to identify different warning signs such as dissatisfaction and frustration of the opposite side. Moreover, the formality and rigid structure of email communication in particular was considered by one of the interviewees from Alpha to hamper spontaneous interaction such as asking questions or trying to solve an issue ad hoc via electronic channels. If people involved are physically in the same office, one can go to the other person's desk and talk the issue through whereas in virtual communication one cannot see if the other is available for ad hoc discussions. Hence, the threshold for contacting a colleague in different geographical location is higher due to the increased levels of formality and rigidity. This can also increase feelings of disenfranchisement among the colleagues across the borders.

*Low levels of user experience* can also have a significant impact on how trustworthy the channel – and opposite party – is perceived. As a consequence of inadequate experience in the use of e-channels misapplication of and misbehavior in the medium due to having wrong perceptions on how the channel should be used was seen to increase. One interviewee stated that some people behave in a more direct and controversial way via email interaction as they believe the message or request will not come through otherwise. The more experienced the user is the better and more resourceful the communication style usually is. If there is not enough training in the efficient use of these channels, these kinds of situations may occur where inexperienced users use more aggressive communication style as they do not trust the channel capacity in conveying their message efficiently otherwise. This finding is strongly related to the concept of misapplication bias introduced earlier where inexperienced users are unable to recognize the differences between different medium and to modify their behavior accordingly (Morris et al. 2002, 41). Less experienced users might also feel less able to express themselves or present their points in virtual interaction as their level of confidence in using the medium is lower. Consequently, they are not able to give their input as extensively as they would like to. This challenge was also expressed by one of the informants from target firm side who, at the beginning, felt rather unsure and apprehensive about the use of new virtual channels. Without the possibility of increasing the comfort levels with the help of training people might feel they are being left outside and become frustrated that they are not able to use their professional experience in its full potential. At the acquiring firm side this might be seen as a sign of incompetence which could decrease the perceived level of trustworthiness about the individual, even though actually the true reason would be the low level of comfortability in the use of new channels imposed by the acquiring firm.

Related to the level of user experience is the *perceived trustworthiness and reliability of the channel* used. The existence of technical issues is an integral part of e-

communication. Therefore, when choosing the channels used in the organization, the functionality and reliability of a channel can make a huge impact on the success of the communication and, thus, how well the trust is maintained between the parties connected to each other via these channels. Many of the informants gave as an example the issues emerged with the use of Webex, the virtual meeting tools used by the parent company Omega. Many stated that the use of this specific platform created many issues as the connections were not always working and getting an access to the meeting usually took several minutes. If the channel chosen is not perceived as easy to use and reliable, frustration among the users and even resistance in using the channel can emerge. Moreover, if having all participants online takes alone ten minutes and the meeting is scheduled to last one hour, having all the topics covered in less time than was planned can cause rush and pressure for participants. One of the interviewees confessed that they had decided to skip one of the virtual meetings solely due to the fact that it was so difficult to participate. As a result, difficulties in using and accessing a channel can potentially leave key personnel out of meetings, decreasing the amount of valuable information shared. Moreover, the unreliability of a channel was also regarded as having a negative impact on how trustworthy the party responsible for the channel selection is perceived.

Lastly, the existence of *cultural differences in e-communication and overall virtual behaviour* was acknowledged to have an impact on trust in several different ways. Firstly, it was identified that the size and hierarchical structure of a company influences the possibilities for having face-to-face or video meetings with people in the organization and making personal connection to all colleagues or upper level management is usually inhibited if the company size increases. As a result of this, building personal relationships is hampered. Related to the cultural dimension of e-communication is also the perceived code of conduct that companies have for virtual interaction, such as the email response time considered appropriate within the company. If companies being integrated have differing codes for e-interaction, it can result in increased frustration and uncertainty, especially when it comes to the text-based communication where the time delay combined to differing expectations of response time are cut out for anxiety and uncertainty. Finally, differences in the language of organization, namely the company specific terminology, can influence not only the efficiency of communication but also the development of trust between the opposite parties. This is particularly apparent in email context, where checking the understanding of the other is limited:

*[...] but in email you did notice that cycle of miscommunication. Particularly in the sort of terminologies and things. [...] There were number of conversations early on, where you realized after a while that we were talking of completely cross-purposes, 'cause the context of the problem was just*

*completely different purely to terminology.* (Product development manager, Beta)

Hence, the use of leaner of forms e-communication can potentially increase miscommunication due to the cultural differences in the use of terminology. Especially the use of abbreviation and acronyms are easy to confuse, and the use of these should be avoided at the beginning of the relationship. Moreover, differences in the style of communication were identified between people with different nationalities. Within the case, British people were seen as more polite and formal in their communication, resulting in more indirect style of communication, whereas Finns tend to express themselves more directly. Consequently, communication with more formal and polite cultures can decrease the possibilities of the opposite side for identifying sources of concern or other negative emotions while, at the same time, decreasing the risk for conflicts. Nevertheless, this finding was not supported by all of the informants, rather some contradictory perceptions related to the differences between Finns and British people were identified. As a result, no clear conclusion can be made on whether or not national cultures have an impact on the style of communication.

#### **6.4.2 Trust promoting characteristics of e-channels**

The use of e-channels can also have positive impact on how the trust is developed between the different sides of the post-acquisition integration. The different characteristics identified in this study are: maintaining closed connection with others, increased formality and neutrality, task orientation, level of familiarity, and visibility of cultural and language differences.

Firstly, e-communication channels provide a rather easy option for *bringing people closer together and maintaining a closer contact* with employees in different geographical locations. Not only can e-channels be used to get to know each other, these can also facilitate the learning of other's way of working. One way of achieving increased feelings of closeness is by sending follow up emails or status updates of ongoing projects on a weekly basis, which only requires little time but gives the other a clearer picture of actions being taken in other locations, thus, decreasing feelings of uncertainty and increasing social awareness of the other. These kinds of actions were also present in one of the teams including both acquiring and target firm members:

*[...]we just share what we are all doing, so it's like at a glance, so it takes five minutes to write, 30 seconds to read,[...] It's quite good actually, because you get to know what people are doing and what people are working*

*on, it was such a good idea that I introduced it to my own team here.* (Product development manager, Beta)

Similarly, as email and other electronic communication channels provide a rather effortless way of keeping contact, it can provide an efficient channel for *sharing emotions* between managers and subordinates. If something is experienced as difficult or hard to accept, people can tell about that regardless of the geographical or temporal distance between them and their manager. Naturally, this kind of openness usually requires that trust has already been established, but the ability to share different feelings and talk about them is likely to reinforce and maintain the already established trust further. As one informant from Alpha expressed it, the use of e-channel makes it possible to maintain a close contact and communication connection with which the manager can fill the void which otherwise would have been filled with rumors, suspicion and questions. As the manager can proactively use the channel to provide information, there is less room for people to form their own versions of the truth. This should, according to the data gathered, reinforce trust between managers and employees during the integration process.

The *increased formality*, although also considered having some level of negative influence, was also seen as having positive impact on trust. The tendency of being more task oriented in e-communication setting was experienced to decrease the risks for conflicts. This finding is corroborated strongly by existing studies as well (Tan et al. 2004; Barsness & Bhappu 2004; Nadler & Shestowsky 2006). Especially email and other leaner e-channels were seen as providing *a more neutral communication environment*, and thanks to the asynchrony dimension, the e-communicators have a chance to take their time and cool down when having exposed to aggressive way of communication by the opposite side rather than being force to reply immediately as would be the case in face-to-face or other richer forms of communication. Moreover, as a result of increased anonymity and lack of social cues, it is possible for e-communicators to hide their initial reactions to the message sent, hence not accidentally provoking the aggressive or distressed party further. However, it was also stated by some interviewees that conflicts can sometimes escalate quickly in email environment as well if someone fails to remain business-oriented and professional, hence no definite conclusion can be derived on the neutrality of lean e-channels in terms of perceived risk for conflict.

Next, the role of having *an existing relationship and being familiar* with the people involved in communicating via e-channels was considered by many of the interviewees important for the e-communication efficiency. This advocates the findings of other researchers as well (Morris et al. 2002; Nadler & Shestowsky 2006; Cronin 2007; Galin et al. 2007). As an example, in case of having technical issues in virtual meeting and

being forced to handle meeting via leaner alternative such as teleconference (being resorted to only voice) the role of knowing the people involved accentuates as it is then easier identify who is talking as participants are already familiar with the communication style of others'. As a result, having social cues such as facial expressions and nonverbal gestures loose some of their importance as with existing knowledge base it is not always necessary to see the other as one can compensate the lack of visual access based on the information they already have. Moreover, risk for understanding are likely to decrease as people are acquainted with the communication style and language used by the other, thus reinforcing the establishment of mutual understanding more efficiently no matter how lean the medium used is.

*[...] again it's how strong is your relationship with that person already, you know, the stronger it is, the more likely you can find communication by email or chat very easy whereas if it's somebody who you've never met before, you don't know how they respond to things, I can have very short brief (-) conversations with people I'm very familiar with because they know what to expect. (Product development manager, Beta)*

If no basis for mutual identification exists, it was stated that more energy is used to check that everyone has understood the issue same way. This is done by sending emails afterwards including actions points to be followed to make sure everyone does their part of the deal, hence, increasing the amount of work needed to follow up the work of the other. Moreover, when there is a certain level of familiarity, people feel they can be more relaxed and open in their communication and not to be afraid that some things they say might offend the other as they are familiar with one's communication style. If you are having a chat with someone for the first time, more attention to tactfulness and politeness is needed and use of e.g. humor is not necessarily recommended. Communicating commands, somethings that managers have to do, is also more challenging among strangers in text-based communication and extra attention is needed when conducting the message in order to avoid conflict and offending the other. However, if the command does not come across strongly enough, the receiving end might fail to understand the importance of completing the task. As a result it can be established that the more familiar people are with each other, the shorter and more direct the messages can be, hence increasing the efficiency of communication and decreasing the possible risk for conflict and misunderstanding.

Next, *the cultural differences were experienced to have less importance* in lean e-communication, and that it is possible to send the same message to everyone regardless of the cultural background, increasing the communication efficiency and reducing the potential for misunderstandings. However, it was mentioned that some level of

sensitivity should exist towards cultural diversity. As an example one interviewee mentioned the Chinese people:

*Chinese have a great belief in face, they hate being held up to ridicule in front of everybody else, and that is something that they really don't like.* (Business service director, Beta)

Nevertheless, being sensitive should not come at the cost of efficiency. Related to cultural dimension of e-communication is the *language differences*. English is usually used as the lingua franca of business. The case companies were no exception to this although some of the regional offices perhaps did not have as high competence in using the language. However, as pointed out by few of the informants, when having a discussion face-to-face or via phone, participants with different English skills might have difficulties in understanding each other due to different accents etc. However, in asynchronous communication environment the impact of accents is eliminated and participants have more time to think and conduct the message in a clear, unambiguous way.

Lastly, the informants stressed the possibility of having a track record of everything which was mentioned as a positive quality of lean media as it enables participants to return to the decisions made later on. As a result, neither of the parties has to stress about whether or not the other will keep their end of the decision as it is written in black and white. Moreover, text-based communication forces the participants to put the thoughts and decisions in an understandable text-form.

*[...] if you cannot describe it (the thought) somehow in writing, you yourself have not think that entity thoroughly enough.* (Business administration director, Alpha)

Hence, the use of leaner e-communication channels have the potential of increasing the understanding of parties, consequently diminishing miscommunication and the risk conflict resulting from that, eventually reinforcing the trust. In addition to identifying the different characteristics promoting or inhibiting the establishment of trust, it is also beneficial to be aware different course of actions, through which trust can be enhanced proactively via e-communication channels. The findings related to this will be elaborated in the next chapter.



### 6.4.3 Ways to establish trust via e-channels

Based on the interviews, different tools and methods exist for e-communicators to facilitate the establishment and maintaining of trust. One of the most efficient ways of decreasing the likelihood of having issues in e-channels, especially in text-based communication, is to *decrease the level of ambiguity of the messages sent* as much as possible. This can be achieved by avoiding long, complex messages, use of abbreviations and acronyms if the other is not familiar with them – in other words – by trying to keep the message as clear as possible. If no effort is put into this, the likelihood for misunderstanding and conflicts is significantly higher:

*[...]people are not gonna listen to conversation if the first three things they read they do not have a clue what you're talking about. It's such a simple thing as well. (Product development manager, Beta)*

Hence, it is important to keep the communication as short and as simple as possible when it comes to email or text-based communication. Rule of thumb provided by one of the informants: “if I cannot read something on my computer screen in one paragraph, it’s really too long.”(Business service director, Beta). One efficient way of making sure everyone shares the same understanding is to send a short follow up email after, e.g. every virtual meeting, including the key points and tasks assigned in clear and concise manner. All in all, the key is to avoid argument bundling and keep in mind that people who receive possibly hundreds of email per day don’t have time to read long and complex message.

Related to this is the importance of having *frequent communication and being responsive* i.e. keeping others informed about what one is doing and increasing mutual awareness via e-channels. If possible, having frequent face-to-face meetings are a good way to maintain and reinforce good spirit and cooperativeness. Moreover, ensuring high levels of responsivity, especially in e-mail where receiving an answer can take from couple of minutes to hours or days, was considered crucial for decreasing feelings of uncertainty and to reinforce trust levels. This includes also letting people at the other side know if one has some limitations in answering message e.g. due to a holiday, important meetings etc. This way, even though there would be a delay in response time, the other one is aware of the reason and, consequently, the level of uncertainty and frustration is immediately lower. However, one informant, although acknowledged the importance of quick responses and overall responsivity, stated that he would rather spend some extra time in answering the email properly rather than sending a message with inadequate information as quickly as possible. As a consequence, when pursuing

for high levels of responsivity, the quality of the communication should not suffer as a result.

In addition, even though email and instant messaging tools have many benefits in terms of ease of use and efficiency, the use of richer channels in specific situations can, according to some interviewees, reinforce trust due to the richness in social cues and higher information density. Not only can a short phone call in case of emerging conflict or misunderstanding increase the efficiency in solving the issue, it is also a way to show presence and caring from manager's side. Instead of always sending an impersonal, task and business oriented message, making a phone call can make the other party feel that the manager sees them as worthy of their time and personal contact.

Another factor mentioned as a way for establishing a sense of trust in e-communication environment is related to the person's *ability to adapt their style and manner of communication*. As an example one informant brought up the situation where someone new comes to the team. When integrating two organizations, it is usually more of a rule than an exception that both sides have to learn to work with people who have different ways of working and communication. In order to reinforce the development of a relationship and trust, both parties should be sensitive and understanding to the e-communication style of the other and provide reciprocal feedback in case some habits of the new person are not in line with the team's behavioral code. If, for example, an email including a request by the new colleague is vague and not including sufficient information in terms of answering to that request, instead of getting frustrated and refusing to answer, it is the responsibility of the receiver to communicate in a polite way that the chosen way of communication is not going to work in a long run, and suggest ways to improve it for the future. If both parties are open for this kind of feedback and are ready to alter their behavior accordingly, in other words, showing cooperativeness and openness, creating a trusting relationship becomes significantly easier.

Next, *providing sufficient amount of relevant and meaningful information*, particularly in text-based e-communication where checking of understanding is hampered, was considered important for decreasing the probability of miscommunication. Moreover, at the organizational level it could also be advisable to provide easily accessible and findable information related to the integration process. Within the case firm, a Questions and Answers section was developed in the company intranet, providing answers to practical issues related to the change such as how to answer to phone, what to tell to the customers etc. This kind of open information base can be an efficient way for decreasing the level of stress and uncertainty related to the integration process. However, it requires that access to the information channels of acquiring firm are provided as soon as possible and, more importantly, that everyone knows exactly, where the information can be found. However, within the acquiring firm it was noticed that as the target had no previous experience in using intranets, the

employees did not seem to embrace the use of it effectively, hence the messages and information provided on this platform did not reach the target firm members as efficiently as could have been possible. As a result, an important prerequisite for having new members of the organization to use the new information channels effectively is to provide sufficient amount of training to increase the awareness combined to ensuring that the content created is meaningful and interesting. This finding is line with existing research where it was suggested that in order for the e-channel to become accepted by the users, they should perceive it as useful and easy to use (cf. Ebner 2007, 15; Brown et al. 2004, 130).

Consequently, the importance of *providing sufficient training and increasing the comfort* of users within the use of the channels can be considered as an essential building block of trust-based e-communication. The role of having good quality training in the use of different virtual communication tools was considered important by the majority of the interviewees. Different people have diverse user experience levels in the use of virtual channels which makes the starting point for learning to use the tool different. The only efficient way to level these differences and increase the efficiency and comfort of people is to provide sufficient training. According to the empirical data this also has an impact on how trust and relationship is established:

*I think it's part of the change process, again the trust and fear and how comfortable you feel in an integration process like that. (Product development manager, Beta)*

If members of the acquired organization are provided hands-on training on how to use the new tools, it can be seen as a sign of caring and create goodwill – consequently making the people more accepting to the change. Nevertheless, as pointed out by few of the informants, it is important that the training provided, although extensive, should also be interesting and easy to follow as otherwise people easily lose their focus, especially if it is not explained clearly why embracing the new channel or tool is beneficial for that individual.

*[...] people need motivation and training, how those new channels are used in order for more uniform habits and routines to emerge. (Manager of internal communications, Alpha)*

As an example, Alpha had developed a comprehensive training material including guidelines and code of conduct for virtual meetings which – at least at Beta – did not seem to be embraced by all members of the company. Moreover, the material was rather hard to be found in the intranet. Hence, providing large amount of training does not

have much impact if it is hard to find or the users do not see the point in using it. With the help of purposeful and well-constructed training all members of the organization can become more capable of expressing themselves due to the increased comfort in using the channels, and more aware of their own skills, why the use of the tools available is recommendable, and how these channels should actually be used effectively. Moreover, by sending people to target firm's premises to provide training was considered as reinforcing trust between the two organizations. If training and availability of it is not adequate, frustration and inefficient use of channels i.e. using incorrect channel for specific purposes can emerge, causing potentially miscommunication and lower levels of information exchanged.

Similarly, the perceived trustworthiness of the channel used can have various consequences on how the communication flows between the participants. As a result, it would be worthwhile for companies *ensure the reliability and easy accessibility of e-channels* used, not only by selecting the channels used carefully based on the needs of the organization but also by ensuring that in case of technical issue, there would always some sort of technical assistant present, as without having immediate help, frustration easily emerges and can be reflected on the behavior that the e-communicators show to each other, as was mentioned by some of the informants. Moreover, as people have different levels of user experience and comfort, which can take time to level, the ease of use of different channels should be ensured. The different instructions and guidelines for the use of the channels should be easily accessible and not hidden somewhere in the information jungle of internal databases. Especially at the beginning of an integration, making an effort in having the systems work at the target firm as soon as possible and ensuring that everyone is included into these systems should increase positive feelings towards and perceived trustworthiness of the acquiring firm from target firm's perspective.

Nevertheless, in order to have the virtual tools truly accepted in the organization, the position of *manager as a role model* as having the responsibility in leading by example became highlighted by some of the interviewees – if managers require employees to use a specific channel but are not using it themselves, why should the employees use it either? Moreover, the style manager uses in their communication is easily imitated by the subordinates, hence, if the manager is using communication styles reinforcing the establishment of a more personal relationship, e.g. using the different dimensions of schmoozing and having a high level of responsivity, the others will follow the example and the probability of developing a trust-based relationship might be increased. Moreover, as managers usually have higher level of experience in using the different communication tools, it was suggested that they could take a role of referee, meaning that when some issues are recognized in the use of e-channels within the team - e.g. someone is using incorrect language and style in their message or some issue handled

by using inappropriate medium, possibly leading to a downward spiral of miscommunication and conflict – the manager should step in and instruct the participants in the correct way of handling the issue, helping them to choose a better channel in the future.

Moreover, the e-channels could be used more effectively in *increasing the presence of not only the line managers but also the upper-level senior management*, with whom lower level employees and managers rarely have the possibility to have contact or build a relationship. For example, when introducing the vision and strategy of the company, instead of just informing the line managers, senior management and the CEO could use the e-channels to tell this themselves and to be seen and heard by everybody. Not only would this help employees to have a clearer understanding of the company vision and strategy, it can also work as an important building block for establishing a closer, trust-based relationship with the employees – rather than remaining the faceless CEO of the ivory tower.

Next, as electronic communication channels, especially the text-based ones increase the level of anonymity due to the lower level of social cues available, paying extra attention to increasing the personality and *decreasing the perceived anonymity* is essential for the establishment of higher levels of trust. According to many of the informants, one of the most important attribute to have in email and instant messaging is the existence of pictures as it was considered considerably easier to build a relationship when one know how someone looks like and building an attachment to that person is facilitated as a result. As has been established earlier, in a multinational organization it is realistically not possible to meet everyone; hence pictures provide an efficient way for making people more familiar with each other. This finding corresponds strongly with previous research findings on the importance of having visual connection to the other (Ebner 2007; Morris et al. 2000; Moore et al. 1999). With regards to managing change, some of the interviewees mentioned the importance of introducing the key people and managers, not only to each other but to whole organization early on, giving a face for the change (Manager, Alpha).

*Again it's just about forming a relationship, it's difficult to have a trusting relationship with an anonymous person, it's possible, you know [...]but like any relationship, the more information you have between the two of you, the better that trust is and the better the relationship is.*(Product development manager, Beta)

Hence, unmasking the people involved and bringing them closer to employees influenced by the integration process not only decreases the anonymity but also the

should reinforce the openness and trust establishment due to the stronger basis for mutual identification.

*Schmoozing*, also emerged as one of the tools for building trust via different e-channels in integration context. Managers sending an introductory email or making a phone call at beginning of integration process, revealing some personal information of themselves and not talking about business right away helps the opposite side to create an initial perception of what kind of person he or she is. Within a large multinational organization all members of the organization will never meet face-to-face, but they are still required to cooperate and work with each other. In these kinds of situations, one of the interviewees from Alpha stated that including some personal data, whether it is about the weather or asking “how are you?” lowers the threshold of contacting the other no matter what the issue or situation. It was acknowledged that usually this kind of small talk via text-based communication stays on a rather superficial level but it still has many benefits for the establishment of trust and increases the comfort of both sides in interacting with each other, working as a good “ice breaker”.

Hence, adding some proportion of informality into the e-communication, especially in the email communication, which is perceived as the most formal communication medium, can facilitate the communication and overall establishment of rapport. This is consistent with the findings of other studies as well (cf. Morris et al. 2002; Nadler 2004). Moreover, keeping schmoozing as a part of the e-communication style helps not only to establish trust but also maintain it. Nevertheless, contradictory opinions emerged as well, stating that e.g. having small talk does not come naturally in text-based e-communication and it is not necessarily as relevant to have there. Hence, personal as well as cultural differences might exist in how extensively small talk is used in leaner e-communication. As became evident from the interviews, for Finns small talk is perhaps not as natural as for British people as Finns have more tendency in going straight to the business and having the small talk afterwards (Product development manager, Alpha).

#### **6.4.4 Consequences of e-trust for post-acquisition integration process**

If trust is successfully established in virtual communication environment, based on the interviews it can have various positive consequences for the integration process. Firstly, it became rather evident that *expression and interpretation of emotions via e-channels is facilitated*. If no trust exists, people are more afraid of sharing their feelings and opinions directly via email and only share their concerns with colleagues and country managers in the same location. Hence, it is rather difficult for managers to evaluate whether the decisions made in HQ are received well in other locations. Also a contradicting view was provided by one the informants, saying that in face-to-face

situation people are more likely to withhold their true emotions, trying to please the other, whereas in leaner communication media, thanks to the distance, it is easier to express the true opinions and feelings. When there is trust and relationship is in a deeper level, people feel more comfortable in sharing emotions and feelings of uncertainty via e-channels as well.

Furthermore, it was indicated by some of the informants that the level of familiarity plays an important role in how well one is able to interpret the emotions expressed via e-channels, especially via e-mail. When someone types a message, the receiver cannot know exactly how it would be said in person and it might seem as more or less neutral at first. However, as was suggested by the integration manager, when there is deeper relationship and trust between the two individuals, the receiver can easier imagine how the sender might have meant the message and foresee, what is the best way to answer and whether e.g. some softer approach is needed or not to prevent any further negative emotions. In other words, people become more tuned to the virtual emotions of the other, even though it still is considerably more challenging to interpret them correctly

Secondly, having trust and existing relationship with someone results in both parties *making allowances*, meaning that when the other party says something possibly interpretable as offensive, the person who knows them immediately conclude that there is nothing to be offended about, that is just the style the other communicates.

*[...]it (trust) definitely influences things, I think it probably most influences things when the communication is poor, somebody sends me an email when I haven't described myself very well, obviously I know them and I know their character and I know how they are like, I tend make my own assumption what they were really meaning. [...]So as long as the communication is good, it's not a problem, but when it's start breaking down, the trust becomes important. (Product development manager; Beta)*

As a result, the importance of having trust is emphasized in situations where the communication from both or either of the two parties involved is somehow poor in quality. If there is trust and relationship, conflict and misunderstandings are less likely to emerge whereas if not existing base of trust exists, the outcome might be the opposite.

Thirdly, when you know the other person well and there is trust, it was concluded by one of the informants that less time is needed to construct the message to be sent as both know the style of communication of the other, hence, things can be said more directly than with a person with whom there is no existing relationship or trust. As a result, issues are resolved quicker, people are more open and dare to say things they previously would not have, in other words, *the efficiency of executing the integration process*

*should increase* as having trust helps to understand the other's messages better, and communication becomes more efficient and less misunderstandings occur. Furthermore, when the subordinates or new colleagues from the other organization have proven to be trustworthy through being competent and having the necessary skills to realizing different tasks, the manager can trust the subordinates to carry out the task assigned to them. As a result, there is no need for the managers to constantly follow and supervise the progress of the project at hand. Hence, having trust can significantly save the time and energy of both the manager and the subordinate.

Fourth consequence of trust is related to the perceived *freedom of giving feedback*. If the is basis for trusting the benevolence of the other, e-communicators were alleged to have more courage to give feedback without fearing that they “will be immediately shot down”, as one of the interviewees put it. For example, if someone is unhappy with the way certain process in the integration is being conducted, they would not be afraid of telling that and, similarly, the party receiving the feedback would be more willing to take the advice on and modify the process, if indeed necessary.

Lastly, one of the informants provided an interesting view on how the level of trust between two people influences their e-communication behavior. According to him, the fact of having trust or not has an impact on how we choose the e-communication medium we want to use.

*[...]its an evolution as you become more trusting, you are likely to switch to better methods, which is video. (Product development manager, Beta).*

If trust levels are low or non-existent, email is likely to be the most preferred channel where as in a more trusting relationship one is more likely to use voice and video – the richer end of the e-communication spectrum. As mentioned earlier, when no basis of trust or relationship exist, it takes more time for people to find a common language and understand each other. As a result, email is considered as a good channel of getting a message through in a structured fashion, also providing the possibility to track everything that was discussed, enabling the participants to have evidence of what was agreed in case of any disagreements. Consequently, the participants do not have to rely solely on each other's integrity. On the contrary, when using video and voice as a preferred method of communication, no track record is available for the parties involved, and everything that was agreed is dependent on the honesty and reliability of the other. As a result, the participants are “forced” to trust that the other keeps their end of the deal.

The impact of trust on the selection of a preferred communication channel is not handled much in detail in this study which makes it an interesting topic to be possible studied further in the future. Based on the existing literature and this study's findings



this seems like a legit claim and deserves more attention in the future. As a result it could be concluded that the selection of channel can itself work as a method of establishing and demonstrating virtual trust.

## **6.5 The consequences of e-channels for post-acquisition integration**

### ***6.5.1 Positive consequences for the integration process***

As e-channels are an integral part of today's business environment, they were also acknowledged to have many positive consequences for the post-acquisition process. Firstly, e-channels were considered as a good way *to provide information to support the change management process*. Thanks to the different virtual tools, if utilized correctly, members of both organizations can more easily have access to information related to the integration process and different actions and changes that will follow from it without having to always contact their superiors. An example of this is the development of Q&A section in the intranet as was done by Alpha. The different channels should be used actively to keep people informed to ensure the high quality and frequency of communication. In addition, it is essential that when these kinds of information sources are developed, it is made sure that they are "marketed" to the employees so that everyone is aware of the availability of the information. Moreover, the e-channels enable people to share files and presentation with each other and then go these through, either via text-based, phone or video meeting. In other words, everyone can have the same material in front of them regardless of the location, facilitating the cooperation between the participants.

Secondly, as already referred earlier, the use of e-communication channels enable managers to *maintain a closer contact* with their subordinates and colleagues when being located in different geographical locations. It would be important for everyone to realize that even though one had nothing new to share, sending an email asking about the current state of the process, telling about one's own situation or just asking "how are you, is everything ok" help to fill the void that could otherwise been filled with suspicion, questions or rumors. As a result, the flow of information and, consequently, the efficiency of the integration can be improved. Moreover, e-channels can facilitate the process of *involving overseas members* to the change process more closely; to share and implement the way of working to the acquired organization, and help both sides understand each other better, leading to a more integrated way of working and decision-making:

*And it has also given them more exposure on us, so we are starting to understand the differences between the teams and the things we make the same. So that is definitely more inclusive than it has been in the past.*  
(Product development manager, Beta)

Based on the interviews it can also be concluded that the use of different e-channels have *increased the working and time efficiency of managers*. The main reason for this is that as the need to travel to separate locations has decreased, the managers can focus more on their core responsibilities in the integration, rather than constantly traveling and being forced to postpone the day-to-day work. As a result, the efficiency of realizing the integration process should increase as well.

Next, having closer and more frequent communication between managers and employees was also considered to *facilitate the identification of emerging issues and challenges* during the integration process. In other words, the fact that people are able to express their frustrations and concerns related to the integration process regardless of geographical or temporal limitations makes it possible for managers to identify the possible pressure points and make modifications to the way the process is conducted, increasing the possibility of success in the future. Moreover, as indicated distinctively by one of the informants, people are more open to share not only information related to the work but also to their emotions, fears and other, more personal issues. If there is an existing basis for trust, thanks to increased openness the manager is better able to tackle issues within the integration process and increase the satisfaction of the employees by trying to improve the situation, hence, engaging the employees better into the change and decreasing the possible turnover, something which is many times associated as one of the negative sided resulting from post-acquisition integration.

Lastly, the high levels of task orientation linked to the use of e-channels, especially the leaner ones, were regarded by some of the interviews as having positive consequences for the integration process. In face-to-face meetings, the participants stray rather easily off the topic and limited time reserved for the meeting is wasted. However, in e-communication, even in video-conferencing, it was perceived the people stay easier in the topic and having two overlapping discussions simultaneously was considered hard of even impossible. Hence, issues are handled more logically and one by one, rather than jumping randomly from one topic to another, *increasing the efficiency of meetings*. Despite of this, many informants expressed that they still prefer face-to-face over e-channels, if they have the possibility to do that as in face-to-face building the relationship and having the more personal touch were considered as important aspects for any meeting.

### 6.5.2 *Negative consequences for the integration process*

Contradictory to the positive consequences resulting from increased task orientation is the finding of the use of e-channels as causing *decentralization of focus*. What is meant by this that as one calls someone by using a virtual tool, they sometimes answer to emails and handle other tasks simultaneously, decreasing the overall concentration on the task at hand. In face-to-face context this kind of behavior is generally not considered acceptable and is much harder to pursue. To some extent, however, it has become almost a requirement for people to multitask and follow various different channels and media simultaneously. This dimension of e-communication has also its impact on how well people are able to *hear different nuances and extract relevant information* when, for example, manager is having a call with their subordinate (Integration manager; Alpha). If the manager is not fully concentrated on what the other is saying, not only can the other feel less valued but the manager might also miss some important information such as expressions of emotions, changes in the atmosphere etc. which can only be heard by careful listening. This can have significant impact on how well the softer side of post-acquisition integration, i.e. the feelings and concerns, can be managed, possibly having severe consequences on the satisfaction and trust levels as well.

When having a virtual meeting or online training, *the challenge of having everyone participating* from their own computers and to be fully involved and active instead of handling pressing work tasks at the same time is challenging for managers to achieve as there is practically no way to follow, what the others are doing at their desks. If people are not fully concentrating on the message conveyed to them, the value of arranging these virtual meetings decreases. Moreover, *handling complex and emotionally sensitive issues* via e-channels can be a taxing and time consuming process, which has an effect on the efficiency of conflict management in post-acquisition integration and, as a result, for the maintaining of trust. One negative email sent in a spur of a moment can create a chain reaction, harmfully affecting the relationship and trust levels between the individuals. These kind of situations where considered as being significantly more challenging to handle via e-channels than face-to-face.

Next, the use of e-channels was seen as *slowing down the integration process* to some extent. With email communication, it is possible to include only a limited amount of information in order to keep the message clear and concise and to avoid misunderstandings. Moreover, a general challenge with email is that it can take remarkably more time to solve an issue there than it would face-to-face or by using another richer e-channel with higher level of information richness.

*[...]it definitely slowed things down, there were day to day things, just email conversations that got up to five, six, seven emails which should have been dealt with two, you know, it was a simple thing we were trying to do and we were just going round in circles a little bit. (Product development manager, Beta)*

Here, the complexity of the issue to be solved has an impact on how much time is needed as the more complex the problem is, the more information there needs to be shared and the more room there is for misunderstanding in text-based communication media. Another factor contributing to the efficiency of handling more complex issue via virtual tools is the personal preferences that individuals have regarding their choice of communication channel. As some people feel more comfortable using email over richer substitutes, they may sometimes use the channel at the cost of efficiency. Hence, the importance of increasing the efficiency of communication with the help of quality training is again emphasized. Moreover, due to the asynchronous nature of email, the information shared is not always most up-to-date which can *slow down the decision-making* and result in even more misunderstandings.

Another consequence that can be interpreted as having more of a negative impact on the integration process is the *extra effort required by managers* to arrange virtual meetings – although making this effort is without doubt worthwhile to ensure the success of the meeting. Basically the preparations for virtual meetings are similar to face-to-face equivalents but in addition to that, as mentioned by one of the informants, the managers responsible for arranging the meetings should have adequate technical knowledge of the channel. This would decrease the probability of unnecessary disturbances during the meeting based on the lack of competences on using the channel. One should also have a technical assistant always present in order minimize the risk for technical issues. Moreover, the arranger should have knowledge and competence to evaluate which channel is the best for handling the issues at hand, and several factors are to be taken into account; the amount of information to be shared, the number of the participant's (how interactive the meeting can be), target audience and their skills in using the channel, to mention a few. All in all, more effort is needed throughout the meeting process – before, during and after. Consequently, more training of managers is usually required in order for them to have the necessary level of knowledge and skills to conduct a meeting – something which is not as essential when considering traditional face-to-face meetings. This can, from its part, increase the threshold for managers to arrange virtual meetings as if the comfort levels of using the technology are not high enough, the desire to use the channel is lower, hence, potentially slowing down the process of handling issues and making decisions because managers might prefer leaner, less effort demanding channels to handle the task at hand.

Similarly, *managing people and operations virtually was considered somewhat more strenuous* by some of the informants as instead of having the possibility to go to the person's desk to ask update, several emails for different parties have to be conducted and then followed-up actively. This takes not only more time but nature of the information becomes more dispersed and unstructured as in order to have an answer to one issue one might have to contact several separate parties in order to be able to have sufficient amount of information to provide a coherent answer. Another factor making the process of "hunting down" information even harder is that when multiple people are included into same email thread in the hope of having the opinions of different people within the same chain of communication, the receiver of the message has the choice of answering either only to the sender or to all of the receivers. If all people choose to answer only to the sender, not including the others to the list of receivers, everyone sends their answer without having the possibility to reflect their answer to the ones of the others. As a result, it becomes the original sender's responsibility to build the big picture and clarify the possible contradiction with the other email thread participants, hence lengthening the process even more.

Lastly, the communication chain length and hierarchy in larger scale multinational firms can influence the speed of integration and overall decision-making as well. For example, when one person makes a request or asks authorization for some issue, needing the confirmation from not only the line manager but also the higher level management, the distance and inability to have a direct conversation between the individuals involved due to the company size can remarkably slow down the chain of decision-making. As email is commonly used for these sorts of authorizations or making policy decisions due to asynchrony and possibility to have the decision black and white, having the decision can take somewhere from hours to weeks or months. This can suspend the process needing this decision for a long time, hence influencing not only the efficiency but also the overall satisfaction of the employees in need of the confirmation, as they need to wait the response in order to proceed with their task – all this in a state of uncertainty.

As a conclusive remark of the findings presented in this chapter, it can be claimed that e-channels have indeed various impact and consequences, not only for development of trust but also for the post-acquisition integration process. In the next chapter, theoretical and managerial conclusions together with the suggestions for future research are presented.

## 7 CONCLUSIONS

In this chapter, the conclusions of this study are presented. First, the theoretical contributions are introduced by using the earlier established framework and modifying it according to the empirical findings. After that, managerial implications are brought together to give some guidelines for companies to follow when aiming for efficient use of e-channels. Finally, some suggestions for future research are presented.

### 7.1 Theoretical contributions

M&As and the post-acquisition integration process create a rather bewildering context for the establishment of trusting relationship between the acquiring and target side members, mostly due to the predominance of negative emotions resulting from the unpredictability of the situation, increased levels of uncertainty, feelings of vulnerability and increased risk for misinterpretations (Stahl & Sitkin 2015; Kusstatscher 2015, 99). High uncertainty following the announcement of the merger combined with higher work load and diminished communication create an effective breeding ground for a variety of different negative emotions and feelings (cf. Cartwright & Cooper 1993, 344; 1995, 37; Hassett 2011, 120–121; Kusstatscher 2015, 92; Kusstatscher & Cooper 2005; 23–29). However, establishing trust is, as has been established in this and previous research, important as it can have many positive consequences for the efficiency of the integration process (cf. Stahl & Sitkin 2005; 2015).

The objective of this study is to develop a framework for trust development via e-communication channels, having the post-acquisition integration process as a context. In chapter 4 a framework based on existing theories and findings was presented, bringing together the three sub-objectives of this study: the building blocks of trust in post-acquisition integration, the impact of virtual channels on the development of trust, and the consequences the use of e-channels have for the integration process. In Figure 11, the above mentioned framework is modified to include the findings from the empirical research. All deviations and additions to the original framework are presented as bolded and underlined.

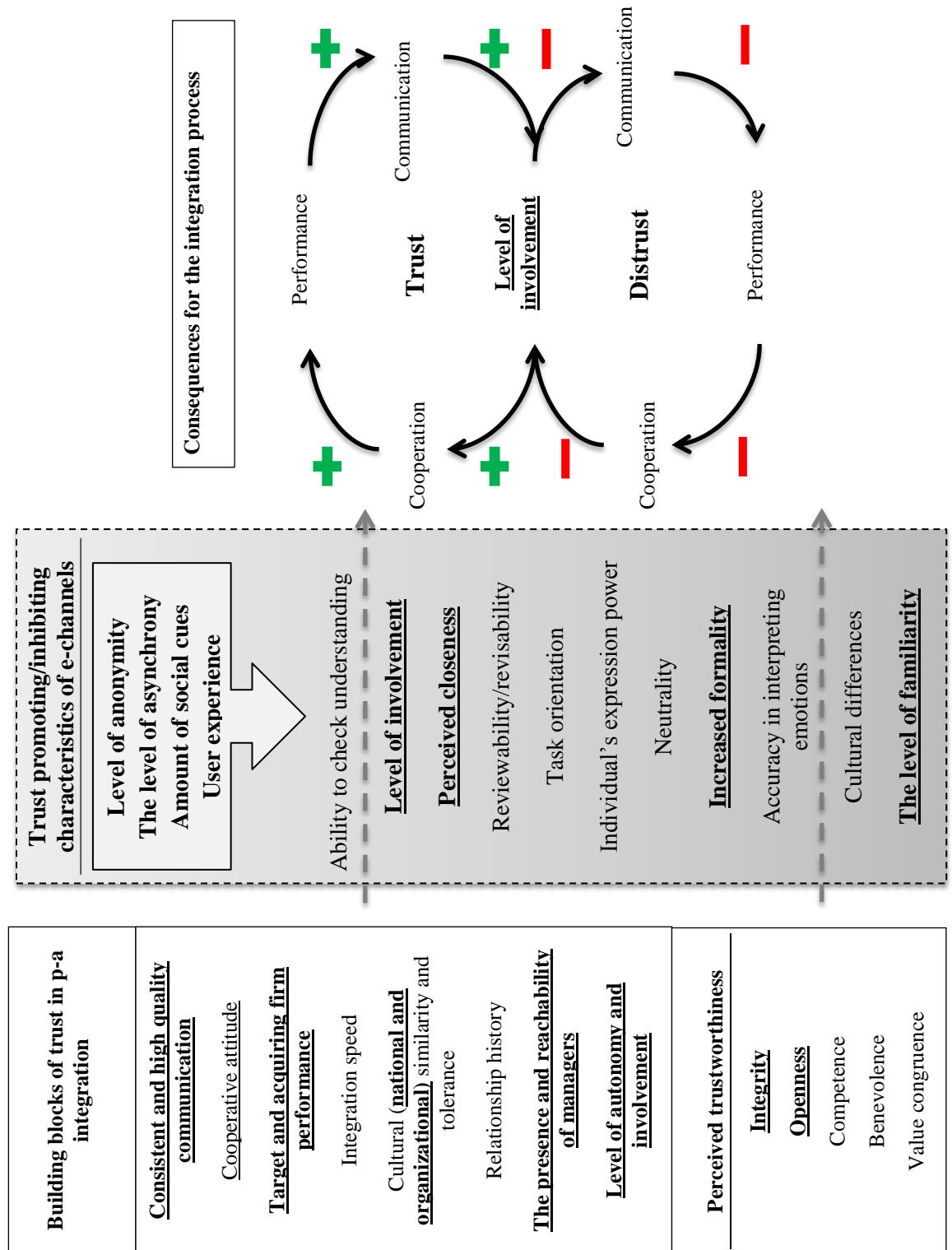


Figure 11 Final framework for building trust via e-channels in post-acquisition integration context

In general, when taken into account the dimension of virtual cooperation and interaction present in today's international work environment, the role of trust is emphasized even more. Based on the findings of this study, *the establishment of trust can be remarkably hindered due to the existence of initial negative emotions related to the M&A process such as fear and anxiety. Moreover, when integrating people from two organizations, requirement for establishing deeper relationships with new colleagues also creates additional pressure for the development of trust.* However, if no basis for trust exists, this pressure can increase the proportion of negative emotions further.

When discussing the first part of the framework, as the theory suggests, different factors contributing to the development of trust in post-acquisition integration are as follows: type of takeover, firm performance, integration speed, cultural similarity and tolerance, relationship history, level of autonomy and equality, communication quality, and overall perceived trustworthiness (Stahl & Sitkin 2005). Many of these factors became emphasized in this study as well while also new dimensions emerged. These factors are now underlined in Figure 11. Especially the role of having frequent, consistent and high quality communication can be considered as one of the main building blocks of trust as without efficient communication trust deteriorating factors such as feelings of uncertainty and fear emerge easily. Moreover, having an open style of communication and demonstrating willingness to cooperate can have a significant impact on how parties of M&A acquisition perceive each other's trustworthiness. Moreover, it is crucial that communicated words and the actions following these correspond each other, i.e. the integrity should be ensured at all times. Furthermore, the presence and reachability of acquiring firms managers i.e. having the managers visiting target firm premises and lowering the threshold of communication is something that can be regarded as having a significant impact on trust levels, something which did not become clearly visible from previous theories. Moreover, the fact of having key people involved into the integration planning and realization, together with granting a sufficient amount of autonomy, are seen as important prerequisites and demonstrations of trust.

The importance of acquiring and target firm performance is also evident. Especially when considering the perceived performance of acquiring firm in the eyes of target firm member's, the importance of having clearly defined plans and responsibilities as well as shared vision can decrease the risk for many pitfalls commonly attributed to M&A integrations. Similarly, the integration speed is considered to have an impact on how well the changes introduced by acquiring firm are accepted in the target firm. The role of having similar national and organizational culture and shared relationship history were also acknowledged as facilitating the establishment of trust. In conclusion, *the findings of this study supported largely the existing theories with regards to the different building block of trust in post-acquisition integration while also providing some new insights in how it is possible to create and enhance the development of trust between*



*acquiring and target firm members*. Hence, it could be argued that the building blocks presented here apply to M&As between different fields of business as well.

Next, when considering the role of e-channels in the establishment of trust between the acquiring and target firm members, the existing theories provided various and, to some extent, contradictory findings. The three main attributes of e-communication (asynchrony, anonymity and amount of social cues) together with the level of participants' experience in using the different virtual tools are commonly considered as the defining factors on how rich the selected communication channels is perceived as and how well the channel enables the development of trust. Common view emerging from other researchers is that e-channels more or less inhibit the establishment of trust while also trust promoting factors exist.

The findings of this study supported the existing views to a large extent. When it comes to the negative aspect of e-communication, it is acknowledged that the use of e-channels has potential in decreasing the expression power and ability to check understanding, hence increasing the risk of misunderstanding and possibly deteriorating trust. Nevertheless, the possibility to revise and review message in text-based communication can also be seen as increasing understanding and expression power when it comes to people with varying language abilities or expression power communicating with each other. Moreover, as indicated in existing research, the increased formality and task orientation in e-communication can be seen as both facilitating and hampering the development of trust. Even though the formality and business oriented communication style can hamper the development of deeper relationship, the increased politeness together with the time delay also gives people a possibility to cool down and hide possibly provoking reactions when receiving an agitating message from the other.

Related to this, based on the finding of this study it can also be argued that even though the interpretation and expression of emotions due to the decreased amount of social cues is significantly hampered in text-based communication, the electronic communication channels have also potential in enhancing the sharing of emotions between participants. The main reason for this is that thanks to the existence of e-channels, the threshold for maintaining contact to other people is lowered and the level of perceived closeness can be higher, hence, the sharing of emotions should also be easier. However, involving people from different locations in decision-making can be considered harder and requiring more effort, potentially leading in feelings of disenfranchisement by target firm members. In addition to the above mentioned, the existence and impact of cultural differences on the development of virtual trust are also acknowledged, although it can be argued that the importance of cultural difference and being sensitive to them is mitigated significantly in e-communication setting. Lastly, findings related to the impact of user experience and levels of familiarity between

communicators supports strongly the findings of existing studies, and are considered important prerequisite for the establishment of virtual trust. Consequently, it can be concluded that *e-channels have potential in both promoting and inhibiting trust. There is no right or wrong answer on whether the impact is solely negative or positive as different underlying factors such as level of familiarity, richness of the media and levels of user experience have their toll on the development of virtual trust. The role of emotions in trust establishment is acknowledged but at the moment no clear answer can be provided on whether or not the use of e-channels promote or inhibit the expression and interpretation of emotions.*

Finally, according to the existing literature and theoretical framework of this study, the trust established in post-acquisition integration combined with the use of e-channels has various consequences for the efficiency of the process. As a positive consequence it was mentioned that due to the easiness of sending e.g. an email, the communication between different parties is likely to be enhanced. Moreover, when trust exists, sharing of information, feedback and emotions as well as interpreting these correctly during the integration process was considered to be reinforced. Moreover, the efficiency and performance of executing integration can be seen as being improved thanks to the use of e-channels and having trust, as when trust exists, traveling between the offices is diminished together with improved possibilities in following up the work of others'. Moreover, when people get familiar with each other's way of working and style of communication, the threshold for contacting each other via e-channels should be lowered further, thus increasing the cooperation between individuals. *Hence, the overall performance and communication in post-acquisition integration is improved as more information is available for managers to make decisions on and identifying possible sources of problems is facilitated.* Moreover, due to the increased possibilities to maintain communication connection with people in different location, the managers can better involve key people in decision-making, thus also increasing the efficiency and quality of it. Hence, a new dimension, *level of involvement*, is added to the framework because the higher the trust levels and quality of communication is, the more acquiring firm is likely to involve members of the acquired firm in the decisions and strategic planning of the firm.

Nevertheless, under the condition of existing differences in the levels of user experience, it was suggested that a feeling of disenfranchisement is also possible among people in separate locations, resulting either from their own or manager's incompetence in using the channel. Moreover, the use of e-channels has also the potential of decreasing the performance and efficiency of participants due to the decentralization of focus introduced in the findings. As a result of increased asynchrony and limitations posed to the amount of information shared electronically, the decision-making is also considered to be slower. Moreover, the communication via virtual channels becomes

easily shattered and it has to be hunt down from various different directions. This study thus argues that *under the conditions of distrust and having inexperienced users, e-channels have the potential of decreasing the efficiency of integration process through slower communication and decision-making, decreased ability of managers to involve people electronically and dispersed nature of communication.* Lastly, even though this study concentrated only to the post-acquisition integration context, many of the factors introduced contributing to the development of trust and e-communication efficiency are rather universal by nature, hence suggesting that the findings of this study could also be applicable in other contexts as well.

## 7.2 Managerial implications

The framework for the development of trust via virtual channels in post-acquisition integration context (Figure 11) was developed based on theory and empirical evidences and introduced in the previous chapter. In this chapter, the findings are further analyzed to provide implications on how it is possible for managers to reinforce the trust establishment and how the strategy for the selection and use of e-channels should be composed.

As was already established in the literature, there are many ways for managers and members of the organization to reinforce the establishment of trust via e-communication channels (chapter 3.2.4). When comparing these propositions to the ones emerged from the empirical data, it became evident that the most fundamental way for e-communicators to mitigate the negative consequences of e-communication is to *ensure the unambiguity of messages conveyed through clear message composition, high frequency of communication and responsiveness.* Moreover, *decreasing the level of anonymity by instilling some proportions of personality and informality in e-communication is important to remember when communicating via e-channels.* These can be considered as efficient ways for reducing uncertainty as well as risk for misunderstanding and conflicts while also increasing the establishment of rapport and trust. However, even though pursuing for quick and clear responses, this should not come at the cost of communication quality. Hence, *it is also important that when communicating virtually, sufficient amount of meaningful information is provided to the receiver.* If e.g. the request sent via email lacks information necessary for the completion of the task due to the fact that the message was sent in a rush, not only can the efficiency of realizing that request be hampered but also the frustration at the other end can increase. Related to this, it was also suggested that it would be advisable for *organizations to ensure the availability and easy accessibility of information related to*

*the integration process to have people better understand and accept the changes following the acquisition.*

Another issue emphasized in this study was that *organizations should provide sufficient and meaningful training in the use of e-channels*. Once the experience levels of the participants are higher, people are better able to adapt their use of the channels and style of communication according to the specific situation and requirements of the issue at hand as the comfort in using diverse channels increases. Consequently, the communication efficiency and cooperation between the individuals is likely to increase. Moreover, when asking employees to embrace the use of different tools, based on the interviews it was considered important that *the manager acts as role model and leads by example in the use the different channels* as employees are prone to mimic the behavior and communication style used by their managers. Similarly, *ensuring the ease of use and accessibility of e-channels, accommodated to the differences in user experience levels* should facilitate the acceptance of the channels and increase the user performance.

Nevertheless, it was regarded crucial that *a consistent and shared way of using the channels exists in the organization*. When merging two companies together, different ways of working and styles of communication exist which, if not identified and managed, can lead to potential clashes and problems. Hence, it was considered crucial that some kind of guidelines for the use different channels would exist instead of allowing everyone use their channel of preference. It became evident that having clear portfolio of e-channels and consistent instructions and guidelines for the use these should facilitate the communication efficiency, enhance cooperation and performance, ultimately leading to increased levels of trust.

Consequently, the importance of understanding the different factors underlying the correct selection of e-channels and order of use can help to increase the efficiency in using these channels significantly. Firstly, the sequence in the use of e-channels, whether to start with face-to-face or leaner communication channels can have an impact on how efficient and smooth the communication is later on in the process. This was also contemplated in chapter 3.1.2. As M&As can be considered as creating a more challenging environment for the establishment of trust, it can be recommended that *whenever possible, the first contact with the target firm should be face-to-face, preferably so that the acquiring firm managers travel to the premises of the acquired firm*. Not only is this considered to help in the building of initial trust, it also helps the managers to better identify the key people as well as gives the target firm members better possibilities to express their concerns, areas of dissatisfaction and expectations related to the acquisition. Nonetheless, the role of e-channels in executing the integration process is seen as important and that these can be used to effectively support the initial trust and relationship established face-to-face. Moreover, *having the ability to*

*flexibly combine different channels according to the requirements presented by the task at hand can help to increase the richness of the e-channel used.*

Different factors to be taken into account when choosing the appropriate channels are, based on the literature and empirical findings, complexity of the task, importance and urgency of the issue, the skills and preferences of the opposite side in using different channels (including language abilities), level of sensitivity and emotionality of the issue as well as the amount of people participating in the virtual communication and the amount of information to be shared. As was suggested, *the more complex the task at hand is, the richer the channel used should be in order to decrease the risk for conflicts or miscommunication.* On the contrary, the level complexity and importance of the task is low, using leaner e-channels is quite acceptable.

Next, if the other participant is more comfortable in using e-channels than the other, *the more experience e-communicator can select the channel according to the preferences of the less experienced party to ensure the efficiency of communication.* Similarly, if the language abilities e.g. in English are at different levels, using leaner, asynchronous channels can be recommended, at least at the start as the ability to revise and review the message together with the elimination of accents decreases the risk for miscommunication. Moreover, the time frame for realizing a task or request together with the level of urgency or importance creates its requirements for the selection of the channel, and it was suggested *that when the importance of the issue high but there is no time to arrange a face-to-face meeting, handling the issue by using channels from the richer end is advisable.* Moreover, handling of emotionally charged or otherwise challenging situations can be considered as not being advisable as the risks for misunderstandings and conflict were seen as more prominent than in face-to-face situation. Hence, unlike suggested in the literature, *even though e-channels provide more neutral communication environment, these are not recommended to be used for the handling of personal or emotionally charged issues.* If it is not possible to meet face-to-face to solve the issue, the next best thing is to use video conferencing. Lastly, *the amount of people participating in the virtual communication together with the amount and complexity of the information shared to the other are to be taken into account when selecting a communication channel for e.g. virtual meeting.*

### **7.3 Suggestions for future research**

As was contemplated when evaluating the trustworthiness of the study, one of the major limitations of this study is that it only concentrates on one case from one business domain. Moreover, this study is more of a cross-sectional overview of various different factors influencing the process of trust establishment via e-channels in post-acquisition

context. As a result, more detailed research concentrating on specific factors and their unique impact on trust establishment would be recommendable. Moreover, a wider research context with multiple cases from different business areas would be needed in order to increase the possibility for generalization of this study.

Additionally, more research on the impact of e-channels on the success of the integration process with a longitudinal approach could be recommended as this study was conducted within a limited time scope. Next, future research with a selective concentration on each of the e-channels and their role and impact on the integration process or trust establishment selectively could expand the scope of this study further. Moreover, as the role of training emerged as an underlying precondition for the development of e-trust, more focus could be given on the importance of organizational training and its impact on the use of electronic channels and employee performance. Another interesting topic for future research could handle the role of culture in determining the way people behave electronically and how they use these channels in practice.

As was proposed in this chapter, the use of e-channels can potentially have far reaching consequences for the success of the integration process such as the integration speed, level of communication, level of uncertainty and anxiety experiences and the perceived cultural differences. As these were only superficially covered in the findings of this study, a more thorough and in-depth research on the different consequences could be beneficial.

Other possible directions for future research could entail for example change management via virtual channels. Within the empirical findings of this study it was mentioned that managing change can be either facilitated or hampered via the use of virtual tools. In international business context including change such as M&As, effective change management becomes emphasized in successful realization of a post-acquisition integration. As today the use of virtual tools to achieve this is practically unavoidable, understanding their impact on it all can be considered significant. Lastly, as was mentioned in the findings chapter, trust can potentially have an impact on how we choose to contact the other person, suggesting that once trust increases, so does the richness of the media used. This was an interesting finding which could be studied more in detail.

## 8 SUMMARY

This study has analyzed process of building trust via electronic channels and what kind of consequences it potentially has for the efficiency of post-acquisition integration. It was suggested that building trust in M&A context can be, to a large extent, considered as rather challenging, and post-acquisition integration as a context actually creates a fertile breeding ground for the establishment of trust. Hence, when adding the influence of electronic channels to the equation, the task is likely to become even more challenging.

This study set out to develop a framework illustrating how the use of electronic communication channels influence the post-acquisition integration process in terms of trust establishment and overall efficiency. The sub-objectives were to find out the different factors contributing to the trust establishment in post-acquisition integration context, analyze how trust is influenced by the use of different e-channels, and how the trust and the e-channels used impact the efficiency of the integration process. This study began with building an initial framework based on the findings of existing studies. Different building blocks of trust were identified, and different factors contributing to the development of trust or distrust were presented. Lastly, the supposed consequences resulting from trust and use of e-channels were introduced.

The empirical research was conducted as a single case study and data was collected through semi-structured interview based on the theoretical framework. The interviewees were selected on the basis of their role in the integration process and their specialized knowledge of the issue. Six of them were from the acquiring firm side, three from the target side. All of the interviews were recorded which enabled the detailed transcription process later on. The data was analyzed by using the themes in the operationalization table but also ones emerging from the results.

The empirical research supported the existing findings to a large extent but provided also new insights on the factors influencing the establishment of trust. It was concluded that the use of e-channels and the level of trust have both positive and negative consequences for the efficiency of realizing an integration process. Ability to identify the different building blocks of trust is important in order for members of the organizations involved to be better able to promote trust establishment. Moreover, identifying the negative and positive factors influencing the development of trust via virtual channels is important in order to avoid the pitfalls of electronic communication.

Subsequently, the purpose of this study was achieved by modifying the theoretical framework according to the findings emerged from the empirical data. Moreover, managerial implications were provided to help companies better plan their communication channel strategy in order to reinforce the establishment and maintaining of trust in post-acquisition integration context.

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## APPENDIX 1 INTERVIEW GUIDE

### **Background questions**

- Tell me about your background, what is your role in the company and what you've done before?
- What kind of M&A history do you have?
- How did you find out about Company XX and how it was communicated?
- What was your role in this specific integration?
  - o What task very included?
  - o What did mean in practice

### **Trust in cross-border M&A's**

- **The role of trust?**
  1. What does trust mean to you?
  2. Why is important? What is followed from having trust?
    - a. How it affects the behavior?
    - b. What are the consequences for the integration processes?
    - c. What if there is distrust?
- **What makes M&A's special in terms of trust building?**
  3. When you think of your own experience, how being in an M&A integration as a context influences the trust establishment between the two opposite parties?
    - a. Easier/more difficult?
  4. How about in this specific case; Was there something that made trust building easier or more challenging in this case?
    - a. What do you think are the reasons for that?
  5. What kind of emotions and feelings you think there are in integration process which could promote or inhibit trust?
- **Building blocks of trust in M&A's?**
  6. How have you tried to establish trust with Company X?
    - a. How about Company XX, how have they made themselves trustworthy in your eyes?
  7. How was the process of trust building, at the beginning of the integration, what was the level of trust etc.?
    - a. Where are you now?
  8. Can you think of one particular incident which was important for the establishment of trust or distrust?
  9. To sum up, what do you think are the main things influencing trust creation in integration context, both promoting and destructing?
    - a. Equality, involvement, history, communication etc.

### **How to build trust via electronic communication channels**

- **Individuals' and organizations' attitude towards e-channels**

10. What kind of different e-communication channels do you use and in what kind of situations did you use?
11. What kind of differences are there in the level of experience in using electronic communication channels in X vs XX? E.g. are some people more experienced, were different tools used etc.
  - a. How has this had an impact on the communication effectiveness and perhaps trust?
12. Different tools: Are there any guidelines, training or code of conduct for the use of these?

- **How e-channels differ from F2F?**

13. How is it different meeting face-to-face versus having communication electronically?
  - a. What do you think are the reasons for that?
14. How well can you express yourself electronically when compared to F2F?
  - a. Expression and interpretation of emotions electronically, how easy it is to interpret?
15. Do you behave differently than how you would in F2F-context? How?
  - a. How about others, do they behave differently virtually than face-to-face? How? (Are they more involved and expressive, activity, formal)
16. How about cultural differences, how are visible virtually?
  - i. e.g. communication style, frequency of communication etc.

- **Trust building via e-channels**

17. When you took contact with new colleagues, did you first have chance to meet all face-to-face?
  - a. If had, how did this influence the trust establishment (example)?
  - b. Those that did not have chance to meet F2F, how was the process of relationship building different? Why?
18. How the use of electronic channels has influenced the process of relationship building/trust establishment in the integration?
  - a. Could you give me an example of a situation where the use of electronic channels has had a positive impact?
  - b. How about negative? Why was that?
  - c. Is the overall influence positive and or negative?
19. What ways there are to build trust and get to know each other in virtual context?
  - d. What have you done personally to build relationship and trust and maintain it via virtual channels?

**How the use of electronic communication channels influence the integration process?**

- **Communication strategy for different issues**
  20. When do you think F2F is better and when virtual channels?
    - e. How about different virtual channels, how should be used for different tasks?
  21. When the integration began and changes started to take place, how were these communicated?
    - a. To which extent were these handled electronically?
    - b. What were the reactions? How do you think the use of e-channels affected/ how would have been different if another communication channel, e.g. f2F had been used?
  22. What kind of issues and task are difficult or challenging to handle via e-channels and email?
    - a. During the integration process, was there some incident which was especially challenging? e.g, some HR issues or people's fears and emotions?
    - b. How were solved and what was the role of virtual channels?
    - c. How this influenced the trust?
  23. Can you think of any incident where the use of electronic negotiation channels e.g. email has caused a challenging situation which would not have taken place face-to-face?
    - a. What were the reasons for that?
  24. How about vice versa, has there been an incident which was perhaps easy to handle via electronic channels than face-to-face?
- **What are the consequences for the integration process?**
  25. Within integration context, how the presences of trust or distrust influence people's virtual behavior and performance?
    - a. Does it influence the way they communicate, how they write, the frequency of communication etc.?
  26. When thinking about the integration process as a whole, what do you think went well and in which areas there was room for improvement?
  27. What kind of positive consequences the use of electronic communication has had for the integration?
    - a. How about negative?
  28. How could electronic communication channels be used better in future to improve the integration process?

## APPENDIX 2 CODING OF EMPIRICAL DATA

Table 3 Themes used in empirical analysis

<b>Building blocks of trust in post-acquisition integration</b>		
<b>Main themes</b>	<b>Sub-themes</b>	
Communication quality	Justification of decisions	
	Consistency	
	Openness and positive attitude	
Shared vision and goals	The role of panning	
Organization similarity and value congruence	Organizational hierarchy	
	Role and task division	
	Similarity of values	
Level of involvement	Engagement	
	Joint decision-making	
	Power equality	
	Autonomy	
Integration speed	Feeling of stability	
	Resource allocation	
Perceived trustworthiness	Integrity	
	Benevolence	Respect
		Showing interest
		Having good intentions
	Competence	Target firm performance
		Acquiring firm performance
Relationship history		
The role of manager	Presence and reachability of acquiring firm manager	
	The role of target firm manager	

<b>Building blocks of e-trust (inhibiting and promoting)</b>		
<b>Main themes</b>	<b>Sub-themes</b>	
Geographical distance		
Level of involvement	Bringing people closer together	
	Increasing social awareness	
Availability of information		
Emotions	Expression	
	Interpretation	
Risk for misunderstanding		
Task orientation	Level of formality	
	Perceived power distance/equality	
Reliability of technology and channel		
The level of user experience		
Cultural differences		
Level of familiarity		



<b>Ways to enhance e-trust</b>	
<b>Main themes</b>	<b>Subthemes</b>
Using of richer channels as a sign of caring	
Communication style and behaviour	Frequency of communication
	Responsivity
	Adaptation of communication style
Decrease anonymity	
Schmoozing	Building relationship
	The role of pictures
Decrease ambiguity	
The role of training in increasing user comfort	Increase flexibility in using different channels
	Risk for misapplication
Reliability and accessibility of e-channels	
The role of manager	
Increase involvement	
Cultural sensitivity	

<b>Consequences of e-trust</b>	
<b>Main themes</b>	
Expression and interpretation of emotions	
Improved working efficiency	
Improved decision-making	
Level of familiarity	
Channel selection	

<b>Ways to enhance e-trust</b>	
<b>Main themes</b>	<b>Subthemes</b>
Change management facilitated	
(Better) accessibility of information	Easier access
	Dispersed nature of information
Increased working efficiency	
Cost and time efficiency	
Maintenance of interaction connection	Frequency of communication
	Increased cooperation
Slower integration	Extra requirement for in advance preparations
	Lengthier communication chain
Speed of decision-making	Improved
	Hindered
Decentralization of focus	Shattered focus
	Decreased ability to identify changes in communication atmosphere
Ability to identify issues and challenges in p-a integration	Improved
	Hindered
Level of involvement	