Track: 7. International HRM, global leadership, and cross-cultural management

Session Format: Competitive

# CULTURES IN FLUX: A LONGITUDINAL PERSPECTIVE ON POST-ACQUISITION SOCIO-CULTURAL INTEGRATION

## ABSTRACT

Many scholars argue that socio-cultural integration following mergers and acquisitions may take years to complete. However, longitudinal works on the topic are scarce. This paper takes a much-needed longitudinal view of how organizational culture changes following cross-border acquisitions. We examine a Finnish-German case over four and a half years after the completion of the deal through a case study. We base our understanding of organizational culture on organizational values as manifestations of culture, and consider socio-cultural integration as a socially constructed process in which organizational members recreate organizational culture. We find that credible, enacted values can become a positive driving force towards cultural unification. Such values can trigger positive emotions that ease employee engagement in creating the desired new culture. However, reverting to the pre-acquisition culture can occur, thus delaying or even preventing the new culture from becoming stable.

## KEYWORDS

Cross-cultural Values and Practices, Organizational Change and Development, Culture Change, Cross-Border Mergers and Acquisitions (M&As), Longitudinal

**INTRODUCTION**

While recent figures demonstrate a decrease in global cross-border acquisitions and foreign direct investments, they remain the most popular method of growing internationally (World Investment Report 2018). Integration can be especially stressful for and evoke many emotions in the employees. Thus, for the past thirty years or so, scholars have paid increasing interest to socio-cultural integration. In the division between task and human integration (Birkinshaw, Bresman, & Håkanson, 2000), socio-cultural integration falls under the latter. It entails the changes made to the organizational structure and culture following an acquisition. Here, we consider socio-cultural integration as a socially constructed process during which organizational members recreate joint culture (Graebner, Heimeriks, Huy, & Vaara, 2017; Hassett & Nummela, 2018).

As it is human-centric, socio-cultural integration can be difficult to plan, manage and complete. Most research to date thus focuses on overcoming negative aspects such as change resistance or loss of job satisfaction (e.g. Cartwright & Cooper, 1993; Kusstatscher & Cooper, 2005; Sinkovics, Zagelmeyer, & Kusstatscher, 2011). Nevertheless, socio-cultural integration often aims at acculturation: the coming together, conflict, and amalgamation of previously separate cultures. This process can lead to assimilation, deculturation, integration, or separation (Cartwright & Cooper, 1993; Marks & Mirvis, 2011; Nahavandi & Malekzadeh, 1988). The associated stress of having to conform to a new cultural norm makes successful acculturation and thereby socio-cultural integration difficult. This stress may culminate in what is termed the merger syndrome: a fear-the-worst negative attitude towards the acquisition, surfacing as anxiety, crisis mentality, and self-interest (Kusstatscher & Cooper, 2005; Marks & Mirvis, 1997; Sinkovics et al., 2011). Thus, socio-cultural integration may take years to complete (cf. Cartwright & Cooper, 1995; Kusstatscher & Cooper, 2005).

In this paper we ask, *how does organizational culture evolve following a cross-border acquisition?* In M&A research, culture has often been considered from the viewpoints of national and organizational culture (Teerikangas & Very, 2006; Weber, Shenkar, & Raveh, 1996). Our focus is on organizational culture as a key component of socio-cultural integration. In line with earlier M&A research, we view on organizational culture from the perspective of beliefs and values (Graebner et al., 2017). Although much research already exists on post-acquisition performance, including works that

take cultural fit into account, scholars still know less about the influence of shared values (Hassett & Nummela, 2018). We believe that a joint culture based on shared values can ease socio-cultural integration. Following this reasoning, it is somewhat surprising that longitudinal works on socio-cultural integration are relatively scarce (Graebner et al., 2017). This paper aims to fill that gap through examining a single cross-border acquisition retrospectively for one year and in real time over three and a half years between late 2013 and early 2018.

The contribution of our paper lies in widening the scope of discussion related to socio-cultural integration following acquisitions. Building on previous works that view culture largely as a static set of assumptions, we seek to focus on culture as it manifests in practice, for example through enacted values (Graebner et al., 2017; cf. Teerikangas & Irrmann, 2016). To uncover this contribution, we first look at the existing literature on organizational culture and values, paying special attention to how cultures evolve. We then describe our single case study methodology in detail, before delving deeper into our illustrative findings on culture change following a Finnish-German acquisition. Finally, we discuss our findings in depth, linking them to current literature, bringing out our contribution to the field, and contemplating the managerial implications as well as limitations of our work.

## LITERATURE REVIEW

### Organizational culture

We define organizational culture according to Nahavandi and Malekzadeh (1988, p. 80) as: "the beliefs and assumptions shared by members of an organization." Organizational culture is the 'glue' of tradition that influences behavior, beliefs, and expectations, and acts as the basis of shared reality (Buono, Bowditch, & Lewis, 1985). It connotes the underlying meanings and symbols that may vary even within different groupings in the same organization. It influences how organizational members think, feel, and act – and thus is important in understanding the richness and complexity of organizational life (Alvesson, 2002). Moreover, organizational culture is not merely an internal

element; rather, it also extends to how an organization manages its external relations (Hyder & Osarenkhoe, 2018).

We believe organizational culture to be an overarching dimension of organizational life, spreading through other dimensions such as strategy and structure. As such, we consider it an important building block for organizational design, and thus manageable, even though challenging to control (Alvesson, 2002). The power of organizational culture is in the comfortability and predictability it offers to everyday work. However, organizational cultures often give rise to subcultures; subcategories of the organizational culture that form around relatively stable social units or different hierarchical groups. Such variance can induce difficulties in unification, management, and learning (Schein, 1993). Researching culture thus necessitates interpretation and decrypting (Alvesson, 2002).

Organizational culture entails an interplay between preconscious basic assumptions, organizational values, and visible artifacts (Schein, 1985). Considering that the basic assumptions, although the fundamental level of organizational culture, are mostly taken-for-granted, invisible and even preconscious, it is difficult to uncover them during research. Similarly, although artefacts are the most visible manifestations of organizational culture, seeing does not equal understanding. Thus, for the purpose of this paper, it seems fruitful to look at the values of the organization. The values belong to a higher level of awareness than the underlying basic assumptions, yet offer more depth for analysis than the artifacts. We base our understanding of organizational culture on organizational values as manifestations of culture, and consider socio-cultural integration as a socially constructed process in which organizational members recreate organizational culture.

**Organizational values**

Shared values are fundamental to and promote a strong organizational culture, thereby improving effectiveness (Murphy & Davey, 2002). Rokeach (1973, p. 5) defines a value as "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence." Hofstede (1985, p. 347) states that values are "broad preferences for one state of affairs over others." Values imply

something preferable to other options on a rather large scale. A value, thus, is always positive in nature (Roe & Ester, 1999). Therefore, values – at least to some extent – guide everyday conduct.

Organizational values are "the beliefs held by an individual or group regarding means and ends organizations "ought to" or "should" identify in the running of the enterprise, in choosing what business actions or objectives are preferable to alternate actions, or in establishing organizational objectives" Enz (1988, p. 287). Organizational values may spring from the founders' vision for the company or be formally developed. They distinguish a company from its competitors and enable employees to rally behind the company (Lencioni, 2002). They guide the definition of organizational goals, policies, and strategies. Therefore, if the values and goals of an organization support each other, the organizational culture can increase effectiveness (Wiener, 1988).

Openness to new values is essential for cultural change to be possible in an organization (Alvesson & Sveningsson, 2016). New, unified values may decrease perceptions of value incongruence and increase motivation (Roe & Ester, 1999) as well as job satisfaction (Andrews, Baker, & Hunt, 2011) following an acquisition.  Shared values can help guide and direct the company (Enz, 1988; Lencioni, 2002; Wiener, 1988), and ease cross-border governance (Nohria & Ghoshal, 1994). Furthermore, as a basis of organizational culture, shared values can increase harmonious coexistence between acquisition partners (Cartwright & Cooper, 1993) and lessen the influence of the merger syndrome (cf. Sinkovics et al., 2011). However, because organizational values and culture are relatively stable and therefore difficult to modify (Roe & Ester, 1999), the meeting of different organizational cultures during an M&A is likely to bring out conflict. As organizational culture differences and changes are characteristic in the socio-cultural integration following cross-border acquisitions, conflict often follows (cf. Cartwright & Cooper, 1993; Datta, 1991; Stahl & Voigt, 2008). Thus, it is important to understand the dynamics of organizational culture change.

**Organizational culture change following acquisitions**

We follow a group dynamics viewpoint to organizational culture change (Alvesson & Sveningsson, 2016). We believe socio-cultural integration is a socially constructed process in which organizational culture and differences are (re)constructed. It not only entails the combination of two

previously separate organizational cultures, but the interplay between the intra- and inter-organizational subcultures (van Marrewijk, 2016; cf. Vaara, 2003). The resulting new organizational culture increases cohesion, but also frames the operational rationale of the new organization in terms of prioritization, decision-making, and so forth (Hyder & Osarenkhoe, 2018). To describe this process, we adopt Lewin's (1947) popular notion of unfreezing, change, and refreezing as essential steps in organizational change.

Cultural change following acquisitions can stem from intentional efforts or as a side effect to changes in spatial, structural, and social elements or the organization. More importantly, cultural alignment can occur with either the espoused or the practiced culture. That is, if the declared values of the company differ from the enacted, integration becomes more complex (Teerikangas & Irrmann, 2016). This duality reflects the difference between culture as a belief system, and culture as an interpretation. Not only differences between the acquisition partners' official value statements, but also differences in how organizational members understand and enact their culture matters for socio-cultural integration (Vaara, 2000).

Employees can actively engage in the recreation and reformation of cultural elements together with the acquisition partner, and thus ease identification with the post-acquisition organization (Phelan, 2005; van Marrewijk, 2016). However, it is important to remember, that changes look different from different organizational and occupational viewpoints. Often individuals return to their old ways following change projects (Alvesson & Sveningsson, 2016). Employees tend to support change efforts only when they understand the need (Buono et al., 1985). Similarly, emerging emotions about the acquisition partner can alienate or endear the new, joint culture to the employees (Kusstatscher & Cooper, 2005; Vaara, 2000). Thus, a critical step is getting organizational members "on board", to accept the new culture (Haspeslagh & Jemison, 1991).

This, however, is a major challenge in socio-cultural integration. In order to realize sought synergies, a new, overarching organizational culture that is based on unique, accepted values can be decisive. If in-depth socio-cultural integration is the goal, perceived equality between the acquisition partners and openness to new best practices are crucial. Thus, in addition to culture itself, a framework

for creating a new organizational culture (Figure 1) also includes management practices and synergy objectives (Hyder & Osarenkhoe, 2018).

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We accept the notion that while cultural fit is an important aspect of post-acquisition integration, culture itself can be a mixed blessing during M&As (e.g. Stahl & Voigt, 2008). Thus, considering the key aspects of the planned joint culture will allow practitioners to contemplate the consequences of cultural differences and similarities better. At the same time, de-emphasizing the existing culture will enable swifter change. In addition, the adopted management practices have an influence on how swiftly and smoothly socio-cultural integration proceeds. Optimally, the chosen management practices should reflect the new culture. Nevertheless, in order to refreeze the new culture, the sought synergies must form the core of the plan. Clear objectives for socio-cultural integration help align the integration plan and its implementation with the overall goals for the deal. As the goal of socio-cultural integration is the formation of a new organizational culture, the key components of that culture – i.e. the values and organizational practices that manifest it – are of great importance in determining the extent of change that is necessary to achieve the objective. Thus, it is often necessary to reflect on both the organizational and the national cultures of the acquisition partners, as both will influence the preferred cultural norms and beliefs as well as the management cultures of the involved organizations.

## METHODOLOGY

### Longitudinal single case study design

Our methodological approach is a single, in vivo case study that covers approximately four and a half years of organizational life. The case here is socio-cultural integration in a particular setting. We believe the case study methodology is especially suited for research where local contextualization matters – such as when crossing borders (Fletcher, Zhao, Plakoyiannaki, & Buck, 2018).  Indeed, a case study has proven valuable to researchers investigating socio-cultural integration in cross-border contexts (Drori, Wrzesniewski, & Ellis, 2011; Moore, 2013; Rottig, 2011). We see existing theory as

inspiration for framing research projects and understanding the data, as well as use complementary

theories to refine pre-existing theoretical frameworks – hence, our study is in vivo (Andersen &

Kragh, 2011). Through this perspective we aim to match theory and reality (Dubois & Gadde, 2002).

Thus, the case is instrumental – we use it to shed light on the phenomenon as framed by our theoretical

pre-understanding (Stake, 1995).

We chose a single-case approach, as it allows rich, contextualized description (Dyer &

Wilkins, 1991) and interpretive sensemaking from the data (Welch, Piekkari, Plakoyiannaki, &

Paavilainen-Mäntymäki, 2011), which we believed to be important in order to deepen both theoretical

and practical understanding of the phenomenon. Choosing only a single case also allowed us to

maintain local perspectives of the socio-cultural integration at different time points as the unit of

analysis while utilizing multiple units of observation over time (Fletcher & Plakoyiannaki, 2011). Our

study design falls under what Blazejewski (2011) named multiple shot longitudinality in international

business research. That is, our case time and research time coincide, but only at intervals. Figure 2

illustrates the overlaps of our case time and research time.

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Our approach to time as data follows the logic of "from – through". Rather than emphasize a

discrete start and end to change, we believe that change is a journey, and contextual in nature

(Saldaña, 2003). Our perspective to research is ex post, as we record our data for later analysis.

Nevertheless, our data perspective is real time, as most of our data collection occurs as the case

unfolds (Blazejewski, 2011).

**Case selection**

We used a critical case sampling approach, as we wanted to find a case rich in information,

regardless of its statistical (a)typicality. Thus, we looked for a case that would maximize our learning

opportunities despite potentially unique circumstances (Fletcher & Plakoyiannaki, 2011). Our

approach falls under what Patton (2015) has termed a single significant case. As our objective is to

unravel a particular case extremely well – to use it as an instrument for our understanding – we chose

a case we believed would be especially helpful (Stake, 1995). Thus, we chose a singular case: the

socio-cultural integration between a Finnish buyer and a German target, which took extensive

measures to engage employees. Table 1 explains our selection criteria and the fit of the case. A

detailed empirical description of the case follows in the findings section.

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**Data collection and analysis**

In order to obtain a holistic view of our single case, we applied a mixed-method research

strategy, combining qualitative and quantitative data and methods (recommended by Hurmerinta &

Nummela 2011). In this study, the qualitative data had a dominant role, and the quantitative data

played a minor part (e.g. Cresswell & Clark, 2017). We completed three waves of data collection,

comprising sets of distinct yet cumulative data (Saldaña, 2003).

*First wave of data collection: understanding the context*

We began data collection in 2015 with semi-structured interviews with top management in

order to understand the case context better (Stake, 1995). The interviews were, in part, retrospective to

explain the reasons behind the deal and the steps of integration taken prior to the interview. We

interviewed 14 participants (ten members of the board of directors, a Finnish and a German employee

representative, an HR director, and the integration manager) during 2015 and 2016. Although the

interviews occurred at varied time points, we consider them as part of the first wave of data collection

due to their nature in helping us understand the context of study. English was the common language

for the interviews, but Finnish and German participants had the option to participate in their native

language. Five interviewees chose to participate in Finnish, two in German. Face-to-face meetings

with two members of the research team were preferred, but due to time and location constraints, three

interviews utilized Skype. The interviews lasted approximately one hour each, were tape-recorded,

and transcribed prior to analysis. We used NVivo software to aid the analysis, which built on our pre-

understanding from theory as well as context-specific themes arising from the discussions.

We also collected data through a company-wide employee satisfaction survey, where three

open-ended questions were added for the purpose of this research: (1) What emotions do the value

workshops and the value process at the company evoke in you? (2) We kindly ask you to go back in

time to when you first heard about the acquisition. What emotions did the news evoke when the deal was announced and what emotions does it evoke now? (3) The acquisition was followed by an integration phase. Now that nearly 1.5 years have elapsed since the deal was completed, what emotions does the post-acquisition integration phase evoke in you? And why?

An outside professional translated the survey into the native language of all the company locations, and the responses again into English. Altogether, our 681 respondents represented some 50% of the company's employees. The responses were numerically coded into n/a, neutral, positive, negative, and mixed categories based on the emotion classification of Lazarus (1993) first separately by all four researchers. We made the final code decisions based on converging and discussing the individual coding. The numeric codes allowed us to use elementary statistics in SPSS software to illustrate the findings. We analyzed the data containing emotional information further with the aid of NVivo software to discover emotion triggers.

We also had the chance for participant observation in a company workshop, which two members of the research team attended in early 2015. We recorded our observations as field notes and utilized them to inform our analysis of employee reactions to socio-cultural integration. For the same purpose, we attained secondary data through company internal materials such as integration workflow charts, company pamphlets, employee magazines, and PowerPoint presentations.

### *Second wave of data collection: looking for change*

In the spring of 2016, we completed another company-wide survey, which consisted of both qualitative and quantitative questions. We designed the questions to tackle the issues that emerged from the first wave of data collection as well as to look for changes in employee perceptions. We asked three questions: 1a) The company values are courage, fairness, effectiveness, and openness. Please rate them to your personal order of importance. 1b) Please elaborate. 2) Please describe a situation or situations in which the values are visible in your everyday work. 3) What emotions does the merger process currently evoke in you?

The survey returned altogether 1082 responses, representing approximately 80% of the employees. The analysis process was very similar to the first wave, with SPSS used to describe the

quantitative findings, and NVivo to delve deeper into the qualitative material. For question 3, we again turned to the categorization of Lazarus (1993).

### *Third wave of data collection: looking for dynamic stability*

We took a two-year gap between the second and third waves of data collection, partly due to circumstances, partly in order to distance the data from the initial deal. We believed that in order to follow the case towards a new cultural status quo, enough time must pass for change to take place and a new normal to emerge (cf. Cartwright & Cooper, 1993; Kusstatscher & Cooper, 2005). By the time of the final wave of data collection in the spring of 2018, four and a half years had passed since the closing of the deal, and some three years had passed since the most perceptible change efforts of socio-cultural integration.

The 2018 round of data collection also consisted of a survey, again including both qualitative and quantitative sections. We designed the questions to reflect not only on the first findings from 2015 and 2016, but also on the subsequent changes that had taken place since the second wave. As we were no longer looking for new openings, we used mainly quantitative questions with qualitative fields allowing further clarification. We presented two three-part questions: 1a) The "Our way forward" 2015-2017 strategy has drawn to a close. How well do you think the "one company with two strong brands" objective has been achieved? (I believe the objective has been fully met./I believe we have made progress, but there is still work to be done./I believe the objective has not been met at all./I did not know the objective existed.) 1b) Please elaborate on your response. 1c) What is your proposal for development? 2a) When considering the integration, how strongly do you feel the following emotions? (Happiness/Pride/Relief/Anger/Anxiety/Hope: 1=not at all 2=slightly 3=somewhat 4=significantly 5=extremely) 2b) Please elaborate on your responses. 2c) Do you feel any other emotions not listed above? What are they?

Altogether 1069 employees responded to the survey, and 400 of them made qualitative remarks. This represents a response rate of approximately 75%. We gained a comprehensive overview of the data with the aid of SPSS software, utilizing descriptive statistics. Following this overview, we analyzed the qualitative responses in NVivo software in order to explain the quantitative findings

better. Heeding the logic of three waves of data collection, in our findings section we follow the chronological assembly approach to analyzing change, deciphering meaning through detailing a beginning (honeymoon), middle (business as usual), and end (reality check) (Saldaña, 2003).

## FINDINGS

### Setting the scene

A Finnish, family-owned company acquired its German competitor in a friendly deal in late 2013. This acquisition fulfilled all our case criteria (see Table 1). It was an international, friendly deal and the CEO was very collaborative and granted us initially access until 2016. Both industrial companies had international operations to develop, manufacture, and market technologically advanced, user-friendly, energy-saving products. At the time of the deal, the acquirer had approximately 800 employees, while the target had 600. Due to the relative similarity in size as well as the complementary nature of the acquisition partners' operations and locations, the acquirer chose a merger approach for integration, intending to choose the best practices from both pre-acquisition companies in order to form a wholly new organizational culture.

The initial integration strategy involved several different projects. Our focus is the project named Cultural Integration and HR. This integration project had two objectives: one company and structure with two strong brands and common values within two-to-three years. Although by the time this research began in 2015, the official integration phase had ended and the company had moved onto a new strategic focus, the work on cultural integration and especially the unification of values was only just beginning. In fact, following the official integration phase, the one company with two strong brands objective became the theme of the new company strategy. The goal was to form new organizational values that would act as the basis of a strong, unified organizational culture.

The groundwork for cultural change occurred in 2014, when two intercultural teams – one including HR and employee representatives, the other the top management team – drew up statements reflecting their personal and organizational beliefs and values. The resulting collections of statements roughly represented four themes, which formed the four core values of the new organizational culture:

courage, fairness, effectiveness, and openness. To enhance legibility, each value also had a brief description. A kick-off meeting in December 2014 invited key personnel to be acquainted with the new values, while value workshops took place throughout the company in early 2015 in order to engage every employee. Attendance was high among both blue- and white-collar workers. The workshops functioned as information sessions as well as an opportunity to learn what the new values meant to employees in practice and how they could become a part of everyday work.

To maintain the new values in employees' minds, the company also utilized many other communication means. For example, a new set of specifically designed value-related comic strips featured in the in-house employee magazine, translated into all the major languages of the company locations. Every company presentation mentioned the values, and especially the CEO was careful to always to highlight the new organizational values. In addition, internal meetings, recruitment, and personnel development discussions adopted the values as part of protocol.

**Honeymoon**

We named the period reflected in the first wave of data collection, largely occurring during 2015, "honeymoon", as it represents novelty, interest, and a coming together. In M&A literature, the honeymoon period often reflects the initial euphoria and excitement following the completion of the deal. In Lewin's (1947) terms, we believe this period reflects the unfreezing of existing organizational culture. During the first wave of data collection, divided between Lazarus' (1993) emotion categories, happiness was overwhelmingly the most expressed emotion, followed by anxiety, hope, anger, relief, pride, jealousy, and sadness. Combined, some 50% of the respondents' emotion-containing comments were positive, 35% negative, and 15% mixed.

The news about the deal was initially welcomed by 47% of the employees, but experienced as negative by 22%, and with mixed emotions by 9% of the respondents. Employees felt happy about the similarity of the pre-acquisition companies, and considered the combination a sign of strength and growth that widened the markets. The deal "allowed us to believe that faster company and personal growth is possible." The post-acquisition company had better organizational development opportunities, and offered better chances for personal development to the employees. Employees felt

more confident about the future, and considered it "A wonderful feeling in the body to know what kind of muscle our company has." The acquiring company employees also felt proud of the company for being strong and successful enough to be able to complete the deal. The acquired employees were relieved that the buyer was a family-owned company. "I cannot see how it could have gone better."

Nevertheless, employees were anxious as merging with an unknown partner created uncertainty: "Acquisitions always make you nervous because you don't know what kind of changes will occur." The potential reallocation of resources triggered insecurity and not all employees felt more confident about the future, but "Great insecurity and uncertainty at the first moment, with regard to what the intentions of the new company are." Employees also felt that the company lacked progress, openness, honesty, and cross-departmental appreciation of colleagues. It was noted, that "The cultural and social differences between Finland and Germany are, however, clearly greater than expected, and sometimes I have the impression that the management does not want to get involved." Finnish employees were angry and jealous that Germany seemed to be gaining all the control. Perceived losses of the pre-acquisition organizational identity and some dismissed colleagues created sadness.

The employees received the value workshops very well: 48% considered them with purely positive emotions, 22% with mixed emotions, and only 5% with negative emotions. The workshops created positive perceptions regarding not only the values but also the company as a whole. "The establishments of joint objectives and values is positive as a matter of principle, and especially good for team building." The workshops felt like a step towards increased cooperation and unity, as well as encouraged the enactment of the values in practice. In addition, "It was interesting to hear the opinions and experiences of the other departments' employees."  The employees perceived values as such the building blocks of good work, and thus common values motivating and guiding. The values and the value workshops signaled that the company cares about and appreciates the employees. They experienced "Good feelings from the effort to get the ordinary employees closer to the vision of the whole company, which motivates them to collaborate." Employees felt proud to work for a company that emphasized values.

However, some employees felt that the workshops did not offer any practical benefit, as the values should be self-evident. "It didn't really give me anything new. It felt artificial to list sentences

that anyone from any company could link to these words/values." More critically, "It is an insult to the employees, since it is subliminally being suggested that no "values" exist with the employees. The communicated values are self-evident "virtues" in daily working life and have therefore always been in existence." In addition, employees reported seeing the values violated by some managers, causing a negative atmosphere. Thus, integration had not succeeded in resolving past and present problems. Still, employees did feel that if the value process was continued and the values lived up to, they promised a better future for the company. "I would be very happy if these would become the guideline of all our actions, in our day-to-day work during the upcoming years."

The overall integration period raised positive emotions in 30% of the respondents, mixed emotions in 20%, and negative emotions in 16%. The positive atmosphere surrounding integration and the appropriateness of management during integration created happiness. A good atmosphere also "Motivates to better work". Integration strengthened the company and increased its international potential. Integration increased the sense of direction and development, which in turn increased the feeling of security. "It has been organized exceptionally well and systematically and information has been provided about how things are progressing."  Integration felt like an accomplishment towards building a stronger company.

Nevertheless, employees saw some decisions made regarding the integration as poor – most notably the adopted matrix structure. "Some power struggle can be seen."  The integration clouded the employees' vision of the future of the company, and had as of yet failed to completely unite the two pre-acquisition companies. "There is a feeling that we do not have clear goals, we "go with the flow", a sense of insecurity of the future. There is no clear guidance and understanding of objectives and goals. The goal is clear but the way to reach it is obscure." Employees also felt that management had not adequately heard them during integration. Still, employees felt that if integration succeeded, the future of the company looked brighter. "I hope that people remember that everything depends on good cooperation and understanding and that they try to work together in accordance with the values, helping each other."

**Business as usual**

We named the period reflected by the second wave of data collection, approximately two years after the deal, "business as usual", as this is when everyday occurrences rose in importance over plans, expectations, and initial excitement. Following Lewin's (1947) description, we believe that the period between the first and second waves of data collection is when a majority of the change took place. In the second wave of data, happiness was still the strongest emotion, followed by anxiety, hope, and anger. Altogether, 45% of the expressed emotions were positive, 36% negative, and 19% mixed.

Interestingly, quite many respondents (approximately 40%) refused to place the organizational values in order, claiming that the values were equally important, and such prioritization would defeat the purpose of the values. Nevertheless, based on the responses, the most important, personally relevant or familiar value to 39% of the employees was fairness, while 27% ranked openness first. Fairness came first also as the second most important value, with 30% of the employee rankings, followed by effectiveness and openness with a shared 27% of the votes. The third most important value for 31% of the employees was effectiveness, with openness being the next most popular choice with 28% representation. Finally, courage was the last most important value for 47% of the employees, with effectiveness in second place at 24%.

Employees experienced fairness as equal treatment that motivates: "I do my own share, that is fair to others", "Fairness = giving all participants a voice." Openness reflected the need for honest communication, with no secrets, to build trust and integrity: "I have striven for openness by sharing information instead of sitting on it", "It must be possible to discuss even difficult things openly to solve them." Effectiveness played the most important role in clear and proven processes that allowed long-term success: "Effectiveness means doing the work reasonably, being capable of prioritizing", "Effectiveness – actions connected with satisfying our client with our product." Courage meant speaking out when faced with problems, and the nerve to make bold decisions: "I have the courage to openly say what I think is important and feel that it is appreciated", "When changing practices, we must also have the courage to change the old practices and fairly promote new, more effective operating models."

Many employees noted that the values were complementary, and balanced each other. The employees believed each value to be important in creating a strong organizational culture. Being able to trust others to follow the same values was essential. Although some employees reported that the values did not show in everyday work, many were able to link the values to different workplace events and tasks (Table 2). Similarly, employees were able to connect the values with each other, showing that the values were truly becoming internalized (Figure 3). For example, the employees reflected: "Many have not yet found the courage to practice openness, since it does not rely on fairness. I have demonstrated my courage by responding to this situation in an open and honest manner", and "Discussions conducted among colleagues in an open, fair and courageous manner are usually much more effective than phrases and empty, emotionless chatter."

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Employees still felt very happy about the deal, experiencing "Basically only positive feelings. For example how the competencies present on both sides are generating a lot of opportunities for all involved." Employees experienced an increase in trust regarding the future, and perceived mutual benefits and opportunities gained from the deal. A feeling of togetherness and cooperation emerged, along stability and satisfaction with the new open and warm management style. "The sense of having a safe workplace is highly motivating." However, anxiety over possible job losses still existed, and the deal caused uncertainty and confusion. Employees even felt "Despair. We still haven't managed to achieve common practices!" Some change resistance was visible, and cooperation did not always run smoothly. Heavy workloads were causing stress, and the matrix structure perceived to create inequality in decision-making and complications in efficient working. "I think about how easy and efficient our work was before the merger process. Back then we knew who we could ask about things." Still, employees were anticipant for new opportunities and hopeful for a better future. "We have a long way to go still, until all divisions / employees are integrated, so there is still a lot of potential."

**Reality check**

We named the period reflected in the final wave of data collection "reality check" to highlight that the central phenomenon of socio-cultural integration had already passed in the minds of employees, and concerns derived from everyday organizational life. This is when, according to Lewin's (1947) description of the process, we believe refreezing had occurred.  In the spring of 2018, when the one company with two strong brands strategic objective had officially ended, 72% of the employees stated that the company had made some progress, but more work remained.  "One can sense the competition between factories and the lack of open willingness to collaborate and solve problems together. People tend to play the blame game instead of solving problems constructively." The employees wished for improvements in processes and quality, and day-to-day management caused concern. "The managers of operations are working only to benefit their own part of the organization – the overall company's interest is being overlooked." Concern over voicing opinions and being heard existed. "Already two of these surveys were conducted in 2016 and 2017, 2018 again. What percentage of the numerous ideas and contributions had been implemented? Unfortunately, this doesn't occur in practice enough."

Nevertheless, positive outlooks had not disappeared. "Much work and many new challenges lie ahead of us, and that's good!" 90% of the employees experienced at least slight happiness at work, whereas 54% experienced anxiety, and only 35% anger. 92% were at least slightly hopeful regarding their future at work. The deal still felt like a good decision, and employees experienced "Joy, because we are stronger together and can achieve more." Completing the deal and belonging to a large, strong organization created pride. Changes were slowly realizing as successes, which gave employees encouragement over the future. The employees felt that "A culture mix enriches both personally and professionally", but also that they had "Concerns about the atmosphere at work as well as the legitimacy and effectiveness of the decisions that have been made."

Anxiety over the continuity of work and potential incompatibility between Finns and Germans was still experienced. The employees even perceived "a clash of the Finnish and the German management methods. The visions do not seem fully compatible." Employees reacted with anger to perceived lack of respect towards the company values. Some felt "Sad to say, the same old mistakes

are being repeated, again and again." However, synergy potential was still clear, and employees did feel "Hopeful because the company has every chance of becoming a key player in the industry. Especially with the arrival of certain people, new ideas have come, along with the desire to do something really good." Thus, it "Could be great to have some kind of "stop and think" session in all teams to go through what have actually been accomplished and to initiate some visible actions to take the final steps on integration."

The employees also made several development suggestions. They raised many concerns over the efficiency of production, including quality, machinery, and personnel issues. "The overall view of the factory operations should be further clarified to the floor workers. Excessive bureaucracy should be done away with. What we need in the factories are the sorts of people who have the authorization to operate in areas where the products are designed and manufactured." Employees also called for management that is more streamlined, and a clearer overall strategic vision. They considered issues concerning sales, marketing, and customer needs very important: "Constant focus on performance and customer satisfaction = good company performance and spirit." Product innovation raised similar thoughts: "Greater focus on product quality, we have never had as many problems with our products as we have now.", "Design, design and once again design. Reliable products that look good sell well."

## DISCUSSION

### Manifestations of organizational culture following an acquisition

The case company employees clearly welcomed the new values as manifestations of the beliefs and assumptions of the organization (cf. Nahavandi & Malekzadeh, 1988; Schein, 1985). There was a sense of honeymoon euphoria in the first wave of data. Interestingly, the most overwhelmingly positive outlooks centered on certain locations – most notably a foreign plant of the acquired company. Conversely, the acquiring company employees did express many positive emotions, but at the same time experienced anxiety and anger that even surpassed that of the acquired employees. This indicates that although a majority of M&A literature focuses on the acquired company, the acquiring

company is equally important and often equally sensible of the changes occurring during integration. Therefore, the acquiring company perspective is crucial and should not be forgotten.

Interestingly, even those considering the value workshops poor still accepted that organizational values were the driving force behind good work. Employees considered the chosen new organizational values as appropriate manifestations of what they ought to base their behavior on. The values clearly resonated with the employees, which gave the process credibility. This credibility was likely the result of how the values emerged through joint effort. Especially during the value workshops a shared reality was being created through forming patterns of thought and behavior (cf. Alvesson, 2002; Buono et al., 1985). The work on the new company values truly aimed to influence how employees acted in everyday situations towards each other, as well as towards suppliers and customers (cf. Hyder & Osarenkhoe, 2018). Thus, the chosen merger approach seems to have benefited the socio-cultural integration despite the fact that the deal was, in fact, an acquisition.

The management of the post-acquisition company clearly sought to influence the new organizational culture through deliberate work on the values, encouraging employees not only to accept the values as the basic assumptions of organizational life, but also to utilize them in every possible situation ranging from casually chatting with colleagues to making strategic decisions. Thus, at this company, the organizational culture was an overarching dimension of organizational life, and the managers did try to actively influence it (cf. Alvesson, 2002; Lencioni, 2002). Employees welcomed these endeavors, feeling a sense of appreciation generated by active engagement in the process. Thus, they seemed open to the new values (cf. Alvesson & Sveningsson, 2016), and motivated to create a new, joint organizational culture (cf. Cartwright & Cooper, 1993; Roe & Ester, 1999).

When the new values became more familiar and accepted, the employees felt their steadying, positive effect (cf. Schein, 1985), looking forward to the values becoming "second nature", that would improve organizational effectiveness (cf. Murphy & Davey, 2002). Thus they did experience the values as positive guidance towards desirable behavior patterns at work (cf. Enz, 1988; Roe & Ester, 1999). The values and especially the descriptions attached to each value gave the employees a sense of what kind of thinking and behavior characterized the new company. These manifestations of the new

organizational culture were widely accepted and appreciated. However, lack of managerial commitment became a notable hindrance to stabilizing the new organizational culture. Many employees reported seeing managers not enforce or downright violate the values in everyday conduct. In the long term, this discouraged employees from accepting the new organizational culture and gave way to reversion towards the old, separate organizational cultures.

Overall, we found that instead of static assumptions, culture indeed largely centered on enacted practices (cf. Teerikangas & Irrmann, 2016). Instead of the values as words, the espoused culture, employees reacted to the values as behavior, as enacted and practiced in the everyday organizational life. This highlights the necessity of aligning organizational values to the employees' personal values, as finding organizational values relevant will likely motivate employees to engage with the values and give life to the organizational culture the values manifest. Our findings indicate that especially during organizational change, hollow, meaningless value statements can lower organizational morale.

**Unraveling organizational culture change following an acquisition**

In our case, the unfreezing of the original organizational culture occurred rather naturally in connection with the acquisition and the creation of the new values. Change was encouraged through offering every employee the chance to engage with the new values at the value workshops as well as through emphasizing the values in organizational communication. Refreezing began as the new values became widely accepted as the basis of everyday practices (cf. Lewin, 1947). However, as discussed above, after the honeymoon period employees began to revert to the pre-acquisition culture, thus raising the question whether the organization actually ever achieved refreezing.

Figure 4 illustrates the elements of culture change in our case. The new organizational culture emerged through social construction during the value process (van Marrewijk, 2016). Social construction is visible in how the values emerged through group work, how they spread through value workshops, and how they became widely accepted through practical engagement with coworkers. At the end of the value work, employees reported increased clarity of how they should perform daily

tasks, suggesting that the values and the new organizational culture did affect the operational rationale of the new organization (cf. Hyder & Osarenkhoe, 2018).

PLACE FIGURE 4 HERE

Employees felt that the values encouraged a good atmosphere where trust, cooperation, security and confidence bloomed. Employees also felt that the values helped the organization towards optimal outcomes, competitive advantage, customer loyalty, and innovation. Interestingly, employees saw the values as interconnected. Rather than individual statements, the values intertwined as guidelines towards desirable behavior. This further highlights the importance of the enacted nature of the values and the organizational culture they represent.

Although cultural change followed a deliberate initiative, the structural and social elements of the organization affected the process greatly (Teerikangas & Irrmann, 2016). The structural change to a matrix organization raised many negative emotions, to the amount that it actually may have hindered the cultural change process. Especially the acquiring company employees felt that power was shifting away from them, which increased anger and jealousy. Social groupings within the organization also played a major role during the change. Employees seemed to seek the comfortability and predictability that a stable organizational culture offers from their pre-acquisition organizational group, indicating the power and importance of subcultures (cf. Schein, 1993). Employees reported seeing things done as they were before, and colleagues setting back to their accustomed routines. Even though the organization attempted to engage everyone in generating cultural change (cf. Phelan, 2005; van Marrewijk, 2016), a slight return to the pre-acquisition processes and behavioral models (cf. Alvesson & Sveningsson, 2016) was already visible in 2016 and somewhat significant in 2018.

Although the offered new belief system was widely accepted and raised positive emotions, the interpretation of that belief system varied following the acquisition (cf. Vaara, 2000). Thus, there seemed to be a danger that cultural realignment would occur with the practiced, somewhat mixed culture, rather than the espoused, joint, value driven culture (cf. Teerikangas & Irrmann, 2016). Employees that were willing to enact the espoused values were angry at others' violating them. Thus, although the organization was successful in getting some or even most of the employees "on board", to see the reasoning behind the change (cf. Buono et al., 1985; Haspeslagh & Jemison, 1991), failure

to follow through slowly started to crumble the effort. Although by 2018, integration seemed completed and the concerns employees brought up arose from everyday organizational efforts rather than the acquisition, it became clear that different locations and functions within the company had distinct subcultures and experienced a lot of internal rivalry. Although socio-cultural integration was over, cultures remained in flux.

**Managerial implications**

As many studies have concluded, socio-cultural integration is a multi-faceted, dynamic, and difficult process. Planning the process carefully and centering the efforts on a clear objective can help employees engage in the change. In our case, the chosen core were the new values. Our case illustrates a unique and exceptionally well thought-out integration process, where management explicitly sought to change culture through shaping its core – the organizational values. With regard to the values, the change process seemed to progress in the desired direction. However, circumstances still affected the process to the extent that even though superficially integration seemed successful, internal rivalry emerged and started to crumble the achieved harmony. Thus, even the best plans should consider the context, and be open to change when necessary. Although the integration effort may conclude, the process of cultural change may not end simultaneously. Cultures may continue to be in flux, and therefore require maintenance.

Our findings confirm that it may take years for socio-cultural integration to be completed. Based on this research, focusing the change efforts on something inherently positive may help guide employee experiences towards the positive rather than the overwhelmingly negative stances often discussed in M&A literature. However, by the end of the process, the key issue may no longer be the original acquisition, but the internal rivalry of subcultures. Although of course the existence of subcultures may increase productivity to an extent, sensitivity to when such rivalry starts to interfere with organizational effectiveness is essential.

**Trustworthiness, limitations, and suggestions for future research**

The purpose of our work is not to draw generalizable conclusions of causality. Thus, the trustworthiness of our work cannot be determined through conventional positivist criteria (Welch &

Piekkari, 2017). Rather, the quality of our work is revealed through evidentiary rigor; our ability to provide a compelling, detailed description of the findings (Saldaña, 2003; cf. Stake, 1995; Welch & Piekkari, 2017). In addition, we have taken steps to ensure trustworthiness through triangulation, utilizing multiple sources of data, multiple data collection methods, and multiple researchers to analyze the data (Denzin, 1970). We have been in close contact with the participants and the context for a prolonged time, reported the research process and findings honestly and openly, and tied our discussion to current literature in the field (Welch & Piekkari, 2017). Following each wave of data collection, we have reported to the organization, allowing them to point out possible discrepancies between our understanding and their experience (Stake, 1995).

As always, our work also has limitations. Most importantly, they stem from the single-case approach, which allows in-depth understanding, but limits discussion on the generalizability of our findings. Thus, future research is necessary to determine whether similar findings emerge in other contexts. The relatively exploratory nature of our study is another important limitation. Although we argue that this stance is necessary to allow for novel insight, be believe further research is necessary to increase knowledge of cultural change following acquisitions. Such future research could focus, for example, on different methodology, different contexts, as well as different means to operationalize culture, in order to further understanding. Finally, our research focuses on organizational cultures of manufacturing companies headquartered in Finland and Germany. Examples from different industries and different regions can shed further light on cultural dynamics following acquisitions.

## CONCLUSION

In this paper, we explored how organizational culture evolves following a cross-border acquisition. We find that cultural change efforts following an acquisition can center for example on new organizational values that manifest the desired new culture. However, it is crucial that the new values are credible and become enacted throughout the organization. Reforming an organizational culture following an acquisition is a dynamic, social process, which is highly susceptible to the surrounding context. Although immediately following the acquisition employee emotions may be euphorically positive, as it proceeds, the socio-cultural integration process is likely to encounter

hindrances. Reverting to the pre-acquisition culture is common, especially among the subcultural units within the organization. This can significantly obstruct or even prevent the freezing of the desired new culture.

Our paper offers a much-needed longitudinal viewpoint to post-acquisition socio-cultural integration. The findings highlight the importance of subcultures and enacted rather than espoused culture, furthering understanding of the dynamic, socially constructed nature of the integration process in general and cultural change in particular. We shed light on the importance of shared values as the bases of a shared organizational culture, and point out that the emergence of rivalry between subcultures can slow down or even inhibit cultural unification.

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## ILLUSTRATIONS

**Figure 1**        **Creating a new post-acquisition organizational culture**

(adapted from Hyder & Osarenkhoe, 2018, p. 485)

**Culture**

De-emphasize pre-acquisition culture, emphasize new culture

**Management**

Seek for new best practices internally and externally

**Sought synergies**

Define objectives

**New organizational culture**

Create cohesion through unified values and practices
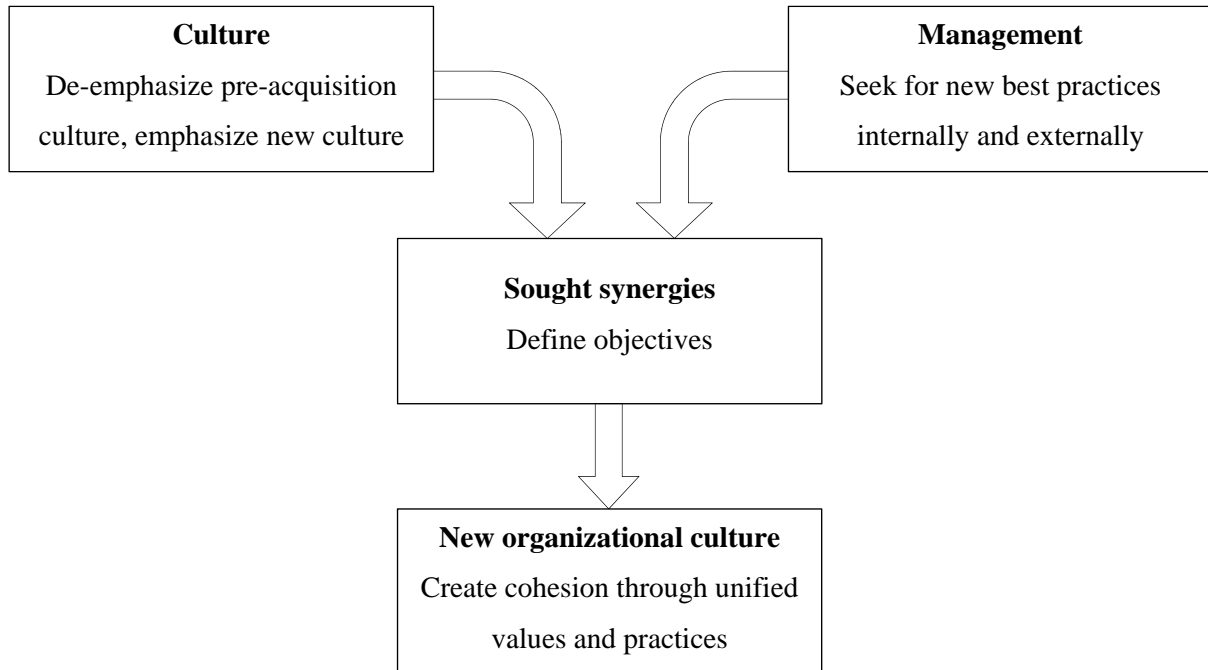
**Figure 2**    **Multiple shot longitudinality in our research**

September 2013                                                    April 2018

Case time

*Deal*

*Integration begins*

*Value work begins*

*Integration ends, value work continues*

*Formal value work ends*

Research time

*Cooperation agreement*

*Discussions on integration strategy, participation in workshop, first survey*

*Main body of interviews*
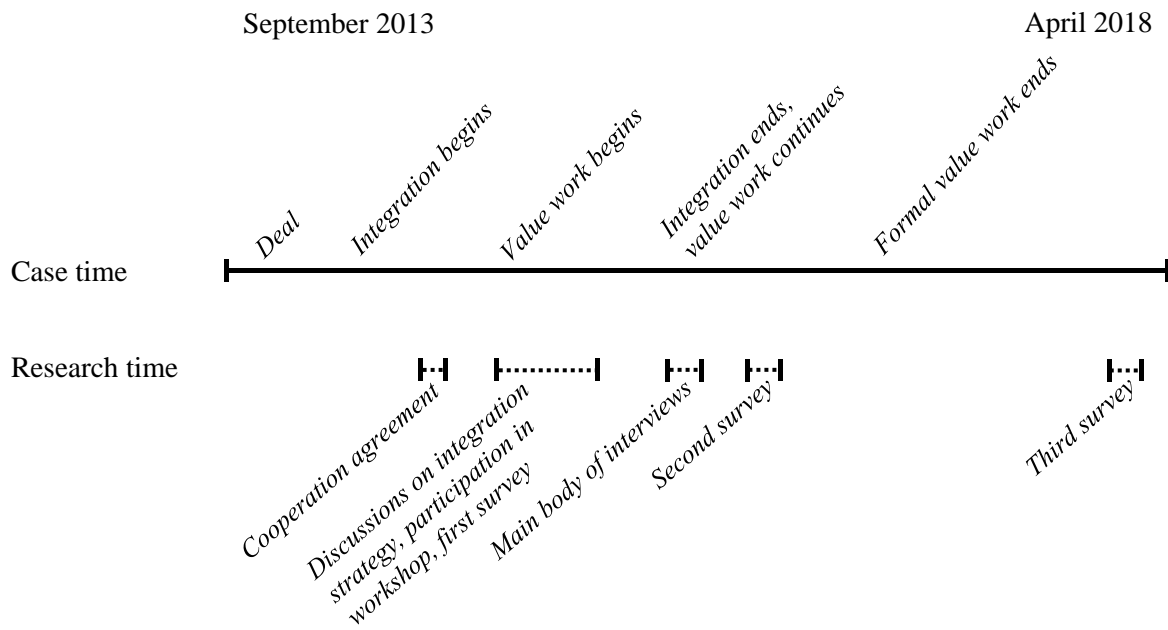
*Second survey*

*Third survey*

**Table 1**  **Case selection criteria**

| Criteria | Selected case |
|---|---|
| The case must be international in order to allow the best possible change for uncovering cultural differences and unification. | The acquiring company was based in Finland and the acquired company in Germany. The new headquarters is in Finland, and the organization adopted a matrix structure. |
| The case must maximize our learning potential. | The selected case offers a unique, in-depth viewpoint to socio-cultural integration because despite the deal being an acquisition, the acquirer chose a merger-of-equals approach to integration. |
| The case must be recent enough to avoid retrospective bias. However, the case must be completed to allow data collection. | The acquisition partners completed the deal in September 2013. A cooperation agreement was made in late 2014, and cooperation began in early 2015. |
| The case must allow in-depth data collection. | The acquirer was eager to complete socio-cultural integration in the best possible way. The researchers gained access to any data asked for. |
| The case must allow longitudinal data collection. | The acquirer initially agreed to participate in a two-year project. The follow-up survey in 2018 was agreed upon separately. |

**Table 2        Values in everyday work**

|  | **Courage** | **Fairness** | **Effectiveness** | **Openness** |
|---|---|---|---|---|
| *Cooperation* | x | x | x | x |
| *Sharing knowledge* | x | x | x | x |
| *Customer relations* | x | x | x | x |
| *Development initiatives* | x |  | x | x |
| *Addressing difficult issues* | x | x | x | x |
| *Admitting mistakes* | x | x |  | x |
| *Good working atmosphere* | x | x |  | x |
| *Manager–employee relations* | x |  |  | x |
| *Decision-making* | x | x |  |  |
| *Changes in job descriptions* |  | x | x |  |
| *Innovativeness* | x |  |  | x |
| *Quality concerns* |  |  | x |  |
| *Equality in pay* |  | x |  |  |

**Figure 3** **Links between the values**



Courage — Fairness

Openness — Effectiveness

Good atmosphere,
trust, cooperation,
security, confidence

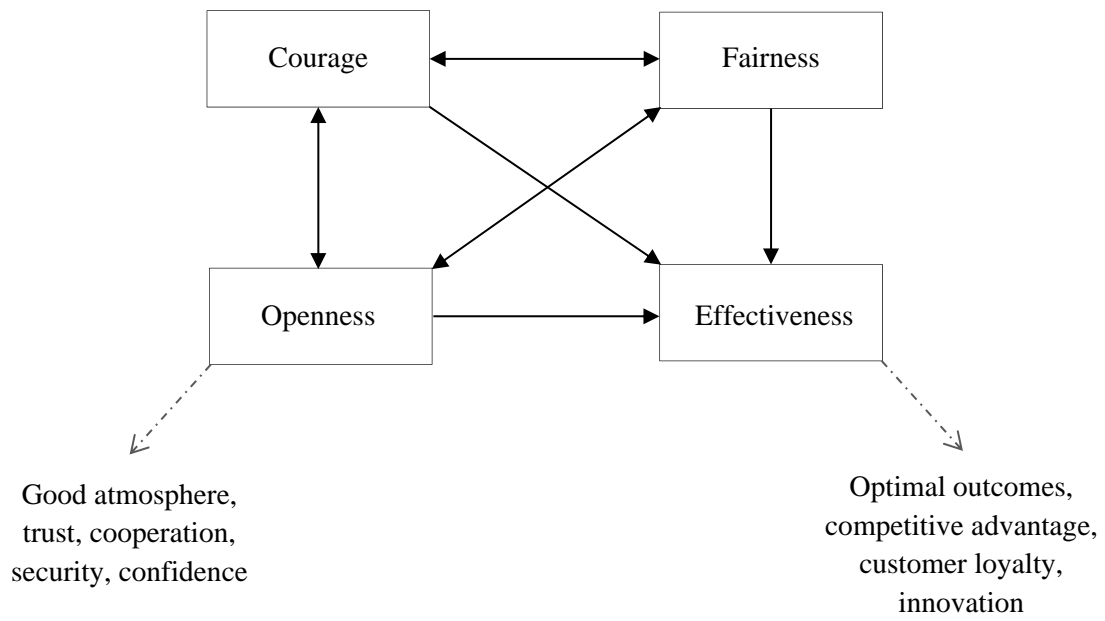Optimal outcomes,
competitive advantage,
customer loyalty,
innovation

**Figure 4**          **Organizational culture change in our case**

| **Culture** | **Management** |
|---|---|
| De-emphasize pre-acquisition culture, emphasize new values | Engage both acquisition partners to work on the values |

**Sought synergies**

Two strong brands and unified company values

**New organizational culture**

Create and inforce new practices based on employees' understanding of the values