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10 Cultural dynamics in acquisitions

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Introduction

Despite ongoing acquisition activity and research, reviews of the field point to advances and a continuing inability to tap into what happens when two formerly distinct organizations combine (Graebner, Heimeriks, Huy, & Vaara, 2017; Schweiger & Goulet, 2000). Still, there is agreement that acquisition integration determines acquisition performance (Ashkenas, DeMonaco, & Francis, 1998; Larsson & Finkelstein, 1999). Zooming closer, it has been argued that socio-cultural issues (for a review, see Stahl et al., 2013) explain many of the challenges experienced in integration (Gunkel, Schlaegel, Rossteutscher, & Wolff, 2015; Kusstatscher & Cooper, 2005; Sarala, Vaara, & Junni, 2019; Stahl & Voigt, 2008).

As a result, acquisition scholars have worked to unravel how culture affects acquisitions, making it among the most important streams of research on acquisition performance (Rottig & Reus, 2018). Several efforts have been made to review knowledge on the culture-performance relationship (Rottig, 2017; Rottig & Reus, 2018; Rottig, Reus, & Tarba, 2014; Stahl & Voigt, 2008; Teerikangas, 2007; Teerikangas & Very, 2006, 2012). While the results remain largely mixed and depend on the measures used (Teerikangas & Very, 2012), culture can represent a double-edged sword in acquisitions (Stahl & Voigt, 2008). Recognizing that prior reviews have given prominence to the culture-performance relationship following acquisitions, we review prior research on the cultural dynamics occurring in acquisitions.

We have structured our review along the following topics: (1) conceptualization of culture in acquisitions research, (2) assessment of cultural distance and cultural fit, (3) cultural change, and (4) impact and management of national cultures in CBA. Conclusions and pointers toward future research end the chapter. For further reading, we recommend conceptual frameworks of culture in acquisitions (Lakshman, 2011; Mignerat & Marmenout, 2017; Viegas-Pires, 2013) and reviews of the cultural challenge in acquisitions in geographic contexts such as the Asia-Pacific region (Kar & Kar, 2017).

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Conceptualizing culture in acquisition research

A historical tour of research on culture in acquisitions points to the conceptualization of culture as differing over time. From an early focus on organizational culture in domestic deals (Buono & Bowditch, 1989), the field started studying national cultures in CBA (Morosini, 1998), and the simultaneous effects of organizational and national cultures particularly as regards acquisition performance (Very, Lubatkin, & Calori, 1996; Weber, Shenkar, & Raveh, 1996). In other words, the “cultural challenge” at stake can range from a clash of organizational cultures in domestic deals, to a clash of both organizational and national cultures in cross-border transactions. To complicate matters still, Kogut and Singh (1988) identify the need to account for professional cultures, while Chatterjee et al. (1992) refer to the diversity of subcultures in the workplace. Moving beyond the organizational boundaries, Pioch (2007) points to the impact of the underlying industry culture in a given sector, while Teerikangas (2006) finds that within-country regional cultures matter in addition to national cultures (McSweeney, 2009).

In synthesis, this leads us to conclude that cultural diversity in acquisitions exists at the subcultural, functional, organizational, and industrial levels of analysis, in addition to regional and national cultures in the case of cross-border transactions. Yet, while the trend in sociological and organization research has been toward a multi-level view of culture, extant research in acquisitions has continued to retain a more traditional outlook, focusing on one, at maximum two levels of culture simultaneously (see Viegas-Pires, 2013 for a conceptual framework). What is more, the paradigm of a ‘unitary’ corporate culture has prevailed, omitting that organizations might consist of fragmented cultures (Vaara, 1999). Looking forward, the field could gain from multi-level perspectives to the study of culture.

All the while, authors have adopted critical views regarding the way that culture is conceptualized in acquisitions research. In a conceptual paper, Risberg (1997) argues for an ‘ambiguity’ perspective to CBA. She sees that an ‘integration’ perspective to culture prevails (i.e., seeking to merge the acquired firm’s culture into the acquiring firm). Alternatively, a ‘differentiation’ perspective can be adopted where both firms’ cultures coexist. Risberg (1997), in turn, calls for an ‘ambiguity’ perspective where differences and resulting ambiguities are acknowledged. The acquired firm is then not forced culturally into the buying firm’s regime, and potential areas of differences and ambiguity are negotiated via two-way communication. Yet, such an approach also lends itself to critique. Based on ethnographic research, Riad (2007) criticizes existing acquisition research for forcing a binary opposition between coherence versus pluralism of cultures. She argues that this is not an either/or issue, as employees can be simultaneously united and divided in their cultural allegiance. A cohesive culture might not exist; yet it can be socially constructed during an

acquisition. Riad cautions against the tradition to categorize cultures into certain types, or focusing only on differences between cultures. She asks, whether cultures and their potential differences could be embraced, as they are in multicultural societies?

As another critique, extant research tends to approach culture as 'something an organization has', rather than 'something an organization is' (Vaara, 1999). Vaara therefore takes an ontological position, and he argues that most studies on culture in acquisitions research adopt a realist approach to culture, treating culture as a given that 'can be managed'. Following the constructionist tradition where culture is seen as the continuous interpretations of its members, Vaara (2000) uncovers the sense-making processes in cross-border mergers. In addition to the traditional cultural sense-making process, he also identifies new ones as regards the manipulation of cultural conceptions and the suppressed emotional identification with one of the merger sides. This suggests that the culture shock experienced by people participating in acquisitions is possibly more complex than traditional research suggests. The realistic and positivist approach to culture needs to be complemented by interpretive and critical approaches, to offer nuanced perspectives (Vaara, 2000). Since the end of the 1990s, a stream of research has adopted a constructionist approach to CBA (Gertsen, Söderberg, & Torp, 1998). Associated research looks at how cultural differences are constructed through the involved actors' interpretations and sense-making processes (Söderberg & Vaara, 2003; Vaara, 1999, 2000), the process of social identity construction (Kleppeto, 1993, 1998), and the role of metaphors therein (Vaara, Tienari, & Säntti, 2003).

It also deserves mention that a cultural view to acquisitions is not without problems. In a critical analysis of the field, Riad (2005) finds that the 'culture' discourse has become so prevalent that it has become 'naturalized' as part of conversations on acquisitions. The term itself has become normative and quasi-institutionalized. Subsequently, critical voices regarding the role of culture in acquisitions become discounted. Riad (2005) calls for scholars to become aware of their role in producing this discourse.

In synthesis, there is need for a more complex and multi-layered view to the cultural encounter taking place in acquisitions. Such a perspective would account for ambiguities, how culture carriers construct cultures, the possibility that employees maintain plurality in their cultural allegiances, and recognize that culture can bear both positive and negative effects. Going forward, the next section furthers our analysis by discussing how cultural differences are assessed in acquisitions research.

Assessing cultural distance and fit

The role of culture in mergers and acquisitions is often defined in terms of 'compatibility', 'fit', or 'distance' between 'units' of national culture

(Moore, 2021). In order to appreciate the extent of cultural differences between merging parties, the notions of cultural distance and/or cultural fit (Vaara Sarala, Stahl, & Björkman, 2012) have become prevalent. In this section, we focus on these two key concepts.

Cultural distance

Cultural distance is one of the most used measures in research on foreign expansion. Indeed, cultural distance represents one of the most popular constructs in research focusing on foreign direct investments, which is mainly composed of CBA (Shenkar, 2001; Yildiz, 2014). Cultural distance has dominated studies on the implications of pre-merger similarities/differences between the merging organizations (Yildiz, 2014).

In research focusing on similarities and differences between national cultures, two related and partly overlapping concepts are used: cultural distance and psychic distance. Beckerman (1956) defines psychic distance as a country being ‘nearer’ in a psychic evaluation. In the context of the internationalization of the firm, psychic distance has been referred to as “the sum of factors preventing or disturbing the flows of information between firms and markets” (Johansson & Wiedersheim-Paul, 1975, p. 308).

The terms cultural distance and psychic distance are often used interchangeably (Sousa & Bradley, 2006). This can contribute to the conceptual confusion. Psychic distance is evaluated at the individual level (i.e., based on respondents’ subjective perceptions), while cultural distance is an organizational-level construct which refers to the differences between cultural values in different countries (Sousa & Bradley, 2006). Cultural distance has been defined as “the sum of factors creating, on the one hand, a need for knowledge, and on the other hand, barriers to the knowledge flow and hence also for other flows between the home and the target countries” (Luostarinen, 1979, pp. 131–132). While cultural distance and psychic distance are distinct concepts, they have been measured with the same indicators, often based on Hofstede’s (1980) index of cultural dimensions and Kogut and Singh’s (1988) index modified from Hofstede’s (1980) four dimensions of culture. This fairly established measure had been criticized for its assumption of linearity, the lack of cognitive dimensions, for not viewing culture as bearing potential for both synergy and disruption (Shenkar, 2001), and for assuming that one can measure the cultural traits of nations, or calculate the differences between cultures via a quantitative measure (Moore, 2021). Recently, research has attempted to further theorizing on cultural distance by shedding light on the illusion of symmetry and discordance (Yildiz, 2014) or focusing on the positive role national culture can play in acquisitions (Moore, 2021).

Traditionally, both geographical and psychic distance are perceived to be negative factors in CBA (Johnson, Lenartowicz, & Apud, 2006). However, perceived similarity can prevent executives from acknowledging

sometimes small but crucial differences which can lead to failure (Angwin & Savill, 1997; Fang, Camilla, & Schultzberg, 2004; O'Grady & Lane, 1996). Still, cultural clashes may result not only from cultural distance but also from a lack of cultural fit between the organizations (Nummela & Raukko, 2012). Recent studies also suggest a more nuanced approach to cultural distance by considering the closest previous target information and prior experience, or the 'added cultural distance' (Hutzschenreuter & Voll, 2008), referring to the additional distance covered by the firm in a given time interval (Kim, Gaur, & Mukherjee, 2020). Similarly, Moore (2021) suggests that national cultures can be treated as a potential integration agent, not just a source of distance or friction.

Cultural Fit

Cultural fit is discussed in literature under labels of cultural differences and cultural clashes (Cartwright & Cooper, 1993; Datta, 1991; Moore, 2021; Nummela & Raukko, 2011; Weber, 1996). There is oftentimes a conceptual overlap between the concepts of organizational fit and cultural fit (Jemison & Sitkin, 1986; Rottig & Reus, 2018). While Rottig and Reus (2018) suggest that cultural fit would be part of the broader literature on organizational fit, cultural fit encompasses national and organizational cultural differences.

There is an underlying assumption that the greater the dissimilarity between organizational culture types, the more problematic and the longer the integration phase (Cartwright & Cooper, 1993). Yet, it is acknowledged that cultural differences per se do not necessarily lead to cultural clashes and in some cases cultural similarity may even be an impediment to successful integration (Moore, 2021). Nonetheless, Moore (2021) argues that national culture can have a positive role in acquisitions. National culture can also be a source of symbolic discourse incorporating good and bad aspects, which enables managers to shape their reality and integrate the new organization's culture (Moore, 2021).

The degree of compatibility, or cultural fit, between the two merging organizations has been acknowledged as one of the reasons for high failure rates in acquisitions (Buono & Bowditch, 1989; Cartwright & Cooper, 1993; Rottig & Reus, 2018). Nevertheless, the construct is ill-defined (Cartwright & Cooper, 1993; Teerikangas & Very, 2006; Weber, 1996). Due to the lack of measures of cultural compatibility, it has been argued that understanding the relationship between cultural fit and acquisition outcomes remains limited, while studies with meaningful cross-cultural comparisons across organizations and nations are scarce (Veiga, Lubatkin, Calori, & Very, 2000; Weber et al., 1996). Cultural compatibility or fit only becomes valuable through understanding; thus some degree of cultural awareness is called for (Risberg, 2001).

In sum, research on cultural distance and fit is gradually moving from a purely positivistic approach, where these constructs have been viewed

as something that can be measured, toward also involving subjective approaches. Research suggests that culture-related problems intensify in international settings. Therefore, cultural fit is a requisite for acquisition success (Rottig & Reus, 2018). Critically speaking, research has adopted a narrow view on cultural distance (Rottig & Reus, 2018; Shenkar, 2001). Nonetheless, more fine-tuned approaches are emerging, which consider the role of previous experience on perceived cultural distance, as well as cultural awareness (Moore, 2021; Yildiz, 2014). From an appreciation of cultural differences, our attention shifts in the next section to cultural change.

Cultural change in acquisitions

The management of post-acquisition cultural change was initially addressed in domestic deals (Buono, Bowditch, & Lewis, 1985; Sales & Mirvis, 1984), while an appreciation of the dynamics of cultural change in CBA is increasing (Denison, Adkins, & Guidroz, 2011; Teerikangas & Irrmann, 2016). The main themes addressed in this largely qualitative body of research relate to (1) the strategies and phases of cultural change, (2) cultural change dynamics in CBA, (3) employee reactions and the complexities of cultural change, as well as (4) cultural change taking place via post-acquisition integration activity.

Strategies and phases of cultural change

To begin, different types of cultural integration strategies have been identified, depending on the buying firm's aim with regard to cultural integration and the type of acquisition (David & Singh, 1994; Forstmann, 1998; Olie, 1990; Schweiger, Csiszar, & Napier, 1993). The conceptual paper on acculturation by Nahavandi and Malekzhadeh (1988) marked a milestone in the study of cultural change strategies. The concept of acculturation, borrowed from cross-cultural psychology (Berry, 1983), represents the cultural adaptation process and alternative scenarios in the merging of two organizational cultures. The choice of the acculturative mode depends on acquired and acquiring companies. When an acculturative mode accepted by both companies is adopted, less acculturative stress is expected to occur. The acculturative mode will affect both cultures. The authors recognize different approaches and choices for cultural integration. Mirroring these acculturative modes, Buono, Bowditch, and Lewis (1989) also defined four modes of integrating cultures in acquisitions: cultural pluralism, cultural blending, cultural take-over, and cultural resistance. Later, Cartwright, Cartwright and Cooper (1996) identified four approaches to cultural change as aggressive, conciliative, corrosive, and indoctrinative. Subsequent work has found that the direction of cultural change dictates the ease of change, particularly if the change is paralleled with increased levels of openness (Cartwright & Cooper, 1992, 1993).

Where existing beliefs are widely shared, cultural change is challenging (Buono & Bowditch, 1989).

Cultural change following acquisitions is considered to take place in phases (see Denison et al., 2011 for an overview) paralleling the acquisition process. To this end, amid the earliest works, Sales and Mirvis (1984) identify three phases of cultures coming into contact following acquisitions. Managing a culture in transition requires understanding the factors influencing acculturation. First, the existing culture perceives a threat to its culture. This phase can be managed by preparing strategically and emotionally for the change, rehearsing possible implications, and developing ground rules for cultural contact. Second, there is cultural contact between the two organizations. The management of this phase entails managing the processes of polarization, evaluation, and ethnocentrism as well as the conflicts resulting from cultural differences. Third, acculturation begins. This phase needs to be accompanied by a conscious scanning of culture and its re-examination.

A similar perspective is provided by Cartwright, Cartwright and Cooper (1996), who provide recommendations for a program of cultural change. Such a program begins with an understanding of both participating cultures. Next, it proceeds to unfreezing these cultures. Further, it presents the positive and realistic view of the future to both organizations. It ensures the wide-scale involvement of organizational members and adopts a realistic timescale for integration. Finally, it monitors the change process and takes corrective action where necessary. More recently, the phases of the cultural clash occurring in acquisitions have been conceptualized by Marks and Mirvis (2010) as occurring via the stages of: (1) perceiving, (2) magnifying differences, (3) stereotyping, and (4) the final phase where the other party is put down. In a subsequent publication, Marks and Mirvis (2011) offer a conceptual framework for human resource managers for managing cultural change following acquisitions, building on Lewin's (1947) three-stage model of change management of unfreezing, moving, and refreezing. In the pre-combination phase, the cultural end state needs to be defined. In the combination phase, cultural mindsets are 'unfrozen', while the organizations move toward the desired culture. Finally, in the post-combination stage the desired end culture is 'refrozen'.

Concurrently, means of enabling cultural change have been identified. Buono et al. (1989) identify factors influencing post-acquisition cultural change as: (1) changing the behavior of organizational members and justifying this change, (2) using cultural communication to facilitate the change, (3) hiring and socializing new recruits to speed up the change, and (4) removing deviants. The importance of attitudes (Deiser, 1994; Morosini, 1998; Napier, Schweiger, & Kosglow, 1993) when implementing cultural change is emphasized. Schraeder and Self (2003) argue that training, support, and socialization foster post-acquisition acculturation. In her study of cultural change across series of acquisitions

with varying degrees of success, Bijlsma-Frankema (2001) concludes that mutual trust, shared norms and goals, dialogue, and progress tracking and related rewarding mechanisms foster post-acquisition cultural change. Importantly, a culture promoting psychological safety allows for employees to raise their concerns, while the role of managers is critical in developing a new culture.

Cultural change in cross-border acquisitions

Paralleling the rise of cross-border transactions, research has shifted to studying cultural change in cross-border settings. The first such papers were by Olie (1990, 1994), who highlighted that both organizational and national cultures meet in cross-border mergers, the latter influencing the former. Olie (1990) argues that integration success depends on the degree of interaction and integration as well as the extent to which firms value their original cultures. In a later study, Olie (1994) found that the degree of compatibility of administrative practices, management styles, organizational structures and cultures, the kind and degree of post-merger consolidation, the extent parties value and want to retain their organizational integrity, and the nature of the relationship between the two organizations together contribute to explain the difficulties encountered during CBA.

Building on the work of Nahavandi and Malekzadeh (1988) in a cross-border setting, Larsson (1993) points out that national cultures create additional barriers to the development of joint corporate cultures. In a similar vein, Nahavandi and Malekzadeh (1998) discuss acculturation in CBA where double-layered acculturation (Barkema & Bell, 1996) or changes in national and organizational cultures occur. Quah and Young's (2005) phased approach points to the parallel impact of organizational and national cultures. Despite these advances, we note a relative scarcity of research on the dual impact of national and organizational cultures on cultural change during CBA, notwithstanding the paucity of research considering other levels of culture.

Employee reactions to cultural change

In parallel, research has studied employee reactions and considered the ensuing complexities toward the progress of cultural change. The power of cultural clashes occurring in domestic mergers was first highlighted by Marks (1982). Thereafter, Buono et al. (1985) introduced the concept of 'culture shock'. They defined culture shock as the distress when two corporate cultures merge, affecting the members by contributing to changing feelings and discomfort. Despite a rational understanding of the need to merge, culture shock impacts employees' willingness to view the deal positively. As culture provides a frame of life for its members, cultural changes are among the most difficult to cope with.

In a similar vein, Nahavahdi and Malekzadeh (1988) consider that the concept of acculturative stress signals the emotional distress incurred (particularly) by the acquired company's members. They further observe that different sub-units within the company can experience different levels of acculturative stress. Studying cross-border mergers, Olie (1990) found that obstacles relate to the way people react. First, there is resistance to changing working methods and opposition against alienation from the national character of the environment. Second, there is a perceived threat to one's position in the company. A third issue concerns nationalism owing to the involved countries' historical backgrounds. More recently, Styhre, Börjesson, and Wickenberg (2006) point to the cultural anxieties that employees experience during cross-border mergers. Cultural change represents an emotionally painful process for organizational members, as they have to let go of their previous culture while developing an allegiance toward a new one.

Further, cultural change is experienced differently, depending on the level of hierarchy. Studying a CBA in the UK's retail sector, Pioch (2007) finds that while top management views post-acquisition cultural change from a company-wide integration perspective, employees experience a differentiation of cultures. Upon closer look, managers have had time to internalize the new organizational culture at the deeper level of assumptions (Schein, 1985), whereas the majority of employees have only experienced surface-level cultural changes. While the bulk of the cultural change literature focuses on organizational culture as a homogenous entity, the 12-year longitudinal study by Van Marrewijk (2016) illustrates how subcultures within a small, radical internet company purchased by a larger media and telecommunications company influence the progress of cultural change. Further, the study highlights the difficulty faced by incumbent firms in integrating acquisitions of technology-based start-ups, owing to the cultural discrepancy between the two organizational worlds. Instead of accepting cultural change, employees from the purchased company engage in cultural revitalization to recreate elements of their prior culture. Therefore, acculturation is not a unidirectional process; it is influenced by acquired firm employees. In the studied 12-year period, the acquiring firm completes cultural integration, yet alienating the radical innovators that were central to the initial purchase decision.

Cultural change embedded in post-acquisition activity

Taking a critical stance, literature on cultural change in acquisitions has tended to assume cultural change as stemming from cultural activity only. Further, research on post-acquisition cultural change tends to pocket this activity as paralleling post-acquisition integration. Recent findings contradict these assumptions.

Studying cultural change in CBA by global organizations, Teerikangas and Irrmann (2016) find that in the post-acquisition era, acquired firms

cohabit a tension between shifting toward the acquiring firm's espoused versus practiced values. While acquirers' espoused values drive official cultural change initiatives, practiced values reflect the reality of post-acquisition integration. Therefore, post-acquisition cultural change is a dyadic, bipolar process; its direction and progress depend on both explicit cultural change initiatives and daily integration activity. While prior research has emphasized the former, the authors highlight the significance of post-acquisition integration toward cultural change. Notwithstanding, when an acquiring firm's espoused and practiced cultures are in alignment, cultural change progresses smoothly and unidirectionally.

Additionally, recent findings posit that cultural change is influenced by post-acquisition structural changes. To begin with, cultural change depends on passive and active structural changes (Teerikangas & Irrmann, 2016). Passive structural changes concern quasi-automatic changes introduced via a change in ownership (e.g., changes to firm size, international reach, governance structures, and unit status). Although not actively pursued, these incur changes in the targets' governance practices and mindsets. Active structural changes result from the acquirer's deliberate action to integrate the target (e.g., changes to the degree of global integration, organization structure and ways of working). Although not recognized, these incur changes to mindsets and management practices. What is more, the progress of cultural and structural change intertwine (Teerikangas & Laamanen, 2014), as cultural change begins only once structural integration progresses. Therefore, structural integration should start first; yet it needs to be implemented in a way that is appreciative of the acquired company's culture. Subsequently, cultural change is facilitated in an iterative manner over time by the new structure. If structural integration is implemented in disregard of the existing acquired firm's culture, cultural differences can impede structural integration.

Synthesis

In conclusion, existing research has highlighted alternative approaches to cultural change (Figure 10.1). To begin with, attention to the cultural integration strategy and the phases of cultural change is warranted. Best practices with regard to enabling cultural change revolve around attitudes conveying trust as well as communications, dialogue, clarity of goals, and employee rotation. Different employee groups can experience the acquisition differently, though this results in diverse and potentially conflictual subcultural or cultural differentiation dynamics. While early research viewed post-acquisition cultural change in silo, recent findings show that it is also enabled by post-acquisition structural change and integration activity. This calls for a systemic perspective toward cultural change and organizational culture as shaping and being shaped by the acquisition process.

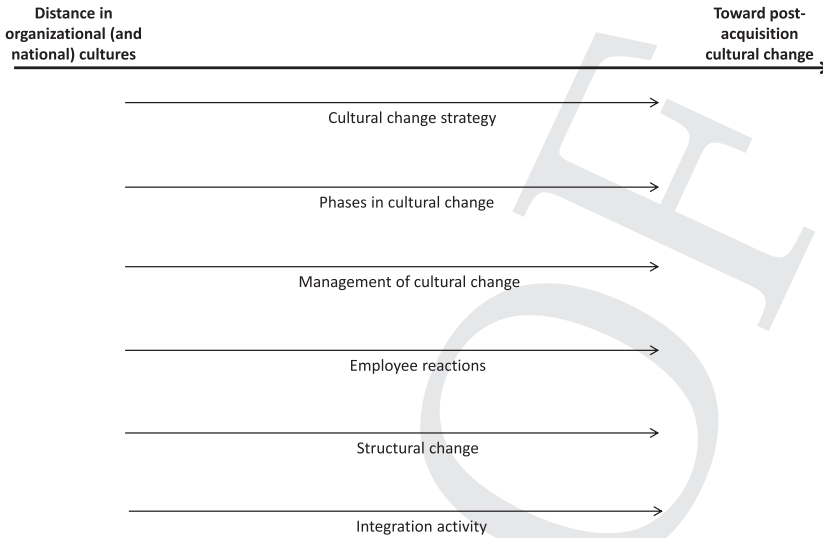


Figure 10.1 Factors affecting cultural change following acquisitions.

National culture

This section zooms into national culture in CBA. Research has looked at how firm behaviors are conditioned by national cultures, and how national cultures should be accounted for. We will review these streams next.

Impact of national culture

Some studies have explicitly focused on the impact of national culture on acquisitions. Morosini, Shane, and Singh (1998) argue that national cultures provide a competitive advantage to firms involved in an acquisition, as each national culture introduces particular new routines to the organization. Furthermore, many studies confirm that acquirers from different countries adopt specific kinds of due diligence (Angwin, 2000) and integration approaches (Calori, Lubatkin, & Véry, 1994; Child, Faulkner, & Pitkethly, 2001; Dunning, 1958; Faulkner, Child, & Pitkethly, 2003; Jaeger, 1983; Larsson & Lubatkin, 2001; Lubatkin, Calori, Very, & Veiga, 1998; Pitkethly, Faulkner, & Child, 2003). For example, earnout practices (Ewelt-Knauer, Gefken, Knauer, & Wiedemann, 2021) reflect an acquirer’s national culture origin. Further, national cultural backgrounds constrain acquiring managers’ emotional attending during integration (Reus, 2012). While some constants across acquirers have been found, organizations do not fully conform to their national cultural stereotype when acquiring (Faulkner, Pitkethly, & Child, 2012). Indeed, in studying

international firms' acquisitions in Japan, Olcott (2008) observes there is not one approach that characterizes international firms' integration styles.

The Chinese government's "Go Global" policy, in 2000, resulted in a rise in Chinese CBA paralleled by increasing research on Chinese acquisitions. In particular, their distinctive integration approach has been reviewed (Chatzkel & Ng, 2013), suggesting a light-touch approach (Liu & Woywode, 2013). Chinese acquirers have also been compared to other acquirers from emerging markets, such as Russian (Panibratov, 2017) or Indian acquirers (Kale & Singh, 2012), while reverse acquisitions by Chinese acquirers in the Netherlands (Sun & Zhao, 2019) and Germany (Yang, Lütge, & Yan, 2019) have come under scrutiny. The cross-border challenge relates to national culture differences as well as differing institutional and regulatory environments. For example, Wu, Hoon, and Yuzhu (2011) study Chinese-American acquisitions, including challenging ones, such as Huawei's, and successful ones, such as Haier's deals.

In parallel, target firms prefer different kinds of integration approaches consistent with their home countries' national cultures (Cartwright & Price, 2003; Morosini, 1998). Nevertheless, acquisitions where target firms are involved in the integration fair best (Calori et al., 1994; Child et al., 2001; Larsson & Lubatkin, 2001). In both of the above research streams, the dimensions of uncertainty avoidance (Morosini, 1998; Schoenberg, 2000), risk orientation (Schoenberg, 2000), and individualism versus collectivism (Morosini, 1998) have received emphasis.

Only few studies focus on national cultures interacting during acquisitions. Studying the European EADS tri-party merger, Barmeyer and Mayrhofer (2008) found inter-cultural team-working to be negatively affected by the involved French, German, and Spanish parties' interpretations of teamwork, cooperation, leadership, and authority. Such differences complicate post-acquisition integration, as members operate with culturally dependent behavioral strategies. Studying the implementation of lean production into a Japanese-owned factory in Sweden, Oudhuis and Olsson (2015) find that cultural clashes relate to national cultures and different approaches to manufacturing. Similarly, Lee, Kim, and Park (2015) study how employees experience cultural differences in Sweden's Volvo's acquisition of South-Korean Samsung's business division. Adopting an 11-year interval, the authors find that a classic, positivistic conception of culture predicts culture-related problems, while a social constructivist perspective predicts whether such problems actually materialize. Finally, the trust-building practices of Chinese managers (Sachsenmaier & Guo, 2019; Sun & Zhao, 2019) and the roles of Chinese CEOs in managing individualist cultures when acquiring abroad have received attention (Zhu, Zhu & Ding, 2020).

Working across national cultures in acquisitions

Some studies have sought to understand how national cultures can be accounted during CBA. First, culture needs to be considered during pre-acquisition target evaluation. For example, Datta (1991) found that organizational fit and pre-deal financial evaluation need to occur in tandem, arguing that differences in management styles cause difficulties. Similarly, Cartwright and Cooper (1993) observed that evaluation of cultural differences and similarities prior to entering a deal is an early means of assessing an acquisition's potential. While Denison and Ko (2016) examine domestic acquisitions, a framework to facilitate cultural due diligence for CBA is needed.

Second, post-acquisition integration strategy needs to be culturally sensitive. In a study on the human resource implications of acquisitions, Schweiger et al. (1993) highlighted that integration strategy guides post-acquisition change. Morosini and Singh (1994) suggested that acquirers adopt a national culture compatible post-acquisition strategy, coherent with the target country's culture. This matters, as characteristics influenced by national culture are difficult to change.

Third, interactive ties between combining organizations ease cultural differences. Studying the creation of the European Aeronautic Defence and Space Company (EADS) that combined French Aerospatiale Matra, German DASA, and Spanish CASA, Barmeyer and Mayrhofer (2008) describe how shared organization structures and organizational culture, or the EADS spirit, helped to develop inter-organizational ties. Progress was further facilitated by human resource management practices supporting team-working, cooperation, leadership, and career development.

Fourth, integration attitudes and intercultural sensitivity enable dealing with cultural differences. Chatterjee et al. (1992) found a tolerant attitude to ensure acquisition success. Napier et al. (1993), in turn, looked at how organizational diversity is managed in cross-border mergers from a human resource management perspective to find assertive tolerance to offer a powerful integration tool. Further, in cross-border deals, intercultural skills are critical, including the notion of cultural intelligence from international business (Thomas & Inkson, 2005). The significance of intercultural sensitivity has paralleled the rise in CBA. Morosini et al. (1998) observe that pragmatic cross-cultural skills are required. Similarly, Ashkenas and Francis (2000) call for cultural intelligence when acquiring across borders. Combining insights from empirical studies across countries, Teerikangas and Birollo (2018) consider that managers' cultural sensitivity refers to openness toward differences and being able to talk through conflicting viewpoints. Further, interculturally sensitive managers adjust to the best of both sides, instead of force-fitting their views onto the other party.

Fifth, intercultural training offers a means of enhancing awareness of cultural differences (Thomas & Inkson, 2005). The underlying

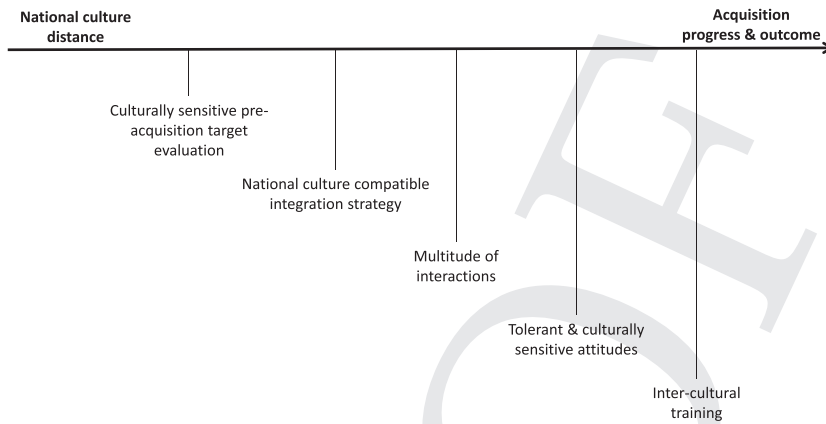


Figure 10.2 Working across national cultures in acquisitions.

assumption is that cultural differences can be learned, managed, or even manipulated (David & Singh, 1993). When testing the effect of deep versus surface-level cultural learning interventions on acquired firm employees' experiences, Schweiger and Goulet (2005) conclude that a positive experience is not about merging similar cultures, but rather about cultural learning. Consistent with their hypotheses, they found deep-level cultural learning interventions to result in intercultural awareness, understanding and communication, as well as cooperation-based attitudes. In contrast, misunderstandings flourished in units receiving no learning interventions. Yet, surface-level cultural interventions did not result in the partner being better accepted, potentially even furthering existing stereotypes. Studying the European merger that formed EADS, Barmeyer and Mayrhofer (2008) identified training practices that improved intercultural skills. The intercultural training program was part of the larger goal in the merger to create a 'Corporate Business Academy', which developed involved managers' leadership, change management, intercultural management, and business excellence skills.

In synthesis, we make the following observations. For one, the behaviors of both the buying and acquired parties are dependent on their national culture heritage. For another, differences in the merging partners' national cultures should be included in the management of the acquisition process, starting from evaluation, through strategy, and skills in integration, as summarized in Figure 10.2. Finally, intercultural awareness and training are needed.

Discussion and future research directions

Our aim has been to review how acquisition research has studied the cultural dynamics amid this inter-organizational change of ownership. In

the following, we proceed to a critical analysis of our findings, continuing with implications for future research.

A critical analysis of the state of the art

First, one needs to appreciate the concept under study, namely culture. Our critical review demonstrates that definitions of culture remain narrow. To this end, there is little attention toward the layer of culture studied (e.g., artifacts, practices, values, norms, and/or assumptions). As an example, Sally Riad’s research is among the few studies adopting a deeper perspective of culture via values. Similarly, Teerikangas and Irrmann (2016) distinguish between espoused and practiced organizational values. Going forward, a deeper understanding of culture, across its layers, is called for.

Second, the level of culture studied needs attention. In line with findings from across the social sciences, cultural encounters in acquisitions occur at the subcultural, functional, organizational, and industrial levels of analysis, in addition to regional and national cultures in CBA. As Table 10.1 shows, we find predominance in the use of the concepts of organizational and national culture to conceptualize the cultural challenge at stake in acquisitions. While other cultures are mentioned, including professional, regional, or industrial ones, the multi-level complexity of the cultural encounters in acquisitions remains unaddressed. Instead, research appears to stick to the dichotomy of organizational versus national cultures, which by themselves are messy, ambiguous, and mutually intertwined concepts. This brings us to a related future research direction: unearthing the multi-level complexity of cultural encounters, including cultural change, in times of acquisitions.

Table 10.1 Synthesis of the levels of analysis in the study of cultural challenges in acquisitions

<i>Theme studied</i>	<i>Cultural distance and fit</i>	<i>Cultural change</i>	<i>Impact and management of national cultures</i>
<i>Level of analysis</i>	Organizational culture National culture Organizational and national culture	Organizational culture Subcultures, organizational, national, and industrial culture	National culture
<i>Research paradigm</i>	Realist	Largely realist with some interpretive research	Realist

Third, the bulk of research on the cultural dynamics in acquisitions is ontologically positioned toward realism and an objective epistemology, coupled with a pragmatic touch (see Table 10.1). The realist ontology is observable in the assumptions that cultural distance, cultural change, and national culture can be ‘managed’. While bearing practical relevance, such a perspective offers a mechanistic, linear, one-sided, and simplistic perspective to culture. This one-sided emphasis is mirrored in the literature not questioning the assumption of ‘culture’ as a monolith that an organization ‘has’, instead of seeing culture as something the organization ‘is’, ‘lives’, ‘breathes’, and is continually created. As another example, rather simplistic conceptualizations of organizational and national cultural distance and their dimensions are in use (cf. Shenkar, 2001). As regards national culture, the field’s weakness as with other cross-border studies in the international management and strategy literatures is its over-reliance on existing frameworks of national culture, such as Hofstede’s (1980) or House, Hanges, Javidan, Dorfman, and Gupta’s (2004). The field takes national cultures and its particular dimensions for granted (for a critique, see McSweeney, 2002). The same holds for the way that organizational culture is conceptualized. We argue that research on the national and organizational culture dimensions affecting domestic and CBA is needed. Further, as the majority of the research adopts objectively measurable dimensions of culture, subjective approaches to culture considering values, experience, awareness, perceptions, or tensions and ambiguity are needed, as are more fine-grained, interpretive, and critical studies.

Fourth, in contrast to the lively body of work on the culture performance relationship, less attention has been placed on appreciating cultural change. This inquiry began in the 1980s–1990s. Thereafter, work on cultural dynamics in domestic acquisitions has been less vocal. This begs the question: has everything been found? Likewise, whereas studies on the cultural encounter in CBA exist, this stream is dwarfed by its importance and relevance. As a result, our understanding of the fine-tuned ways of how organizational and national cultures intertwine amid post-acquisition cultural change remains scarce. Further, work on cultural change views the latter in relative isolation from other changes occurring following acquisitions (e.g., integration, change processes, or identification). Critically speaking, the study of post-acquisition cultural change is amiss from mainstream top-tier academic journals. Going forward, there are opportunities to further our understanding of acquisitions through more in-depth qualitative ethnographic studies, large-scale interview studies, action research, or longitudinal, mixed-methods studies (Cartwright, Teerikangas, Rouzies, & Wilson-Evered, 2012). Clearly, there is a need for ethnographers and action researchers to study 21st-century CBA.

Future research directions

Our literature review incites us to highlight neglected questions, or gaps in our understanding of the cultural dynamics in acquisitions. To begin

with, the field treats mergers and acquisitions as equal, inferring conceptual similarity and transferability of findings. Culturally speaking, the merger of two organizations represents a challenge different to that of acquiring another organization. We ask, what are the differences in the cultural encounter between these phenomena? Is it time to unveil their 'cultural' differences instead of assuming similarity?

Further, there is need to account for the cultural plurality organizations. The bulk of the research considers an acquisition to occur between two organizational culture monoliths. Yet, given that multinational firms have grown via acquisitions, they likely bear a plethora of organizational subcultures (Barkema & Schijven, 2008; Teerikangas, 2006, 2012). Acquisitions undertaken by such giants are likely to portray messier cultural dynamics than a monolithic assumption of organizational culture prevailing in current research assumes.

Another research gap relates to considering that cultural encounters are 'uniform' across the organization. It is often assumed that cultural reactions of employees are consistent across business units, departments, services, countries, etc., but there are chances that it is not true. Cultural issues and their management are likely to vary per degree of integration, per unit, per team, and per employee. Exploration in this direction is worthwhile. For example, at a sub-organizational level, are experiences of cultural distance, cultural shock, and cultural change similar across sites, functions, departments, or professions?

Further, research on the cultural dynamics in acquisitions largely entertains a within-stream and within-sub-literature debate. Whereas practitioners need to simultaneously deal with financial, strategic, cultural, and managerial issues in acquisitions, academics have the luxury of choosing our scope of work to focus on a particular lens. By so doing, we risk losing overall perspective. Future research on the cultural dynamics in acquisitions deserves to be linked to findings from other disciplines and also to those from other research streams on acquisitions (e.g., finance, strategy, integration, identity, or performance). This will enable a more holistic understanding of acquisitions and the role of culture therein.

As one example, research on cultural change in acquisitions research could connect with research on cultural change and change management in organizational and social sciences. Presently, Kurt Lewin's model of planned change is used as the theoretical backing of stage-based models of cultural change in acquisitions. Meanwhile, this model has been critiqued for its assumptions of linearity and manageability toward a seemingly stable state (Burnes, 1996; By, 2005) that may be less relevant to a 21st-century context (Tsoukas & Chia, 2002). We argue that the messy, turbulent facets of change that represent the contexts within which contemporary acquisitions are undertaken, deserve attention.

Another example relates to connecting research on cultural change with research on sociocultural integration. The concept of sociocultural integration (Birkinshaw, Bresman, & Håkansson, 2000; Stahl & Voigt, 2008) represents the human side of integration including employee motivation,

cultural change, and identity formation. Findings from studies on socio-cultural integration are not too different from those regarding cultural change (Harikkala-Lahinen et al., 2018 Łupina-Wegener, Schneider, & Van Dick, 2011; Rottig, Schappert, & Starkman, 2017). Going forward, there is potential for construct clarity between the concepts of cultural change, cultural integration, and sociocultural integration (Teerikangas, Rouzies, & Colman, 2015). While they all relate to post-acquisition cultural integration, there is deviation as regards the extent other concepts such as employee reactions, integration, and identity are included or considered as neighboring concepts. Further, these studies differ with respect to the levels of culture included.

Conclusion

Our reflection leads to the broader question on the interconnectedness between the various change processes taking place during acquisitions (e.g., operational, structural, cultural, sociocultural, identification). As illustrated in the integrative framework on post-acquisition integration by Teerikangas (2006, 2012), these are related, and together shape integration progress and outcomes (Teerikangas & Thanos, 2017). Therefore, studying any single process on its own bears the limitation of providing a reductionist perspective. Cultural change is shaped by post-acquisition integration, while it is also shaped by the involved organizations' cultural regimes and employee agency.

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