Editorial: Understanding the organizational implications of industrial restructuring

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Researchers are kindly asked to use the official publication in references.
Our perception of the need for a special issue of Nordic research on the organizational implications of industrial restructuring emerged both from personal experiences and discussions with a number of distinguished scholars and friends. It seemed to us that there is a true need for conscious attempts to try to map out and understand the complex organizational implications of various kinds of industrial restructurings from innovative perspectives. We later decided to focus specifically on mergers and acquisitions. These are phenomena that have become the symbols of the dramatic changes that nation states, industries, organizations, and individuals are now going through.

In recent decades, we have witnessed an unprecedented wave of mergers and acquisitions combining companies – often competitors – in the same or related industries. This has resulted in integration processes that reshape the organizations and the lives of the people involved, both those who have stayed and been forced to leave, in dramatic ways. The size and scope of these restructurings has also increased; most of the mega-mergers have taken place during the last five years. We have also seen a growing number of cross-border mergers and acquisitions that have brought together companies from different countries and produced, for example, Scandinavian, Nordic, pan-European and global corporations. This, in turn, creates new types of cultural and identity-related questions. The pace of these arrangements has also increased; new mergers and acquisitions are often announced while the integration challenges of the previous cases are still being coped with. Because of the continuous selling and re-selling of organizations and organizational units, we have also seen that structures are becoming increasingly of the ‘cut-and-paste’ type and temporary.

Organization scholars have traditionally examined mergers and acquisitions from a managerialist perspective. This has meant a focus on the strategies and decision-making processes of the individual companies merging, acquiring or forming different types of alliances, and on the performance effects of these manoeuvres. Consequently, there is a substantial amount of literature focusing on the decision-making processes leading to these arrangements and on the challenges encountered by corporate decision-makers when integrating organizations and managing co-operation between groups of people (e.g. Haspeslagh and Jemison, 1991).

The managerialist orientation has, however, also prevented researchers and practitioners from
fully understanding the complex organizational implications of such restructurings. First, the (naturalized) managerialist perspective has led to a lack of appreciation of alternative perspectives or voices. For example, the concerns and reactions of the personnel have been most often seen as ‘resistance’, the overcoming of which has been institutionalized as a key (managerial) implementation challenge. Second, the managerial view has also been portrayed in an overly simplistic way. This has been shown in a lack of understanding for how the decision-makers and managers themselves are often divided, how their actions form an inherent part of the power games and internal politics of mergers and acquisitions, and how they experience the same kinds of cultural and identity-related problems as the employees. It is not far fetched to say that the deep-rooted managerialism has overshadowed a ‘true’ managerial challenge – coping with the schizophrenic situation of being simultaneously a change agent and change object. Third, the idea of control associated with managerialism has apparently also led to a significant inability to dedicate sufficient attention to the unpredictable and unintended implications of these restructurings.

Consequently, this special issue aims at voicing research that challenges the purely managerialist accounts of mergers and acquisitions and their complex organizational implications. It is our intention to search for more pluralistic and critical understanding in a field dominated by overly simplistic views concerning the role and power of managers. Erik Durschmied’s (1999: xv) insightful take on management and leadership in war and battle – the etymological origin of strategy studies – serves as a useful (analogical) kick-off for our endeavour:

Some chroniclers wish us to believe that battles are won by valour and brilliance of war lords, on whom they bestow the accolade of ‘genius’ when they are triumphant. They record the victor as brilliant and the loser as not. And yet, there is no secret formula to the victorious outcome of a battle – except that much depends on who commits the bigger blunder. Or, to put no finger point on it, many battles have been decided by the caprice of weather, bad (or good) intelligence, unexpected heroism or individual incompetence – in other words, the unpredictable. In military terms, this phenomenon is known as: The Hinge Factor.

**CHALLENGING THE DOMINANT**

There are several possible and substantiated ways to challenge the dominant managerialist
approach to the study of industrial restructuring in general and mergers and acquisitions in particular. In many ways, studies adopting a human resource perspective have already provided a contrast to the more strategically oriented analyses. Although most of the studies falling into the HRM tradition probably suffer from the managerial tendencies described above, many analyses have helped us to better understand and advance the human concerns in these problematic change processes (e.g. Buono and Bowditch, 1989; Schweiger and DeNisi, 1991).

For our special issue, studies adopting cultural perspectives have been particularly important. Although many of these studies can be criticized from essentialist perspectives, they have helped us to see the complexities surrounding acculturation and identification processes in the merger context (e.g. Nahavandi and Malekzadeh, 1988). Especially the specific issues pertaining to international mergers and acquisitions have been highlighted in this literature (e.g. Olie, 1994). Particularly noteworthy – and not only from a Nordic perspective – have been those analyses that have tried to highlight the constructed natures of cultures and the complexities and ambiguities in identity building (e.g. Kleppestø, 1983; Gertsen, Søderberg and Torp, 1998). Related to socio-cultural topics, researchers have also examined mergers and acquisitions from, for example, the perspective of organizational justice (Meyer, 2001; Very et al, 1997), ambiguity (Risberg, 1999), organizational politics (Vaara, 2001), and gender (Tienari, 2000). These studies have on their part broadened the horizon in terms of understanding culture- and identity-related phenomena receiving little attention in the mainstream literature.

Furthermore, some organization and management scholars have also been interested in the wider societal preconditions and consequences of mergers and acquisitions. For instance, Davis and Stout (1992) and Thornton (1995) have considered acquisitions as examples of social movements and fashions, rather than predominantly well-planned moves by rational actors. There is also an emerging interest in the discursive elements of mergers and acquisitions. For example, Hirsch (1986) has examined the metaphors and vocabularies of hostile takeovers, Schneider and Dunbar (1992) presented a psychoanalytic reading of texts in hostile takeover events, Vaara (2002) examined the discursive construction of success and failure in decision-makers’ accounts of mergers and acquisitions, Vaara and Tienari (2002) studied the discursive justification, legitimization and naturalization of mergers and acquisitions, and Hellgren et al. (2002) analyzed how the media constructs and reconstructs specific issues in the merger context through
interpretations of ‘winning’ and ‘losing’.

In spite of – or better, because of these studies – there is a need to go further in analyzing the complex organizational consequences of mergers and acquisitions. Especially questions concerning culture and identity and their relationships with various types of discourse require special attention. This is what this special issue is all about.

CONTRIBUTIONS IN THE SPECIAL ISSUE

This special issue brings together four contributions. In the first article, Jan Löwstedt, Annika Schilling, Marie Tomicic and Andreas Werr offer a process perspective on post-merger integration. Based on a longitudinal study of a merger between two consulting companies, they suggest that the management of differences plays an important role in shaping post-merger integration processes. Löwstedt et al. argue that these processes need to be understood as an emerging interplay between their internal dynamics as well as the external dynamics of the economic and ideational environment of the merger. Löwstedt et al. outline four post-merger phases and suggest four different ways of managing differences. The interplay between the integration process, the ideational context and the economic environment explain the transition from one phase to another. This suggests that post-merger integration processes in professional service firms such as consultancies are highly context-sensitive.

In the second article, Eero Vaara, Janne Tienari and Ingmar Björkman pick up on the theme of differences, albeit in a different form. Vaara et al. outline a sensemaking perspective on knowledge transfer around ‘best practices’ in a merging multinational organization. Based on a study of Nordea, a financial services group created through a series of Nordic cross-border mergers and acquisitions, they identify four specific sensemaking processes around the transfer of best practices: identification, evaluation, (re)contextualization, and (re)configuration. The major point of their analysis is that these sensemaking processes are socio-political in nature. Furthermore, they argue that uncovering the socio-political aspects helps us to understand the often-encountered problems and disappointments in post-merger knowledge transfer. In brief, they thus help us to see what kinds of socio-political and other complexities even the most ‘rationalistic’ integration tools bring with them.
The third article in the special issue moves from differences to ambiguity. Annette Risberg takes a critical perspective on the dominant view according to which post-acquisition integration should lead to standardisation and homogenisation. She bases this criticism on a study of two foreign acquisitions made by the Finnish Kone Cranes. Risberg maintains that the homogeneous view of cultures and organisations that the popular and academic management writings endorse – with an ideal of control and success – hinders managers from running acquisitions successfully, rather than vice versa. According to Risberg, ambiguity, multiplicity and variety should be embraced rather than silenced. She provides us with a ‘multiple realities approach’ to acquisitions, which is sensitive to plurality in studying actors’ accounts.

In the fourth article, Wihelm Barner-Rasmussen, Mia Örndahl and Marjana Johansson tackle integration, identities and discourse. They present a case study of a multinational corporation in the aftermath of radical restructuring. Barner-Rasmussen et al. explore organizational identity construction processes with a particular focus on the role(s) played by top management. They apply a translation perspective to identity construction. Their argument is that narratives of identity construction processes rely on two competing discourses – a rationalistic one focusing on corporate integration, and an emotionally colored one using nostalgia to resist and cope with the consequences of restructuring. Their findings correspond to those of others (e.g. Palmer and Dunford, 2002), according to which differing discourses co-exist in creative tension in organizational contexts, and people find ways to manage differing discursive logics which confront them on a day-to-day basis. The work by Barner-Rasmussen et al. shows that top managers are not free of discursive tension. The study illuminates the challenges facing conscious attempts to ‘engineer’ organizational identity, especially in a large, complex, geographically and culturally dispersed organization.

In all, the four articles implement different theoretical lenses and focus on specific questions in post-merger and post-acquisition organizational integration. However, they all share a questioning or critical stance to the dominant tendencies. They also bring up the unpredictable, the unintended and the surprising – The Hinge Factor often forgotten in the mainstream literature. Rather than reflecting an anti-management stance, the articles also point to concrete questions related to socio-cultural integration that organizational decision-makers should take very seriously. In a sense, these ideas can be seen as alarm signals waking up organizational decision-
makers who might often have false impressions concerning the nature, content and scope of post-merger or post-acquisition organizational change processes.

In the book review section of this special issue, Bo Hellgren and Svante Schriber present an overview of doctoral dissertations written in Sweden, Finland, Denmark and Norway in the context of mergers and acquisitions. Their focus is on studies carried out in departments of Business Administration in Nordic universities in the period 1990–1999. Hellgren and Schriber’s message is encouraging. They point out that much of the work reviewed questions the rationalistic (or managerialist) school of research, and introduce perspectives rooted in other epistemologies. This special issue thereby joins in what can be broadly termed as the ‘Nordic tradition.’ Some of the pieces listed by Hellgren and Schriber have been truly pioneering in nature, such as the dissertation by Stein Kleppestø (1993), which was one of the first analyses to employ an explicitly social constructionist perspective on post-merger cultural change.

THE WAY FORWARD?

In many ways, the articles in this special issue can be seen as openings that are needed to provide a counter-weight to the dominant managerialist tradition in research in this area. In all, they do not delineate one clear-cut research approach but rather provide examples and point to different theoretical perspectives that can be implemented when proceeding with studies on the organizational implications of industrial restructuring in general or mergers and acquisitions in particular. This type of pluralistic future is something that is easy to embrace.

However, these contributions also raise expectations concerning even more pronounced critical perspectives on industrial restructuring. In fact, it seems clear to us that there is a growing need to develop more explicit critical ideas (drawing from various traditions of social and organizational analysis) and to outline epistemological-methodological frameworks for future empirical studies. This is the challenge for the future.

Finally, it is interesting and important to pay attention to the Nordic dimension here. The article by Löwstedt et al., briefly introduced above, has been compiled on the basis of a study that is part of the Mergers@Work research programme. This programme comprises senior researchers and Ph.D- students in the Stockholm School of Economics and Linköping University. The article by
Vaara et al., in turn, is part of a pan-Nordic research project focusing on the socio-cultural aspects of the making of Nordea. Both research endeavours are taking seriously the need to continue to question the dominant perspectives on mergers and acquisitions. There are other similar research efforts underway in the Nordic countries. Taking into consideration the nature of the Nordic dissertations, as reviewed by Hellgren and Schriber, we can thus see an emerging Nordic tradition that seems in many ways capable of providing an alternative to the mainstream (often US driven) literature.

NOTE

1 ‘Managerialism’ is here seen as an ideology according to which enhancing organizational performance – usually defined by relatively short-term financial measures - is the primary objective of management. This is achieved by exercising managerial control through different types of processes and practices. Deviant views and behavior not aligned with objectives defined and set by management are often seen as ‘organizational resistance’. Success and failure are attributed to managers’ actions, while other explanations are less central in this kind of thinking.

REFERENCES


