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**Introduction to the Special Issue. 'Connectivity' in Merging
Organizations: Beyond Traditional Cultural Perspectives**

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Abstract

This editorial provides an introduction to the themes of this special issue on ‘connectivity’ in merging organizations. The growing impact of mergers and acquisitions on organizations, industries and economies has generated substantial research interest in the ensuing change processes from strategic, human resource and cultural perspectives. However, this research has focused on certain perspectives and failed to interrogate others. In the case of the cultural perspective, researchers have tended to focus on cultural differences between merging firms and how these differences may be bridged. This focus has provided important insights into the dynamics of these processes, but at the same time has constrained our appreciation of the richness of connectivity between organizations and their contexts as well as clouded our efforts in developing new concepts and angles for research. Through the focus of the special issue on connectivity, the strengths and limitations of the cultural paradigm in M&A research will be debated and a research agenda for the future suggested.

Keywords: merger, acquisition, integration, culture, connectivity

In recent decades we have witnessed an unprecedented wave of mergers and acquisitions (M&As) in the same or related industries. These arrangements have profound effects on the organizations in question and also on industries, economic sectors and even national economies. When it comes to contemporary M&As, five trends deserve special attention. First, in response to widespread deregulation, privatization of industries and the opening up of economies to foreign ownership, the M&A frenzy is touching all parts of the world, every industry, the private as well as the public sector. This has led managers engaged in M&As to apply the experiences gathered and practices developed in specific contexts to new ones, with mixed results. Second, the scope of these arrangements has increased dramatically, involving larger-scale and longer-term change processes than we are used to. Third, the pace of M&A activity has accelerated so that mergers and acquisitions are expected to be integrated faster than ever before and new mergers and acquisitions are announced while the organizations are still going through previous integration processes. Fourth, contemporary M&As are predominantly about realizing synergy and achieving rationalizations. These actions often result in difficult integration processes

characterized by conflicts of interest, organizational resistance and various kinds of power play. Fifth, we are witnessing unparalleled levels of cross-border deals which, through differences in geography and culture, imply specific kinds of challenge with identity and language. These five trends add greatly to the complexity of merging organizations and imply specific problems for ensuing integration processes. For researchers, the challenge presented by these trends is to ensure that our theories and concepts are able to capture the increasing complexity of post-M&A integration processes.

The analysis of M&As has spawned extensive literatures examining the ensuing processes from strategic, human resource and cultural perspectives. Strategic analyses have traditionally focused on issues such as how management can create value by bringing about potential synergistic benefits (e.g. Larsson and Finkelstein 1999) or transferring knowledge or capabilities from one organization to another (e.g. Haspeslagh and Jemison 1991). A central theme in this stream of research has been that managers should strive for such benefits by carefully examining the opportunities provided and then taking into account the obstacles to integration.

Other scholars have focused on the 'human side' of M&As (e.g. Buono and Bowditch 1989; Schweiger and DeNisi 1991; Cartwright and Cooper 1993). These studies have been motivated by a general interest in the social consequences of mergers and acquisitions. Accordingly, the analyses have paid particular attention to the socio-psychological factors of uncertainty, anxiety and stress that people involved in post-merger or post-acquisition change processes experience. Often, these analyses have been instrumental in terms of helping to better understand the causes and consequences of 'organizational resistance' in integration processes. However, sometimes these studies have also involved more critical stances.

When organizational students discovered 'culture', as a convenient metaphor for the analysis of various types of organizational phenomena, researchers also started to apply this perspective to the M&A context. Essentially this has meant the elaboration of the argument that cultural differences — however they are defined — are major causes of problems in post-merger or post-acquisition integration processes. This has included case analyses of cultural clashes (e.g. Buono and Bowditch 1985), studies focusing on the impact of cultural differences on post-merger or post-acquisition performance (e.g. Chatterjee et al. 1992), analyses of the dynamics of acculturation

processes (e.g. Nahavandi and Malekzadeh 1988), as well as studies focusing on the construction of various kinds of cultural conceptions (e.g. Vaara et al. 2003). In international settings, researchers have focused on national cultural differences (e.g. Olie 1994; Morosini et al. 1998) and studied the specific problems and challenges in cross-border cases from multiple viewpoints (e.g. Calori et al. 1994; Gertsen et al. 1998; Angwin 2001).

Challenges to the Traditional Cultural Perspective

In a sense, the cultural perspective has become the dominant paradigm in studies focusing on organizational issues in M&A integration. This is no wonder given the power of this perspective to explain why it is often so difficult to connect organizations with different and conflicting values, beliefs and practices. If the merging cultures are embedded in different national contexts, this may be particularly cumbersome, as there are additional observable levels of cultural complexity over domestic M&A. The cultural perspective can also help us understand how conflicts emerge as interests are often culturally constructed. The most obvious power plays are also frequently linked with cultural confrontation. A further reason to examine issues from a cultural viewpoint is that knowledge of specific cultures seems to be a prerequisite for the successful management of post-merger or post-acquisition processes. In turn, a successful creation of a new post-merger or post-acquisition culture can help to create joint commitment, alleviate potential conflicts and create value for the firm. The list could be longer.

At the same time, it seems that 'culture' has become a broad umbrella encompassing beliefs, norms, values, cognitions, emotions, practices, rules or routines, often without clear specification. This presents a problem when trying to go further in any analyses related to culture: its all-embracing nature and poor definition lead to obfuscation. Also, the cultural perspective has sustained a focus on specific merger or acquisition events or processes and partly prevented researchers from exploring the broader organizational implications of mergers and acquisitions. In particular, there is little understanding of how continuous restructurings have become an institutionalized part of contemporary organizations; of the dynamics of constant organizational boundary-drawing processes in the midst of industrial restructuring; and of the characteristics of 'cut-and-paste' organizations created by series of mergers and acquisitions.

In addition, it appears that researchers in this area have not been as receptive to new developments in cultural theories as they might have been. This has had the consequence that many of the insights that might help to shed more light on M&A dynamics have been lost. At the same time, the ability of M&A researchers to contribute to wider theoretical discussions in organization studies has been hampered. Moreover, it seems that the cultural perspective has become an overall explanation to which it is far too easy to return when trying to understand post-merger problems, difficulties and failures (e.g. Vaara 2002). Here, we researchers appear to be as guilty as the managers or the media.

In this sense, we have reached some kind of a turning point. Instead of trying to explain connectivity difficulties by simple ‘cultural differences’, we should acknowledge the limits of the traditional approach. We either have to dig deeper into cultural problematics to make progress with key issues in this field or search for new concepts and angles. This is what this special issue is all about.

Connectivity in Cultural Studies

To be able to go beyond the traditional cultural perspective, we have called for new kinds of approaches to M&A studies. In particular, we argue that there is a need to connect specific M&A processes and practices with the other processes taking place within the merging units and in their environment. Here, ‘connectivity’ can be understood as a metaphor that highlights the complexities, interconnected processes and synchronized activities in organizations and their contexts. We can conceive of dyadic connections between the merging firms at sub-organizational and organizational levels as well as between different social actors. Outside the organizations, connectivity issues arise horizontally at different points along supply chains and vertically between various types of stakeholder. Connections such as these can also span the organizational boundary and operate across multiple levels of analysis in linking the macro with the micro. These connections are embedded spatially within local, regional and national geographies and temporally in a process or series of processes. A focus on ‘connectivity’ can thus bring to the fore such linkages, interdependencies, coordination questions and power implications that easily pass unnoticed when examining ‘isolated’ M&A projects.

At the same time, ‘connectivity’ serves as a metaphor emphasizing the need to

establish linkages between theoretical perspectives to overcome the limitations of the prevailing cultural paradigm. On the one hand, it is important to make sure that cultural M&A analyses are linked with broader cultural and organizational theories. Ideally, this means that M&A scholars are receptive to new theoretical ideas and that M&A analyses contribute not only to this specific area but also to broader theoretical discussions. On the other hand, there is a need to look at various ‘cultural’ issues from new angles. Clearly, there are limits to the insights that can be gained from traditional conceptions of culture and acculturation in this context.

We attracted thirty-two submissions spanning a wide range of topics and theoretical orientations for this special issue. Most papers focused on the dyadic interaction between two firms attempting to bridge differences by examining issues such as the transfer of experience and knowledge, differences in meanings and interpretations ascribed to integration, variances in attitudes between firms’ employees, and differences in national cultural characteristics. Other papers took a broader view on integration and examined how the specific organizations in question are embedded in a wider set of commercial, institutional and political relationships. These papers examined how relationships with suppliers and customers were disturbed, how professional networks were interrupted and reformed, and how national governments influenced cross- border integration processes. Still others focused explicitly on re-connecting the merger process by linking key pre- and post-acquisition variables to create new acquisition integration typologies or by examining successive mergers as a series of connected events.

The Papers

The papers we have chosen to include in this special issue, perhaps not surprisingly, mirror a wide array of theoretical and empirical perspectives. Papers range from the knowledge-based view of the firm to Foucauldian perspectives on normalization and truth. There is also a range of method- ologies in use. Nevertheless, all the articles share two pivotal characteristics. First, they provide new kinds of angles on cultural issues. They are thus primary examples of attempts to go beyond the traditional cultural perspective on post-merger or post-acquisition integration. Second, they are all based on long-term empirical research efforts. Such empirically grounded analyses are still rare in the field, and we are fortunate to be able to include these papers in this special issue.

Louis Hébert, Philippe Very and Paul Beamish (Hébert et al. 2005) explore the question of the transfer of experience-based knowledge from the parent to cross-border acquisitions in Japanese multinational companies. This knowledge-based perspective of the firm views the ability to transfer knowledge as a key competitive advantage. They test a number of hypotheses concerning the impact of transferring experience on performance. Interestingly, while some of the hypotheses are not supported, a closer look at the processes reveal that specific kinds of cultural experience tend to improve performance while other kinds of experience do not. This can be interpreted as a reflection of the complexities of the processes of learning in the M&A context as well as an indication that new approaches are needed to address these issues.

David Schweiger and Philip Goulet (Schweiger and Goulet 2005) then provide a rare field experiment concerning cultural learning in the post-merger integration context. Through a longitudinal observation of three matched pairs of six manufacturing plants in North America, they test whether 'deep-level' cultural learning can be a key intervention to bridge cultural distance. Through a rigorous analysis, they show how 'deeper-level' cultural learning efforts tend to produce better results than more superficial approaches. It is striking to see how these cultural learning efforts impact on post-acquisition motivation and other measures. Even though one should be careful about generalizations, this analysis illustrates that investing in post-acquisition cultural management may pay off.

Jisun Yu, Rhonda Engleman and Andrew Van de Ven (Yu et al. 2005) focus on decision-making in a major hospital restructuring in the US. Their study is a unique longitudinal analysis, spanning eight years, focusing on senior managers' attention and sensemaking processes. They show first that many kinds of issues occupy top decision-makers in a post-merger context, leading to a lack of attention paid to some of the core questions such as patient care in this case. They also describe how decision-makers tend to make sense of specific issues in different ways that can lead to vicious circles when it comes to dealing with and solving specifically important questions in the post-merger context. This can be seen as an indication that decision-makers are easily stuck with their particular cultural sensemaking frames, which tends to create particular challenges in post-merger integration. This analysis raises questions for future research, especially when it comes to linking culture-bound

sensemaking processes with decision making.

Finally, Sally Riad (2005) takes a different kind of view on culture. On the basis of an ethnographic study in a public sector merger in New Zealand, she illustrates how 'culture' can be seen as a discourse and rhetorical tool. Using Foucauldian perspectives on normalization and truth, we see a departure from cultural learning in the sense of Schweiger and Goulet, or sensemaking differences rooted in different cultures, towards viewing cultural rhetoric as part of the politics of post-merger decision-making. She shows how the use of cultural discourse tends to focus attention on specific issues while others are marginalized and how specific rhetorical skills in this context empower particular actors but not others. This is a new avenue in research that also makes us researchers consider the impact of our own theorizing and involvement in merger or acquisition processes.

Our special issue also includes three book reviews that provide an overview of recent studies in this field. First, Neal Ashkanasy reviews Günter Stahl and Mark Mendenhall's edited volume, *Mergers and Acquisitions: Managing Culture and Human Resources*. This book is a wide collection of contributions by prominent scholars and also includes comments by executives with considerable M&A experience. The result is a rich overview of various perspectives on important cultural issues. However, not all cultural issues are covered. In fact, Ashkanasy calls for more attention on the 'affective' side as well as a more critical approach to cultural issues (à la Riad above).

Second, David Schweiger reviews a book edited by Amy Pablo and Mansour Javidan entitled *Mergers and Acquisitions: Creating Integrative Knowledge*. This volume arose out of a mini-conference hosted by the Strategic Management Society in Calgary, Canada, in 2002. The book contains a wide range of papers by academics and practitioners alike, focusing on strategic and organizational issues such as culture and human resources. Schweiger commends the blend of paradigms and methods evident in the book but suggests that it could have gone further by including and integrating a greater diversity of perspectives to allow a more sustained multidisciplinary research approach to M&A.

Third, Glenn Morgan reviews *Merging Across Borders: People, Cultures and Politics*, edited by Anne-Marie Sørderberg and Eero Vaara. This book, created from a

pan-Nordic research project, focuses on cultural and political issues in a pan-Nordic banking organization. The approach is from a 'sense-making perspective' and aims to reveal how the actors see themselves and their situation. A wide range of issues are covered within this overall perspective, some of which, such as the role of gender, have received very little research attention in the M&A domain. The approach towards culture is 'relational' and 'discursive' and thus very interesting. Perhaps, due to the scope of the book, there are omissions in terms of more structural analyses of differences, but it is a useful illustration of how the interpretive perspective can be used to illuminate M&A processes.

The Future

Together, the articles and the book reviews provide an array of viewpoints and insights that help us to go beyond the most traditional cultural perspective in the M&A field. Interestingly, they also show that important issues can be studied from multiple methodological perspectives, ranging from traditional statistical analyses to ethnographies and Foucauldian discourse analysis. In fact, it is precisely through the use of multiple and complementary methods that we seem to gain new ideas when it comes to understanding M&A processes.

These papers and book reviews also show that we need to search actively for, and develop new kinds of, focused approaches. In particular, they give rise to the following research avenues. First, going further with cognitive analyses seems a fruitful way to extend our understanding of cultural as well as other issues in M&A processes. The articles of Hébert, Very and Beamish on experience and Schweiger and Goulet on learning are not cognitive analyses per se, but they do pose interesting questions concerning cultural knowledge and the various complexities around learning. A cognitive frame can also help us to better understand post-merger decision-making. Yu, Engleman and Van de Ven provide an example of such an analysis in their study of attention and sensemaking, but there are naturally many other topics that could be examined in more detail with a cognitive lens. Second, apart from cognition, future studies could also take emotions seriously. To date, such analyses have, however, been lacking in the M&A context. As suggested by Ashkanasy in his book review, studies of the affective side could shed more light on acculturation and also help to better understand various kinds of reactions in the course of M&A processes.

Third, power is an issue that is also connected to culture, but which deserves attention in its own right. Unfortunately, studies of power and politics have been very rare in this field. Riad's analysis as well as the book by S oderberg and Vaara are examples of openings in this direction. Fourth, culture is inevitably linked with language. Riad's analysis is a prime example of a study that looks at culture from a discursive perspective. While her analysis focuses on the discourse of 'culture', there are obviously many other issues and discourses that merit specific attention in the M&A area.

Finally, the papers and the book reviews also indicate that we should go further with openly critical analyses of the causes and consequences of M&A processes. In fact, given the controversial effects of these processes for the organizations, people, societies and economies involved, such analyses are badly needed at this point in time. In principle, such critical analyses can be based on a wide selection of theories or methods as long as these help to uncover problematic aspects of M&A processes. However, there are also existing critical traditions in social studies in general and in organization studies in particular, such as specific kinds of discourse analysis, which can be applied effectively to the M&A context. By adopting and further developing these critical approaches and by conducting in-depth empirical analyses, M&A scholars can also contribute to the wider critically oriented discussions in organization studies.

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