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**Best practice is west practice?
A sensemaking perspective on knowledge transfer in a
merging organization**

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Abstract

We argue in this article that an ‘essentialist’ conception of knowledge has prevented both researchers and practitioners from understanding some of the fundamental reasons for the problems and disappointments often encountered in knowledge transfer processes in the context of mergers and acquisitions. As a step towards developing alternative approaches, we outline in this article a sensemaking perspective on the transfer of knowledge. We focus on a particularly revealing empirical case – the creation of the pan-Nordic financial services group called Nordea – to uncover sensemaking processes and patterns that are likely to characterize post-merger knowledge transfer. In our analysis, we identify four specific sensemaking processes around the transfer of ‘best practices’: identification, evaluation, (re)contextualization, and (re)configuration. We in particular highlight how these processes are characterized by inherent complexity, ambiguity and politics that are often bypassed in more ‘essentialist’ analyses.

Key words: knowledge, knowledge transfer, sensemaking, merger, acquisition, integration

INTRODUCTION

Mergers and acquisitions present a fruitful context for learning. It is therefore no wonder that ‘knowledge transfer’ has become one of the primary motives and justifications for contemporary merger or acquisition deals. At the same time, working on or managing knowledge transfer has grown into one of the key objectives and challenges of post-merger or post-acquisition integration (see e.g. Haspeslagh and Jemison, 1991). This post-merger knowledge transfer has, however, turned out to be far from unproblematic. A number of studies suggest that social and cultural embeddedness impedes effective transfer of knowledge (e.g. Ranft and Lord, 2002) and that people representing different organizations and units are not ‘committed’ but instead seem to resist such efforts (e.g. Empson, 2001).

We maintain that an ‘essentialist’ conception of knowledge dominates the literature on knowledge transfer in the merger context, and argue that this conception has prevented both researchers and practitioners from developing an understanding of some of the fundamental reasons for the problems and disappointments often encountered in knowledge transfer processes. We suggest that in order to uncover the complex socio-political aspects involved in knowledge transfer, it is necessary to adopt a social constructionist perspective on knowledge.

As a step in this direction, we outline in this article a sensemaking perspective on the transfer of knowledge. We focus on a particularly revealing empirical case to uncover sensemaking processes and patterns that are likely to characterize post-merger knowledge transfer. The case in point is the creation of the pan-Nordic financial services group Nordea through three consecutive cross-border mergers and acquisitions. Drawing on extensive interview and archival materials, we analyse corporate attempts to distinguish and make use of ‘best practices’ as a post-merger integration tool. In our analysis, we identify four specific sensemaking processes around the transfer of ‘best practices’: identification, evaluation, (re)contextualization, and (re)configuration. We argue that these sensemaking processes are characterized by inherent complexity, ambiguity and politics, and claim that uncovering these aspects helps us to understand the often-encountered problems and disappointments in post-merger knowledge transfer.

In the following, we first provide a brief overview of the existing literature on knowledge transfer and highlight the deficiencies caused by an ‘essentialist’ conception of knowledge. We then outline a sensemaking perspective that can be used to uncover important features of, and patterns in, knowledge transfer that have been bypassed in previous research. Subsequently, we use the Nordea case to illustrate key sensemaking processes that characterize post-merger knowledge transfer. We conclude the paper by arguing that there is a need for future research to dig deeper into the various aspects of these socio-political processes.

PRIOR RESEARCH ON KNOWLEDGE TRANSFER IN MERGERS AND ACQUISITIONS

Knowledge management and transfer have become increasingly popular perspectives

in organization and management literature during recent years (Winter, 1987; Nonaka, 1994; Grant, 1996). In this literature, competitive advantage is often determined by the firm's ability to sustain and develop its capabilities by learning from its operations and by absorbing knowledge that is external to the firm (cf. Cohen and Levinthal, 1990; Levitt and March, 1988). Correspondingly, it has been stressed that a key advantage of multinational corporations with operations in countries with different traditions, practices, and local partners is the diverse competence development that takes place in their geographically dispersed units. To exploit the advantages in diverse competence development, multinationals need to transfer and recombine knowledge across national borders and corporate units (Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 2000; Holm and Pedersen, 2000).

This research school has pointed to a number of complexities in processes of knowledge transfer. A central question has been the type of knowledge involved. In particular, research has shown that knowledge that is idiosyncratic, specific, tacit, and/or non-codified is difficult to transfer from one unit to another, due to the problem of separating such knowledge from its carrier and adding it to another actor's knowledge base (Hansen, 1999; Szulanski, 1996, 2000; Zander and Kogut, 1995). Also, the receiver's absorptive capacity (Minbaeva et al., forthcoming; Szulanski, 1996) has been found to influence inward utilization of knowledge from other parts of the multinational corporation. In general, the relationship between the sender(s) and receiver(s) is likely to be an important determinant of knowledge flows (Gupta and Govindarajan, 2000; Tsai and Ghoshal, 1998).

Against this background, it is no wonder that models have been created to facilitate and manage knowledge transfer, especially to make tacit knowledge explicit and to create organizational structures and processes to encourage and motivate knowledge transfer. One of the concepts that has received a significant amount of attention is the idea of 'best practices', which has become widely used in connection with organizational learning and specifically benchmarking in knowledge transfer. As the term indicates, it is about identifying and spreading proven (most) successful organizational solutions, internally or externally. Naturally, the search, identification and implementation of such practices is far from straightforward. It is, for example, limited by the 'external' (e.g. industry dynamics and customer acceptance) and

‘internal’ (e.g. the nature of industrial relations as well as specificities concerning technology use and production) contexts (e.g. Martin and Beaumont, 1998).

Not surprisingly, knowledge transfer has become a key motive and justification for various types of industrial and organizational restructuring. Mergers and acquisitions in particular have been motivated by the possibility to acquire new knowledge, which is subsequently transferred to and recombined in other parts of the new corporation (Haspeslagh and Jemison, 1991; Laamanen, 1997; Bresman, Birkinshaw and Nobel, 1999; Ranft and Lord, 2002). The potential benefits of securing access to knowledge around new technologies, concepts, products, and practices have been viewed as especially important motives for mergers and acquisitions in high tech industries (e.g. Ahuja and Katila, 2001; Ranft and Lord, 2002).

Consequently, knowledge transfer has grown into an increasingly important managerial objective in post-merger integration (e.g. Haspeslagh and Jemison, 1991). This has also meant that concepts and management tools such as ‘best practices’ have been developed and used extensively for various purposes. These tools have, on the one hand, been used to reap the specific benefits of complementary knowledge and learning. On the other, they have been used to integrate, standardize, and homogenize the operations and cultures of the merging organizations, with uniform operations, standardized practices, rationalization of operations, and a joint culture as underlying managerial goals.

Results and outcomes of these post-merger knowledge transfer processes have, however, frequently been disappointing. Analyses have pointed to the significant impediments created by the embedded nature of knowledge (e.g. Ranft and Lord, 2002). Studies have also often shown how people representing different organizations and units are not committed to such knowledge transfer but instead, for various reasons, seem to resist such projects (e.g. Empson, 2001).

The literature on knowledge transfer has been predominantly based on an ‘essentialist’ conception of knowledge. This is at odds with contemporary philosophical and sociological literature emphasizing the socially constructed nature of knowledge (e.g. Berger and Luckmann, 1966) and its linkages to identity and power (e.g. Foucault, 1979; Clegg, 1989). In the specific context of knowledge

transfer in mergers and acquisitions, this conception limits understanding of the nature and dynamics of these processes in three important respects. First, an essentialist understanding tends to play down the social and cultural embeddedness of knowledge. In brief, if and when 'knowledge' is objectified, it is disentangled and detached from its social and cultural context. This often means that many of the linkages to ideas, beliefs, values, cultures, and identities at group and organizational levels are ignored. In consequence, complexities and ambiguities surrounding knowledge are tuned down and the transfer is portrayed as an overly simplistic process. This often results in surprises for top decision makers in what seem like impediments to rational knowledge transfer (cf. Kostova, 1999; Andersson, Forsgren and Holm, 2002).

Second, and relatedly, an essentialist conception of knowledge is often closely associated with universalism and 'one-best-way-ism'. Especially concepts like 'best practices' tend to encourage people to look for universally applicable solutions. The problem is that organizations, however, due to their specific characteristics and contexts, are in many ways unique. It is therefore questionable whether the same practices overall 'create value' in different contexts (e.g. Beaumont and Martin, 1996). At worst, people may try to fit universalist solutions into places requiring significant sensitivity to local circumstances and cultural heritage.

Third, a conception of objectified and neutral knowledge also easily leads to an inability to understand the complex socio-political aspects involved in knowledge transfer. This is unfortunate, given the numerous observations that the people involved in knowledge transfer processes are not motivated, encouraged or committed to such endeavors (e.g. Szulanski, 1996; Empson, 2001). They can, in fact, express strong fears of contamination or exploitation (Empson, 2001). There is also evidence that 'best practices' create disciplinary frameworks that force people to comply in ways that have unpredictable consequences (cf. Martin and Beaumont, 1998). In order to better understand the reasons for such reactions, there is a need to move from a 'neutral' understanding of knowledge transfer to one which allows us to see connections between knowledge, identity, and power. As a step towards such an enhanced understanding, we will now outline a sensemaking perspective on knowledge transfer.

KNOWLEDGE TRANSFER AROUND 'BEST PRACTICES': A SENSEMAKING PERSPECTIVE

The concept of sensemaking focuses on the complex socio-psychological processes through which organizational actors interpret organizational phenomena and thus socially construct or enact their 'realities' (Weick, 1995). While four are different definitions of sensemaking – and ambiguity concerning what should be included under the broad umbrella of sensemaking – most researchers seem to agree upon three points. First, sensemaking is grounded in identity construction. This entails that when people make sense of different events, issues, questions, problems, opportunities, threats, challenges, processes, or practices, they do it by constructing meanings for themselves. As Frost and Morgan put it, when people make sense they “read into things the meanings they wish to see; they vest objects, utterances, actions and so forth subjective meaning which helps make their world intelligible for themselves” (1983: 207). Important here is that sensemaking and identity construction are intimately linked; identities provide frames for sensemaking, but the sensemaking processes and their outcomes also shape identities. Identities are, however, often complex, multiple, ambiguous, and even contradictory, which means that organizational sensemaking is usually far from being very clear-cut or simple.

Second, sensemaking is linked with action. According to many scholars (e.g. Weick, 1995; Gioia, Corley and Fabbri., 2002), most sensemaking is retrospective rather than prospective. This highlights the fact that the meaning or sense of specific phenomena usually becomes crystallized only *a posteriori*. In this article, we, however, focus on sensemaking-in-action. We are in particular concentrating on sensemaking as a part of organizational action in the different phases of knowledge transfer processes. Third, although sensemaking is essentially a socio-cognitive activity, it also involves emotional and political elements. These elements are obviously particularly important in contexts such as post-merger integration. Fourth, sensemaking is not only 'interpretation', but something that also 'enacts', 'creates' or 'constructs' organizational reality.

From a sensemaking perspective, emphasizing the continuous enactment of organizational reality, it is thus natural to explore the constructive and destructive processes involved in knowledge transfer. In brief, constructive processes, on which

most of the previous literature has focused, include the identification and recontextualization of specific practices (for an alternative conceptualization of stages in the process of knowledge transfer, see Szulanski, 2000). Of these, recontextualization has received the least attention in prior research. Yet recontextualization is not a straightforward process of implementing the same practice in another context but rather involves a significant amount of knowledge creation in order for ideas and routines developed in a specific context to be effectively used in another. Deconstructive processes are, in turn, processes where specific ideas, traditions and routines are replaced by new ones and thereby (at least seemingly) destroyed. The deconstructive side of knowledge transfer has often been neglected in earlier research. In our view, it is, however, crucial for understanding the emotional and political aspects of knowledge transfer processes.

To understand how different organizational actors make sense of these constructive and destructive aspects, it is important to examine the identity-related ‘lenses’ and differences between them. In a corporate context, we must first pay attention to the inherent differences between corporate and local perspectives. In brief, according to the corporate perspective, priority is the ‘corporate whole’. This means that one should basically promote any knowledge transfer that may foster learning and create synergy at the corporate level. In the case of best practices, one can and should through internal benchmarking identify, transfer, and adopt those practices that ‘best’ benefit the entire organization. This may in most simple cases be relatively straightforward, in the sense that specific practices are technologically more advanced, less time consuming, otherwise more effective, or simply result in better performance than others. As discussed above, however, this is often not the case. From a corporate perspective, nevertheless, integration, standardization and homogenization of processes and practices are also objectives *per se*. These may relate to a strong belief in the longer-term gains achieved by increased economies of scale or scope or benefits resulting from more effective coordination. On a more critical note, increasing control and power achieved by such processes may also be fundamental objectives *per se* for corporate managers. Consequently, concepts such as ‘best practice’ are an essential part of the disciplinary power imposed on members of corporate organizations (e.g. Martin and Beaumont, 1998).

From a local perspective, knowledge transfer may appear fundamentally different. It is important to understand that for a specific unit, for example, the replacement of a particular practice may also be destructive. This may weaken the ability to customize operations or to make use of specific local knowledge. Historical ties and connections may be violently dismantled. Considering emotional aspects on ‘best practices’, specific individuals and groups may have grown attached to particular ideas and values, simply favor these to other alternatives, and find it frustrating or frightening to start to adopt practices developed elsewhere (e.g. Empson, 2001). Problems related to ‘not invented here’ thinking are well known. Furthermore, from a political perspective, losing control of specific knowledge or practice may not be in the long-term interests of specific units in competition for internal resources, status, and even survival.

In the merger context, we must also emphasize the confrontation of the people representing previously separate organizations, different cultures, and social identities. In fact, in the merger context, these differences tend to be accentuated when people make sense of what they and the people on the side are like and what they represent. In international contexts, these sensemaking processes are likely to be especially significant due to the strength of national cultures and identities (see e.g. Vaara, 2000; Vaara, Tienari and Sääntti, 2003). This means that, for example, attachment to one’s own culture, ideas, and practices tends to be particularly strong in cross-border mergers. Furthermore, mergers are also often characterized by power plays and politicization of specific questions (see e.g. Vaara, 2001; Hellgren et al, 2002). Knowledge in general and ‘best practices’ in particular are also entangled in more general- level power games; choosing a practice identified with a specific unit or nationality may become a sign of their importance or even dominance. Choices may be made sense of through their anticipated future consequences.

In all, depending on the perspective taken, specific knowledge transfer projects may appear very different. Furthermore, the positions taken by different people may change over time, which adds to the complexity and ambiguity of knowledge transfer. To better understand these dynamics of the sensemaking processes, we now turn to our empirical case.

THE NORDEA GROUP: MAKING A ‘NORDIC’ ORGANIZATION

The Nordea Group is an especially interesting case for analyzing post-merger integration.¹ It is a forerunner case in the restructuring of the Nordic and European financial services industry. Because Nordea was created through three consecutive cross-border mergers and acquisitions involving a Swedish, Finnish, Danish, and Norwegian organization within a relatively brief time period (October 1997 – October 2000), it highlights the challenges related to post-merger integration in complex cultural settings. In this restructuring, the top management's overall intention has been to build one financial services group, rather than a union of national organizations. The case thus specifically helps us to understand the problems and challenges created by intentional corporate-driven integration projects. For a study on knowledge transfer, it is a particularly fruitful case as the concept of 'best practices' has been actively used at the different stages of building the organization.

In the merger of the Finnish Merita and the Swedish Nordbanken, announced in October 1997, 'best practices' was a key concept that was frequently used in the integration of the various parts of the organizations – both as a general model for decision-making and as a practical tool to implement changes in the organizations. The experiences were in many ways positive, although some people also grew critical towards the tendency of 'best practices' thinking to reproduce organizational and national confrontation. In the subsequent merger of Merita-Nordbanken and the Danish Unidan- mark, announced in March 2000, the concept of 'best practices' was also actively used. Because the integration now involved a considerably larger organization and three national sides, the application was less straightforward than in the preceding merger. It seems that the use of the concept of 'best practices' varied greatly in different parts of the organizations.

When the Norwegian Christiania Bank and Kreditkasse (CBK) were acquired in October 2000, the situation again shifted. On the one hand, it seems that benchmarking increased in a number of units along with incorporating the Norwegian organization. On the other hand, in many ways practices identified as 'best' in the previous mergers were transferred to Norway without an extensive new comparison. In the autumn of 2001, the corporate management in Nordea launched a campaign for a 'second wave of integration'. In part, this involved a search, identification and implementation of 'best practices' with standardization as a pronounced objective.

This endeavor focused especially on centralization and rationalization of back-office operations.

METHODOLOGY

Our empirical material was gathered in a research project involving a total of eight scholars from Finland, Sweden, Norway and Denmark.¹ A key part of this project was a round of interviews with the top decision-makers involved in the merger and acquisition processes in the formation of the Nordea Group. A total of 53 interviews were conducted in the latter part of 2001 and the beginning of 2002. The idea was to employ a ‘story telling approach’ with the use of a semi-structured interview guide. However, to ensure that the interviews focused on particular themes, specific questions related to, for example, knowledge transfer and ‘best practices’ were included in the agenda.

With four exceptions, the interviews were carried out by a researcher representing the same nationality as the interviewee, using a shared native tongue. In addition to this interview material, we also gathered extensive archival data on the Nordea case such as media material and internal documents.

For the purposes of the present article, we analyzed this material by focusing on the sensemaking processes and patterns surrounding what can broadly be termed knowledge transfer. This analysis was an inductive process where we developed ideas about the phases, patterns and dynamics of sensemaking as we dug deeper into the interview material. This eventually led us to distinguish different sensemaking processes around ‘best practices’: identification, evaluation, (re)contextualization, and (re)configuration. As the analysis proceeded, we gathered more material on specific cases of ‘best practice’ transfer to highlight our emerging points.

The extensive interview material allowed us to identify similarities and differences in the views and experiences of the people representing different organizations, units, functions, and nationalities. The fact that the interview material was produced using a ‘story telling’ approach also made the material more ‘authentic’ than would otherwise be the case. There are, however, three methodological points that should be noted. First, what we were essentially doing was seeking to understand sensemaking-in-

action through interviews which were predominantly retrospective. This meant that especially for the processes that had taken place some time ago, we were unavoidably dealing with retrospective constructions, which in the case of sensemaking analysis should be taken seriously. The other material gathered, however, helped us to deal with this challenge. Second, as interviewers, the members of the project group have taken part in constructing the interviewees' accounts. To overcome this problem, we have tried to engage in a very careful reading of the interview transcripts and discussed key issues with the other members of the project group. Third, all three authors of this article are Finnish. This may create a certain kind of 'bias' for our interpretations. However, discussing this analysis with the other members of the project group has arguably helped to balance our interpretations and conclusions. Furthermore, it should be emphasized that we are not in this article trying to create an 'objective' overview of the knowledge transfer activities at the case company but trying to reveal specifically important processes, phases and patterns.

MAKING SENSE OF 'BEST PRACTICES' IN NORDEA

In the following, we will analytically distinguish and discuss four key sensemaking processes that characterize knowledge transfer around 'best practices'. These processes are complex and interrelated. Their distinction is thus first and foremost an analytical effort. For the sake of clarity, we have attempted to sketch the ways in which these sensemaking processes relate to different 'stages' in a traditional conceptualization of knowledge transfer. The table below summarizes the main characteristics of these processes.

Table 1: Sensemaking processes in knowledge transfer around 'best practices'

Stage	Type of sensemaking	Object of sensemaking	Typical questions
Search for 'best practices'	Identification	Practice	What are the practices that can be transferred or replaced?
Selection of 'best practices'	Evaluation	'Best'	What are the pros and cons of specific practices? Which are the 'best' practices?

Implementation of 'best practices'	(Re)contextualization	Obstacles to knowledge transfer	What are the impediments to the implementation of practices from one context to another?
Evaluation of success/failure	(Re)configuration	New organizational praxis	What is the new organizational praxis like?

Identification

A key part of organizational sensemaking is the identification of potential 'best practices'. This is a process that involves focusing attention on specific practices, but also creative thinking when articulating and possibly codifying the knowledge around the practices in question. It should be noted that this process focuses both on those practices that are seen as relevant sources for learning and those that are possible targets for replacement.

From a corporate perspective, forcing or persuading people to look for and even compete in identifying potential 'best practices' fostered organizational learning. According to many key managers, the sheer reflection and discussion around different ways of doing things was valuable, even in cases that eventually did not lead to concrete implementation of specific practices. As a key Swedish member of the top management put it, describing the initial merger between Nordbanken (Sweden) and Merita (Finland):

The creation of so called best practices can partly be formalized by the corporate management by saying that this is the kind of behavior that we have come to – it is most effective or otherwise to be hoped for. But this can also happen informally by contacting each other across the border and asking “how do you do things over there?”. I remember that back in 1998–1999, when the MeritaNordbanken merger had taken place, the Finns responsible for the regional banks called their Swedish counterparts and said “listen, we want to have a look at how you do it over there,” and vice versa. So there are a great deal of spontaneous activities going on enhancing learning.

Later, as part of the 'second wave of integration' in Nordea, one of the key aims of

the corporate management was to foster learning by making people in different areas and units identify best practices on a continuous or ‘automatic’ basis. A key Danish manager summarized the corporate logic as follows: “I think that even the fact that people are inspired and irritated by others’ success is a good thing.”

However, this identification process was often quite different for those in the midst of integration decision-making. For people that had been socialized into a specific social, cultural and institutional system, it was often difficult to understand and appreciate the practices on the other side and their relations to the particular environment. The people were also often emotionally attached to the specific ideas and practices of their own side. Furthermore, the people involved tended to link the identification of potential best practices with political decisions concerning investments, resource allocations, responsibilities and positions. As a Finnish interviewee put it:

As to the best practices, in my view, you have to accept the fact that if one party is strong and another weak, it tends to be a law of nature that the practice of the stronger becomes the best practice.

In Nordea, the identification of potential best practices seems to have been clearly linked with perceptions of balance of power between the different organizational and national sides. Especially in settings where the people involved were confronted with potentially threatening future scenarios involving dominance by another party, nationalism appeared to emerge as a particularly important sensemaking frame. For example, in the Merita-Nordbanken, the Finns – frequently presenting themselves as ‘underdogs’ – tended to associate the identification of ‘best practices’ with the historical Little Brother – Big Brother relationship between Finns and Swedes (cf. Risberg, Tienari and Vaara, 2003). For example, the slogan “Best practices are West practices” was frequently reflected upon on the Finnish side in the merger between Merita and Nordbanken. In this context, the Finns frequently felt that the Swedes were strongly dominating the identification of best practices. The following exemplifies the Finnish attitude:

We had a board meeting of X company, and the chairman of the Swedish unit came. That man, who is no longer working for us, started by saying, “what we do in Sweden we are also planning to implement in Finland.”

Then the devil caught us (Finns), and we said nothing. He started a sentence seven times by saying, “what we do in Sweden we are also planning to implement in Finland.” Only after that did we feel pity for him and said that the law is different here, that is simply illegal here.

In turn, when Unidanmark joined in, many Swedes and Finns felt that Danish practices were pushed on, as the following comments illustrate: “*The Danes think that best practice means Danish practice. If it is not invented in Denmark, it cannot be good*” (a Finnish interviewee), and “*Instead of best practice it has become Danish practice in all areas. And it is clear that this creates conflicts*” (a Swedish interviewee).

Evaluation

Another key sensemaking process is the evaluation of alternative practices. From a corporate perspective, this evaluation can and should be based on concrete measures. A key top manager in Nordea explains the corporate logic:

It is the responsibility of each manager to look him/herself in the mirror and understand that there are four countries where more or less the same kinds of things are done in perhaps four different ways to see how much it costs in that country, how much it produces, what is the effectiveness, what is the bottom line. And when he/she looks and notices that one is two times more effective than the other, there is no need for additional benchmarking. Then he/she (the manager in charge) turns to the (country) manager who is responsible for managing the bad case and says OK, let’s look through this, what it is that they do to be twice as effective. It may be that there is a natural explanation in the market (the specific features of the country in question), but the burden of proof rests on the shoulders of the one responsible for the bad case.

However, in practice, according to many interviewees, clear and uncontested measures based on technological superiority, better organizational effectiveness or superior economic results were seldom available. It was rather a question of the corporate decision-makers or the managers responsible for specific business areas

making the choices based on their “gut feeling” or own “preferences”. While talking about the difficulties in making such decisions, many interviewees adopting a corporate perspective claimed that it was, in the end, better to make less than perfect decisions than to refrain from making decisions at all. According to the corporate logic, the other alternative would be no progress at all in terms of integration, harmonization, or standardization.

Nevertheless, people representing different sides had often fundamentally different views as to what was and should be seen as ‘best’. In particular, people tended to value things on their own side and be suspicious of the other. Furthermore, political aspects of sensemaking were accentuated in this process leading to the labeling of particular practices as ‘best’ and the stigmatization of others. In particular, best practices served as symbols of the balance of power in the sense that they were visible signs of superiority. In fact, even in situations of relatively insignificant operational importance, their symbolic value could be considerable.

It should be emphasized that evaluation leading to labeling and selection of specific best practices also tended to reinforce national confrontation. Overall, this made many of the top managers skeptical towards the applicability of the ‘best practice’ concept. The following comments illustrate this:

Myself, I banned using the concept. I thought that it was simply ridiculous. There are no best ways to operate that fit all circumstances in every way. First of all, who determines what the best practice is? Here, I noticed that it had great (implications). If you choose a Finnish or Swedish (practice), then you automatically say that the other is second best.

I have this basic thesis – and I often find myself in opposition (to others). If you say that we are choosing the best practice, it is like declaring an open war because after that everyone feels a great responsibility to prove that he/she (and the country in question) has the best practice.

To alleviate the problems of confrontation, several key decision makers called for open-mindedness in the identification and evaluation of best practices. As a key Finnish manager put it:

I have many times said that, of course, this so-called best practice means what is the best to be found in our house (Nordea). However, before adopting that, we should evaluate whether it still works (in different contexts), or should we search for an ‘excellent practice’ on a whole new basis and from a totally different environment than before.

Re)contextualization

The contextualization and recontextualization – often called translation or editing – of the practice to be ‘implemented’ is yet another sensemaking process in knowledge transfer. This (re)contextualization is essentially a local process of making sense of specific practices, closely connected with concrete implementation efforts. It is therefore not surprising that this sensemaking most often focuses on problems. Characteristic of (re)contextualization is that the people involved – both those pushing for and those initially resisting the transfer – discuss and debate the obstacles to implementation before, during and after concrete implementation efforts.

According to our interviews, it was often the case that the people discovered problems of implementation or understood its nature and scope only when starting the serious efforts to actually ‘implement’ the new practices in a new location. A Norwegian manager expressed typical frustration when trying to adopt specific practices developed in Merita-Nordbanken:

You can have really great distribution chains in Sweden or Finland, but they are impossible to implement in Norway because of a different kind of legislation. You can find good elements ... but you cannot implement the whole value chain.

The following is, in turn, a typical example of the complexities encountered in trying to change specific practices in wider-scale information technology systems:

I think that one thing that we could not properly assess was this best practice and its dependence on the environment. If you choose a Swedish practice in Finland, our system does not necessarily deal with that information, and vice versa. This has caused many situations where,

despite the fact that we are buying into (motivated to adopt) the practice, it is not the same in the technical sense, cannot be the same. So one can say that at this moment the computer center is operating pretty much as before.

However, apart from addressing ‘real’ obstacles to implementation, this (re)contextualization involved also emotional and political aspects. Apparently, it was most difficult when the transfer of practices was seen as imposing something that appeared ‘alien’ to the particular context. For example, in describing one of the first (ultimately successful) transfer projects involving the “Solo e-banking” practices developed in Finland, many Finns accused their Swedish counterparts of strange attitudes. A key Finnish manager explains:

In Finland we had this Solo (e-banking concept), and I remember telling them that this was a better practice, that we had used it for fifteen years without problems, that it is easy for the users, and that it is inexpensive for the bank. The answer (by the Swedes) was that we cannot move backwards ... Well, after a real fight we got it through there in six months. Now the market (the use of the concept) has risen to the same level as in Finland, and there are no problems. But the first reaction was, even after seeing the great advantages, that no way, it is going backwards.

It should be noted that obstacles such as cultural differences were also emphasized and put forth as justifications of what could then be termed resistance. For example, a Swedish interviewee explained the lack of success in implementing ‘best practices’ in back office operations as follows:

When we look at back office routines, we have different regulations in Sweden, Finland, Denmark and Norway. In this context, it is of no use to say, “hey, this is how they do it in Denmark”.

The interviewees could also refer to examples where particular managers had invented excuses for not being willing to implement the identified ‘best practices’. This had created frustration among those who were pushing for the implementation of specific practices (top managers) and those who felt that they had done their share in

such exchanges (managers in other countries).

(Re)configuration

Finally, knowledge transfer around ‘best practices’ involves the reconfiguration of the organizational praxis around the new practices. This creative process involving re-conceptualization and re-design of existing operations around the new practices is crucial in successful knowledge transfer. At best, the people in the organizations are able to take full advantage of the experience, concepts, technologies and ideas developed elsewhere. Ideally, such practices thus become internalized and normalized as part of everyday praxis in the organizations in question. In the Nordea case, for example, the transfer of the Solo e-banking concept developed in Merita (Finland), special mortgage and customer concepts of Nordbanken (Sweden), and the asset management practices of Unidanmark (Denmark) were seen as positive examples of the transfer.

However, the people involved could also frequently describe how it was difficult to abandon the old praxis due to the fact that the people involved had grown attached to specific practices and the associated traditions and values. The difficulties were accentuated if the changes did not seem to lead to concrete or speedy improvements in the local contexts but rather tended to interfere with smooth everyday operations. In such circumstances, the old praxis could actually survive despite the ‘official’ adoption of new best practices. If they did not seem to be investing in ‘active unlearning’ of old ideas, practices and habits, the people could also be blamed of ‘hypocrisy’ by others. For example, a Norwegian manager described his experiences when working with the Danes:

In many meetings we (Norwegians) presented the case as it was (having done what was required). What we started to wonder about was that Unidanmark (the Danes) had not become fully committed to Nordea. They have a double organization where they see it necessary. They say that they participate in the Nordic organization but that they still retain the national system if they need it.

What did seem to help in this reconfiguration was to link the ‘best practices’ with the

step-wise creation of truly Nordic organization structures and processes. This was actually a key goal in the ‘Second wave of integration’ in Nordea, launched in late 2001. A Danish top manager explained the supportive role of the Nordic organization structures:

If you have two organizations, the problems arise when you have to put the managers of these organizations together to decide upon things. This requires construction of joint ventures. This requires construction of projects. So there is the problem of motivating the people. But if you have two colleagues (within a Nordic organization structure), who work for the same organization goals and are compensated on the same basis, then the situation is the best possible.

It should also be noted that although specific practices had become essential parts of the new praxis in particular organizational units, these practices could still retain traces of ‘dominance’ in the sensemaking of the people involved. For example, the people could still associate specific practices with superiority of a certain nationality, making it hard for some to fully embrace the new praxis. In this sense, slogans like “Best practice is West practice” or “Best practice is Danish practice” continued to live in the sedimented organizational memory (see Cooper et al, 1996). What could alleviate such labels was the construction of pan-Nordic identity along with the pan-Nordic structures and processes. For instance, many interviewees pointed to the supportive role of a massive ‘Nordic ideas’ campaign, which promoted the view that all Nordic countries and the respective parts of Nordea have something distinctive to offer when constructing the Nordic whole.

CONCLUSION

A strategy of locating and transferring knowledge around ‘best practices’ can, at best, be an effective integration mechanism in merging multinational organizations. It focuses attention on concrete questions. Reflection around processes and practices can thereby become a key source of learning for the actors involved. This can also lead to innovations in terms of new ‘best’ ways of doing things. Experiences from mergers and acquisitions, however, tell a story of problems and disappointments. Knowledge transfer does not work out as planned by the merger strategists; people do not become

committed, and all kinds of socio-cultural obstacles complicate transfer of ‘best practices’ from one location to another.

In this article, we have suggested that a sensemaking perspective on ‘best practices’ helps to shed light on some of the aspects that have been hidden by an essentialist conception of knowledge dominating studies on knowledge transfer. We have identified four distinctive sensemaking processes – identification, evaluation, (re)contextualization, and (re)configuration – that can be seen as important parts of knowledge transfer around ‘best practices’. By distinguishing these processes we have in particular attempted to illustrate the complex socio-political elements involved in transferring knowledge in a multinational organization.

While there are several interesting and important aspects that deserve special attention in sensemaking processes, our analysis highlights three important points. First, it illustrates the *complexities* of knowledge transfer. By pointing out how sensemaking is continuous and showing how ‘official’ decisions or choices are merely a part of the sensemaking determining people’s attitudes and responses, we can comprehend how problematic it is to believe in overly rationalistic models of knowledge transfer in post-merger or other contexts.

Second, our analysis shows how knowledge transfer around best practices is characterized by *ambiguity*. There is often uncertainty, disagreement and confusion about the merits of different organizational practices. The perspective adopted by actors at corporate level is often inherently different from national or local views. In addition, as can be expected in merger settings, the views of the people representing different organizations and nationalities are often fundamentally different, even contradictory. This is the case as people – *including the top decision-makers* – have been socialized into specific social, cultural and institutional systems. Consequently, they have more intimate knowledge of, and become accustomed and attached to, specific practices, traditions, ways of operation, ideas and values, but not to others.

Third, the analysis demonstrates the ways in which knowledge transfer is inherently *political*. As knowledge transfer is part of integration decision-making in the case studied, involving questions concerning the future of specific organizations, units, groups and individuals, it is no wonder that the people involved tended to interpret

different propositions, questions, and problems in a political light. In most interesting instances, people could even link knowledge transfer to age-old national relationships. Such was the case, for example, when Finns linked Swedish suggestions with the historical colonial relationship between the two nations, and with Swedish dominance. It is noteworthy that by making explicit whose practice was the 'best', the concept of 'best' also tended to result in distinguishing 'winners' and 'losers' with a particular clarity.

Highlighting complexities, ambiguity and political manouvering makes it easier to understand why knowledge transfer often seems to result in unanticipated problems and disappointments in post-merger or other contexts. In this sense, our study adds to the growing literature on knowledge transfer in multinational and other organizations. Our analysis in particular encourages and paves the way for new and alternative ways of conceptualizing and analyzing knowledge transfer in complex organizations. While our distinction of four different sensemaking processes is crude and needs refining, it can also serve as a basis for future theoretical and empirical studies highlighting the constructive and socio-political aspects of knowledge transfer.

We have in this study focused on the merger context. By illustrating how the knowledge transfer processes involve elements and dynamics that are easily bypassed by researchers and practitioners, this analysis has also advanced our knowledge of why plans concerning synergy or other gains turn out to be overly optimistic while integration problems are underestimated in merger or acquisition contexts (Haspeslagh and Jemison, 1991). In view of the current 'merger mania', these explanations are badly needed.

In many ways, our study can be viewed as exploratory. It is intended to be followed by more focused studies on specific aspects of sensemaking. Future research should, in our view, concentrate especially on the complex identity- building processes involved in post-merger integration. Clearly, professional, functional, language and, for example, gendered identities make people interpret and construct specific issues in very different ways. Bringing up and illustrating the consequent ambiguities in knowledge transfer can be seen as a major challenge for future contributions. One could also try to track down the identity-construction processes that the top managers themselves go through when moving from national organizations to positions

involving cross-national or corporate responsibility and on the basis of this, attempt to understand the changing positions and politics in post-merger knowledge transfer. Sensemaking processes also deserve closer scrutiny. One way to proceed is to 'break down' the different processes and to focus on more microlevel questions. Another is to distinguish more clearly the cognitive, emotional, political and discursive aspects involved. It is, for example, useful to consider the extent to which corporate managers or other dominant actors can influence organizational sensemaking through deliberate (even manipulative) rhetoric. Finally, future studies could also bring up the broader issues involved in the search for 'best practices'. Striving towards harmonization, homogenization and standardization can, for example, be seen as a particular form of disciplinary power.

NOTES

- . 1 Nordea is currently the leading Nordic financial services group focusing on retail banking, corporate and institutional banking, asset management and life insurance. At the end of 2001, it had around 10 million customers and employed 40 000 people. Its stocks are traded in Copenhagen, Helsinki and Stockholm.
- . 2 In alphabetical order, the research group consists of *Ingmar Björkman* (Swedish School of Economics, Finland), *Karl-Olof Hammarkvist* (Stockholm School of Economics, Sweden), *Tore Hundsnes* (The Norwegian School of Economics and Business Administration), *Christine B. Meyer* (The Norwegian School of Economics and Business Administration), *Annette Risberg* (Copenhagen Business School, Denmark), *Anne-Marie Søderberg* (Copenhagen Business School, Denmark), *Janne Tienari* (Lappeenranta University of Technology, Finland), and *Eero Vaara* (Helsinki School of Economics, Finland, and Ecole Management de Lyon, France).

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