Cultural differences and post-merger problems:
Misconceptions and cognitive simplifications

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Abstract:

Researchers and practitioners have increasingly explained post-merger organizational problems with cultural differences, especially in the context of cross-border mergers and acquisitions. It is suggested here that cultural differences have great explanatory power in the context of post-merger change processes. There are, however, problems with a number of superficial cultural conceptions that are common in research in this area and in managerial rhetoric. This critical article provocatively delineates misconceptions widely held by researchers and practitioners in this field, which not only disregard cultural differentiation, fragmentation, inconsistencies and ambiguities, but further, illustrate a lack of understanding of cultural permeability and embeddedness in the environment, an overemphasis on abstract values and lack of attention to organizational practices, an overemphasis on initial structural differences and lack of attention to the new cultural layer, a lack of recognition of the political dimensions and a failure to recognize cultural differences as sources of value and learning. In this article, the theoretical problems associated with these misconceptions are examined and new conceptual perspectives suggested. The risks at stake for decision makers are also discussed.

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A typical approach within the fields of organization and management studies is maintaining a close link to the practitioners’ world. Research efforts are legitimized by aims focused on providing conceptualizations and normative advice that practitioners can use. In best cases, these ideas are also adopted by the practitioners, forming a basis for the general discourse concerning the social phenomena in question. To use a term from Aristotle (1984), this constitutes the ‘endoxa’, the general understanding of these phenomena. Sometimes, the widely shared conceptions may, however, be inadequate or even misleading, serving to constrain our understanding of the phenomena in question. It is argued in this paper that this is the case with the ‘cultural rhetoric’ on mergers and acquisitions.
Mergers\(^1\) and acquisitions continue to be popular means of combining organizations. Specifically cross-border mergers have become increasingly common. Although contrary experiences certainly exist, many such arrangements have led to problematic outcomes or outright disappointments. Even ‘successful’ cases have frequently resulted in many types of internal organizational problems. This has created a need to develop useful conceptualizations and explanations for the problems encountered, sought for by researchers specifically in post-merger organizational change processes (see e.g. Buono and Bowditch, 1989; Haspeslagh and Jemison, 1991).

When organizational students discovered ‘culture’ as a convenient metaphor for the description of various types of organizational phenomena, researchers started to analyze organizational change processes following mergers and acquisitions from a cultural perspective. This has led to an emergence and development of ‘cultural’ perspectives on post-merger organizational change processes (Sales and Mirvis, 1984; Nahavandi and Malekzadeh, 1988; Datta, 1991; Chatterjee et al., 1992; Cartwright and Cooper, 1993; Olie, 1994; Gertsen et al, 1998). Essentially, this has meant an elaboration of the argument that cultural differences – differences in organizational or national beliefs and values – are major causes of organizational problems.

However, not only researchers but also the business press and the people involved in mergers and acquisitions have often taken a ‘cultural perspective’ on mergers. In fact, ‘cultural rhetoric’ has become a constitutive part of the general ‘mergers and acquisitions discourse’ – and thus a core element of the social construction of these phenomena.

How has the cultural discourse become a part of the rationalistic world of mergers and acquisitions? It is not too difficult to trace a path from anthropology to organization studies and from more theoretical organization studies to the specific field of mergers and acquisitions. This does not, however, mean that all the insights

\(^1\) The term ‘merger’ has two meanings in the context of combining organizations. The term ‘merger’ can refer to any form of combination of organizations, which can be initiated by different types of contractual arrangements. The more specific meaning that separates mergers from acquisitions is that a merger is a combination of organizations which are rather similar in size and which create an organization where neither party can clearly be seen as the acquirer.
and more refined ideas have spread from culturally oriented social science to organization studies, or from organization studies to the field of mergers and acquisitions. In fact, the studies adopting a cultural perspective on mergers and acquisitions have, to a significant extent, become a self-sustaining body of knowledge, where links to these theoretical domains have remained weak.

It is argued here that it has become too easy to explain post-merger disappointments or organizational problems with cultural differences. Researchers have not always been able to go beyond the superficial categorizations or to specify mechanisms linking cultural differences and post-merger problems or disappointments in analyses in this field. Practitioners, on the other hand, have found it rather convenient to blame unspecified cultural differences for the problems encountered instead of, for example, searching for managerial mistakes. As a result, there is confusion and probably an insufficiently grounded understanding of the roles cultural differences play in post-merger change processes.

The purpose of this paper is to adopt a critical perspective and to distinguish problematic conceptions that are widely held by the researchers and practitioners in this field, to outline some of the implications of these misconceptions and to propose more meaningful approaches. The focus is specifically on the following issues: disregard of cultural differentiation, fragmentation, inconsistencies and ambiguities; lack of understanding of cultural permeability and embeddedness in the environment; overemphasis on abstract values and lack of attention to organizational practices; overemphasis on initial structural differences and lack of attention to the new cultural layer; lack of recognition of the political dimensions; and failure to recognize cultural differences as sources of value and learning. The tone is intentionally critical, to the extent that it may be unfair toward specific studies in this field.

**Understanding the construction of organizational cultures**

Many would agree that studies on organizational cultures have their roots in traditional anthropology, although others would like to stress the link to contemporary sociology. While there had been earlier attempts to study
organizations from a cultural perspective, it was not until the early 1980s that a more widespread interest in the ‘cultural perspective’ on organizations emerged. This interest triggered both more theoretically (Pettigrew, 1979; Ouchi and Wilkins, 1985) and more practically (Peters and Waterman, 1982; Deal and Kennedy, 1985) oriented research efforts. Since then, there has been an ongoing debate in organization studies concerning the epistemological, methodological, theoretical and even ideological foundations of cultural organizations research (see Martin and Frost, 1996). Consequently, there are many types of perspectives on, and definitions of, organizational cultures, ranging from more essentialist (Schein, 1992) to more symbolic views (Hatch, 1993; Kreiner and Schultz, 1995), from more theoretical (Ouchi and Wilkins, 1985; Hatch, 1993; Harris, 1994) to more practical orientations (Deal and Kennedy, 1992; Peters and Waterman, 1982) and finally, from less critical (Barley et al., 1988) to more critical views (Christensen and Kreiner, 1984; Dahler-Larsen, 1994; Willmott and Knights, 1995). People have also argued that ‘organization culture’ is an oxymoron, because the boundaries of a culture are not conceptually or empirically identifiable.

A crude demarcation exists between those studies adopting a more ‘realist’ as opposed to a more ‘constructionist’ epistemological stance and theoretical approach to ‘cultures. Many of the more traditionally and practically oriented researchers have shared a ‘realist’ conception of culture. According to this view, ‘culture’ is something that the members of a group – an organization or a nation – manifest. Although arguably very difficult, it is, according to this view, also possible to uncover the core elements of particular organizational (see e.g. Schein, 1992) or national (see e.g. Hofstede, 1997) culture by studying the cognitive patterns, attitudes or behaviors of the members of the cultures. Rather than seeing cultures as simplistic belief systems, most scholars advocating this realist approach subscribe to the view of cultures as multifaceted constellations. Especially popular in this context is Schein’s (1992) model, which separates artifacts, values and underlying basic assumptions.

The more constructionist oriented researchers see ‘culture’ as based on shared or partly shared interpretations. These are produced and reproduced by the people identifying with particular groups, organizations or nations. Epistemologically speaking, this means a more complex view, focusing on the cultural interpretations and reinterpretations. Adopting this view usually implies recognition of how individuals’ interpretations may be dissimilar, inconsistent and ambiguous, given to evolving over time. It also means acceptance of difficulties in any definition of cultures, due to the problems inherent to being able to capture actors’ changing interpretations, as well as in defining cultural boundaries (as they are constantly being reinterpreted in different ways by the actors).

This perspective enables the view that researchers and practitioners, when making sense of their cultures (organizations or nations), produce different types of interpretations, the relation of which to ‘real’ cognitive schemas, attitudes or behavioral patterns may be complex. As such, the constructionist perspective provides a basic understanding of how cultural conceptions are being produced, how they evolve over time and how representations of culture may be more or less ‘accurate’ descriptions of organizational ‘reality’.

This constructionist perspective can be linked to identification or identity construction processes (Tajfel and Turner, 1979; Ashforth and Mael, 1989). Characteristic of these identification processes are questions such as “Who am I?” or “Who are we?”, leading to “we-typifications” (Dahler-Larsen, 1997). This implies that these processes are firmly related to social comparisons of different types (see e.g. Festinger, 1954; Frank, 1985). These processes can also be seen as boundary drawing processes (Martin, forthcoming). This means that the actors, when making sense of their own and the cultures of others, draw boundaries between different cultures or subcultures. Typical of these processes may be a tendency to delineate rather clear boundaries based on company or national borderlines, often without recognizing how the cultural borderlines may be rather arbitrary. Also characteristic is a tendency to see one’s own culture as ‘unique’, although the actual uniqueness may sometimes, from a realistic perspective, prove to be a fallacy (Martin et al., 1983).
Consequently, when studying and talking about cultures we confront two different epistemological concepts: ‘real culture’, which refers to the characteristics of the organization/nation, and ‘constructed culture’ which refers to people’s interpretations of themselves or others as members of the group/organization/nation. For both researchers and practitioners, however, it is important to recognize that problems arise if they are not aware of the constructionist processes in the cultural rhetoric, and take stereotypical or superficial conceptions at face value as descriptions of ‘organizational reality’.

Cultural perspectives on post-merger organizational change processes

Although some researchers had pointed to the significance of the period following the initial merger much earlier (Davis, 1968; Kitching, 1967, 1974; Levinson, 1970), discussion concerning organizational change processes following mergers did not really start before the middle of the 1980s. Researchers discovered at that stage that it is what happens after a merger or an acquisition that is relevant to an understanding of the organizational consequences. This happened simultaneously with the wave of related mergers and acquisitions – creating organizational problems that required explanation.

This meant that strategic scholars who had previously been mostly concerned with questions such as which acquisition choices are likely to lead to success (Salter and Weinhold, 1979; Kusewitt, 1985; Fowler and Schmidt, 1989) or what types of mergers (related or unrelated) lead to better results in terms of synergy or financial performance (Lubatkin, 1983, 1987; Chatterjee, 1986; Porter, 1987; Singh and Montgomery, 1987; Shelton, 1988; Chatterjee and Lubatkin, 1990; Seth, 1990) now also became interested in integration problems (see e.g. Lindgren, 1982; Shrivastava, 1986; Larsson, 1990; Andersson, 1996). More strategically oriented studies have thereafter concentrated on questions such as how the management can bring about the expected or other potential synergistic benefits from joining previously separate organizations (Lindgren, 1982; Larsson, 1990; Larsson and Finkelstein, 1999), create value (Haspeslagh and Jemison, 1991), transfer capabilities from one organization to another (Laamanen, 1997) or enhance learning (Leroy and Ramanantsoa, 1997). These researchers have also listed
obstacles to integration from a managerial perspective (Hunt, 1990; Haspeslagh and Jemison; Pablo, 1994; Nupponen, 1996).

Other scholars adopted a more human resource oriented perspective and concentrated on organizational responses to mergers. These studies have thereafter focused on organizational resistance as a fundamental social force causing problems for integration and cooperation (Schweiger et al., 1987; Buono and Bowditch, 1989; Napier et al., 1989; Cartwright and Cooper, 1990; Schweiger and DeNisi, 1991; Hambrick and Cannella, 1993; Greenwood et al., 1994; Fried et al., 1996; Lohrum, 1996).

When organizational students discovered ‘culture’ as a convenient metaphor for the description of various types of organizational phenomena, researchers started to analyze organizational change processes following mergers from a cultural perspective. This meant an infiltration of cultural discourse into the strategic or human resource oriented studies on mergers, but also an emergence of a new stream of research.

A focus on cultural differences has been central to these studies. Organizational researchers have explained post-merger problems and the experienced failures with cultural differences (Sales and Mirvis, 1984; Buono et al., 1985; Walter, 1985; Altendorf, 1986; Dahlgren and Witt, 1988; Datta, 1991; Chatterjee et al., 1992; Weber and Schweiger, 1992; Cartwright and Cooper, 1993; Kleppesto, 1993; Larsson, 1993; Elsass and Veiga, 1994; Weber, 1996). In these studies, widely held beliefs have been found to be particularly change resistant and cultural incompatibilities major causes of organizational problems (Cartwright and Cooper, 1992, 1993).

In the case of cross-border mergers and acquisitions, national cultural differences have been given particular attention (Olie, 1994, 1996; Calori et al., 1994; Morosini and Singh, 1994; Villinger, 1996; Weber et al., 1996; Very et al., 1997; Gertsen et al., 1998). Specifically, it has been shown that persistent national cultural differences make organizational integration efforts more difficult than within national settings. This is so because particular cultural beliefs may be firmly rooted in national institutional systems (Calori et al., 1994) and carried by people.
that have been socialized into particular types of beliefs and values (Very et al., 1997).

When adopting a process perspective, researchers have focused on ‘acculturation processes’ from an integration perspective. Following Berry (1983, 1984), Nahavandi and Malekzadeh (1988), for example, distinguish four modes of acculturation: integration, assimilation, separation and deculturation. This has been further elaborated, for example, by Elsass and Veiga (1994). A key focus of these models has been the question of how the attractiveness of the other culture affects the attitudes of the organizational members. Cartwright and Cooper (1993), in turn, provide another view on acculturation processes by distinguishing different types of organizational cultures – ‘power’, ‘role’, ‘task’ and ‘person’ – that will determine the nature of the integration process. Respectively, Very et al. (1998) have linked cultural sensemaking processes to social comparisons conceptualized as procedural or distributive justice, thus highlighting the feature that cultural conceptions are context-specific constructions, firmly related to the actors’ views of their own positions as compared to others.

Researchers in this area have commonly failed to articulate clearly the epistemological stances taken. However, most of the studies in this field have adopted a view on organizational cultures that follows the traditional ‘realist’ approach (see also Gertsen et al., 1998). About the only studies in this field that have explicitly taken a social constructionist perspective on cultures are those by Kleppestø (1993, 1998) and Gertsen and Søderberg (1998). Although there may not be anything wrong, as such, with adopting a ‘realist’ stance, this has often meant ‘unreflexive’ or ‘essentialist’ conceptions of organizational (and national) cultures. This has unfortunately created problems, manifested in tendencies to simplify the nature of post-merger organizational change processes, as will be elaborated in the following sections.

Misconception #1: Disregard of cultural differentiation, fragmentation, inconsistencies and ambiguities

There is a strong tendency among researchers (Calás and Smirchich, 1987) and practitioners (Ogbonna and Harris, 1998) towards viewing organizational cultures
as unitary belief systems. This is perhaps an unavoidable consequence of social comparisons or boundary drawing in social identification processes. According to this dominant ‘integration’ perspective, homogeneity, harmony and unity are characteristics of organization cultures, and cultural change is understood as an organization-wide transformation process, where the old unity is replaced by a new one.

This is a common view, although cultural organization studies have provided plenty of reflection on the issue of how organizations are subject to different types of cultural divisions (Pettigrew, 1979; Gregory, 1983; Christensen and Kreiner, 1984; Meyerson and Martin, 1987; Young, 1989; Lindstead and Grafton-Small, 1992). It has also been made clear that the organizational belief systems are not necessarily clearly articulated or internally consistent, but that they may at the same time include inconsistent and ambiguous elements (Martin and Meyerson, 1991; Meyerson, 1991). Martin (1992), for example, sees differentiation and fragmentation perspectives as complementary perspectives to the traditional integration (unitary) view. The argument goes that the unitary view can only provide information concerning such beliefs which are commonly held within the entire organization. This creates problems such as the inability to reveal subcultures and a multiplicity of views, the inability to handle inconsistencies and the inability to take into account ambiguity in organizational beliefs.

In the context of mergers and acquisitions, the ‘integration’ perspective has been particularly dominant as attention is focused – usually literally – on the ‘integration’ of the formerly separate cultures. This has been the starting point in analyses concentrating on cultural differences in the post-merger context, where the focus has been on the most apparent ‘us versus them’ setting. Internal divisions, although sometimes empirically acknowledged, have remained in the background (Buono and Bowditch, 1989). This tendency has been particularly evident in quantitative studies seeking to explain post-merger performance by cultural differences either at organizational (Datta, 1991; Chatterjee et al., 1992) or national levels (Morosini and Singh, 1994; Weber et al., 1996). However, this ‘integration’ view has also been the point of departure for the dominant acculturation models of the field (Nahavandi and Malekzadeh, 1988; Cartwright and Cooper, 1993) which
have essentially conceptualized post-merger organizational change processes as the integration of two coherent organizational cultures into a new coherent culture.

While providing valuable information on the cultural integration processes, researchers in this field have not paid specific attention to the fact that the organizational cultures of the merging organizations are not likely to be internally homogenous, consistent or unambiguous belief systems. This tendency is a misleading starting point, especially in the context of large organizations, which consist of several types of units and may operate in several countries.

One of the few examples of studies that have tried to overcome the integration dominance is the study by Lohrum (1996), which described post-merger cultural change processes following a Finnish-German and a Finnish-Swedish acquisition from unification, differentiation and fragmentation perspectives, thus revealing different mechanisms in employee responses to post-merger changes. This study specifically helped to understand employee reactions at organizational, group and individual levels. In their study of an acquisition in the Danish electronics industry, Gertsen and Søderberg (1998) have described how lower-level employees and professional engineers may be in completely different types of positions after their company has been acquired. There are also other empirical illustrations of how different people react to post-merger cultural change processes in longitudinal case studies in this field (Kleppestø, 1993; Olie, 1996). Vaara’s study, which adopts a political perspective on internal decision making processes following a merger, also serves to illustrate how the managerial actors may be divided in the post-merger organizational change processes (Vaara, forthcoming).

Nevertheless, there is a serious lack of comprehensive studies that would seek to overcome the ‘integration’ perspective. The point to be made is that without a finer-grained analysis, this dominant integration perspective tends to hide the fact that the cultural change processes may be very different in different parts of the merging organizations, among different sub-groups of people and in the case of different organizational systems. This conceptualization may also hide inconsistencies and ambiguities in the belief systems, which could be seen as important research objects rather than anomalies to be discarded. A very clear
proposition is that the more coherent particular belief systems are, the more change resistant they are likely to be.

The importance of not viewing merging organizations as uniform cultures is further emphasized by the fact that post-merger changes rarely have symmetric effects in the organizations in question. Post-merger changes typically focus on particular parts of the focal organizations, namely those where savings or synergistic benefits are sought. Post-merger changes may concern different sub-groups of people and individuals in different ways. A typical tendency is that there is much more interaction and need for coordination among the upper level managers than lower down in the organizational hierarchy. Post-merger changes also usually touch particular systems first, while changes in others may be prolonged for years. A typical pattern is that the governance and control systems are first integrated, while more operative systems remain separate, and their practices very different, even years after the merger.

For organizational decision makers, the view of merging organizations as uniform belief systems is both misleading and dangerous. It is easy to see how this type of thinking may provide a superficial understanding of the focal organizations and consequently lead to an inability to focus on specific integration problems. A focus on generally held common beliefs is not likely to be particularly helpful in concrete settings where decisions have to be made about the combination of particular systems or concerning future strategies as to what units and products to invest in.

**Misconception #2: Lack of understanding of cultural permeability and embeddedness in the environment**

There is a strong tendency to draw clear-cut boundaries when analyzing organizational cultures (Martin, forthcoming). This is a rather natural consequence of social identification processes where one’s identity is constructed so that it becomes separate from others. When studying organizational cultures in empirical settings, it has also proved to be difficult to conceptually transcend organizational boundaries. This has been a dominant tendency, although organization culture scholars have increasingly focused attention on the problems of not recognizing how organizational cultures are permeable and embedded in their environments
(see Martin and Frost, 1996). As a conceptual solution, Martin (1992: 111-114) has, for example, described organizational cultures as a *nexus* where environmental influences intersect, creating a nested and overlapping set of subcultures within a permeable organizational boundary. She has later (Martin, forthcoming) depicted organizational culture boundaries as mobile, fluctuating, permeable, blurred and even dangerous. Researchers have also shown how the environments may be segmented, so that different subcultures may experience different effects from the environment. A widely cited example is Gregory’s (1983) study illustrating how functional sub-units within a firm can reflect occupational subcultures that cut across organizational boundaries.

Ironically, researchers focusing on the national cultural differences have faced analogous problems at the national level. For them, national boundaries have been difficult to transcend, leading to problems of stereotypical conceptions in international comparisons (Trompenaars, 1993; Hofstede, 1997). This has been the case, although many have recognized the problems of the rigidity of national borders in these analyses or the decoupling of corporate culture and geographical location in multinational corporations (Calori et al., 1997).

Studies on post-merger integration processes have concentrated on the analysis and comparison of the beliefs and values held in the merging organizations, without paying much attention to the environments where the focal organizations operate. In turn, analyses of cross-border mergers and acquisitions have often concentrated on the ‘national cultural layer’ without making particularly clear links from the national to the organizational level. Rare exceptions are those studies which have concentrated on different national preferences or institutional practices (Calori et al., 1994, Olie 1994; Very et al., 1997). However, analyses in this field have generally paid little attention to the problems created by organizational boundaries.

The problems with this tendency are two-fold. On the one hand, this lack of attention to the permeability of organizational boundaries easily sustains a view that organizational cultures and organizational membership would be the same; that all of, and exclusively the members of the organization would (perhaps equally strongly) subscribe to the beliefs and values of the organization. On the other, this view may prevent researchers and practitioners from contemplating how particular
organizational beliefs and practices are embedded in their local and national surroundings. In this respect, the analyses of this field could benefit from conceptualizations that transcend organizational boundaries and seek the rationality of particular beliefs and practices in occupational communities (see e.g. Van Maanen and Barley, 1984; Brown and Duguid, 1991), organizational fields (see e.g. Scott, 1995) or national business systems (see e.g. Whitley, 1992).

It is suggested here that a key to understanding long-term cultural change processes following both national and international mergers and acquisitions is understanding how the organizational beliefs and practices relate or do not relate to the local networks, organizational fields or wider national institutional systems. At the local network level, particular beliefs are reflected in specific preferences and customs concerning, for example, products and services in supplier-customer relationships. At the organizational field level, certain beliefs are linked to particular traditions and practices which have evolved over time. At the national institutional level, particular beliefs relate, for example, to accounting procedures, decision making practices or governance systems. A clear proposition is that strong links to the local and national environments are likely to make changes in these organizational beliefs and practices very difficult, if not impossible, in the short term.

For organizational decision makers, a lack of attention to the roots of particular beliefs and practices is misleading and even dangerous, because it easily leads to an inability to understand the rationality of particular practices and their rigidity. It is not difficult to come up with examples of how decision makers, striving for savings or other synergistic benefits, derived from the standardization of particular practices, have discovered that the required changes may not be worthwhile or even possible because of linkages beyond the organizational boundaries.

**Misconception #3: Overemphasis on abstract values and lack of attention to organizational practices**

There is a strong tendency in cultural analyses to concentrate on beliefs and values without always clarifying sufficiently the link to the ‘actual’ organizational practices. This is partly related to the role of cultural analyses in organization and management studies as a ‘soft’ counterweight to the ‘harder’ mainstream research,
thus providing a chance to concentrate on elements such as symbols, stories or emotions, neglected in many of the other studies (Martin and Frost, 1996). This has been also connected to a search for ‘underlying’ beliefs and values shared by the people in question in the organizations. For example, Schein (1992) has promoted the view that organizational cultures are systems which rely on fundamental basic assumptions concerning reality, time, space and human nature. In the international context, Hofstede (1997) has looked for the “collective programming of the mind” in national cultures. Their views have also been misinterpreted, so that people have too eagerly abstracted beliefs and values from the organizational operations, while searching for common denominators for the organization and its members.

This focus on ‘abstract’ beliefs and values has been a common tendency, especially in the ‘cultural engineering’ literature that has promoted the view that managers can (and should) develop, manage and manipulate organizational cultures by rhetorical means, charismatic leadership and carefully designed cultural programs to create a positive atmosphere leading to organizational effectiveness and ultimately financial success (Peters and Waterman, 1982; Deal and Kennedy, 1982). This has been in stark contrast to the ethnographically oriented studies in this field, that have maintained the anthropological tradition of linking any cultural analysis to the daily work of the people in question, usually with a strict preference for participant observation as the appropriate methodological choice (Van Maanen, 1988; Kunda, 1991). Others have also started to turn things around and emphasized the role of practices to understand the cultures of the organizations or communities in question (see e.g. Hutchins, 1995).

This dominant tendency to concentrate on rather abstract values without very clear links to actual organizational practices is specifically problematic in the context of post-merger change processes. Unfortunately, there seem to be few studies in this field that would have given specific emphasis to organizational practices, which is

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3 A practice is an activity or habit that is performed regularly because it has become a custom or tradition. Normal or standard practice is a normal or accepted way of doing things within a particular organization. Organizational practices are thus existing ways of organizing. Ontologically, it is important to note that these practices are sustained, reproduced and changed through action. This means that they are essentially cognitive structures existing in collective and individual memories. They are, however, usually linked firmly with concrete means to perform particular activities, such as production facilities, information systems or products.
related to a general lack of traditional ethnographically oriented research in this field.

The problem is that this tendency has prevented researchers and practitioners from focusing on those beliefs that are by definition the core of the organizational processes: those related to the actual organizational practices. In terms of theory development, it is important *per se* to be able to focus on those types of beliefs – which organizational members hold – that are linked to the particular organization and not to other social systems. Without making such a link, it may become problematic to separate organizational cultures as belief systems and organizational membership embodied in the people involved, leading to the problems discussed in the previous section. In terms of understanding the specifics of organizational change processes following mergers and acquisitions, it is also problematic if one cannot focus on the micro-level of organizational integration, where new organizational practices are created and old ones are subject to change.

It is suggested here that it is the routines, rules, procedures and systems – making up the activities of the organizations – that should be given attention in this context. It is at this level that specifically the argument of cultural differences as structural impediments of integration has great explanatory power. Focus on organizational practices as constitutive parts of organizational cultures is also fruitful in terms of being able to understand why particular beliefs are more resistant to change than others. A clear proposition is that the more cultural beliefs relate to established organizational practices, the more persistent they are as structural impediments to integration. A further proposition is that beliefs related to organizational practices generally perceived as successful, are particularly difficult to change.

For organizational decision makers, the tendency to discard organizational practices is problematic to the extent that it leads to an inability to focus on real post-merger problems. It should be noted that many of the most persistent integration problems at operative levels relate to different and possibly incompatible organizational practices. Focus on abstract beliefs and values easily leads to an overestimation of the managers' ability to control the change processes following mergers and acquisitions with means such as communication and leadership (Napier et al., 1989; Schweiger and DeNisi, 1991; Risberg, 1998). It is
not difficult to find examples where managers of new corporations (created as a result of a merger) concentrate on propagating new beliefs and values that have little bearing on the actual organizational practices. The worst case scenario is that these abstract new beliefs become merely another cultural layer or a kind of mantra, the repeating of which creates the fallacy that cultural integration problems are solved.

**Misconception #4: Overemphasis on initial structural differences and lack of attention to the new cultural layer**

There is a general tendency in cultural organization analyses to focus on cultures as structures, instead of focusing on processes of cultural change. The studies thus often promote a structuralist view, where the focus is on existing cultural structures and rather little attention is paid to the creation of new beliefs and practices. This is, for example, due to the methodological problems involved in studying transformation processes that are typically long-lasting in nature. Exceptions are more management oriented studies which do provide descriptions of and advice on how to manage cultural change processes by creating a new organizational or corporate culture.

Typical of the studies on mergers and acquisitions is that significant attention has been focused on the initial differences, but probably inadequate attention has been paid to processes where old beliefs and practices are being transformed and new ones developed. This has specifically been shown in ‘cultural distance ideology’, meaning rhetoric that uses a priori measured or defined cultural differences as explanations and predictors of the organizational problems encountered.\(^4\) There are a number of such studies, concentrating on decision makers’ beliefs (e.g. Chatterjee et al.; 1992)\(^5\) or national cultural differences (see e.g. Hofstede, 1997). Many have concluded however, that the predictive value of cultural differences remains questionable. Researchers have pointed out that cultural compatibility is a more important issue than mere differences (Cartwright and Cooper, 1993; Very et al.,

\(^4\) As to this rhetoric, it is noteworthy that researchers have often talked about ‘cultural fit’ or ‘cultural distance’ without particularly clear specification of what these terms actually mean (Cartwright and Cooper, 1993; Olie, 1994; Weber et al., 1996).

\(^5\) An interesting interpretation of some studies, such as Chatterjee et al. (1992), is that the post-merger stock reactions factually reflect the general perceptions of investors and other professionals, who believe that such cultural differences will cause problems in the future.
In addition, others have argued that it is the undetected cultural differences that are problematic (O’Grady and Lane, 1996; Larsson and Risberg, 1998).

Studies focusing on acculturation have in principle taken a process perspective. However, according to Kleppestø (1993), most of these studies still see cultures as structures rather than processes. The point to be made here is that a major problematic tendency in the studies in this field has been the lack of attention given to the multifaceted processes of cultural change where cultural beliefs and practices are being (re)created in organizations.

It is suggested here that a key to understanding long-term cultural change processes is recognition that a merger or acquisition also creates a new cultural layer – that of the new organization – on top of the old cultural layers. This means that one can analytically separate two cultural integration mechanisms: transformation of old beliefs and practices and creation of new ones. It should be noted that these are likely to be parallel mechanisms and that in actual settings it may be a question of a semantic difference whether, for example, old practices are modified or new ones created. It is surprising that few studies in this field have clearly pointed to the importance of this second mechanism. One example is the study by Olie (1994) concentrating on three Dutch-German mergers where he points to the failure to create new common culture and identity as an explanation for the organizational problems encountered.

The recognition that post-merger cultural change does not only take place through specific change programs often provoking significant resistance, but also the ‘natural’ adoption of new beliefs and practices (possibly simultaneously on both sides) has great significance in terms of better understanding of the dynamics of post-merger change processes in different circumstances. A very clear proposition is that it is probably easier to adopt new practices than to change old ones. Another proposition is that simultaneous adoption of new practices at both of the previously separate organizations is likely to create less internal comparison and fewer negative attitudes than situations where one has to conform unilaterally to the beliefs and practices of the other side. This may help to reveal different experiences in different industries. Mergers and acquisitions in industries characterized by rapid development (e.g. due to technology) are likely to be very different from cases in
slowly changing industries. One could expect that cultural integration via the creation of new beliefs and practices would be more effective in the former than in the latter cases.

For organizational decision makers, it is of paramount importance to understand that the creation of new organizational cultural elements may be a particularly effective way of integrating previously separate organizations. This is because it is often easier to create new cultural symbols or concrete practices than to get caught up in internal debates concerning the choice of either side’s existing cultural symbols or concrete practices. Change via the adoption of ‘new best practices’ may be a particularly fruitful way to proceed with integration efforts.

**Misconception #5: Lack of recognition of the political dimensions**

In cultural studies, there is often an embedded political setting where the actors representing different cultures are seen as proponents of their values. The stronger the emphasis on the values or other normative elements in belief systems, the stronger the underlying political setting. Specific trends in cultural organization studies have also explicitly taken a ‘critical’ or ‘political’ approach, when examining the emergence of different organizational sub-cultures and especially the inherent power relations (Knights and Willmott, 1987; Lucas, 1987). In some of these studies, adopting a political approach has also meant taking an ideological stance, usually in favor of employees and in opposition to management (Rosen, 1985; Young, 1989; Van Maanen, 1991).

Studies in the merger context have often viewed the organizational problems and internal conflicts as ‘cultural confrontation’ or ‘us versus them’ settings, where people representing different organizational (Buono and Bowditch, 1989; Kleppestø, 1993) and in the case of international arrangements, also national sides, (Olie, 1994) have been viewed as two antagonistic camps. This is often a fruitful perspective, but it becomes a problem when this means a lack of attention to other organizational divisions and political settings.
For theory development it would make sense to analytically distinguish cultural collectivities and political groups. It would also be fruitful to separate interest conflicts and cultural differences as structural impediments to integration. Although in many cases the interest conflicts and incompatible beliefs may be congruent, or people specifically become proponents and agents of particular cultural beliefs, it is misleading if the two issues are not separated. Not all of these interest conflicts are results of conflicting or incompatible cultural beliefs concerning how things are and should be done. There are, in fact, many other types of interest conflicts that should be acknowledged, besides the most apparent ‘us versus them’ setting. Mergers and acquisitions, like other significant changes, are likely to create various types of interests conflicts at individual (positions, careers), group (responsibility, profession), organizational (investments, cutbacks) and even national levels (investments, employment). These interest conflicts are as such major causes of organizational problems.

This is not to say that competing cultural beliefs or ways of doing things could not create interest conflicts or that the people identifying themselves with them could not take up the role as propagators of the particular beliefs, especially when the more affective components related to national identities enter the picture. These processes are likely to be particularly important mechanisms in the transformation of cultural differences into interests conflicts. However, these particular interest conflicts should not be confused with many other types of interest conflicts, concerning, for example, positions, future investments, planned cutbacks or employment.

In practice, this confusion can cause real problems if and when decision makers misread actual organizational conflicts due to an inability to separate interest conflicts and cultural differences as structural impediments to integration. A specific problem is the deliberate use of cultural differences as political arguments. It is not difficult to find examples where people deliberately argue that certain practices or ways of doing things cannot work in a particular place (incompatible beliefs related to practices) when they actually want to avoid the planned decision (typically change) because of specific political considerations. This was a clear
result in a study on cultural sense-making processes in the Finnish-Swedish context (Vaara, 1999).

**Misconception #6: Failure to recognize cultural differences as sources of value and learning**

A general tendency in cultural analyses is to regard cultural coherence as positive and cultural differences as problematic features. For empirical analyses, cultural differences have provided a particularly strong conceptual tool, leading to research design where organizational problems have been explained by such differences. This has been a general tendency, despite the fact that many organizational culture scholars have specifically advocated the positive aspects of cultural pluralism and constantly warned about making too clear inferences concerning the linkage of cultural differences and financial performance (see Martin and Frost, 1996).

The tendency to associate cultural differences with organizational problems encountered has been particularly strong in the context of mergers and acquisitions becoming an essential part of the discourse. Respectively, the positive effects of organizational change processes following mergers and acquisitions have been conceptualized by such terms as ‘strategic fit’ (Lubatkin, 1987), ‘synergy’ (Larsson, 1990), ‘compatibility’ (Very et al., 1997), ‘capability transfer’ (Haspeslagh and Jemison, 1991) or ‘learning’ (Leroy and Ramanantsoa, 1997).

It is fair to state that most of the researchers adopting a cultural perspective on post-merger change processes have assumed that cultural differences are causes of organizational problems. There are, in fact, few exceptions to this in the studies in this field. Nahavandi’s and Malekzadeh’s (1988) and Cartwright and Cooper’s (1993) conceptual models outline such processes where initial cultural differences are compatible and lead to positive outcomes. Based on the evidence of French, British and American companies’ acquisitions, Very et al. (1998) argue that cultural differences do sometimes create acculturative stress, but that they can also elicit positive effects, when the other culture is seen as attractive. One of the few studies that also provide clear empirical evidence of such positive relationships, is that of Morosini et al. (1998), which indicated that greater (national) cultural differences may actually lead to better performance than smaller ones.
The point to be made here is that in addition to being the cause of problems, cultural differences can be assets that benefit organizations. In the context of mergers and acquisitions, this means that the different beliefs and organizational practices are precisely such sources of complementary experience (Krishnan et al., 1997; Morosini et al., 1998), capability transfer (Haspeslagh and Jemison, 1991) and learning (Leroy and Ramanantsoa, 1997) that researchers and practitioners have been looking for.

From the perspective of theory building, it is important to draw conceptual linkages between the ‘strategic rhetoric’ associated with the positive effects of organizational integration and ‘cultural rhetoric’ associated with the negative aspects of cultural integration. In terms of a better understanding of these organizational change processes, it is important to be able to develop the argument that cultural differences can also be major sources of value and learning. A clear proposition is that different ways of doing things provide possibilities for learning. This can at the cognitive level mean appreciation of the specific value of particular practices. The internal discussions and comparisons following mergers and acquisitions may also serve a positive purpose, in terms of forcing people to rethink their own processes and defend them to others, which may lead to concrete changes in organizational practices and people’s behavior. Finally, the different practices specifically provide an opportunity to develop ‘best practices’ that can be the core of the emerging new culture of the developing large organization.

For organizational decision makers, it is problematic if the ‘cultural’ rhetoric is only used for the attribution of problems or failure. This may make decision makers discard the many positive aspects of cultural differences. A specific issue to be taken seriously is the tendency to withdraw from acknowledging responsibility. ‘Cultural rhetoric’ may often provide a very convenient excuse for managers and offer a convenient attribution target for the problems and disappointments encountered. This was, for example, clearly indicated in a study on the actors’ narratives of organizational integration processes following Finnish-Swedish mergers and acquisitions (Vaara, 1999).

**Conclusion**
The previous sections have illustrated how particular dominant conceptions among researchers and practitioners, labeled here provocatively as misconceptions, may create theoretical problems and lead practitioners astray. The table below summarizes the theoretical problems of these misconceptions, outlines the new perspectives proposed and illustrates the risks that these misconceptions imply for organizational decision makers.
<table>
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<th>Misconceptions</th>
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<tr>
<td>Disregard of cultural differentiation, fragmentation, inconsistencies and ambiguities</td>
<td>Inability to understand internal differentiation, fragmentation, inconsistencies and ambiguities in the merging organizations</td>
<td>Focus on internal differentiation, fragmentation, inconsistencies and ambiguities</td>
<td>Inability to focus on specific integration problems</td>
</tr>
<tr>
<td>Lack of understanding of cultural permeability and embeddedness in the environment</td>
<td>Inability to understand how organizational beliefs and practices are related to and sustained by the environments of the organizations</td>
<td>Focus on local networks, organizational fields and national institutional systems</td>
<td>Inability to focus on specific integration problems at the level of organizational practices</td>
</tr>
<tr>
<td>Overemphasis on abstract values and lack of attention to organizational practices</td>
<td>Inability to focus on the microprocesses of cultural integration at the level of organizational practices</td>
<td>Focus on real organizational practices: routines, rules, procedures and systems</td>
<td>Inability to understand the rationality of particular beliefs and practices and their rigidity</td>
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<tr>
<td>Overemphasis on initial structural differences and lack of attention to the new cultural layer</td>
<td>Lack of understanding of the mechanisms of how old beliefs and practices are changed and new ones created</td>
<td>Focus on the processes of cultural change: modification of old beliefs and practices and creation of new beliefs and practices</td>
<td>Lack of understanding of the role of the new developing organizational culture</td>
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<td>Lack of recognition of political dimension</td>
<td>Confusion of interest conflicts and cultural beliefs as structural impediments to integration</td>
<td>Analytical separation of cultural differences as structural impediments of integration and interest conflicts between different parties</td>
<td>Tendency to misread actual organizational conflicts</td>
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<tr>
<td>Failure to recognize cultural differences as sources of value and learning</td>
<td>Inability to understand how cultural differences may serve as sources of value and learning</td>
<td>Development of the argument that cultural differences may be sources of value and learning</td>
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<tr>
<td>Failure to recognize cultural differences as sources of value and learning</td>
<td>Inability to draw conceptual linkages between ‘cultural’ and ‘strategic’ rhetoric</td>
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<td>Failure to recognize cultural differences as sources of value and learning</td>
<td>Deliberate misuse of cultural differences as political arguments</td>
<td>Failure to draw conceptual linkages between ‘cultural’ and ‘strategic’ rhetoric</td>
<td>Tendency to withdraw from acknowledging responsibility</td>
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For researchers, these misconceptions imply a need to go further into more specific conceptualizations and less ambiguous discourse, in order to uncover social structures and processes behind recurrent post-merger organizational problems. This could even mean looking for new conceptualizations outside the domain of cultural organization studies. This could mean direct adoption of conceptualizations and ideas from institutional, political or cognitive organization studies, as outlined in the previous sections.

There is, however, in any case a clear need for more targeted cultural analyses of post-merger organizational change processes. Theory development in this particular area would benefit from closer linkage to the cultural organization literature (see e.g. Schein, 1992; Hatch, 1993; Martin and Frost, 1996; Martin, forthcoming), to which merger analyses could also make a contribution.

This analysis specifically suggests a need for a clearer epistemological stance in futures studies in this field; whether future studies aim to understand the ‘real’ cultural transformation processes or whether they focus on the actors’ interpretation or sense-making processes. More realist oriented studies could explicitly take beliefs concerning organizational practices as the conceptual starting point. Such studies would be able to dig deeper and shed more light on the recurrent dynamics of organizational change processes following mergers and acquisitions. This analysis has identified propositions that could be tested in such future studies: (a) The more coherent particular belief systems are, the more change resistant they are likely to be. (b) The more cultural beliefs relate to established organizational practices, the more persistent they are as structural impediments to integration. (c) The more successful the perception of the organizational practices, the stronger the change resistance is likely to be. (d) The stronger the linkages to the organizational environment, the more change resistant they are likely to be. (e) Adoption of new organizational practices is likely to provoke less resistance than changing old practices. (f) Simultaneous adoption of new practices, for both of the previously separate organizations, is likely to create less internal comparison and negative attitudes, than situations where one has to unilaterally conform to the beliefs and practices of the other side.
More constructionist oriented studies, in turn, could explicitly examine actors’ *sensemaking processes* (see Sackmann, 1991; Weick, 1995). These sensemaking processes could be analyzed from cognitive, affective or political perspectives. From a cognitive perspective, specifically studies that take seriously actors’ attribution processes would be interesting. If problems are increasingly attributed to cultural differences, as suggested here, this is subsequently an important part of the social construction of the focal empirical phenomena. Future studies could also examine the consequences of these attribution tendencies, for example, as learning experiences affecting future decisions.

From an affective perspective, studies could focus on the complex emotional processes involved when making sense of what one is and what one is not. These studies could specifically examine the impact which strong emotions created by planned, anticipated or implemented changes would have on actors’ cultural conceptions. Particularly interesting would be to examine whether (and if so how) positive emotions reduce cultural differences in people’s interpretations, and in turn, if negative emotions increase such differences.

From a political perspective, future studies could focus on the political aspects of cultural sensemaking processes. Studies that concentrate on how and under which conditions organizational members identify themselves with particular beliefs and values and become their proponents would be particularly fruitful. It would also be interesting to gather more information of how culture-related arguments are connected to internal organizational discussions following mergers, for example, in management rhetoric and in internal debates between representatives of different interest groups. It would be of particular interest to gain a greater understanding of how cultural differences may be used as political tools.

Future studies in the field of mergers and acquisitions could also develop clearer stances in terms of their ‘criticality’ towards the culture-related phenomena often encountered in the context of mergers and acquisitions. There is clearly room for ‘critical’ analyses of mergers and acquisitions in general, and of post-merger organizational change processes in particular. Future studies could examine, for example, how mergers or acquisitions may be seen as instances of domination between the corporate elite and the personnel.
Although future studies could be based on different methodological choices, there is a clear need for cultural studies that would adopt an ethnographic approach following the best traditions in the field (Van Maanen, 1988). Such studies could focus on the actors’ interpretations and changes in these, but also link cultural analyses closer to actual organizational practices, leading ideally to rich contextual descriptions that are still rare in this field.

For the organizational decision makers, this analysis implies a need to go to the details of particular settings and situations and not to contend with vague cultural rhetoric and simple mental models. This analysis has particularly indicated how decision makers should be aware of the cultural differentiation, fragmentation, inconsistencies and ambiguities; how they should pay particular attention to real organizational practices and how they are embedded in the environments of the organizations; how they should not confuse interest conflicts and cultural differences as structural impediments to integration; how they should recognize the role of developing new culture; and how they should not disregard the positive aspects of cultural differences. In general, organizational decision makers should not be caught up with or hide behind cultural differences, but instead acknowledge responsibility as agents of change.

In conclusion, cultural differences have significant explanatory power when it comes to understanding post-merger organizational integration problems. However, this apparent explanatory power has made it too easy to attribute problems or disappointments to cultural differences. This has led to theoretically vague and unspecified conceptions and even dangerous simplifications that may actually lead organizational decision makers astray. It is time to move on, towards finer-grained conceptualizations and towards less superficial rhetoric. This is how organization science progresses and may serve practitioners in a better way.
References


