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THE HUMAN FACTOR: A POST MERGER INTEGRATION IN THE BRAZILIAN ENERGY MARKET.

A CASE STUDY

Rio de Janeiro

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Master's Dissertation presented for the Program of Post-Graduate in Administration, COPPEAD Institute of Administration, the Federal University of Rio de Janeiro, as a requirement to attain the Title of Master of Business Administration (M.B.A.)

Advisor: Adirana Victoria Garibaldi de Hilal, D. Sc.

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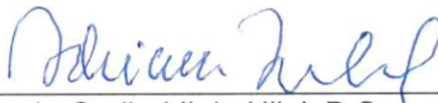
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RESUMO

DI MATTEO, Claudia **THE HUMAN FACTOR: A POST MERGER INTEGRATION IN THE BRAZILIAN ENERGY MARKET. A CASE STUDY.** Dissertação (Mestrado em Administração de Empresas), Instituto COPPEAD de Administração, Universidade Federal do Rio de Janeiro, 2019.

Nas últimas duas décadas, fusões e aquisições se tornaram uma estratégia comum para empresas que visam crescer e expandir os negócios. Apesar desta crescente popularidade, mais de dois terços destas não atingem os objetivos estratégicos esperados. A principal causa dessa falha é a falta de uma profunda consideração do fator humano durante o planejamento e implementação da fusão. A experiência de trabalhar para uma empresa que passa por um processo de mudança é geralmente percebida como traumática para os funcionários e pode afetar negativamente a inteira organização. Portanto, aprender a gerenciar esta mudança é um dos maiores desafios do *top management*.

Este estudo visa investigar como o fator humano influencia o sucesso de um processo de integração de empresas explorando a relevância de fatores como diferenças de cultura organizacional, plano de integração, comprometimento dos funcionários, estresse e resistência à mudança e o papel da comunicação, do RH e da liderança durante o processo. Com este objetivo, o estudo analisa a integração entre duas empresas que atuam no mercado brasileiro da energia e pertencem à mesma holding.

Os resultados permitiram confirmar o papel central do fator humano nos processos de integração de empresas, evidenciando a inter-relação entre os aspectos acima mencionados. Subestimar a relevância de um desses fatores pode produzir um efeito dominó nos outros, amplificando os impactos negativos sobre o êxito final da integração. Além disso, o estudo demonstrou que, embora a integração de empresas do mesmo grupo possa parecer um processo mais fácil em comparação com a integração de entidades externas, esta leva os mesmos inconvenientes e criticidades relacionados a qualquer integração e não deve ser subestimada. Portanto, além de demonstrar a grande atenção que é necessário dedicar ao fator humano durante os processos de integração, este estudo oferece um significativo potencial de aprendizagem para os líderes das empresas que precisam tomar decisões parecidas, para que chegam às conclusões questionando as suposições aparentemente indiscutíveis.

Palavras-chave: fator humano, processo de integração, F&A.

ABSTRACT

DI MATTEO, Claudia **THE HUMAN FACTOR: A POST MERGER INTEGRATION IN THE BRAZILIAN ENERGY MARKET. A CASE STUDY.** Dissertation (Master of Business Administration), COPPEAD Institute of Administration, Federal University of Rio de Janeiro, 2019.

Over the past two decades mergers and acquisitions have become a popular strategy for companies that want to grow and expand their business. However, despite their increasing popularity, more than two-thirds of large merger deals fail to achieve the expected strategic goals. The primary cause of this failure is the lack of a deep consideration of the human factor during the process of planning and implementation of the merger. The experience of working for a company going through a process of change is often perceived as traumatic by its employees and this can negatively affect the entire organization. For this reason, learning how to manage the change after a merger is one of the greatest challenges for top management of every company.

This study aimed to understand how the human factor influences the success or failure of a post-merger integration process. It explored the relevance of aspects such as, organizational culture differences, integration plan, employees' commitment, stress and resistance to change, and the role of communication, HR and leadership during the process. For that purpose, it analysed the integration between two companies working in the Brazilian energy market and belonging to the same holding.

Results allowed to confirm the pivotal role that the human factor plays in post-merger integration processes, providing evidence of the interrelation among the above-mentioned aspects. Underestimating the relevance of one factor can produce a domino effect on the others, thus amplifying the negative impacts on the integration outcomes. Furthermore, results also showed that, although integrating different companies of the same group may seem an easier process in comparison with the integration of external entities, it entails the same difficulties. Therefore, besides demonstrating the particular attention that the human factor deserves during integration processes, the study offers a great potential for meaningful learning that can help managers who must make similar decisions, to avoid jumping to conclusions without questioning the underlying assumptions.

Keywords: human factor, integration process, M&A.

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1. INTRODUCTION

The following section provides an overview of the research rationale and structure. It begins with the contextualization of the research and a description of the problem and follows describing the objectives the researcher wants to achieve with this case study. It also describes the relevance and delimitation of the study besides drawing a description of the research structure.

1.1 CONTEXTUALIZATION OF THE RESEARCH

The experience of working for a company going through a process of merger and integration is often perceived as traumatic by its employees. The merging process can transform a healthy working environment into something negative for people, and consequently for the entire organization. As a matter of fact, the latter can be affected by these negative effects, especially if it fails in quickly understanding the most critical factors of the process and developing the capacity and flexibility to manage all the possible impacts. Therefore, the mutual effects of the human factor on post-merger integration is a wide and multifaceted topic that is worth to be deeply analysed (Buono and Bowditch, 1989; Cartwright and Cooper, 1993; Martin and Roodt, 2008; Muller, 2006; Paul and Berry, 2013, Panibratov, 2017).

Learning how to manage the change in the environment after a merger is one of the greatest challenges for the leaders of every company. Knowing how to deal with the expectations, uncertainties, resistance and stress caused by these changes and how to correctly manage communication tools, decision-making process and the role of the leadership, can minimize possible barriers to change and bring the company to the success of the integration process (Buono and Bowditch, 1989; McCambridge and Weiss, 1998; Armenakis and Bedeian, 1999; Giffords and Dina, 2003; Wagner and Hilal 2014).

The attitude relates to the psychological rejection of the real need to change, behavioural resistance is represented by actions that manifest the unwillingness to accept the changes and, consequently, lack of commitment to support organizational change, which can end compromising the chances of success (Chawla and Kelloway, 2004).

Over the past two decades we saw that mergers have become a global phenomenon and a popular strategy for companies that want to grow and expand their business (Seth et al., 2000; Buckley and

Ghauri, 2002; Shimizu et al., 2004). M&As provide a means to acquire expertise, technology, products, complement ongoing internal product development, reduce exposure to risk and achieve economies of scope and scale. In addition, they are also considered effective tools, commonly used by companies to respond to globalisation and to the changing market environment (Weber, 1996; Ashkenas et al., 1998; Boateng and Bjørtnuft, 2003).

However, despite the increasing popularity of mergers and acquisitions, more than two-thirds of large merger deals fail to create value for shareholders in the medium term (Ravenscraft and Scherer, 1989). As a matter of fact, several researchers (Erez-Rein et al., 2004; Carleton; 1997) noted that the rate of mergers and acquisitions failure range from 55 to 70 percent. The greatest danger comes after the merger of two companies when they attempt to integrate operations (Marks and Mirvis, 2011).

Some studies point out that lack of strategic fit and poor management of the integration process appear to be the main cause of unsatisfactory performance, but this explanation seems too general and fails to fully capture what constitutes poor management. One reason why the research on M&A performance in several disciplines, such as industrial economics, strategic management and finance, has not produced consistent results is that it has failed to consider the human factor and the role of human resources mechanisms during post-merger integration process (Weber and Tarba, 2010; Weber, Tarba and Oberg, 2014). Thus far, few studies focused on the implications of the human factor in a merger process because these issues are usually considered less important when compared to the financial and legal part of the process (Stopper, 1998; Weber et al., 1996; Stahl et al., 2004; Brock, 2005; Marks and Mirvis, 2011).

Instead, according to researchers from the field of organizational behaviour, the primary cause of failure in mergers and acquisitions is the lack of profound consideration of the human factor during the process of planning and implementation of the merger (Cartwright and Cooper, 1992; Birkinshaw et al., 2000; Schuler and Jackson, 2001; Vaara, 2003; Epstein, 2004; Chakrabarti and Mitchell, 2005; Weber and Tarba, 2010; Teerikangas et al., 2012; Garibaldi de Hilal, 2013; Weber, Tarba and Oberg, 2014; Weber, 2015).

The failure of a merger or acquisition to achieve its financial or strategic objectives is often blamed on a clash of cultures between the combining entities (Cartwright and Price, 2003). The cultural element

in M&As' integration process has been identified as one of the key issues that may help explain the failure of many mergers and acquisitions (Stahl and Voigt, 2008). Nevertheless, managing cultures during M&As is usually granted a low priority by executives who are overwhelmed by the operational aspects of integration, even if most of them acknowledge that underestimating the importance and difficulty of combining cultures is a major oversight in their integration efforts (Cartwright and Cooper, 1996; Mirvis and Marks, 1986, 2011).

1.2 OBJECTIVES OF THE RESEARCH

This study aimed to understand how the human factor influences the success or failure of a post-merger integration process. The main idea was to analyse a case study and compare it with a review of academic literature, in order to investigate if the concepts presented in the theory can help explain the findings of the analysed case or if the latter would provide insights and suggest reformulating, amplifying, complementing or reinforcing the related theory.

To achieve this goal, the researcher analysed the case of an Italian multinational company (ALFA), one of the largest private companies in the Brazilian energy sector managing generation, conversion, transmission and sales of conventional energy (thermal and hydroelectric). Following the corporate simplification strategy envisaged by the Group's business plan, ALFA incorporated a company belonging to the same group (BETA). The latter manages and develops activities of energy production from renewable sources, it is the top player across the entire Brazilian solar industry operating the largest solar plant in the state of Piauí, and one of the biggest wind-power players in the Brazilian market.

Therefore, the purpose of this study was to provide the answer to the following research questions:

- a) How can the human factor affect and be affected by an integration process?
- b) What are the main managerial practices that can influence an integration process of companies belonging to the same holding and how?

The above questions were designed in order to try to contribute not only to academic research and theory but also to practitioners, so that future integration processes will be approached with a better understanding of the human factor.

1.3 RELEVANCE OF THE STUDY

This study aimed to give a contribution to the knowledge of the human factor during post-merger integration. Therefore, it sought to provide a critical view of the relevance of organizational culture differences, the integration plan and the key aspects of the employees involved, in order to help management in charge of the integration processes to better understand how to deal with these critical aspects.

Mergers and acquisitions have become increasingly popular as companies look for higher returns and dominant market position in the global market. They provide a means to acquire expertise, technology, products, complement ongoing internal product development, reduce exposure to risk and achieve economies of scope and scale. However, it is well documented in finance and management literature that a high number of M&As fail to create value (Marks and Mirvis, 2011). Despite their popularity, and dismal performance track record, mergers and acquisitions (M&A) remain poorly understood (Weber, Tarba and Oberg, 2014; Weber and Tarba, 2010). In the last years global M&A activity increased, however, several analyses examining the most widely studied variables in the M&A literature (King, Dalton, Daily and Covin., 2004; Stahl and Voight, 2008) have not clearly established the reasons for the high failure rate of M&As (Weber, 2015).

One reason why the research on M&A performance in disciplines, such as industrial economics, strategic management, and finance, has not produced consistent results is that it has failed to account for the role of human resource (HR) practices mechanisms during post-merger integration process (Weber and Tarba, 2010; Weber, Tarba and Oberg, 2014). Researchers from the field of organizational behaviour maintain that the primary cause of failure in mergers and acquisitions is the lack of consideration of the human factor during the process of the planning and implementation of the merger. Although the human factor is not considered a priority in most M&A processes, it is clearly paramount to its success or failure. Managing change and its effect on employees in a M&A process is, therefore, one of the biggest challenges faced by managers (Garibaldi de Hilal, 2013).

Culture represents an important element of mergers and acquisition process and its relevance becomes clear during a M&A when two divergent cultures are forced to become one. Combining different types of cultures, as mostly happens in M&As, is likely to have important consequences for

organizational outcomes. It is therefore not surprising that many studies such as Bijlsma-Frankema (2001), Faulker et al. (2002), and Krishnan et al. (2004) suggest, that M&As fail primarily because managers tend to underestimate the people factor and cultural fit. Other researchers (Weber, 1996; Very et al., 1997) also identified the process of “socio-cultural integration” as a key factor in the poor performance of M&As. It has been estimated that about a quarter to half of M&A failures are caused by problems of integrating the different cultures and workforces of merging firms (Davy et al., 1988; Walter, 1985). Similar conclusions were drawn by Cartwright and Cooper (1992) and Carey (2000) who argued that mergers between certain culture types can be disastrous in that they lead to cultural ambiguity, confusion and hopelessness. Therefore, the management of “the human factor” in mergers and acquisitions has been recognised as an important source of success (Kimberly and Quinn 1984; Buono and Bowditch 1989; Cartwright and Cooper 1992; Lubatkin and Lane 1996).

What above mentioned underlines the relevance of this study. Even if the interest of both scholars and practitioners in the last decades increased, still few studies focused on the relevance of the human factor. Moreover, due to its complexity and its multifaceted nature, further researches are still necessary in order to explore all the aspects of the subject.

Besides complementing and reinforcing the existing theory about the human factor in M&As, this study can be also relevant for the academic literature because it opens areas of discussion that can bring future researches to further explore the issues addressed.

Finally, the case study sought to fulfil the goal of providing a diagnostic of the integration process between the two companies analysed (ALFA and BETA). In addition, based on the careful analysis of the results in the light of the theoretical background, it wanted to give insights and suggestions that can help the company to improve the knowledge that can be used for its future integration processes.

1.4 DELIMITATION OF THE RESEARCH

This section aims to determine the characteristics that limit the scope and define the boundaries of this research. The focus of this study was to provide a general overview of what a merger between two companies is, paying attention to the most relevant aspects of the integration process, especially those related to the organizational cultures and their differences, and exploring the main challenges and key

to success. In addition, it focused on the main human and contextual aspects that can interfere, positively or negatively, in the success of the integration process, such as, resistance to change, uncertainties and employee expectations, commitment, stress, turnover, employee retention, communication, HR development and training and leadership's role.

In the light of the above focus, the financial aspects of the merger, and any other elements not related to the human factor and the organizational environment, were not considered for the purpose of this work. Moreover, the research focused on the case of two specific companies going through a post-merger integration process therefore, it examined the specific aspects of the case study and any considerations about other integrations were not taken into consideration.

1.5 STRUCTURE OF THE RESEARCH

In order to guide the readers through the study and help them in the findings' comprehension, this section provides an overview of the research structure containing a brief description of each chapter.

This work is organized in six parts, as described below:

- *Chapter 1:* The "Introduction" presents the first insights about the human factor in integration processes. It includes the contextualization of the problem presenting the main issues the researcher wants to explore and the goals the research aims to achieve. It explains the relevance of the study for both research and company and the study delimitation that can promote insights for future research and, at the end, it gives details about how this work is organized.
- *Chapter 2:* This chapter is dedicated to the "Literature Review" supporting this work. Due to the complexity of the subject, the researcher chose to divide it according to the main topics considered relevant for the study. It explores the organizational culture, its main functions and effects and its direct relationship with the leadership, besides discussing the relevance of cultural differences in M&A, the importance of designing and managing the integration process based on a well-structured integration plan and the ability to integrate while preserving cultural differences. In addition, the chapter investigates the main aspects of the human factor that can influence the integration process, such as, resistance to change, uncertainty and employee expectations, commitment,

stress, turnover, employee retention, communication and delves into the critical role of the decision-making process, HR development and training and leadership.

- *Chapter 3:* The “Brief Company Overview” provides some general information about the companies involved in this study and explains the rationale behind the merger. It also gives the reader a picture of the business of the multinational group the companies belong to and their relevance in the Brazilian market.
- *Chapter 4:* This chapter describes the “Research Method” used for this case study. It provides the justification for the selected research design, the interviewee profiles and selection process. It also provides a description of the data collection and analysis besides drawing a critical overview of the research limitations.
- *Chapter 5:* In the “Analysis of Results” the empirical results from the interviews are presented in order to promote greater clarity and understanding of the conclusions. These results are also compared and related to theories and models previously discussed in chapter 2.
- *Chapter 6:* This chapter explores the “Conclusion” of the study, providing the final considerations developed in the light of what analysed in the previous chapter and suggesting further exploration for future research.

2. LITERATURE REVIEW

Despite their popularity, and dismal performance track record, mergers and acquisitions (M&A) remain poorly understood and poorly executed (Weber, Tarba and Oberg, 2014; Weber and Tarba, 2010). In the last years global M&A activity increased; recent surveys reveal that despite the financial market crisis, executives remain upbeat about their M&A plans around the world. However, recent analyses examining the most widely studied variables in the M&A literature (King, Dalton, Daily and Covin., 2004; Stahl and Voight, 2008) have not clearly established the reasons for the high failure rate of M&As (Weber, 2015).

One reason why the research on M&A performance in several disciplines, such as industrial economics, strategic management, and finance, has not produced consistent results is that it has failed to account for the role of human resource (HR) practices mechanisms, such as development and training, during post-merger integration process (Weber and Tarba, 2010; Weber, Tarba and Oberg, 2014). Researchers and counsellors from the field of organizational behaviour maintain that the primary cause of failure in mergers and acquisitions is the lack of consideration of the human factor during the process of the planning and implementation of the merger. In other words, even given the conditions of success according to other areas of research, the human factor may cause the failure of the merger. Namely, the managers and workers who do not adjust to the merger following differences in culture and management style cause, consciously and unconsciously, considerable expenses and do not enable, or fail in, the exploitation of the potential of synergy aimed in M&A. (Weber, 2015)

Much of the literature (Giffords, Dina, 2003; Dina, 1992) explains that problems arising from trying to blend two separate organizations into one flow from the differences in each entity's organizational culture. Consequently, it is important to understand the concept of culture in order to develop a deeper awareness of how culture determines individual and social behaviour within organizations.

When organizations with different mind-sets, practices and working styles are brought together the probability for a conflict or "cultural clash" is high. Mismanaging the activities related to the human factor, such as diverging policies (Chakrabarti and Mitchell, 2005) can lead to a clash of priorities, create ambiguities that cause resistance to change and therefore a failure of the integration process

(Birkinshaw et al., 2000; Schuler and Jackson, 2001; Vaara, 2003; Epstein, 2004; Teerikangas et al., 2012; Garibaldi de Hilal, 2013).

Although the human factor is not considered a priority in most M&A processes, it is clearly paramount to its success or failure. Managing change and its effect on employees in a M&A process is, therefore, one of the biggest challenges faced by managers. It involves knowing how to deal with expectations, uncertainty and stress in order to minimize the impact of resistance to change, thus fostering employee retention and lower levels of turnover, so as to increase the probabilities of a successful integration and outcome (Garibaldi de Hilal, 2013).

The purpose of the present Literature Review is, therefore, to collect information on theoretical approaches and the state of the art in mergers in order to understand how the human factor can influence the success or failure of an integration process considering some of the main intervening variables or topics such as resistance to change, uncertainty, expectations of the employees of the merged units, stress, turnover, communication, training and leadership.

2.1 ORGANIZATIONAL CULTURE – CLASSIC OVERVIEW

The concept of organizational culture has its roots in cultural anthropology. As in larger human society, there are cultures within organizations. These cultures are similar to societal cultures, they are shared, symbolically communicated, and passed down to employees.

The concept of cultures in organizations is one of relatively recent origin that became widespread and an important focus in the study of organizational life (Schein, 1990). It is now firmly established that culture is an important and relevant concept which is useful in understanding what makes organizations both effective and distinctive. As a management concept, it is controversial and little understood. While there does not seem to be a consensus as to what culture is and how pervasive it is within an organization, there is a general agreement that culture is a major force affecting employee behaviour and organizational effectiveness (Khatib, 1996).

Many definitions of organizational culture have been proposed. Despite the disagreement about the topic, most of them agree that there are several levels of culture and that these levels differ in terms of their visibility and their ability to be changed.

The problem of defining organizational culture derives from the fact that the concept of organization is itself ambiguous. Definitions range from a culture as a single component to culture as a holistic phenomenon including meanings, values, norms, myths and routines, rites and rituals, ceremonies, or a set of basic assumptions. Basically, no universally accepted definition of organizational culture exists (Peters and Waterman, 1982; Sackmann, 1991; Khatib, 1996).

Hofstede et al. (1990) noted that many of the diverse perspectives about organizational culture share several assumptions: they are related to history and tradition, have some depth, are difficult to grasp and account for, must be interpreted, are collective and shared by members of groups and primarily ideational in character, having to do with values, understandings, beliefs, knowledge, and other intangibles and they are holistic and subjective rather than strictly rational and analytical.

Culture is what a group learns over a period of time as that group solves its problems of survival in an external environment and its problems of internal integration. Such learning is simultaneously a behavioural, cognitive, and an emotional process. Extrapolating further from a functionalist anthropological view, the deepest level of culture will be the cognitive, in that the perceptions, language, and thought processes that a group comes to share will be the ultimate causal determinant of feelings, attitudes, espoused values, and overt behaviour (Schein, 1990).

It is, therefore, based on the group's social learning as a unit over the course of its history. It is an outcome of the group learning experiences. Once a group acquires a history, it also acquires a culture (Khatib, 1996).

Culture can be defined as (a) a pattern of basic assumptions, (b) invented, discovered, or developed by a given group, (c) as it learns to cope with its problems of external adaptation and internal integration, (d) that has worked well enough to be considered valid and, therefore (e) is to be taught to new members as the (f) correct way to perceive, think, and feel in relation to those problems (Schein, 1990).

The strength and degree of internal consistency of a culture are, therefore, a function of the stability of the group, the length of time the group has existed, the intensity of the group's experiences of learning, the mechanisms by which the learning has taken place (i.e., positive reinforcement or

avoidance conditioning), and the strength and clarity of the assumptions held by the founders and leaders of the group (Schein, 1990).

Once a group has learned to hold common assumptions, the resulting automatic patterns of perceiving, thinking, feeling, and behaving provide meaning, stability, and comfort; the anxiety that results from the inability to understand or predict events happening around the group is reduced by the shared learning. The strength and tenacity of culture derive, in part, from this anxiety-reduction function. One can think of some aspects of culture as being for the group what defence mechanisms are for the individual (Hirschhorn, 1987; Menzies, 1960; Schein, 1990).

Culture has been viewed both as what defines the values of the organizations and as a toolkit as to how to behave in an organization, therefore, it influences the desired organizational outcomes and the processes necessary to obtain those outcomes. It is also important to note that while each organization has its own unique cultural identity, it is made up of numerous individuals and groups who, in fact, function as an integrated network of subcultures (Elsass and Veiga, 1994).

Culture is the invisible force and the social energy that creates actions in organizations and provides meanings, direction, and rules of behaviour for members of the organization (Davis, 1984; Kilmann, 1989). It is a hidden system that influences employees' behaviour in the workplace, and the social glue that holds an organization together (Deal and Kennedy, 1982). In this sense, culture may contribute to the avoidance of fragmentation, tension, and conflict in organizational life (Alvesson, 1993; Baker, 1980; Martin, 1992 Siehl and Martin, 1984).

According to Dixon (1994), an organization's culture is the set of collective structures of meanings that are used by members of an organization to understand and explain the nature of their world in which they live; give meaning to it, and clarify the ambiguous, control the uncontrollable as well as predict the uncertain. It influences the way group members feel and think about the world and their relation to it.

Edgar Schein suggests that organizational culture has three levels, with the term level meaning the degree to which the cultural phenomenon is visible to the observer. Some of the confusion surrounding the definition of what culture really is results from not differentiating the levels at which it manifests itself. These levels range from the very tangible overt manifestations that one can see and feel to the

deeply embedded, unconscious, basic assumptions that are the essence of culture. In between these layers are various espoused beliefs, values, norms, and rules of behaviour that members of the culture use as a way of depicting the culture to themselves and others. (Schein, 2003) To achieve a complete understanding of an organization's culture, all three levels must be analysed.

At the surface is the level of artefacts, which includes all the phenomena that one sees, hears, and feels when one encounters a new group with an unfamiliar culture. Artefacts include the visible products of the group, such as the architecture of its physical environment; its language; its technology and products; its artistic creations; its style, as embodied in clothing, manners of address, emotional displays, and myths and stories told about the organization; its published lists of values; its observable rituals and ceremonies; and so on (Schein, 2003).

The “climate” of the group is an artefact of the deeper cultural levels, as is the visible behaviour of its members. Artefacts also include, for purposes of cultural analysis, the organizational processes by which such behaviour is made routine, and structural elements such as charters, formal descriptions of how the organization works, and organization charts.

One of the most important points to be made about the artefacts is that they are both easy to observe and very difficult to decipher. Observers can describe what they see and feel but cannot reconstruct from that what those things mean in the given group, or whether they even reflect important underlying assumptions. The problem is that symbols are ambiguous, and one can only test one’s insight into what something may mean if one has also experienced the culture at the deeper levels of values and assumptions. It is especially dangerous to try to infer the deeper assumptions from artefacts alone, because one’s interpretations will inevitably be projections of one’s own feelings and reactions (Schein, 2003).

One of the flaws of studying organizational symbols, stories, myths, and other such artefacts is that we may make incorrect inferences from them if we do not know how they connect to underlying assumptions (Pondy, Boland and Thomas, 1988; Pondy, Frost, Morgan and Dandridge, 1983; Wilkins, 1983). Organizational stories are especially problematic in this regard because the "lesson" of the story is not clear if one does not understand the underlying assumptions behind it.

If the observer lives in the group long enough, the meanings of artefacts gradually become clear. If, however, one wants to achieve this level of understanding more quickly, one can attempt to analyse the espoused values, norms, and rules that provide the day-to-day operating principles by which the members of the group guide their behaviour. This kind of inquiry takes us to the next level of cultural analysis (Schein, 2003).

Exposed beliefs and values are the deeper level of culture, they reflect a person's underlying beliefs of what should be or should not be. Values are usually clearly articulated both in conversation and in a company's mission statement, however, there may be a difference between a company's espoused values (what the members say they value) and its enacted values (values reflected in the way the members actually behave).

Beliefs and values at this conscious level will predict much of the behaviour that can be observed at the artefacts level. But if those beliefs and values are not based on prior learning, they may also reflect only what Argyris and Schön (1978) have called “espoused theories,” which predict well enough what people will say in a variety of situations, but which may be out of line with what they will actually do in situations in which those beliefs and values should, in fact, be operating. Thus, a company may say that it values people and that it has high quality standards for its products, but its record in that regard may contradict what it says.

If the espoused beliefs and values are reasonably congruent with the underlying assumptions, then the articulation of those values into a philosophy of operating can be helpful in bringing the group together, serving as a source of identity and core mission. But in analysing beliefs and values one must discriminate carefully between those that are congruent with underlying assumptions and those that are, in effect, either rationalizations or only aspirations for the future. Often such lists of beliefs and values are so abstract that they can be mutually contradictory, as when a company claims to be equally concerned about stockholders, employees, and customers, or when it claims both highest quality and lowest cost (Schein, 2003).

Through interviews, questionnaires, or survey instruments one can study a culture's espoused and documented values, norms, ideologies, charters, and philosophies. This is comparable to the ethnographer's asking special “informants” why certain observed phenomena happen the way they do.

Open-ended interviews can be very useful in getting at this level of how people feel and think, but questionnaires and survey instruments are generally less useful because they prejudge the dimensions to be studied. There is no way of knowing whether the dimensions one is asking about are relevant or salient in that culture until one has examined the deeper levels of the culture (Schein, 1990).

Espoused beliefs and values often leave large areas of behaviour unexplained, leaving us with a feeling that we understand a piece of the culture but still do not have the culture as such in hand. To get at that deeper level of understanding, to decipher the pattern, and to predict future behaviour correctly, we must understand the category of basic underlying assumptions (Schein, 2003).

Basic underlying assumptions are the deeply held beliefs that guide behaviour and tell members of an organization how to perceive and think about things. As the deepest and most fundamental level of an organization's culture, according to Edgar Schein (1990), they are the essence of culture. They are often unconscious; organization members may not be aware of their assumptions and may be reluctant or unable to discuss them or change them. When basic assumptions become taken for granted there is little variation within a social unit. This degree of consensus results from repeated success in implementing certain beliefs and values, as previously described. If a basic assumption comes to be strongly held in a group, members will find behaviour based on any other premise inconceivable. Basic assumptions tend to be nondebateable and hence are extremely difficult to change.

Culture as a set of basic assumptions defines what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations. Once we have developed an integrated set of such assumptions, we will be maximally comfortable with others who share the same set of assumptions and very uncomfortable and vulnerable in situations where different assumptions operate, because either we will not understand what is going on, or, worse, we will misperceive and misinterpret the actions of others (Douglas, 1986).

The human mind needs cognitive stability therefore, any challenge or questioning of a basic assumption will release anxiety and defensiveness. In this sense, the shared basic assumptions that make up the culture of a group can be thought of at both the individual and the group level as psychological cognitive defence mechanisms that permit the group to continue to function. Recognizing

this connection is important when one thinks about changing aspects of a group's culture (Schein, 2003).

Through more intensive observation, through more focused questions, and through involving motivated members of the group in intensive self-analysis, one can seek out and decipher the taken-for-granted, underlying, and usually unconscious assumptions that determine perceptions, thought processes, feelings, and behaviour. Once one understands some of these assumptions, it becomes much easier to decipher the meanings implicit in the various behavioural and artefactual phenomena one observes. Furthermore, once one understands the underlying taken-for-granted assumptions, one can better understand how cultures can seem to be ambiguous or even self-contradictory (Martin and Meyerson, 1988).

Any group's culture can be studied at these three levels, if one does not decipher the pattern of basic assumptions that may be operating, one will not know how to interpret the artefacts correctly or how much credence to give to the articulated values. In other words, the essence of a culture lies in the pattern of basic underlying assumptions, and once one understands those, one can easily understand the other more surface levels and deal appropriately with them (Schein, 2003).

It is quite possible for a group to hold conflicting values that manifest themselves in inconsistent behaviour while having complete consensus on underlying assumptions. It is equally possible for a group to reach consensus on the level of values and behaviour and yet develop serious conflict later because there was no consensus on critical underlying assumptions.

This latter phenomenon is frequently observed in mergers where initial synergy is gradually replaced by conflict, leading ultimately to divestitures. When one analyses these examples historically one often finds that there was insufficient agreement on certain basic assumptions, or, in our terms, that the cultures were basically in conflict with each other (Khatib, 1996).

Deeply held assumptions often start out historically as values but, as they stand the test of time, gradually come to be taken for granted and then take on the character of assumptions. They are no longer questioned, and they become less and less open to discussion. Such avoidance behaviour occurs particularly if the learning was based on traumatic experiences in the organization's history, which leads

to the group counterpart of what would be repression in the individual. If one understands culture in this way, it becomes obvious why it is so difficult to change culture (Schein, 1990).

2.2 MAIN FUNCTIONS AND EFFECTS OF ORGANIZATIONAL CULTURE

Organizational culture serves four basic functions. First, it provides a sense of identity to members and increases their commitment to the organization. When employees internalize the values of the company, they find their work intrinsically rewarding and identify themselves with their colleagues enhancing therefore their motivation and, by consequence, their commitment. Second, culture is a sense-making device for organization members. It provides a way for employees to interpret the meaning of organizational events. Leaders can use organizational symbols like corporate logos as sense-making devices to help employees understand the changing nature of their organizational identity, especially in an environment that is constantly changing. Third, culture reinforces the values in organization. Finally, culture constitutes a control mechanism for shaping behaviour, norms that guide behaviour are part of culture, if a company wants to promote teamwork, for example, its culture must be characterized by open communication, cooperation between teams, and integration of teams. Culture can also be used as a powerful tool to discourage dysfunctional and deviant behaviours in organizations. Norms can send clear messages that certain behaviours are unacceptable (Nelson et al., 2012).

The effects of organizational culture are strongly debated by organizational behaviourists and researchers. Even if managers attest the positive effects of culture in organizations it is difficult to quantify these effects. Kotter and Heskett (2011) have reviewed three theories about the relationship between organizational culture and performance and the evidence that supports or refutes these theories: the strong culture perspective, the fit perspective, and the adaptation perspective.

The strong culture perspective states that organizations with "strong" cultures perform better than other organizations. A Strong culture is an organizational culture with a consensus on the values that drive the company and with an intensity that is recognizable even to outsiders. A strong culture is deeply held and widely shared, and it is also highly resistant to change. Strong cultures are thought to facilitate performance for three reasons: they are characterized by goal alignment, all employees share common goals, they create a high level of motivation because of the values shared by the members

and they provide control without the oppressive effects of a bureaucracy. This perspective is important because it was the first major attempt to link corporate culture and long-term economic performance and it highlights the effect of a strong culture on goal alignment, motivation and control but, despite its popularity, questions have been raised about this theory. The main question is about the causality. This perspective states that strong cultures cause strong performance, yet the reverse is known to occur too, strong performance can help to create strong cultures. Another question concerns where the “culture drummer” is directing people. If the direction is good, then a strong culture might logically help a firm to do well but in the opposite case it could achieve negative results. Testing a set of ideas like those underlying the strong-culture perspective is difficult because the main concepts are hard to measure and collecting relevant data is not easy (Kotter and Heskett, 2011).

The fit perspective argues that a culture is good only if it fits the industry or the firm’s strategy. Samnani et al. (2013) state that it is closely aligned with the contingency theory and it suggests that the HRM (Human Resources Management) strategy should be congruent with the business strategy and that HRM practices should be aligned with one another (Kepes and Delery, 2007). A culture that values a traditional hierarchical structure and stability would not work well in the computer manufacturing industry, which demands fast response and a lean, flat organization. Three characteristics of an industry may affect culture: the competitive environment, customer requirements, and societal expectations. This perspective is useful in explaining short-term performance but not long-term performance. It also indicates that it is difficult to change culture quickly, especially if the culture is widely shared and deeply held, but it does not explain how firms can adapt to environmental change. Furthermore, while the fit perspective has received considerable theoretical support (Dyer and Reeves, 1995; Lepak, Liao, Chung and Harden, 2006; Lepak and Shaw, 2008; Schuler and Jackson, 2005), it has received limited empirical support (Delery and Doty, 1996; Green, Wu, Whitten and Medlin, 2006; Huselid, 1995). This adds to the ongoing debate about which theory or perspective is dominant, i.e. universalistic versus fit (Guest, 2011).

The adaptation perspective states that only cultures that help organizations adapt to environmental change are associated with excellent performance. An adaptive culture is one that encourages confidence and risk taking among employees, has leadership that produces change, and focuses on the changing needs of customers. Adaptive cultures facilitate change to meet the needs of three groups of

constituents: stockholders, customers, and employees. Non-adaptive cultures are characterized by cautious management that tries to protect its own interests. Adaptive firms showed significantly better long-term economic performance (Kotter and Heskett, 2011).

We can identify different types of organizational culture. In any organization one or more of these types might exist depending on several factors such as the style of management, occupations, geographical location, and the size of organisation. Harrison (1972) suggested that there are four main types of organizational cultures: power culture, task culture, role culture, and person culture.

The power culture has a single source of power from which influence spreads throughout the organization. To be effective, power culture depends on trust and personal communication. Resources and charisma are the main bases for authority. Individuals are encouraged to perform their tasks with few questions asked. It is characterized by few rules and a little bureaucracy.

The task culture is one in which power is diffused and based on expertise rather than position or charisma. Task culture is a team culture that focuses on accomplishing the job in hand. The organizing principles in this culture are flexibility, adaptability, individual autonomy, and mutual respect.

On the other hand, a role culture is a bureaucracy. The strength of a role culture lies in its specialties or functions (maintenance, production, purchasing, marketing and so forth). Rules and procedures as well as job descriptions dominate the environment of this culture. The main problem with this type of culture is that it can be slow to recognize and react to change.

Finally, the person culture exists solely for the individuals who comprise it. It develops when a group of people decide that it is in their best interest to organize on a collective basis rather than on an individual basis. This is often the case with doctors and lawyers.

According to Wallach (1983) there are only three types of culture: bureaucratic, innovative, and supportive. The bureaucratic culture is similar to Harrison's role culture in which there are clear lines of authority and responsibility, work is systematic and highly organized, and it is based on control and power. The innovative culture has a creative, exciting, and dynamic work environment with continuous stimulation but also with a constant pressure to innovate and achieve. On the other hand, the supportive culture has a comfortable and friendly work environment in which people are open and tend

to help the organization and other people working for it and where personal and organizational values are constantly promoted.

In every organization can be identified more than one type o culture, understanding the type or types of culture that exist will assist management in implementing organizational change to best achieve their organization's goals.

2.3 SCHEIN'S MAINSTREAM APPROACH TO ORGANIZATIONAL CULTURE AND LEADERSHIP (2003)

Culture is both a dynamic phenomenon that surrounds us, being constantly enacted and created by our interactions with others and shaped by leadership behaviour, and a set of structures, routines, rules, and norms that guide and constrain behaviour. When one brings culture to the level of the organization and even down to groups within the organization, one can see clearly how culture is created, embedded, evolved, and ultimately manipulated, and, at the same time, how culture constrains, stabilizes, and provides structure and meaning to the group members. These dynamic processes of culture creation and management are the essence of leadership and make one realize that leadership and culture are two sides of the same coin.

Cultures begin with leaders who impose their own values and assumptions on a group. If that group is successful and the assumptions come to be taken for granted its culture will define for later generations of members what kinds of leadership are acceptable. In this case the culture defines leadership, but as the group runs into adaptive difficulties and its environment changes to the point where some of its assumptions are no longer valid, leadership comes into play once more. In this case, leadership is the ability to step outside the culture that created the leader and to start evolutionary change processes that are more adaptive. This ability to perceive the limitations of the culture and to evolve it in an adaptive way is the essence and ultimate challenge of leadership. To fulfil this challenge leaders must first understand the dynamics of culture.

When culture and leadership are examined closely, it can be seen that they are two sides of the same coin. On the one hand, cultural norms define how a given organizations will define leadership, who will get promoted, who will get the attention of followers, on the other hand, leaders create and manage culture and it is an act of leadership to destroy culture when it is viewed as dysfunctional. Since culture

refers to those elements of a group or organization that are most stable and least malleable, it is no easy to manage, change or destroy it. Culture is the result of a complex group learning process that is only partially influenced by leader behaviour. But if the group's survival is threatened because elements of its culture have become maladapted, it is ultimately the function of leadership at all levels of the organization to recognize and do something about this situation. It is in this sense that leadership and culture are conceptually intertwined.

When organizational success produces the need to grow, merge or differentiate the organization into functional, geographic, product, market, or hierarchical units, one of the critical functions of leadership is to recognize the cultural consequences of various ways of differentiating. New subgroups will eventually share enough experience to create subcultures based on occupational, national, and historic experiences. Once such differentiation has taken place, the leader's task is to find ways of coordinating, aligning, or integrating the different subcultures. Building an effective organization is ultimately a matter of meshing the different subcultures by encouraging the evolution of common goals, common language, and common procedures for solving problems. It is essential that leaders recognize that such cultural alignment requires not only cultural humility on the leader's part, but skills in bringing different subcultures together into the kind of dialogue that will maintain mutual respect and create coordinated action.

Culture change also occurs from the entry into the organization of people with new assumptions and from different experiences of different parts of the organization or external organization. It is within the power of leaders to enhance diversity and encourage subculture formation, through selection and promotion, reduce diversity and thus manipulate the direction in which a given organization evolves culturally. Cultural change in organization is primarily a matter of deliberately taking advantage of the diversity that the growth of subcultures makes possible. Unless the organization is in real difficulty, there will be enough time to use systematic promotion, organization development, and technological change as the main mechanisms in addition to normal evolution and organizational therapy.

Culture change inevitably involves unlearning as well as relearning and is therefore, by definition, transformative. The fundamental assumptions underlying any change in a human system are derived originally from Kurt Lewin (1947), all human systems attempt to maintain equilibrium and to maximize

their autonomy versus their environment. Coping, growth, and survival all involve maintaining the integrity of the system in the face of a changing environment that is constantly causing varying degrees of disequilibrium. The function of cognitive structures such as shared concepts, beliefs, attitudes, values, and assumptions is to organize the environmental stimuli, to make sense of them and provide a sense of predictability and meaning to the individual. The evolution of culture is therefore one of the ways in which a group or organization preserves its integrity and autonomy, differentiates itself from the environment and other groups, and provides itself an identity.

If any part of the core cognitive structure must be changed, the system must first experience enough disequilibrium to force a coping process that goes beyond just reinforcing the assumptions that are already in place. Lewin called the creation of such disequilibrium “unfreezing” or creating a motivation to change. This phase is composed of three very different processes, each of which must be present to a certain degree for the system to develop any motivation to change: (1) enough disconfirming data to cause serious discomfort and disequilibrium; (2) the connection of the disconfirming data to important goals and ideals, causing anxiety and/or guilt; and (3) enough psychological safety, in the sense of being able to see a possibility of solving the problem and learning something new without loss of identity or integrity (Schein, 1990).

According to Schein (2003) transformative change implies that the person or group that is the target of change must unlearn something as well as learn something new. Transformative change will therefore almost always involve culture change to some degree. Most of the difficulties of such change are related to the “unlearning”, because what people have learned has become embedded in various routines and may have become part of their personal and group identity. The key to understanding resistance to change is to recognize that some behaviour that has become dysfunctional may be difficult to give up due to the impression of losing group membership or violating some aspect of personal identity.

What often generates this level of denial and repression is that the prospect of learning new ways of perceiving, thinking, feeling, and behaving itself creates anxiety. It is the reduction of this anxiety that is meant by the third component of unfreezing, the creation of psychological safety. Employees must come to feel that the new way of being is possible and achievable, and that the learning process

itself will not be too anxiety provoking or demeaning. The importance of visionary leadership can be understood in this context, in that the vision sometimes serves the function of providing the psychological safety that permits the organization to move forward. Once a leader makes the organization feel safe in learning something new, the change can occur rapidly because improve motivation. The essence of psychological safety, then, is that we can imagine a needed change without feeling a loss of integrity or identity.

Once an organization has been unfrozen, the change process proceeds along different lines that reflect either new learning, or imitation of role models and the essence of the new learning is usually some cognitive redefinition of some of the core concepts in the assumption set. The leader as change manager has a choice as to which mechanism to encourage, he can make him or herself a role model of the new behaviour that is expected or, as part of a training program, he/she can provide role models through case materials, films, role-plays, or simulations. A Leader as change manager must be clear about the ultimate goals, the new way of working that is to be achieved, but this does not necessarily imply that everyone will reach that goal in the same way. In the same way, involvement of the learner does not imply that the learner has a choice about the ultimate goals, but that he or she has a choice of the means to get there.

The final step in any given change process is refreezing, which refers to the necessity for the new behaviour and set of cognitions to be reinforced. Identification and imitation will produce quicker learning that will be reinforced by the group and the leader who models the behaviour. To achieve a full internalization of the new cognitive constructs and standards of evaluation, it is necessary to encourage scanning and trial-and-error learning from the outset.

In this context, therefore, the role of the leadership is essential to create psychological safety for organizational members who are undergoing transformational learning, and this can be achieve implementing the following eight points:

- *A compelling positive vision.* Employees must believe that the organization will be better if they learn the new way of thinking and working. Such a vision must be articulated and widely held by senior management;

- *Formal training.* If the new way of working requires new knowledge and skill, members must be provided with the necessary formal and informal training;
- *Involvement of the learner.* Employees must have a sense that they can manage their own informal training process, practice, and method of learning. Each learner will learn in a slightly different way, so it is essential to involve learners in designing their own optimal learning process;
- *Informal training of relevant “family” groups and teams.* Since cultural assumptions are embedded in groups, informal training and practice must be provided to whole groups so that new norms and new assumptions can be jointly built;
- *Practice fields, coaches, and feedback.* Employees must have the time, the resources, the coaching, and valid feedback on how they are doing, practice fields are particularly important because learners can make mistakes without disrupting the organization;
- *Positive role models.* Since the new way behaviour and attitudes may be very different from what employees are used to, it can be useful for them to see what they look like and see them in people with whom they can identify, before they can imagine themselves doing it;
- *Support groups in which learning problems can be aired and discussed.* Employees need to be able to talk about their frustrations and difficulties in learning with others who are experiencing similar difficulties so that they can support each other and jointly learn new ways of dealing with the difficulties;
- *A reward and discipline system and organizational structures that are consistent with the new way of thinking and working.* If the goal of the change program is to learn how to be more of a team player, the reward system must be group oriented, individually selfish behaviour must be punished and the organizational structures must make it possible to work as a team.

2.4 M&A AND CULTURAL DIFFERENCES

The cultural element in M&As’ integration process has been identified as one of the key issues that may help explain the failure of many mergers and acquisitions. Researchers confirmed that culture matters in merger and acquisition (M&A) success (Stahl and Voigt, 2008) however, according to Mirvis and Marks (1986, 2011) studies, managing culture usually gets a low priority by executives who are

overwhelmed by the operational aspects of integration, even if most of them acknowledge that underestimating the importance and difficulty of combining cultures was a major oversight in their integration efforts (Cartwright and Cooper, 1996).

According to Lodorfos and Boateng (2006), over the past two decades mergers have become a global phenomenon and a popular strategic choice for companies' growth and expansion (Seth et al., 2000; Buckley and Ghauri, 2002; Shimizu et al., 2004). Several scholars argue that mergers and acquisitions of companies are a common and important response to globalisation and the changing market environment (Weber, 1996; Ashkenas et al., 1998; Boateng and Bjørtuft, 2003). Despite the increasing popularity of mergers and acquisitions, it has been reported that, more than two-thirds of large merger deals fail to create value for shareholders in the medium term and that the profitability of companies, on average declines after the deal (Ravenscraft and Scherer, 1989). The propensity for M&A's failure to meet the anticipated goals is corroborated by Erez-Rein et al. (2004) and Carleton (1997) who noted that the rate of mergers and acquisitions failure range from 55 to 70 percent.

While several studies are quick to point out that, lack of strategic fit and poor management of the integrative process appear to be the main causes of unsatisfactory performance, it is pertinent to point out that this explanation appears too general and fails to capture fully what constitutes poor management.

Prior literature indicates that there has been intense interest in examining human and cultural aspects of M&As, since traditional explanations have not adequately explained the high rate of failures of M&As. Researchers such as Fralicx and Bolster (1997), Cartwright and Cooper (1993), Daniel and Metcalf (2001), and Evans and Mendenhall (2004) support this line of reasoning and suggest that incompatible cultures are the main causes of M&As failure. While it is acknowledged that lack of cultural fit is an important factor in M&As' failure relatively few studies have investigated the role of culture and its integration in M&As process. Moreover, studies on the impact of cultural differences on M&As' performance have yielded mixed results and do not provide framework for managing cultural integration (Weber et al., 1996; Stahl et al., 2004; Brock, 2005). Scholars have generated practical insights and practitioners have developed robust interventions regarding acculturation in M&A but what is missing is a framework to help line executives, as well as HR professionals, understand which

culture building tools to select and when to employ them. Such a framework can guide action in a chaotic time when executives are contending with driving in two lanes at once, managing the transition while running the business (Marks and Mirvis, 2011).

Mergers and acquisitions have become increasingly popular as companies look for higher returns and dominant market position in the global market. M&As provide a means to acquire expertise, technology, products, complement ongoing internal product development, reduce exposure to risk and achieve economies of scope and scale. However, it is well documented in finance and management literature that a high number of M&As fail to create value. Research evidence indicates that the greatest danger comes after the merger of two companies when they attempt to integrate operations (Marks and Mirvis, 2011).

The failure of a merger or acquisition to achieve its financial or strategic objectives is often blamed on a clash of cultures between the combining entities (Cartwright and Price, 2003). Fralicx and Bolster (1997) pointed out that “culture can be a make or break factor in the merger equation”. Supporting this line of thinking, Cartwright and Cooper (1993) suggested that financial benefits anticipated from mergers and acquisitions are often unrealised because of incompatible cultures. Weber (1996) reinforced this by suggesting that the magnitude of cultural differences can effectively impede a successful integration during mergers and acquisitions, resulting in poor overall performance. On the human side, studies document how cultural differences can give rise to ethnocentrism, stereotyping, and the belittling of counterparts between members of combining top management teams (Sales and Mirvis, 1984). Cultural differences also have been negatively related to the effectiveness of IT systems integration (Weber and Pliskin, 1996), the realization of strategy (Very, Lubatkin and Calori, 1996), and post-merger stock price performance (Chatterjee et al., 1992).

Although, it is widely acknowledged that cultural compatibility or fit alone is no guarantee to merger and acquisitions’ success, it is also true that cultural heterogeneity creates tensions and affects financial and managerial performance (Kanter and Corn, 1994; Jemison and Sitkin, 1986; Brock et al., 2000). Moreover, managers prefer cultural homogeneity to heterogeneity, because shared experience and culture form a basis of trust. According to Cartwright and Cooper (1993) culture is an integral part of an organisation and it is like the personality for an individual; cultural similarity therefore serves as a force

that brings members of the merging organisations together creating a sense of cohesion and consequently achieving synergy. Therefore, culture barriers or incompatibilities can pose major obstacles to the anticipated gains from M&A (Nahavandi and Malekzadeh, 1988; Very and Schweiger, 2001) and cultural differences can also impair information flow, obstruct knowledge transfer and negatively influence firms' survival (Buckley and Casson 1996; Parkhe 1991).

Culture represents an important element of mergers and acquisition process and its relevance becomes clear during a M&A when two divergent cultures are forced to become one. Combining different types of cultures, as mostly happens in M&As, is likely to have important consequences for organizational outcomes. It is therefore not surprising that many studies such as Bijlsma-Frankema (2001), Faulker et al. (2002), and Krishnan et al. (2004) suggest, that M&As fail primarily because managers tend to underestimate the people factor and cultural fit.

The integration of two organisations cultures represents a major post-merger challenge, human resources tend to react negatively to a merger. However, the strength duration and dysfunctional effects of such reaction vary between different M&As (Larsson et al., 2002). This negative employee reaction in M&As is often referred to as a "cultural clash" (Buono and Bowditch, 1989; Chatterjee et al., 1992; Nahavandi and Malekzadeh, 1993; Cartwright and Cooper, 1995; Brock et al., 2000).

Weber (1996) and Very et al. (1997) identified the process of "socio-cultural integration" as a key factor in the poor performance of M&As. It has been estimated that about a quarter to half of M&A failures are caused by problems of integrating the different cultures and workforces of merging firms (Davy et al., 1988; Walter, 1985). Similar conclusions were drawn by Cartwright and Cooper (1992) and Carey (2000) who argued that mergers between certain culture types can be disastrous in that they lead to cultural ambiguity, confusion and hopelessness. Therefore, the management of "the human factor" in mergers and acquisitions has been recognised as an important source of success (Kimberly and Quinn 1984; Buono and Bowditch 1989; Cartwright and Cooper 1992; Lubatkin and Lane 1996). Several researchers suggest that merging companies should seek for fit, especially cultural fit, in order to avoid conflicts, for instance, Nahavandi and Malekzadeh (1988) and Chatterjee et al. (1992) emphasis cultural fit as an important factor in creating shareholder value in mergers.

The key role that culture plays in the successful integration of M&As is therefore not surprising and it is consistent with the past studies such as Newbould (1970), Firth (1980), Weber et al. (1996), Deloitte & Touche (2001), which pointed out that cultural conflicts are a major impediment to M&As success. Cultural differences do not only create organisational challenges that impede integration and increase merger costs but also lead to a reduction of profitability and shorten the life of the merged companies, in addition, cultural aspects of the integration process are often given relatively little attention especially during the pre-merger stage of the process (Lodorfos and Boateng, 2006).

However, research has also shown that differences in style and practices can enhance post-combination performance (Vermeulen, 2005). Several studies, for example, find that differences in organizational culture in cross-border M&As can augment synergies (Weber et al., 1996) and sales growth (Morosini et al., 1998), and reduce employee resistance (Larsson and Finkelstein, 1999). Mirvis and Marks (2003) studies, in turn, document how a moderate degree of culture difference between combining companies can be a stimulus for cross-company dialogue, creative problem solving, and innovation.

There is a well-established body of theory and research on the challenges associated with combining peoples from different cultures. Social identity theory (Tajfel, 1981; Turner, 1982) contends that organization members show a positive bias toward members of their own “in-group” and tend to hold a negative view about the members of an “outgroup” in order to enhance the relative standing of their own kind. This in-group bias and “us-versus-them” comparisons are greatest when there is a perceived external threat, as is common in M&A’s activity, and when the out-group is perceived to be very different from the in-group (Elsass and Veiga, 1994; Hogg and Terry, 2000).

A contrasting point of view about the benefits of cultural differences is based in theory and research about diversity (Cox, 1993). The logic is that more variety in peoples and practices enriches the gene pool of ideas and potential actions in organizations. Applied to M&A, this perspective contends that differences rather than similarities create the “friction” needed for synergies and learning (Vermeulen and Barkema, 2001). Cultural differences, it has been argued, can also break rigidities in merging firms, help them to develop richer market and management knowledge, and foster innovation (Schreyögg,

2005). Finally, M&A can provide the firms with a competitive advantage by giving them access to unique and potentially valuable capabilities that are embedded in a different culture (Olie and Verwaal, 2004).

In sum, the relationship between cultural differences and M&A outcomes has been found to be complex and to vary across industries and outcome measures (Weber, 1996). At the same time, researchers have established a clearer relationship between actively managing culture and achieving desired M&A outcomes (Schweiger and Goulet, 2005). Whether cultural differences have a positive or negative impact on M&A performance depends on (1) the nature and extent of those differences, (2) the interventions used to manage them, and (3) the integration approach taken (Stahl, Pucil, Evans and Mendhall, 2004). Thus, the answer to the question of how to best handle the cultural and human aspects of M&A is not necessarily to find a partner with a similar or compatible culture. Rather, it is a matter of managing cultural differences through a comprehensive approach that builds cultural understanding and promotes creative synergies.

2.5 INTEGRATION PLAN AND SPEED: DESIGNING AND MANAGING INTEGRATION

The due diligence, valuation analysis, and negotiation that precede the merger of two companies cannot guarantee its success, the synergies and assumptions that supported the decision will be realized only if the management effectively integrates the companies. Unfortunately, management often fail to plan the integration adequately or conduct the integration process too slowly (Venema, 2015).

As we saw, companies have distinctive histories, customs, and personalities, as well as products, markets, and ways of running the business. Typically, people are proud of their company cultures and they have learned how to operate effectively within them. Mergers and acquisitions bring together companies with different cultures and this create the necessity of settle the company on a new equilibrium. The first thing that employees notice during a merger, are the differences between the two companies' cultures and how their own company is different from a partner's and they begin to pay attention to what makes their culture unique. Even when cultures may not be especially distinctive, employees tend to see them that way (Martin et al., 1983).

According to Marks and Mirvis (2011), managing culture in M&A, which means working with two organizational cultures to help achieve desired business results, starts by understanding the way in which a culture clash unfolds as companies combine. At this first stage, people focus on differences between the two companies in terms of the style of their leaders, their products and reputation, the ways they make decisions, the kinds of people who work in the two firms, and so on. These are called “Perceive Differences”. In the second stage that we can call “Magnify Differences”, people begin to magnify the differences they observe. Distinctions become sharper and more polarized and the partner’s culture start being perceived as “very different”; this is the start of “we” versus “they” when talking about cultures. In the third stage of the “Stereotypes”, people start to typecast employees of a partner company as embodiments of the other culture and they start being perceived almost as opponents. In the fourth stage “Put-downs” the culture clash reaches full height as the partner company is put down as inferior. “We” becomes the superior culture and “they” are denigrated.

Acculturation results when contact between two autonomous cultures requires change in one group or both (Berry, 1980). While there are many possible levels of acculturation in a merger or acquisition, four are most prominent:

- *Cultural pluralism*, in which the partners coexist;
- *Cultural integration*, in which the partner companies blend current cultures together;
- *Cultural assimilation*, in which one company absorbs the other; and
- *Cultural transformation*, in which the partner companies abandon key elements of their current cultures and adopt new values and norms.

Although, theoretically, acculturation can result in a balanced merging of two group cultures, anthropological studies suggest that this balance rarely occurs. Instead, one group typically dominates the other and influences the direction of cultural change much more strongly than the subordinate group. Interestingly, anthropologists point out that the conflicts and upheaval that come from the modernization of a culture, or as a result of voluntary migrations, are far less pronounced than are those that follow forced occupations and the imposition of the dominant culture’s way of life (Berry, 1983). To translate this to M&A, assumptions of cultural superiority and actions toward forcing one

side's culture onto the other will face more force and resistance than efforts to work together to build a desired cultural end-state.

Mergers and acquisitions usually trigger some kind of cultural dynamic affecting employees' performance, attitude and behaviour and therefore it is important for managers to give attention to cultural integration issues at the early stages of merger process. Employees' representation and participation during the pre-merger stage, for example, can lead to high levels of trust between key stakeholders, and consequently reduce dissatisfaction, resistance to change and the risks associated with culture clashes. To minimise risks relating to culture incompatibilities, managers should carefully analyse and understand the organisation's drivers and motives to merge, policies, norms, priorities, values, language, communication channels and reporting lines in order to evaluate the compatibility of the two cultures, to highlight the positive and negative attributes of each of the cultures and then decide the level of integration and/or independence necessary for a successful co-existence. Another important way of minimising the potential risks emanating from cultural differences is to implement a job rotation system among the key managers in both the firms to bridge the gaps between the two organisations, identify areas of best practice and plan the change process. Thus, key managers of both companies should work closely to appreciate the practices of each organisation with the view of adopting the best code of practice during the integration (Lodorfos and Boateng,2006).

In order to avoid cultural clashes, managers need to develop a flexible and well-defined integration pre-plan and plan. Integration planning should begin as soon as possible, by naming a steering committee of relevant senior executives of both companies to oversee the integration effort. The steering committee should, in turn, appoint a responsible person from the business unit or corporate department that is most directly involved in the integration who, under the supervision of the steering committee, should be responsible for preparing and refining the integration plan up until the end. Integration teams must be composed by the merging partners as well as experts in change management and organisational psychology and in some cases, companies can even hire external consultants to integrate processes and systems of the merging companies. Forming an integration team is a way to put the problem under the control of specialists who have expertise, time and logistical support to deal with it effectively. Integration plans should be aligned with the strategic objectives of the transaction,

should consider the organization and culture of the two companies and proceed systematically and quickly (Venema, 2015).

According to Venema (2015) integration planning begins with the strategic justification for the transaction, the goal the companies want to achieve by merging themselves and should proceed quickly, so that the corporation can enjoy the benefits of the synergies sooner. It is important for the integration plan to be sensitive to the organization and culture of both companies. One should not attempt to impose its standards on the other in a dogmatic fashion. If one company starts imposing new people, new requirements, and new values on the other company, then it might soon discover that the other company is more different than what they planned before the merger. Companies often begin the integration process with aspects of the integration plan that pose the least amount of disruption to the other company and leave the more controversial aspects of the plan until after the first better understands the business operations and personnel of the second. A well-written integration plan should cover, at least, three main areas. First, it should address all the actions that must be accomplished immediately following the transaction, both legally and operationally. This first part is made by list of the administrative tasks to be accomplished, such as ensuring that the payroll and benefits of the company's employees are not interrupted, and each activity must be coordinated with the others. The second area that the integration plan should address concerns communications. Effective communications can relieve a significant part of the anxiety experienced by the parties affected by the merger due to the change in the companies. The plan should include short-term communications designed to reassure customers, vendors, and employees; it should also include ongoing communications that will address the concerns of key stakeholders as the integration process unfolds. These ongoing communications should be based on feedback that is solicited as part of the communication plan. The final part of the integration plan is the most important, it should address how the benefits of the merger are going to be attained and describe each step that must be accomplished in order to achieve that goal. The plan should include a timetable for accomplishing the steps and should assign responsibility for accomplishing each of them. Coordination is especially important in this phase to leverage benefits across several business units.

As we saw, companies' integration is recognized as a common reason behind M&A failure (DiGeorgio, 2002; Goldberg and Goodwin, 2001) but it is worth to analyse the relevance of the speed

in this process. Though business practice emphasizes the benefits of fast integration (Schlaepfer et al., 2008), the impact of integration speed is complex with limited research examining speed of integration until relatively recently (Bauer and Matzler, 2014; Proft, 2014; Stahl et al., 2013). Research still needs to address when speed of integration is beneficial to M&A success or not (Homburg and Bucerius, 2006), integration speed has both advantages and disadvantages (Angwin's 2004). The benefits of speed during M&A integration include minimizing the interruption of work routines for employees, providing competitors less time to respond to the strategic move, and accelerates performance improvements (Cannella and Hambrick, 1993; Homburg and Bucerius, 2005; King and Schriber, 2016). At the same time, accelerated integration risks destroying valuable capabilities in the merged firm (Graebner, 2004; Ranft and Lord, 2002). This trade-off represents different challenges for integration.

In considering associated trade-offs during integration, Birkinshaw et al. (2000) distinguish between human and task integration. Human integration refers to integrating management practices, cultures and values, or “softer” issues aimed at creating positive attitudes and a shared identity among employees. However, research suggests people concerns are often overlooked and hinder integration (Vaara, 2003). Meanwhile, task integration focuses on identifying and realizing operational synergies or operational integration, as well as organizational practices and coordination systems. Success is a function of both forms of integration (Bower, 2004; Weber, Rachman-Moore and Tarba, 2012), as human integration can help achieve cooperation and task integration helps to achieve coordination (Cheng, 1984). However, human and task integration are not necessarily pursued in parallel (Birkinshaw et al., 2000; Nummela and Raukko, 2011) and speed can be differentially applied in organizations (Stahl et al., 2013).

Human integration focuses on employee satisfaction and creating a shared identity (Birkinshaw et al., 2000) by focusing on collaborative problem solving to reconcile conflicts and reduce employee uncertainty from the merger (Jansen et al., 2009). M&As raise uncertainty about careers and reporting relationships to create role ambiguity (Ullrich and van Dick, 2007; Vaara, 2003) that can contribute to organizational resistance (Larsson and Finkelstein, 1999) or in-group and outgroup biases (Björkman et al., 2007; Lakshman, 2011), leading management research and consulting firms to consistently identify cultural and human issues as a major obstacle for acquisition success (Nahass et al., 2008).

Without human integration, employees' uncertainty about the future can create both active and passive employee resistance that reduces performance at the individual and collective levels that can hinder achieving the goals of the merger (Larsson and Finkelstein, 1999). There is disagreement on whether faster human integration has positive effects. On one hand, slower integration is credited with improved relationship formation and lower conflict (Gomes et al., 2013; Homburg and Bucerius, 2006; Ranft and Lord, 2002) and trust building needs time and has positive financial effects in the long run (Bijlsma-Frankema, 2001). On the other hand, rapid change can minimize uncertainty associated with new procedures and norms following a merger (Amis et al., 2004; Covin et al., 1996). During M&As, increased role ambiguity, conflict and stress lower performance (Lukas et al., 2002; Risberg, 2001), these issues may be avoided with faster human integration that clarifies organizational structure and procedures. According to Bauer et al. (2016), a higher human integration speed has a positive impact on performance; focus on human integration can capitalize on expectations for change to set the foundation for improved performance by reducing employee uncertainty and increasing organizational stability (Proft, 2014).

A source of performance improvement in M&As also comes from creating operational synergies through integration of superior processes of one company in the other company (Andrade et al., 2001; Jovanic and Rousseau, 2002). Task integration of processes crosses multiple disciplines, such as production, marketing, accounting and finance, with each area offering potential coordination problems and conflicts (Shrivastava, 1986). Coordination costs represent a major reason for lower performance (Zhou, 2011) as integration also disrupts the environment for coordinating work (Paruchuri et al., 2006; Ullrich and van Dick, 2007) with greater integration becoming increasingly difficult (DiGeorgio, 2002; Puranam et al., 2009). Additionally, faster integration of processes results in less communication (Saorin-Iborra, 2008), when additional time for participative decision making helps employees to adopt new routines (Nemanich and Vera, 2009). This is important as confusion over processes is consistently associated with coordination problems (Snook, 2000; Weick and Roberts, 1993).

According to Bauer et al. (2016), a higher task integration speed has a negative impact on performance. An argument in favour of slow task integration relates to take time to introduce and distribute new responsibilities and know-how (Beth-van der Warth, 2004; Birkinshaw et al., 2000), as

well as learning to apply tacit knowledge in a new context (Nonaka, 1994). If employees productively applied prior work processes, making changes to those processes creates conflict that increases stress and lowers performance until adjustments are successful (Lukas et al., 2002; Weick and Roberts, 1993). This is consistent with observations that surprises and mistakes during integration are inevitable and that initial performance inevitably declines as prior work processes are disrupted (Vester, 2002). Following a merger, changes to work procedures are often resisted (Buono et al., 1985), and the more task specialization, the higher the coordination costs (Kogut and Zander, 1996). Consequently, slow task integration provides time needed to adjust how work is accomplished. Allowing time for successive interaction increases the use of routines and continued to deepen understanding and facilitate improved performance (Levitt and March, 1988; Nonaka, 1994).

According to Bauer et al. (2016), performance improves or falls during integration where managers make trade-offs, and integration speed represents a trade-off between human and task integration. For example, the main challenge of improving firm performance during integration involves having employees cooperate effectively across previous boundaries by wrapping them within a common structure (Cheng, 1984; Ullrich and Van Dick, 2007) therefore, existing descriptions of integration speed that do not distinguish between human and task integration may offer limited value.

Therefore, the influence of integration speed on performance depends on a separate consideration of human and task integration and the need for more detailed analysis of integration is reflected in the recognition that it represents a complex process (Shrivastava, 1986) where tensions between economic and organizational goals must be addressed (Meglio, Risberg and King, 2015). Specifically, it is questionable whether all aspects of integration can be conducted with the same speed (Olie, 1994; Ranft and Lord, 2002). Single item measures of integration speed limits the efficacy of existing integration research (Schlaepfer et al., 2008) driving the need to examine different integration layers (Stahl et al., 2013). An important contribution of the study of Bauer et al. (2016) is going beyond duration measures of integration to develop a relative measure of speed that considers the length and amount of change, while firms could easily speed up integration processes for low levels of integration and change, shorter integration duration will likely be more disruptive for higher levels of integration.

According to Weber and Tarba (2014), there is no clear evidence whether speed has positive or negative effects on M&A performance, the effects of integration speed are contextual. Homburg and Bucerius (2006) find empirical evidence, that the negative or beneficial effects of speed depend on the degree of external and internal relatedness. Drawing on this research, Bauer et al. (2016) argue that cultural fit moderates the relationships of human and task integration speed on M&A performance. Cultural fit is an important success factor in M&A (Bijlsma-Frankema, 2001; Cartwright and Schoenberg, 2006), as cultural fit can facilitate trust building (Anderson and Weitz, 1989), reduce organizational struggles (Vaara, 2003), and organizational resistance (Bijlsma-Frankema, 2001).

Generally, a faster integration is viewed positively in that it can limit how long organizations are disrupted (Schweiger et al., 1987). However, the initial impact of integration is generally decreased performance as adaptation occurs (Castro and Neira, 2005; Makri, Hitt and Lane, 2010; Mingo, 2013; Puranam et al., 2009) and the impact of speed likely relates to the amount of integration.

Researchers have identified differences in integration speed that are reflected in different frameworks for M&A implementation (Haspelagh and Jemison, 1991; Mirvis and Marks, 1992; Nahavandi and Malekzadeh, 1988). Angwin and Meadows (2014) found empirical evidence for five different integration approaches ranging from autonomy to complete integration. When the two companies can continue operate autonomously, close coordination is not required, and the duration of integration is less relevant, as little is changed beyond making accounting and reporting systems compatible. However, if greater coordination is important to achieving the goals of a merger, then integration and the transfer of physical assets and personnel drives a broad range of organizational change (Angwin and Meadows, 2014).

2.6 M&A INTEGRATION CHALLENGES KEY TO SUCCESS

Larsson and Finkelstein (1999) define M&A integration as “the degree of interaction and coordination of the two firms involved in a merger or an acquisition”. Merger and acquisition integrations begin with the closure of an M&A’s deal and it typically takes years to be completed, with integration planning often beginning well before deal closure (Ellis et al., 2011; Ranft and Lord, 2002; Schweiger and Goulet, 2000).

The integration of one firm into another has many facets and the conditions driving success or failure are complex. To minimize this complexity and obtain a blueprint for an appropriate integration strategy, a variety of models have been suggested to categorize the integration attempts into few integration archetypes or capture the key drivers of integration performance (Steigenberger, 2017). The most influential of these categorization models is the matrix proposed by Haspeslagh and Jemison (1991) with strategic interdependence and need for organizational autonomy as dimensions, resulting in the archetypical integration approaches of absorption (low need for autonomy, high strategic interdependence), preservation (high need for autonomy, low strategic interdependence) and symbiosis (high strategic interdependence, high need for autonomy).

Among the integrated models of key drivers of integration success, Larsson and Finkelstein's (1999) is the most influential. In this model, the combination potential of the merger influences synergy realization (high, if the synergy potential is high), organizational integration (deep integration, if the combination potential is high) and employee resistance (high, if the combination potential is high). Organizational integration increases employee resistance as well as synergy realization, while employee resistance relates negatively to synergy realization. Several contingencies (management style similarity, cross-border M&A, relative size) complement this approach (Steigenberger, 2017).

Bauer and Matzler (2014) presented a comparable model, with strategic and cultural complementarity and degree and speed of integration as predictors of integration outcome. Angwin (2012) discussed those models and other integration models, and the broad variety found suggests that no single model can account for the complexity of the integration process. Miczka and Größler (2010) put forward a more complex approach, integrating about 35 individual aspects into their conceptual model of different aspects relevant in an integration process, subsumed under the headings capability transfer, employee motivation, cultural change and integration management. The resulting display of causalities, feedback loops and contingencies are illustrative, but the level of complexity in such a model and the amount of information required for deriving predictions from it limit its usefulness in scholarly and practical terms.

Angwin and Meadows (2015) concluded that the main weakness of the simpler models lies in their neglect of important processes and contingencies. Comprehensive models, however, reach a degree of

complexity that impairs their usefulness. Because of this problem, a “theory of integration” (Schweiger and Goulet 2000) has not been developed so far, and most of M&A integration research focuses on specific sub-topics, such as integration depth, leadership, cultural distance or experience.

In his study Steigenberger (2017) suggested an integrative framework based on a review of M&A integration literature with the goal of fostering the understanding of how the variety of M&A integration sub-topics interrelates in shaping integration outcomes. The inductive analysis revealed four groups of topics that independently and conjointly affect integration outcomes (context, structural interventions, collective sense-making and negotiations, leadership and communication-based interventions). The context of an integration constitutes background conditions as they stand before the integration begins and has a direct connection on what is achievable during M&A integration, as well as the main opportunities and challenges that will probably arise. (1) For example, *cultural distance*, based on heterogeneous national or organizational cultures is likely to provide challenges, while internal relatedness opens opportunities for cost synergy realization. Context also describes *pre-deal stakeholder power relations or the relative status of the integrating firms*, which affects collective sense-making and negotiations (2). Structural interventions are management decisions on structures, processes and systems that set the frame for the integration. Those need to fit the context (3). *Internal relatedness*, for example, calls for deep integration to exploit cost synergies, which in turn suggests fast integration to minimize the period of uncertainty for employees. Leadership and communication-based intervention covers the interventions of managers to influence the relationship between context and outcomes (4), such as acculturation management. In addition, leadership and communication-based interventions also moderate the relationship between context and structural interventions through sense-giving activities that help improve the fit between structural interventions and context (5). The collective sense-making and negotiations perspective implies that employee sense-making and negotiations between internal stakeholders affect what the management can and will do in an integration project, while structural and leadership-based interventions in turn affect sense-making and negotiation processes. The motivation of internal stakeholders to engage in the integration process, for example, influences which structural (6) and communication-based interventions (7) the management can or will engage in, while managerial sense-giving activities or structural decisions affect employee sense-making and intra-organizational negotiations. Structural interventions, leadership and

communication-based interventions as well as collective sense-making and negotiations are part of the dynamic process that unfolds over the course of the integration. This implies that the framework carries a strong temporal dimension (Steigenberger, 2017).

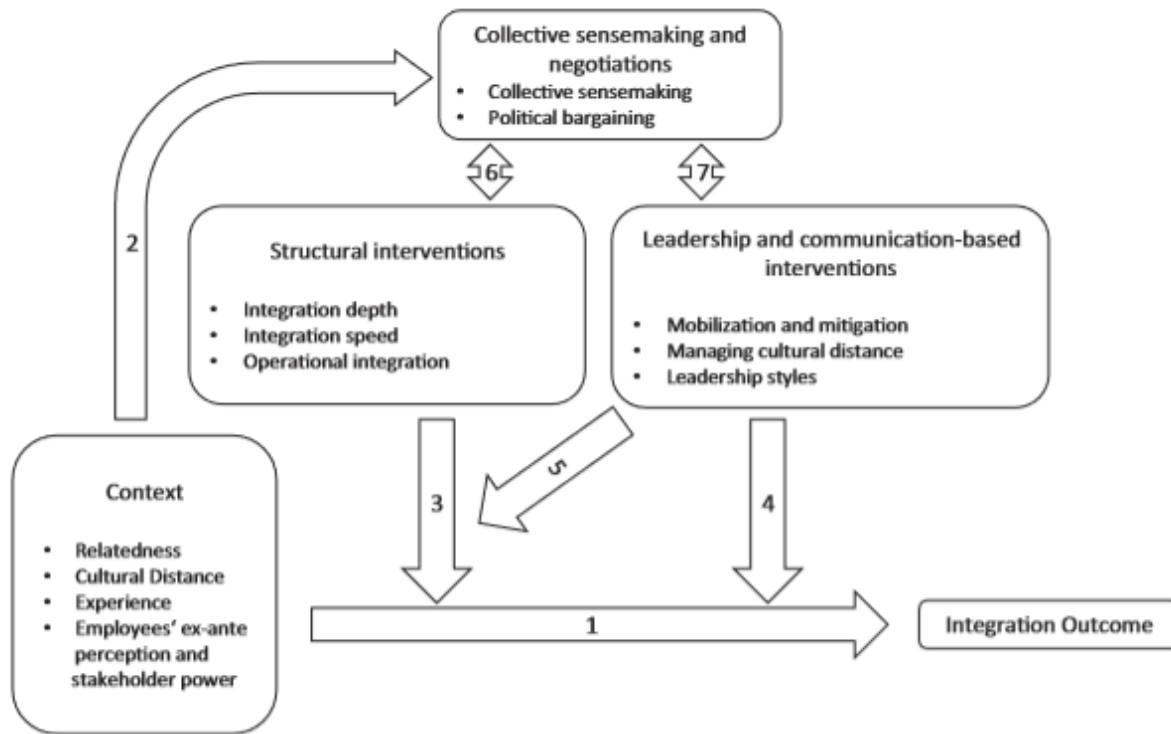


Figure 1 – Steigenberger’s Framework of M&A integration research (2017)

Merger and acquisition integration is a dynamic change process; interactions between conditions and interventions are therefore critical to understand M&A outcomes and manage the process in a successful way.

- *Context.* In M&A integration, context refers to the contingencies of an integration. Context relates to attributes of the firms involved (e.g. integration experience, firm strategy, employee predisposition) and to the relationship between the firms’ attributes (e.g. relatedness, relative pre-deal performance, cultural distance).
 - a. *Internal and external relatedness.* It is the complementarity of resources and processes of the two companies and an important driver of integration success (Bauer and Matzler, 2014; Kim and Finkelstein, 2009; Marco and Rausser, 2011; Very et al., 1997). A good fit between the companies ensures value creation and/or value appropriation potential through a

fruitful recombination of resources, as well as smooth integration processes (Larsson and Finkelstein, 1999). Relatedness (i.e. overlap) in functions provides the potential for cost synergies; however, realizing these synergies increases employee resistance, as cost synergies of this type typically imply job cuts (Conyon et al., 2002; Larsson and Finkelstein, 1999). Ranft and Lord (2002) found that differences in size and performance limit communication between the firms involved in an integration, increase the autonomy of the smaller firm and improve employee retention. Regarding market relatedness, overlaps between the firms involved seem to benefit integration success (Ellis et al. 2009), as well as the degree to which the firms depend on each other (Mtar, 2010).

- b. *Cultural distance*. It can be caused by heterogeneous national or organizational cultures. Different national cultures imply structural and mental differences (Liu and Dong, 2007; Yildiz, 2016) and complicated communication (Cheng and Seeger, 2012; Nahavandi and Malekzadeh, 1988; Pucik, 2008; Reus, 2012; Shrivastava, 1986) and they can hamper integration performance (Bauer et al., 2016) in M&A integration. However, national culture distance also offers learning opportunities (Ellis et al., 2011) and increases willingness to accept differing organizational cultures (Very et al., 1997). Lee et al. (2015) suggest that differing national cultures will often cause tensions in the early stages of an integration but can create learning opportunities if they are managed well. Regarding organizational cultures distance, Nahavandi and Malekzadeh (1988) suggested a matrix with two dimensions: the tendency towards cultural preservation and the attractiveness of the two firms. Strong preservation tendencies and low attractiveness of the partner lead to cultural separation. High attractiveness and low tendency to preserve the old culture result in willingness of cultural assimilation. If both dimensions rank highly, the weaker firm's culture will become a sub-culture of the other firm. If both dimensions rank low, the result will be de-culturation, where integrating employees lose their previous organizational culture without adopting a new one. While research has found that differences in national culture can affect the integration positively as well as negatively, differences between the organizational cultures are often harmful (Cheng and Seeger, 2012; Froese and Goeritz, 2007; Pepper and Larson, 2006; Vaara, 2000; Vaara et al., 2012). Similarity in management

style, for example, is an important predictor of integration success, as different management styles cause problems for collaboration and complicate the realization of synergies (Datta, 1991; Larsson and Finkelstein, 1999) and cultural similarity provides a common ground, which reduces the need for formal integration (Bauer and Matzler, 2014; Puranam et al., 2009). One problem when considering cultural differences is that it is often not possible to assess fully the degree of cultural relatedness before the integration begins (Greenwood et al., 1994) therefore, it falls to within-integration leadership to develop solutions to mitigate acculturation problems.

- c. *Prior integration experience.* There is some evidence that firms with past integration experience do better in future integrations than firms without integration experience (Al-Laham et al., 2010; Barkema and Schijven, 2008; Duncan and Mtar, 2006; Ellis et al., 2009), but findings are not conclusive (Gerpott, 1995; Haleblan and Finkelstein, 1999; Zollo, 2009). Ellis et al. (2011) found evidence that learning occurs only between integrations with comparable characteristics regarding size, geographic focus or product portfolio. The complexities inherent in the integration process might even lead to a negative learning curve; if the number of previous integration events is not large, generalization from one integration event to another is difficult and often misleading (Haleblan and Finkelstein, 1999). With a growing number of completed integration projects, firms are more likely to trust their experience but conclusion drawn based on prior experience can often be false. These two effects create a negative learning curve (Zollo, 2009), where more experience decreases integration performance. Several conditions can help leverage previous experience in a positive way. High-level management attention and careful integration planning help avoid negative learning curves (Yu et al., 2005; Zollo and Reuer, 2010), codification of integration experience (e.g. integration handbooks) also increases the chance of successful learning, provided that higher order routines are in place that allow the firm to distinguish between integration cases where previously acquired experience applies from cases that require a different approach (Zollo and Singh, 2004).
- d. *Employees' ex ante perception of the integration process and stakeholder power.* An ideal employee in an integration project would act as corporate entrepreneur, motivated and able

to follow the lines of the integration plan (Thomson and McNamara, 2001). However, in integration projects, employees experience job insecurity, process changes and cultural clashes (Choi et al., 2012; Hubbard and Purcell, 2001; Joshi and Goyal, 2013). Integrations thus often trigger negative emotional responses (Kiefer, 2002; Kusstatscher, 2006) and negatively affect the physical and psychological health of the employees involved (Makri and Antoniou, 2012). For this reason, employees often enter integration processes with a sceptical attitude (Greenwood et al., 1994). Bourantes and Nicandrou (1998) suggested a matrix to model employee reactions, based on how active/passive and resistive/supportive employees are towards the integration process. The position that employees have in this matrix depends, among other things, on their trust in the management and expectations of the change effects on them (Lin and Wei, 2006), the role a person has in the integration process (Bijlsma-Frankema, 2004; Brannen and Peterson, 2009), and the degree to which employees experience social identity with the other firm (Colman and Lunnan, 2011; Kroon et al., 2009; Ullrich and van Dick, 2007). The perception of change as an opportunity or threat is a personality trait (Nikandrou et al., 2000) that may or may not translate into actual resistance. The stance an individual takes towards change is influenced by interactions with others (Brannen and Peterson, 2009; Vaara, 2003) and can thus be influenced by leadership actions. Ex ante perceptions of the integration project also affect how easily key employees can be retained (Angwin and Meadows, 2009; Cording et al., 2008; Ellis et al., 2011; Graebner, 2004; Ranft and Lord, 2002). To retain key employees clearly outlined future career paths and incentive systems are crucial (Cannella and Hambrick, 1993; Ranft and Lord, 2002). Stakeholders resistance is particularly relevant if they are in a position of power from which they can actively affect the integration process (Clark et al., 2010; Monin et al., 2013). Employees, but also external stakeholders such as regulatory bodies, are often powerful forces in integration projects (Clark and Geppert, 2011).

- *Structural interventions.* The effect of context on integration performance depends on the setup of structures, processes and systems, which also influences and depends on how employees and other internal and external stakeholders experience the integration.

- a. *Integration depth.* Choosing the depth of integration and the level of autonomy that firms retains is a core strategic decision in integration projects. Greater autonomy usually leads to higher motivation for employees (Datta and Grant, 1990) and preserves the opportunity for independent thinking (Graebner, 2004; Puranam et al., 2009), which is particularly important for knowledge-driven mergers (Ranft, 2006; Ranft and Lord, 2002). Deep integration increases control and the ability to transfer routines (Pablo et al., 1996; Puranam et al., 2009) and resources (Ranft and Lord, 2002) but can affect integration performance negatively (Reus et al., 2015). The costs associated with the integration process itself increase with the depth of integration (Slangen and Hennart, 2008). Although some studies found deep integration to be generally beneficial for post-integration performance (Colombo et al., 2007) we must consider the strategic rationale of the deal. When firms seek to realize cost synergies and align processes and procedures, deep integration yields beneficial results (Capron, 1999; Homburg and Bucerius, 2005; Puranam et al., 2009; Schoenberg and Bowman, 2010), if M&As focus on growth or knowledge they have less need for deep integration (Schoenberg and Bowman, 2010; Schweiger and Very, 2003). In addition, the appropriate integration depth also depends on the relatedness of the firms, high similarity and high complementarity both favour deep integration (Bauer and Matzler, 2014; Datta and Grant, 1990; Zaheer et al., 2013). Firms can differentiate their approach to integration depth both operationally and symbolically (Angwin and Meadows, 2015; Haspeslagh and Jemison, 1991; Ranft and Lord, 2002). Many authors have recommended fully integrating operational support functions such as information technology (IT), as those do not create competitive advantages when left alone and considering independence for other functions (Alaranta and Kautz, 2012; Hough et al., 2007; Merali and McKiernan, 1993). Retaining a symbolic form of independence (e.g. firm's name or logo) is also often helpful (Monin et al., 2013; Ranft and Lord, 2002).
- b. *Integration speed.* Integration processes are major change events that can take years to complete (Shim, 2011), the length of the process depends on integration depth, familiarity and strategic complementarity (Al-Laham et al., 2010; Angwin, 2004b; Bauer and Matzler, 2014; Schweizer, 2005). However, setting the pace for the integration is, to some degree,

also a management decision. High integration speed implies a shorter period of uncertainty for external (Homburg and Bucerius, 2005/2006; Uzelac et al., 2015) and internal stakeholders (Colombo et al., 2007; Cording et al., 2008; Nikandrou et al., 2000). Fast completion of the integration process leads to quicker realization of benefits associated with the M&A deal (Epstein, 2004). If a deal implies cuts in the workforce, it is often better to execute those cuts quickly before resistance escalates (Cording et al., 2008). Fast integration might also be preferable because the momentum of the early integration stage tends to get lost when the attention of management and employees turns elsewhere (Angwin, 2004). Slow integration, on the other hand, is less demanding for employees and integration management, as less needs to be done in a short period of time (Homburg and Bucerius, 2006), it allows more attentive communication and help avoid disturbances caused by sudden changes of organizational identity (Lee et al., 2014) as well as the deterioration of knowledge bases (Yoo et al., 2007) and also more time for trust building and sense-giving (Ranft and Lord, 2002). If a deal is difficult in terms of cultural distance or employee retention, slow integration may be preferable (Monin et al., 2013; Ranft and Lord, 2002).

- c. *Operational integration.* The three general tasks for operational integration are: procedural tasks, such as the alignment of accounting systems; physical tasks, such as resource allocation; and managerial and sociocultural tasks, such as the design of reward systems or the definition of roles (Shrivastava, 1986). They are often conducted by work groups headed by an integration manager (Ashkenas et al., 1998; Schweizer, 2002; Teerikangas et al., 2011) that receive operational goals from the top management. Integration teams can include employees of both firms and external consultants. Frequent communication between employees of the involved firms is often required to integrate successfully on the operational level (Lauser, 2010; Mitleton-Kelly, 2006; Papadakis, 2005; Ranft and Lord, 2002) and it is a key success factor in M&A integration (Larsson and Finkelstein, 1999). Over the integration process, intensity of communication between integrating firms often follows an inverted U-shape, starting slowly, peaking when routines change and decreasing when new routines are established (Allatta and Singh, 2011). Several structural interventions have been suggested to foster communication between the firms involved, working procedures

that require interaction as well as face-to-face meetings and network building are important to intensifying communication (Chen et al., 2010; Moffat and McLean, 2010; Ranft, 2006; Ranft and Lord, 2002). The downside of intense employee communication with the partnering firm is that it binds resources that cannot be committed to other purposes. Communication intensity can also be contingent upon the workload of those involved in the integration, leading to situations where every day work must take precedence over integration work (Greenwood et al., 1994).

- *Leadership and communication-based interventions.* It is the ongoing management of the “human” side of the integration (Birkinshaw et al., 2000) and concerns the motivation of stakeholders and the mediation of problems triggered by context or structural interventions. It also refers to the management of stakeholders’ interpretation of an ongoing integration process through sense-giving activities, regarding both internal and external stakeholders (Junni and Sarala, 2014). Not only the top management, but also integration managers (Teerikangas et al., 2011), middle managers (Meyer, 2006) and human resources (HR) managers (Antila, 2006; Tanure and Gonzales-Duarte, 2007) have leadership responsibilities in M&A integrations.
 - a. *Mobilization and mitigation.* Leaders communicate with and lead internal and external stakeholders to set the pace for the integration (*mobilization*) and smooth the integration process (Graebner, 2004; Schuler and Jackson, 2001). To mobilize, leaders direct the integration towards a preferred outcome through sense-giving, goal setting and identity building. Sense-giving involves attempts to develop and influence the collective interpretation of ongoing change, which is a powerful tool for reducing resistance towards change (Monin et al., 2013; Riad, 2005). Goal setting is another important leadership tool, particularly because integration processes involve extended periods of uncertainty and ambiguity (Graebner, 2004; Haspeslagh and Jemison, 1991). Integration processes also often imply changes in organizational identity that can affect employees’ perception of the integration process (Dick et al., 2006; Olie, 1994; Shanley and Correa, 1992); a new organizational identity is the result of social construction processes as well as leadership interventions (Barmeyer and Mayrhofer, 2008; Drori et al., 2013; Langley et al., 2012; Vieru and Rivard, 2014). Transitional identities, preliminary ideas of what the final identity of the

integrated entity will be, are helpful for simplifying the identification process (Clark et al., 2010; Lupina-Wegener et al., 2015). Providing a sense of continuity is also relevant (Lupina-Wegener et al., 2014). Finally, perceptions of success or failure also affect identity construction (Bligh, 2006; Pepper and Larson, 2006; Vaara, 2002), this is one reason why early successes are important (Rouzies and Colman, 2012). *Mitigation* involves leadership actions that attempt to reduce the negative responses of employees in integration processes (Graebner, 2004). Effective leadership implies the management of employees' expectations through open communication and the creation of a perception of fairness (Choi et al., 2012; Hubbard and Purcell, 2001; Kavanagh and Ashkanasy, 2006; Maire and Colletette, 2011; Meyer, 2006; Ranft and Lord, 2002). Integration projects frequently imply a breach of the informal contract between a firm and its employees at some time, which often leads to demotivation and resistance and might affect health and psychological well-being (Maguire and Phillips, 2008; Makri and Antoniou, 2012; Shleifer and Summers, 1988; Yildiz, 2016). Impressions of justice and fairness are important to avoid these negative effects (Ellis et al., 2009; Hubbard and Purcell, 2001; Maguire and Phillips, 2008; Searle and Ball, 2004). Colquitt et al. (2013) distinguished between informational justice (open information flows and explanations of decisions made), procedural justice (participatory decision-making and chance for the affected employees to control procedures and processes) and distributional justice (equal or balanced distribution of resources, positions, benefits and burdens). Monin et al. (2013) found that the relevance of the different aspects of justice changed as the integration proceeded, equality is an important concern immediately after deal closure while, in later stages, procedural justice dominated (Lipponen et al., 2004). Communication in the form of sense-giving, sense-breaking and sense-hiding are tools that leaders can employ to influence perceptions of justice (Monin et al., 2013). Even if communication is a cornerstone of leadership regarding mitigation of negative perceptions (Graebner, 2004), research currently focuses more on communication between management and employees, while the topic of communication with external stakeholders is surprisingly underdeveloped. Homburg and Bucerius (2005) reported that customer orientation of leadership personnel during M&A integration has the potential to limit the adverse effects

of an integration event on customer retention. Kato and Schoenberg (2014) presented a case study on an integration from a customer perspective and found that raising customer expectations before and during an integration aggravated the problems customers perceived. These findings clearly highlight that mitigating the integration's adverse effects on stakeholder groups beyond employees should be considered part of the leadership responsibilities in integration projects. (Steigenberger, 2017)

- b. *Managing cultural distance.* The management of cultural issues, with a focus on heterogeneous organizational cultures, is a cornerstone of the integration literature (Rottig et al., 2013; Schoenberg, 2000; Stahl and Voigt, 2005/2008; Teerikangas and Very, 2006). Managing the acculturation process is particularly important in the case of large cultural differences (Barmeyer and Mayrhofer, 2008; Choi et al., 2012; Olie, 1994) but the possibilities for managers to do so are limited (Quah and Young, 2005; Riad, 2007). The process of acculturation, caused by heterogeneous organizational or national cultures, requires substantive change in values, beliefs and attitudes as well as in the social identity of the employees involved, possibly resulting in acculturative stress, difficult communication and collaboration, low employee retention and resistance to change (Frantz, 2012; Larsson and Lubatkin, 2001; Lupina-Wegener, 2013; Nahavandi and Malekzadeh, 1988). A culture assessment at the beginning of the acculturation process helps (Weber and Tarba, 2012) the encouragement of socialization among employees, specialized integration teams, personnel exchange and detailed integration plans (Larsson and Lubatkin, 2001; Lodorfos and Boateng, 2006; Saunders et al., 2009). Employees can be trained to deal with cultural issues (Brannen and Peterson, 2009) and cultural integration can be selective, integrating only specific aspects of an organizational culture (Weber et al., 1995). Experience with diversity management (Bellinger and Hillman, 2000) and multiculturalism (Reus, 2012) also affects a firm's ability to handle cultural differences.
- c. *Leadership styles.* Some research found that an appreciating leadership style is beneficial for integration performance (Choi et al., 2012; Schweizer and Patzelt, 2012), others have suggested that neo-charismatic and transformational leaders are most effective (Covin et al., 1997; Nemanich and Keller, 2007; Nemanich and Vera, 2009; Tikhomirov and Spangler,

2010; Waldman and Javidan, 2009). Dagnino and Pisano (2008) describe how leaders affect integration processes through personality, behaviour and leadership tactics, while Zhang et al. (2015) discuss how leaders applying different leadership styles approach talent retention in integrations differently.

- *Collective sense-making and negotiations.* Managers are subject to pressure from external and internal stakeholders, resulting in the need to engage in micro-politics (Rees and Edwards, 2009). Many integrations involve struggles among key employees and high turnover rates of leadership personnel (Angwin, 2004b), managers' capacity to focus attention is limited, they must concentrate on some topics while neglecting others, hampering the ability to control complex processes such as M&A integrations (Yu et al., 2005). Mergers and acquisition integration, therefore, might be the result of negotiations, compromise and collective sense-making instead of strategic managerial decision-making. Sense-making of ongoing change might vary substantially among individuals and how individuals interpret ongoing events affects how they respond to them (Gertsen and S  derberg, 2000). Integration process is a social construction whose outcome depends on how successful the involved stakeholders are in convincing others of their respective views (Roch, 2005). Management plays an important role as a sense-giver and affects sense-making by conducting structural interventions that employees must make sense of (Monin et al., 2013; Vaara and Monin, 2010). The processes of interactive sense-giving and sense-making in integration projects can be called "political sense-making" (Clark and Geppert, 2011). The degree to which political sense-making affects structural or leadership interventions and vice versa might depend on contingencies, in particular the power of the involved stakeholder groups (Clark et al., 2010; Monin et al., 2013). Hubbard and Purcell (2001) identified three types of actors in integration processes: negotiators with the power to influence the integration process, enactors, typically middle managers who communicate the integration to the third group, the recipients. M&A integration then is a process of negotiation among negotiators and one of communication among negotiators, enactors and recipients.

2.7 INTEGRATING AND PRESERVING CULTURAL DIFFERENCES DURING A MERGER

As we observed, in a globalized world where companies, in their search for competitive advantage, often face the alternative of adopting a growth strategy or end up being acquired by a competitor, M&As are a frequent choice (Ceaussescu, 2008). Mergers can impact organizations in different ways regarding synergies, results and their integration process (Buono and Bowditch, 1989). We saw that, although the human factor has been acknowledged as a key factor in the success or failure of an integration process, organizations tend to underestimate its importance in favour of financial, commercial and other aspects of the deal (Rankine, 1998). Successful mergers result in increasing market share, core organizational capabilities, knowledge and expertise (Hitt et al., 2001; McIntyre, 2004; Kongpichayanond, 2009). Business strategies and financial issues are critical in successful M&As (Kongpichayanond, 2009) however, overemphasis of these areas can also lead to failure, which occurs when organizations overlook the importance of their human resources (Grotenhuis and Weggeman, 2002; McIntyre, 2004; Mitleton-Kelly, 2006).

Researchers state that “culture fit” is what helps or obstructs a merger, relevant differences among employees in their thoughts, behaviours and actions, may hinder implementation of goals (Olie, 1994). As the two entities merge, changes within relationships may be met by resistance at all levels of staff, including management; each group can have a preconceived image or expectation of the merged organization and if there is the perception that one entity has “taken over” the other, the result is feelings of loss and anger, feelings that are usually underestimated in mergers (Behrendt and Klein, 1997; Olson, 1996).

When organizations with different cultures are merged, one of the cultures may represent a “weaker” or counterculture that opposes the dominant culture of the other organization (Weber and Schweiger, 1992). Such multicultural situations are often defined as “cultural collisions” (Buono, Bowditch and Lewis, 1985; Sales and Mirvis, 1984). Conflicts due to multiculturalism appear also in strategically fitted mergers that have high potential for synergy, such as companies that have products or markets sharing related features therefore, despite high strategic fit, most academicians, practitioners, and consultants recommend avoiding merging companies that have a very different culture because the conflicts and costs of coordination usually offset the expected benefits of synergy

(Nahavandi and Malekzadeh, 1988; Porter, 1987). However, careful implementation processes enable the new merged company not only to overcome post-merger integration barriers due to culture clash, but to maximize strategic benefits from those cultural differences. Integration can be achieved through a process in which only some specific cultural dimensions are integrated while others are preserved (Weber, Ganzach and Ben-Yemini, 1995).

Therefore, the ability to integrate the companies is the most important factor in mergers' success and stands before financial and strategic factors (Cartwright and Cooper, 1993). The key to manage the integration process is emphasizing participation and "creating an atmosphere that can support capability transfer" (Haspeslagh and Jemison, 1991, pp. 106-107). A critical factor in creating such atmosphere and obtaining participation is the degree of cultural difference between the merging organizations (Nahavandi and Malekzadeh, 1988; Weber and Schweiger, 1992).

To explain the impact of cultural issues of the M&A performance, the literature divides it into different levels and analyses the endless list of elements that constitutes culture, such as cultural compatibility (Cartwright and Cooper, 1996), cultural convergence (Birkinshaw et al., 2000), cultural fit (Weber et al., 1996), and management practices (Datta et al., 1991; Larsson and Finkelstein, 1999), among others. Hall (1976) assumed that people from different cultures and societies communicate and behave differently, depending on the gap in "context" (circumstances) and "code" (message). Teerikangas and Very (2006) confirmed the complexity of the problem, stating that the cultural issue of M&A is multifaceted, presented by a mix of cultures (national, organizational and professional, among others). Therefore, cultural differences, both at nation and firm level, significantly influence the integration process of two companies, as well as the performance of M&A in general.,

It is widely believed that cultural difference is a critical factor, imposing additional threat on synergies realization in comparison with domestic deals, companies tend to perceive cultural differences as a potential obstacle to the realization of expected synergies (David and Singh, 1994). Cultural differences or a "clash-of-cultures" are often cited as a key reason for failure of M&As (Lupina-Wegener et al., 2011). Zaheer (1995) proposes the concept of foreignness liability referring to a premium for uncertainty that companies are ready to pay in order to enter a foreign market. At the same time, these uncertainties can be overcome with the help of organizational learning and structural

adjustments that are beyond cultures and can be treated as a separate factor type. However, some researchers have a different opinion, for instance, Larsson and Finkelstein (1999) state that cultural challenges have a positive impact on synergy realization, and Krishnan et al. (1997) argue that cultural difficulties improve post-merger results. Larsson and Risberg (1998) claim that cross-border M&A deals tend to achieve the highest possible level of acculturation and synergy realization in comparison with domestic deals.

Lupina-Wegener et al. (2011) argue that organizational differences are not the main problem but what is more relevant is how the integration process is managed. Some researchers believe that high level of integration results in better performance and synergy realization, for instance, Zollo and Singh (2004) assume that organizational integration influences performance through knowledge codification, while Meyer (2008) and Larsson and Finkelstein (1999) found that the higher level of integration decreases the employee resistance, especially of middle management. At the same time, academics and practitioners (Hennart et al., 1995; Vestring et al., 2003) believe that a high level of integration can cause M&A failure, resulting in a low performance. The complex character of integration processes may also create uncertainty and ambiguity (Vaara, 2003), negatively affecting the attitude of employees (Syrjälä and Takala, 2008) of both companies.

Organizational integration is often seen as a tool to overcome cultural issues, but the complexity of organizational integration is conditioned by its unique character because of a combination of characteristics. Therefore, there is no common approach to follow in the integration process. Trying to find the best way for integration, companies often make common mistakes that they could avoid. Unnoticed problems associated with cultural differences may strongly affect the organizational performance related to M&A deal and create unexpected bottlenecks (Panibratov, 2017).

There are few models that describe the integration process during mergers in the context of intercompany cultural differences. Nahavandi and Malekzadeh (1988) model, for instance, pointed out the potential importance of acculturation emphasizing the degree of congruence in the merging companies' preferences for cultural adaptation as a central factor that determines stress and, therefore, the successful implementation of M&As. However, their model identifies only a few of the variables that might be involved.

Weber and Schweiger (1992) propose an anthropological model describing the impact of top management culture clash on the attitudes and behaviour of the merged management team and its consequences to the success of the merger. This model analyses the culture clash in M&As in a way similar to the analysis of organizational conflict. It regards conflict as a process which includes antecedent conditions, affective states, negative attitudes of one group toward the other, and conflictive behaviour that ranges from passive resistance to overt aggression (Katz and Kahn, 1978; Rahim, 1992; Thomas, 1976). The antecedent conditions are cultural differences, level of integration between the two companies, and the nature of the contact between the teams and they may cause stress and negative attitudes. The stress and negative attitudes reduce the commitment and affect successful integration of the merging firms and their cooperation. This leads to high turnover among the top executives and eventually leads to lower financial performance. Most of these relationships were confirmed in strategically fitted M&As (Chatterjee et al., 1992; Weber, Lubatkin and Schweiger, 1994) and in international M&As (Weber, Shenkar and Raveh, 1994).

Contrary to those models, the integration approaches proposed by Haspeslagh and Jemison's (1991), while considering the cultural differences issue, also focus on the nature of the interdependence that needs to be established between the firms to facilitate the strategic capability transfer. Haspeslagh and Jemison (1991) describe four types of integration approaches determined by the need for strategic interdependence and the need for organizational autonomy. The importance of cultural difference should vary between these types, with high impact in the absorption types (high interdependence, low autonomy), and less impact in the holding types (low interdependence, low autonomy). The absorption type implies that one of the firms is fully merged into the new structure and management is recommended to move as fast as possible to fully integrate the two firms because high levels of cultural integration are desirable. The preservation approach implies that the merged company preserves its former cultures, and the level of changes and integration is the lowest because the merged firms are granted high autonomy and low interdependence. The symbiotic approach refers to mutual organizational changes in both companies and requires an adaptive attitude on behalf of both organizations because high capabilities transfer is expected (especially functional skills). The benefits of such transfers must be continuously monitored to check if the actual benefits are different from those originally expected. In the last type of integrations, therefore, both cultures may be allowed to continue

to exist until some degree of integration occurs. These four integration approaches consider not only people but also the essential task of creating value from the integration of the two organizations which is consistent with the idea of Weber, Ganzach and Ben-Yemini (1995).

Another classification is made according to the directions or motives of integration. The first type of integration refers to task (Birkinshaw et al., 2000), operational (Björkman et al., 2007), structural (Puranam et al., 2009), and organizational (Waldman and Javidan, 2009) integration and implies consolidation of organizational structures, working processes, assets, and departments influencing the achievement of operational synergies. The second type deals with intangibles aspects, such as sociocultural (Stahl and Voigt, 2008), social (Björkman et al., 2007), and human (Birkinshaw et al., 2000) integration and aims integrate human resources.

The typical dilemma management faces in situations like mergers is the need to pay attention to the “process” while giving shape to the merger through leadership. This essential task requires giving everyone a sense of belonging to the organization, and the feeling that they are all moving forward together based on a common mission and a shared vision but there must also be allowance for individual styles and personalities within the organization from line workers to managers (Giffords and Dina, 2003). The difficulty is finding the right balance between fostering natural processes and providing solid leadership. This is especially difficult at the beginning of the process when everyone has an opinion and a different perception about the organization direction. Leaderships should be aware of their individual reactions and their role during the integration process since their actions are relevant for the organization (Giffords and Dina, 2003).

Since these problems highly involve employees’ satisfaction and understanding of ongoing integration process, HR department plays very important role in the integration process. Latukha and Panibratov (2013) proved that full involvement of deal partners in HRM department leads to a successful M&A deal completion. HR department is responsible for implementing specific management tools and methods to ensure consistent and effective cultural integration of the merging companies. Three steps are fundamental for the process: to measure cultural differences, to correlate culture to the strategy chosen, and to manage the integration process (Latukha and Panibratov, 2013). Measurement of cultural compatibility is a continuing process that should be initiated before the deal,

starting with a due-diligence process (Cartwright and Cooper, 1993), considering the complex and unpredictable character of cultural integration and involving also HR experts which may be crucial for successful integration and it is important to monitor changes in the post-merger period and adjust the action plan based on the new needs.

Frequently employees are expected to accept change immediately but building trust requires time and experience together. Trust between organizations can be compromised by misunderstandings due to different organizational cultures or can be fostered through the belief that both parties are being honest. Successful alliances respect differences and work through them productively as they develop new norms that meet everyone's expectations (McCambridge and Weiss, 1998). This process is costly and time consuming, but it is necessary to integrate the existing cultures into a new one and to formulate a common value system and shared vision. People respond better and more positively the more they believe they are taken into consideration, listened to, respected, and given time to adjust to the new situation, therefore, this is the way to realize the true potential of the merger (Giffords and Dina, 2003).

It is difficult to achieve consensus and build a common understanding between two groups who have had little interaction. Olie (1994) defines effective integration in mergers as "the combination of firms into a single unity or group, generating joint efforts to fulfil the goals of the new organization". When the aim of a merger is to achieve synergy among its staff and, as result, more effective services for its clients, the management strategy must also include staff needs and feelings. A crucial first step for achieving this goal is creating a unified plan that all parties believe in, adequate time and effort must be dedicated to the definition of mission, vision and values of the merger plan (Giffords and Dina, 2003).

An important implication of Weber, Ganzach, and Ben-Yemini (1995) study about integration is the recommendation to avoid or minimize the actual integration of companies having a sharply different culture. In these situations, it is important to assess the extent to which the strategic capabilities acquired that will be transferred are inseparable from the culture. The degree to which they are an integral part of the culture is an important factor that should influence the choice of the integration approach, if there is a high dependency it is important to preserve the culture as well. Since the awareness of general cultural differences is not sufficient to manage these differences during the

integration process, it is also essential for management to know the specific dimensions of culture that were important in previous mergers and acquisitions (Weber, Ganzach, and Ben-Yemini, 1995).

The integration process example proposed by Weber, Ganzach, and Ben-Yemini (1995) led to a multicultural organization. Unlike a "plural organization" that simply contains two different cultures, the multicultural organization values the diversity (Cox, 1991), it allows not only the existence of many cultures but actively encourages cultural diversity.

2.8 MAIN ASPECTS OF THE HUMAN FACTOR IN M&A

M&As have substantial effects on economies, industries, organizations, and individuals. On a macro level, M&As affect markets, industries and even whole economies, and the actors involved in the M&A's wave end up in a completely new configuration due to the changes in the power relations between the competitive forces and most likely they reach a higher level of concentration (Porter, 2001). On a micro perspective, M&As often trigger dramatic changes within individual firms, affecting organizational structures, individual job environments, and personal circumstances. M&As appear to be a dominant strategy for organizations (Hitt et al., 2001) since they offer opportunities for fast access to new resources, markets, and new knowledge, and present a possibility of investing resources in promising industries and companies (Bower, 2001).

They represent threats and opportunities at the same time, for corporate chances and individual changes; the weak corporate performance of many companies after a merger or acquisition often raises scepticism about the justification of this strategic move (King et al., 2004), and employee-oriented perspective emphasize negative examples causing high individual uncertainty and traumatic effects to organizational and personal identity (Cartwright and Cooper, 1996). What managers often consider an opportunity for the company or a challenge, it may be considered as severe personal threat by lower level employees, as a matter of fact researches showed not only benefits and growth, but numerous pitfalls and risks emerging from the combination of two independent organizational entities.

The organizational change inherent in M&A process usually causes negative reactions and resistance among employees because it increases uncertainty and stress even when change can rationally be

perceived as positive. These feelings of resistance to change many times end up causing the failure of what could otherwise be a successful M&A process (Armenakis and Bedeian, 1999).

Some researchers (Wagner and Hilal 2014; Buono and Bowditch, 1989) considered the following topics as more relevant when dealing with the human factor.

2.8.1 Resistance to change

Resistance to change can be defined as the attitude or behaviour related to employees' emotions, that hinder the objectives of the organizational changes proposed by a company. The attitude relates to the psychological rejection of the real need to change, behavioural resistance is represented by actions that manifest the unwillingness to accept the changes and, consequently, lack of commitment to support organizational change, which can end compromising the chances of success (Chawla and Kelloway, 2004).

It is possible to identify different levels of intensity in the resistance: it can be directly related to change when employees are uncertain about the robustness and value of the change proposed or it can be related to issues such as lack of trust, cultural differences, perceived decrease of respect, perception of inequity or fear of fail in developing the new skills required due to this change. The higher the level of intensity the stronger the resistance to change and the longer it takes to overcome it (Maurer, 1996; Kotter and Schlesinger, 1992).

From a managerial perspective, resistance to change is usually interpreted as irrational (Piderit, 2000); according to Kiefer (2002) and Reiss (1995), in general, people fear change, therefore, they tend to oppose it; resistance to change is also viewed as an emotional barrier (Reiss, 1995) that can prevent people from understanding the rational argument. From this perspective, negative emotions are perceived as "dysfunctional", and therefore the experience of change is portrayed as a problem (Wagner and Hilal 2014).

On the other hand, emotions can also be viewed as part of the individual and social experience of change, consequently, they can be considered important in the construction of the meanings of change, making it possible to acknowledge both positive and negative emotions as motivational factor in employees' behaviour at work, structuring the way they think, feel, and behave. In this sense, negative

emotions are not necessarily dysfunctional, but help individuals adapt to difficult situations of organizational change (Kiefer, 2002).

Burns and Stalker (1961) were among the first scholars to emphasize that change is an essential part of organizational adaptation and growth, but they also highlighted the difficulties most people experience when they face change. They pointed out, while innovation requires a significant amount of change for individual employees and organization, it is difficult for most of them to engage in this level of change. This point was also emphasized by other scholars during the time (Amabile et al., 1996; Drazin et al., 1999; Frohman, 1997; Oldham and Cummings, 1996; Scott and Bruce, 1994; Shalley et al., 2004; Shalley et al., 2009; Shin and Zhou, 2003; Woodman et al., 1993).

Typically, people prefer to maintain the status quo, following the routine and habitual behaviours (Ford et al., 2008; Oreg, 2003), they tend to be especially sensitive to the uncertainty, riskiness, and potential for failure associated to these changes, so they resist the change, and this inhibits innovation (Jermier et al., 1994; Jones, 2001). For this reason, researchers have argued that individual resistance to change is likely to be detrimental to individuals' creative performance because it prevents employees from taking risks, adopting new ways of thinking and change, all of which are fundamental requirements of creative performance (Amabile et al., 1996; J. Ford et al., 2008; Frohman, 1997; Jermier et al., 1994; Woodman et al., 1993).

But recent research has also suggested that resistance to change may add strategic value to change planning and implementation and should therefore be carefully discerned and managed (Downs, 2012; Ford, Ford and D'Amelio, 2008; Ford and Ford, 2010). On the other hand, they also underlined the potential for change readiness to facilitate the implementation of organisational transformations (Armenakis et al., 1993). Change readiness represents the process where employees, influenced by information received from change drivers, peers and other contextual clues, perceive the change as necessary and achievable (Armenakis et al., 1993), and display willingness to support change efforts (Miller, Johnson and Grau, 1994; Wanberg and Banas, 2000).

Although change resistance and readiness have often been positioned at different ends of the same spectrum (Armenakis et al., 1993) and presumed to share similar dispositional and contextual antecedents (Oreg, 2006; Wanberg and Banas, 2000), they may represent distinct constructs. As a

matter of fact, readiness for change has been proposed as “the cognitive precursor to the behaviours of either resistance to, or support for, a change effort” (Armenakis et al., 1993; McKay et al., 2013).

To avoid the increase of resistance it can be useful to treat the situation with transparency, emphasizing the potential benefits that will derive from change (Appelbaum et al., 2000) as well as understanding the emotional experience of the individuals affected by the organizational change (Kiefer, 2002). Burns and Stalker (1961) observed that certain kinds of work environments might help overcome this tendency to resist change. More recent research supporting this perspective (Wanberg and Banas 2000) found that individuals who tended to be close-minded may be more willing to participate in an organizational change when the work environment supported them in accepting the change, for example, providing information about the change and allowing these employees to participate in the change process.

Hon and Crant (2014) use a sense-making perspective (Weick, 1995) to suggest how factors such as organizational climate and managers’ leadership style might help overcome the potential negative effects that employees’ resistance to change can have on their creative performance. They suggested that these contextual cues help employees understand the importance of change and provide employees with the social, emotional, and technical support they need to overcome their own tendency to resist change. Following the interactionist model’s idea of Woodman et al.’s (1993), they adopt a multilevel approach considering that contextual factors at the group level might moderate individual-level relationships between resistance to change and creative performance mitigating the potential negative outcomes often associated with employees’ dispositional resistance to change (Bliese, 2000; Hirst, Van Knippenberg and Zhou, 2009; Hofmann, Griffin and Gavin, 2000).

Even if most people resist change, they appear to differ in their general tendency or disposition toward change; some of them exhibit higher levels of resistance to change; some people resist even changes that are consonant with their interest (Judge et al., 1999; Oreg, 2003; Oreg et al., 2008). Oreg (2003) proposed that people are more likely to resist change when they exhibit six common manifestations of dispositional resistance to change:

- a. *Reluctance to lose control*: they fear they might lose control after change;
- b. *Cognitive rigidity*: they are unwilling to think differently and tend to be close-minded;

- c. *Lack of psychological resilience*: they possess a low ability to cope with change;
- d. *Intolerance to the adjustment period involved in change*: they have a low ability to adjust themselves to new situations;
- e. *Preference for low levels of stimulation and novelty*: they tend to perform well within a well-defined and familiar framework, but tend to perform poorly outside the given framework;
- f. *Reluctance to give up old habits*: they experience stress when they meet new stimuli.

By measuring these manifestations, it is possible to distinguish people by their trait or dispositional level of resistance. Thanks to the scale to measure dispositional resistance to change, developed by Oreg (2003) he found that higher levels were associated with resistance to innovation and voluntary change.

2.8.2 Uncertainty and employee expectations

According to Wagner and Hilal (2014) uncertainty can be identified as the psychological state related to the doubt and ambiguity perceived about the results of a specific event. Uncertainty is a source of tension during a M&A process and this is due to the fact that employees working in the companies involved in a M&A process cannot measure the real impact of the process about their respective future roles in the new organization, the probability of keeping their jobs or being laid-off, what organizational culture is going to prevail and what type of adaptation will be required of them (Bordia et al., 2004). M&A processes imply disrupting changes of the culture, organization, and job arrangements, creating a new equilibrium, the transitions are typically neither clear-cut nor short term, often meaning a long period of organizational drift (Marks and Mirvis, 1992), which usually triggers uncertainty (Ivancevich et al., 1987).

Uncertainty can produce positive behaviours such as higher employee commitment and loyalty, but it can also develop negative behaviours, such as absenteeism and acts of sabotage (Buono and Bowditch, 1989) lower work motivation and higher job dissatisfaction (Igbaria and Guimaraes, 1993; Sims and Szilagyi, 1975). It has been shown that uncertainty generated by merger-and-acquisition (M&A) processes strongly impacts employees' reactions and often leads to a lack of employee participation and cooperation, high turnover, and absenteeism, thus endangering the integration process (Buono and Bowditch, 2003; Cartwright and Cooper, 1997; Napier, 1989). The cooperation of

employees, defined as their willingness to make additional efforts and invest time to integrate cultures and processes to make the merger work (Cartwright and Cooper, 2000), is crucial to the success of post-merger integration (Buono and Bowditch, 2003; Haspeslagh and Jemison, 1991; Marks and Mirvis, 2001; Melkonian et al., 2011)

How uncertainty is channelled is strictly related to how the expectations of the employees are managed. Expectations are defined as the beliefs of the individuals about what will lead them to which situation in the environment of their organization (Porter et al., 1975). They are constantly modified and related to the environment to which employees are exposed, because of interactions among individuals or the communication strategy adopted by the organization. Therefore, expectations are influenced by different factors such as, the stage of the M&A process, the role of employees and their perception of the integration process (Wagner and Hilal 2014). For this reason, the way employees' expectations are managed is crucial for the success or failure of the M&A process (Hubbard and Purcell, 2001) and to analyse this aspect, researchers emphasize the importance of communication (Bastien, 1987).

Prospects of major organizational change such as a merger often lead to uncertainty among employees who may have strong expectations that downsizing, restructuring or relocation may follow, with major implications for their own jobs and working environment (Nelson et al., 1995). From a social identity perspective, Hogg and Terry (2000) proposed that such subjective uncertainty may create homogeneous organizations with high cohesiveness with which employees identify strongly; to reduce uncertainty, employees may polarize and intensify their identification with their existing organization. These processes can make the meeting between the two merging employee groups difficult thus, Cartwright and Cooper (1996) found that an initially positive attitude to the merger was soon transformed into a them-and-us attitude. Similarly, Buono et al. (1985) found that after a merger the two employee groups began to perceive their merger partner as an invading enemy and became increasingly nostalgic for their prior organization; this effect brought by uncertainty is likely to emphasize existing differences between the organizations rather than similarities (Dackert et al. 2003).

2.8.3 Commitment

Organizational commitment refers to the ties employees form with the company. This psychological link with the organization can be categorized into three different forms of commitment (Meyer and Allen, 1991):

- *affective commitment*: identified as the emotional ties employees develop with the organization and their involvement and identification with it;
- *continuous commitment*: identified as the costs an employee should pay to leave the company, measured by considering the benefits associated to the permanence versus the costs for leaving the organization;
- *normative commitment*: based on the obligation and moral duty to remain at the company.

Companies usually prefer employees with affective commitment, but tension and uncertainty related to the work environment, especially in the case of M&A, can cause frustration in these employees and therefore a possible reduction of their affective commitment (Buono and Bowditch, 1989) negatively affecting performance in a moment when the organization most needs it (Van Dick et al., 2006).

According to Rafferty et al. (2010), affective commitment to change and anxiety about change are important initial responses to the merger announcement that will influence employees' long-term reactions to the change process. Herscovitch and Meyer (2002) define affective commitment to change as "a desire to provide support for a change based on a belief in its inherent benefits". This type of commitment is one of the most important factors involved in developing employee support for change initiatives (Armenakis et al., 1999; Bernerth, Armenakis, Feild and Walker, 2007; Cunningham, 2006; Fedor, Caldwell and Herold, 2006; Meyer et al., 2007). Affective commitment to change has been found to be positively associated with cooperation and championing of change efforts (Herscovitch and Meyer, 2002; Meyer et al., 2007) and has implications for employees' reactions throughout the change process (Armstrong-Stassen, 2004).

During a M&A process the new organization should try to neutralize the negative impact of tension and uncertainty focusing its efforts on maintaining or increasing affective commitment avoiding, as a

result, undesired levels of performance (Roundy, 2010) and fostering employee identification with the merged firm. The assessment of how strongly employees identify themselves with the merged company is fundamental in M&A processes and must be followed by the step to ensure that their identification is seen as more attractive (Terry and O'Brien, 2001). In addition, the new management should attempt to develop a common in-group identity by encouraging interaction between the two groups of the merged firms in a positive, cooperative and supportive environment (Gaertner et al., 1990; Brooks et al., 2005).

According to Melkonian et al., three decades of research (Colquitt et al., 2005) have offered convincing evidence that justice perceptions substantially impact employees' cooperative attitudes and behaviours at work, notably in the context of organizational change (Blader and Tyler, 2005). When employees feel they have been treated fairly, they are more likely to accept and act upon an authority's decisions as well as to engage in cooperative efforts (Blader and Tyler, 2005; Lind, 2001; Tyler and Lind, 1992). Justice is traditionally defined as a three-dimensional concept including distributive, procedural, and interactional justice (Colquitt et al., 2005). Distributive justice is defined as the fairness of outcome distributions. Procedural justice refers to the fairness of decision procedures. Finally, interactional justice focuses on the fairness of interpersonal treatment received during the enactment of organizational decisions. Several M&A scholars have acknowledged the importance of justice judgments during post-merger integration processes (Citera and Rentsch, 1993; Haspeslagh and Jemison, 1991; Lind, 2001; Novelli et al., 1995).

2.8.4 Stress

Mergers and acquisitions have been categorized as stressful life events, the employees of the involved firms suffer severe stress during mergers. In terms of the social readjustment rating scale (Holmes and Rahe, 1967) they have been equated with the stress from gaining a new family member or becoming bankrupt; Schweiger et al. (1987) compared employees' merger stress to the frustration a child experiences when separated from his or her mother.

In an environment subject to organizational change, as in the case of M&A processes, the feeling of uncertainty produces stress among the employees, affecting their perceptions, judgement and interpersonal relations (Appelbaum et al., 2000). According to Cartwright and Cooper (1993), a merger,

even if between similar organizations, can negatively impact on the mental health of employees. Davy et al. (1988) found that employees could not concentrate on their work due to the uncertainty caused by the merger. According to Moon (2007), because mergers are carried out in terms of organizational policy or strategy, non-executive members of the organization do not have a leading role in the decision making, therefore, the merger is a psychological shock for non-executive members. In addition, they experience psychological difficulties due to the uncertainty of the post-merger situation, they face anxiety regarding the possible conflicts between different organizational cultures, fear of a possible restructuring, and nervousness about the risk of being assigned to less important roles due to the functional changes.

Lazarus and Folkman's (1984) transactional model of stress and coping proposes that individuals go through a cognitive–emotional process in which they attempt to make sense of a change, struggle with their emotional reactions to change, and cope with change. Anxiety is a common reaction to change, with research suggesting that employees frequently report intense negative emotions such as anger, frustration, and anxiety when confronted with organizational change events (Fugate et al., 2008; Huy, 1999, 2001; Liu and Perrewe, 2005). Anxiety involves low pleasure and high mental arousal (Axtell et al., 2002).

The stress employees experience is likely to cause behaviour in opposition to integration when they interact with the other organization during the merger and this may result in hostile perceptions of the functions or human resources of the other organization. Merger stress can also have negative impact on the performance of merged organizations. The negative emotions of employees during the merger process can develop into various negative attitudes about the merged organization (Moon, 2007). If negative emotions are dominant during the merger process employees can feel a sense of alienation and job dissatisfaction and these negative attitudes affect organizational performance being a critical reason for turnover (Yoon and Lee, 2012). Empirical research supported the assertion of elevated stress levels, for example Bengley (1998), in a longitudinal study of an organisational consolidation, reported an increase in mental distress post-consolidation. Gibbons (1998) compared lecturers' stress responses in colleges that had been re-organised and those that had not, finding that the first perceived greater stress (Panchal, S., Cartwright, S., 2001).

Some research has examined differences between acquiring and acquired employees in M&As and pointed out that employees from the acquired company or smaller merger partner may be confronted with more stress because they face longer and more negative change (Hogan and Overmyer-Day, 1994). According to Hambrick and Cannella (1993) acquired employees feel worthless and inferior due to loss of autonomy and status. Contrary to the research discussed, Terry et al. (1996) discovered employees of the acquired company had the most positive reactions to the merger and this supports predictions from social identity theory which attributes the positive reactions of the subordinate group to the opportunity the merger presents for improving social identity. Dominant group employees felt their social identity as members of a prestigious firm undermined by inclusion of the smaller company's employees in the newly merged firm (Panchal, S., Cartwright, S., 2001).

Cultural incompatibility and the resultant culture clashes are commonly cited sources of merger problems and employee stress (Bakker and Helmink, 2000). Utilising Harrison's typology (Harrison, 1972) research has suggested that in a merger situation, some types of culture are more easily displaced than others. In their study, Buono et al (1985) found that former employees of the displaced culture were less satisfied and less committed to the new merged company than those of the retained culture, despite holding more favourable pre-merger attitudes. In general, mergers are rarely combinations between equals, there are often significant differences in size and power between two merger partners that can lead employees to experience stress (Panchal, S., Cartwright, S., 2001).

Since stress derives from the subjective perceptions of individuals and not by objective reality, it is important for managers to clearly identify the sources of those perceptions within the context of a M&A process (Marks and Mirvis, 1985). Each M&A process creates a new scenario with different behaviours and outcomes and it has its own particularities that generate different levels of stress. In addition, different stages of a M&A process can produce specific levels of stress (Ivancevich et al., 1987) as follow:

- The first stage of a M&A process is the *planning phase* and it is based on the evaluation of a possible merger. Even if this phase is characterized by confidentiality and discretion, rumours can emerge inside the company or outside in the market and uncertainty and stress start to affect employees' perceptions;

- The second stage is the *implementation phase* and it starts when one of the companies openly approaches another. In this phase, the employees of the involved organizations start to realize the scenario of a possible merger generating more stress among them;
- The third stage is the *transition phase* and it takes place after the merger is formalized. It is a phase when employees wait for things to happen therefore, expectations of organizational change and lay-offs intensify causing high uncertainty;
- The fourth stage is the *integration and stabilization phase* and occurs when the transition is accomplished, and the new organization is stabilized. Even if the deal is completed it is still a stressful stage for employees as it is connoted by the implementation of organizational changes and adaptation to a new reality.

Thus, the role of management in all the phases of the M&A process is fundamental to try to minimize the perceptions and feelings of uncertainty, fear, anxiety and stress in order to help the process proceed in the most fluent way. Managers must consider other dimensions of the work environment besides the core characteristics of the job task, such as, career paths, work relationships, support networks, status differences, geographic specificities, and job security. These can all play a role in reducing stress and shaping employee attitudes and behaviour after a merger (Schweiger and Walsh, 1990). Leadership is a key variable of organizational performance and many empirical studies showed the positive relationship between leadership and organizational performance (Lee and Lee, 2010; Yoo and Shin, 2003; Kim and Park 2008).

2.8.5 Turnover

Job satisfaction and turnover intentions are important indicators of employees' adjustment to organizational change (Amiot et al., 2006; Rafferty and Griffin, 2006). Job satisfaction has been defined as "the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values" (Locke, 1969). Several researchers suggest that large-scale changes are negatively associated with job satisfaction (Amiot et al., 2006; Rafferty and Griffin, 2006; Schweiger and Ivancevich, 1985) and positively related to intentions to leave an organization (Rafferty and Griffin, 2006; Schweiger and DeNisi, 1991); according to Rafferty and Griffin there is a positive

relationship between employee perceptions that transformational change had occurred and intentions to leave an organization.

Therefore, during M&A processes, turnover is an expected side effect and should be managed and understood to minimize its cost and its negative impact on the process (Appelbaum et al., 2000).

Three different scenarios can be identified related to the turnover (Morrell et al., 2004):

- *Unavoidable turnover*: the employees who leave the company are considered necessary losses and the cost of the loss can be measured against the benefits expected from the implementation of the change;
- *Avoidable turnover*: the employees who leave the company are considered unnecessary losses because they could add value to the company. In this case, preventive measures may avoid or reduce the loss;
- *Mixed turnover*: it is a mixture of unavoidable and avoidable turnover and its impact can be difficult to evaluate. In this case a tailor-made approach is the best choice because neither preventive nor reactive control measures may be appropriate for the situation.

Rafferty et al. (2010) propose that employees' initial reactions to the merger, their anxiety and affective commitment to change, will be associated with job satisfaction and turnover intentions when the merger is being implemented. Several researchers pointed out that initial reactions to change influence subsequent reactions to change (Armstrong-Stassen, 2004; Fugate et al., 2008; Kiefer, 2005). Kiefer (2005), for example, found that emotions such as anxiety, anger, and frustration have positive relationships with employee withdrawal at a later stage of the change process. Armstrong-Stassen (2004) observed that employees' prior type of organizational commitment is important in determining how they responded to a downsizing effort, employees who had high levels of affective commitment in the past were more likely to use control-oriented coping strategies and report higher job satisfaction during the change than those who reported lower affective commitment in the past.

According to Rafferty et al. (2010) job satisfaction and turnover intentions during merger implementation will predict voluntary employee turnover when the merger has been completed. Mobley's intermediate linkages model of voluntary turnover (1977), or variations on this model

(Bluedorn, 1982; Griffeth, Hom and Gaertner, 2000), identify several important antecedents of turnover, including satisfaction and turnover intentions.

Researchers have found that the fairness perceived by the employees about how surviving and displaced employees are treated during the post-merger integration period considerably influences their attitudes and behaviours, including turnover (Fried et al., 1996; Gutknecht and Keys, 1993).

Cobb et al. (1995) identified different approaches to manage organizational perceptions of fairness during an integration process:

- Outcomes should be based on the needs of both organization and employee. Employees should receive training based on the criticality of their role in the new organization and the skills they need for those roles;
- Human resource management policies and procedures should use accurate, objective, and unbiased criteria and be consistent across people and time (Harrison, 1998; Krupar and Krupar, 1988);
- Displaced employees should be treated with fairness and respect, providing adequate explanations of the need for change, and acknowledging the problems they are facing (Fried et al., 1996; Gutknecht and Keys, 1993).

2.8.6 Employee retention

One of the most important concerns after a merger is the potential loss of productive capacity of the merged company due to the departure of key personnel (Gaddis, 1987). According to Wagner and Hilal (2014) employees evaluate if the culture of the new organization fits with their values and expectations, if their career paths are in accordance with their aspirations and if there is the possibility to open new future opportunities (Siehl et al., 1990); acculturation is also a critical success factor for employee retention during the integration process (Larsson and Lubatkin, 2001; Nahavandi and Malekzadeh, 1988).

To explain M&A success Burgman (1983) considered 12 possible factors, including premium paid, previous merger experience and management retention and used management's subjective assessment to analyse if the merger was successful or not. For his sample of American companies, he

found that the "realisation of plans associated with the retention of merged top management is positively associated with the success of the merger". Van de Vliet and Isaac (1986) used the Burgman results to analyse ten British mergers and they showed that the three successes among them "all score high on the Burgman criteria".

Based on the evidence reported by the study of Crouch and Wirth (1989), it appears that the mobility of managers is lower after a merger than under normal organisational circumstances, it seems that fewer managers change jobs after a merger than those making career changes, and this suggests an element of post-merger stability which could sustain performance during and after the transition. But this pattern of apparent stability might be misleading since most job changes taking place after a merger seems to be unrelated to the previous pattern of job mobility of the managers. The propensity to leave the merged organisation is also unrelated to the expressed intentions of the organisation regarding the retention of management in the merged organisation.

Managers interviewed by Crouch and Wirth (1989), reported that a third or more of their superiors and most valued subordinates also left after the merger. From the viewpoint of the operations of the merged organisation, these departing managers and their colleagues might represent a serious loss of key personnel. However, this pattern of depletion of managerial personnel could be interpreted in a different way because managerial attrition of this type might serve the purpose of reducing managerial overhead. The departure of these senior personnel might also make the way clearer for the new management to alter the culture and bring it in line with the parent company (Crouch and Wirth, 1989).

Vaara, Tienari and Santti (2003) showed the importance of the post-merger integration strategy regarding employee retention, especially in terms of overcoming culture clashes, communication barriers, and "we vs. they" orientations. They also emphasize the pivotal roles of the managers in paying attention to these hurdles and building a new reality for their new combined organizations.

The topic of retention and development of the human capital to facilitate a competitive advantage is one of the core concepts in Human Resources literature for employers (DeYoung, 2000). Increased employee turnover leads to instability, additional workload and stress on remaining staff increasing, as result, job dissatisfaction which heighten the turnover cycle (Moseley et al. 2008). Therefore, organizations that have lower labour turnover rates gain a competitive advantage through a reduction

in overall labour costs and an increase in productivity. According to Horwitz (2008) skills shortages are a threat to economic growth, retention strategies are critical in a global market that is faced with the shortage of skilled workers.

Recent trends also show that employees have a desire to obtain fresh skills, particularly in technical skills because acquisition of skills provides job security as compared to seniority (Chaminade 2007). Therefore, they look for organisations that can provide them some training and development opportunities.

It is easier for employees to identify themselves with the organization if their personal goals are met by it and this results in affective commitment that leads employees to stay with the organisation (Coetzee and Schreuder 2013). Therefore, it is very important for any organization to provide its employees with adequate training and keep track on their level of job satisfaction.

2.8.7 The role of communication

Many change management interventions are based on the belief that communicating with employees about change will promote cooperation and reduce resistance to change (V. D. Miller et al., 1994), while also minimizing anxiety and uncertainty about change (Jimmieson et al., 2004; Marks and Mirvis, 1985; Nelson, Cooper and Jackson, 1995; Paulsen et al., 2005; Rafferty and Griffin, 2006). Communication is the “sine qua non” that helps employees adapt and create support for the merger, the leaders of each organization must learn to communicate clearly and periodically with all the stakeholders, such as, the Board of Directors, employees at all levels, clients and the entire community. In M&A, the new organization’s management must share information regularly and in multiple ways, staff will maintain feelings of vulnerability if they feel uninformed; lack of honest and of direct information develop low morale, reduced productivity, and even sabotage (McCambridge and Weiss, 1998).

Researchers distinguish between formal or programmatic communication efforts and informal change communication processes (Lewis, 2000; Russ, 2008). Programmatic approaches involve formal activities that transmit top-down information designed to generate employee compliance and to stimulate positive attitudes about change (Russ, 2008). This kind of communication emphasize the top-

down transmission of information about new policies and procedures, knowledge or facts about the change process, and directives about how change is to be implemented and is highly centralized and controlled. Some examples of this kind of activities are general information meetings, memos, and newsletters (Russ, 2008).

Lewis (2000) pointed out that change managers prefer general information meetings and small group meetings when implementing planned changes, however, other research reveals that considerable informal communication occurs within organizations and it is particularly prevalent during periods of change (Bordia, Jones, Gallois, Callan and DiFonzo, 2006) but it is not carefully designed and standardized by the organization. As a matter of fact, during mergers' process, companies frequently do not use their communication tools in an effective way. Sometimes they use them in inefficient ways, or they do not communicate what they should communicate to keep employees well informed and minimize the negative side effects of the M&A process (Buono and Bowditch, 1989).

For Appelbaum et al. (2000), communication should be the most important issue to be analysed in a M&A process because it can influence, positively or negatively, the adoption of a new organizational culture, the entire change process, the level of stress among the employees, the management of uncertainty and employee expectations and the level of employee satisfaction and performance. For this reason, communication should provide timely and accurate information about what will happen to the organization and employees' jobs (Garpin and Herndon, 2000; Schweiger and Denisi, 1991). Communication should start early and be ongoing (Napier et al., 1989) including providing employee assistance programs and conducting meetings where employees can explain their views openly, listen to others, and realise that others are experiencing the same emotions (Fugate et al., 2002). In addition, it is important for the communication to be two-way (Bastien, 1987), which consists of both active listening to the sources of stress, uncertainty and role related issues and promptly responding to them.

Communication plays a crucial role in developing knowledge and capabilities, and is essential in teaching, training, and learning, especially in cross-cultural management. Knowledge transfer situations are communication intensive, often involving several months of strong interaction between transmitting and receiving parties (Szulanski, 1996). Developing knowledge integration capability requires coordination between units of both companies and depends largely on communication

between managers and employees of both companies. Failure to communicate with employees, increase cultural differences and creates tensions (Budhwar et al., 2009; Lodorfos and Boateng, 2006).

Knowledge creation is based on close integration of organizational members and implies proximity and social relationships (Grant, 1996b). Employees' anxiety, uncertainty, lack of trust and other negative feelings following the announcement of a merger were often found to result from an absence of reliable information about the future (Marks and Mirvis, 1985; Napier, 1989); uncertainty is often more stressful than change.

Immediate, honest, and consistent disclosure of information to employees can help dealing with negative employee reactions (Ford and Ford, 1995), as a matter of fact, formal communication has been associated with positive reactions toward the merger (Bastien, 1987). Communicating organization's intentions and goals increases employee perceptions that the company is trustworthy, honest, and caring (Schweiger and DeNisi, 1991) and merger workshops that engage employees in understanding the rationale of the M&A deal also reduce negative employee feelings (Leroy and Ramanantsoa, 1997).

According to Kongpichayanond (2009), employees look for a shared vision or scenario concerning the future developments and directions for the business. They want to know whether a new management will be taking over, or the existing management will continue as before, understand the new management's business philosophy and know about any major changes. They know that the new management has the potential to exercise considerable power to change the business and this possibility can arouse feelings both of opportunity and fear, for this reason, if management does not address these expectations by communicating a clear vision for the future, or if it is done in a clumsy way it would increase fear, stress and uncertainty.

Strong managerial leadership could help to develop and clarify employees' new roles in the merged organization (Marks and Mirvis, 1992), this may require that managers organize direct discussions with employees to negotiate and clarify role expectations, core job characteristics, influence perceptions of the work environment and influence motivation and job satisfaction (Hackman and Oldham, 1975). It is also important to enhance employees' perceptions of control, for example, allowing employees to participate in decision making during and after the M&A (Fugate et al., 2002), encouraging them to

participate in job redesign processes (Cameron et al., 1991) and, finally, training employees to adjust to job changes is also frequently recommended (Schweiger et al., 1987).

In general, the best approach for a corporation to deal with the anxiety, uncertainty and stress that are part of a merger process requires the involvement of all the employees in the adopted communication strategy. The pivotal role of a united communication is also confirmed by Weber, Ganzach and Ben-Yemini (1995), many mergers are characterized by situations in which employees lose their identities, lack information, and become anxious and obsessed with their own survival (Schweiger et al., 1987; Schweiger and Weber, 1989).

The importance of communication and the risk of rising conflicts by the lack of it, is also highlighted by Weber (2015) which investigate the role of the individual in corporate culture clash situations, during post-merger integration and stress the importance of development and training during M&A. The effects of culture clash in mergers and acquisitions (M&A) on employees' attitudes and behaviour influence post-merger turnover and integration success, the greater the employee resistance, the less the synergy realization (Larsson and Finkelstein, 1999).

According to Weber et al. (2011), leadership must take into account the fact that different cultures have different attitudes toward communication. Communication styles range, for example, from the indirect or even unspoken, implicit understanding of Japanese culture, to close and direct communication in US culture; communication was found to differ by nation (Child et al., 2001).

2.8.8 Decision making: need of synergies to effective integration

Prior to a merger, each firm's management usually achieve some degree of equilibrium in understanding its external and internal environment. In M&As, when one management culture is exposed to another, as happens in the process of acculturation, the state of equilibrium is disturbed, and this may lead to communication problems between the cultures (Gomes et al., 2013).

Communication problems can lead to ill feelings and to polarization and ethnocentrism (Weber et al., 2014), which in turn may increase the tendency for misunderstanding and conflicts. The conflict that results from cultural differences and communication problems also lead to several negative effects such as tension, distrust and annoyance in both management and employees and it may cause negative

attitudes of the employees toward both the organization and management hindering, as a result, the cooperation (Weber et al., 2014).

The success or failure of M&As depends not only on how much synergy is potentially available from the combination but, more importantly, on whether the synergy can be realized through effective integration (Gomes et al., 2013). The merging companies' intention is usually to merge and successfully integrate the teams, but we saw that M&A are frequently characterized by a high degree of turnover, which is the most important problem for the top management (Lubatkin, Schweiger and Weber, 1999). Lubatkin, Schweiger and Weber (1999) have found that cultural differences in M&A are positively related to top management turnover and negatively related to top management commitment. This is consistent with the findings of Weber's studies (2015) in the field of organizational behaviour that pointed out that low level of commitment is associated with high rates of voluntary turnover.

Weber (2015) suggested that the degree of contact (intensity and frequency) between different cultures may moderate the relationship between cultural differences and the behaviour of individual. The more members of two cultures come into contact and/or the more contacts they have per period, the greater the ability of the dominant culture to expose the weaker one to its own features or to impose them on it, and the greater the potential for conflict as consequence. Therefore, in M&As the degree of contact between the management cultures and the extent to which the weaker culture is dominated by the stronger are determined by the level of integration of the two top management teams.

Merging firms imply cutting costs and achieving synergy by integrating similar departments and functions, such as marketing, inventory, and so forth. To achieve that integration, the new management typically intervene in the decision-making process and impose standards, rules and expectations (Weber et al., 2014). Since M&As have different levels of integration, the higher the integration, the more effort one firm must make to control and coordinate decisions and activities, not only by determining goals, but also by making crucial choices.

The level of integration influences the emotions and attitudes that affect top managers' commitment and their cooperation. For top executives who used to manage independent operations, superimposed authority following a merger can be objectionable, thus, the integration process may lead to human

resource problems at the top management level, which is the first that may be subject to autonomy removal. The contact between the two top management teams not only reduces the autonomy of part of the top executives but also exposes the diverse national and corporate cultures of the teams to each other and makes the differences salient (Weber et al., 2012). To the extent that cultural distance produces a “culture clash”, such clash may be strongest where the contact between the adherents of the opposing cultures is the greatest, for example, where the new executives determine goals, strategic choices, and other operations for the merged company. The loss of autonomy evokes stress and negative attitudes among the top managers, who feel threatened, and this affects their commitment and cooperation.

Lubatkin et al. (1999) showed that perceptions of both cultural differences and autonomy removal can explain a significant portion of the variance in turnover during the first year after an M&A. Other studies clearly showed that the higher the turnover of top executives following M&A lower the performance of M&A (Cannella and Hambrick, 1993).

According to Grant (1996b), to effectively integrate knowledge, the hierarchy of capabilities must have some correspondence with the firm's structure, authority, communication, and decision-making, whether formal or informal. In an M&A context, human resource managers need much more autonomy to be able to cope with the conflict situation of the merger and the increase in uncertainty. HR managers need greater autonomy to decide about rewarding employees in the integrated company, to increase salary and benefits when necessary to motivate employees for the extra work they must perform to focus on integration and create integration capabilities and to cope with turnover, recruiting, and labour relations issues to facilitate knowledge transfer. Autonomy is also essential in maintaining the enthusiasm, creativeness, and commitment necessary for knowledge creation during post-merger integration, it is needed in determining training content, timing, duration, and channels of communication to develop integration and knowledge creation capabilities and it is also required in recruitment, promotion routines, appraisal systems, etc. to cope with possible conflicts resulting from culture clash, turnover of employees and managers, and other unexpected issues arising during the integration process.

Paauwe and Richardson (1997) found that greater autonomy is positively related with firm performance. But in different countries greater autonomy may be accepted differently by managers and employees because of the different characteristics of power distance. Morosini (1998) suggested that the effect of different levels of autonomy associated with different integration methods can vary by nationality.

2.8.9 Human Resources development and training

According to Porter (1985), a firm that is better than its competitors in the development of human resource practices as a source of competitive advantage employs people who are highly effective relative to the competition, because better employees create superiority both in primary value chain and in support activities. As a consequence, Weber et al. (2011) assumed that better practices and employees produce excellent knowledge and resource transfer and create knowledge of integration capabilities. The human resource management strategy may be articulated as establishing policies that result in the creation of firm-specific, inimitable assets in the form of knowledge, skills, and abilities embedded in the human capital of the merged firms. Specific HR practices, such as training employees to deal with conflict and with new assignments during the integration, using communication to address employees' stress and uncertainty, and adjusting other practices such as recruiting, reward and labour relations to the new situation, are indicators that the firm pursues a strategy that has more possibilities to result in integration capabilities. These practices and the results they produce are indicators that the firm has successfully created valuable assets in its people, assets that help integrate the two companies and improve financial performance.

Weber (2015) suggests that development and training are pivotal in M&A for managing cross-cultural situations. Both managers and employees need training to deal with cross-cultural conflicts that result in human resource problems, to meet the needs of new positions being created, replace employees who leave because of the high turnover following mergers and adapt to the new technologies employed and to the new systems and work processes introduced.

To develop integration capability, employees from both companies involved in the merger must learn about the other company and its assets, people, structure, culture, HR practices, their own roles in transferring and coordinating specific resources across the two companies, the roles of others, and

what the deliverables will be throughout the integration process. In addition, development and training is required during the merger on issues such as the specific cultural differences, the effects of cultural differences on human resources, managing resistance to change and dealing with conflict during the post-merger integration. Development and training help to improve the effectiveness of knowledge integration and absorb or acquire knowledge using manuals, databases, processes, and routines that encourage repeated use of this knowledge (Weber, 2015; Weber et al. 2011).

Training programs conducted within the M&A context are key to the merging companies, in addition to the regular training, and involve additional costs (travel, external providers, time, etc.). Birkinshaw, Bresman, and Hakanson (2000) found training programs in M&A to be positively associated with knowledge transfer, but they did not investigate the relationship between training and performance. Considerable research explores the relationship between HR practices and performance of the firm but there are still significant gaps in understanding this complex relationship. This complexity is due in part to the fact that knowledge transfer involves a trade-off between the benefits and the added costs of HR practices in M&A development and training.

Weber (2015) suggests that it is imperative to create and develop new practices that would facilitate innovation and continuous improvement in a changing environment. This is also confirmed by Nikandrou and Papadexandris (2007) who concluded that an effective training system is an important mechanism in ensuring that employees have the necessary skills and add value to the company's success. The knowledge and experience of employees, that constitute the human capital of the organization, are a key factor in the creation of new practices and the improvement of existing ones during the merger.

Development and training are essential in all the phases of the process for several reasons. It directs managers and employees to look for new ways and practices to identify in the new knowledge of the other party of the merger. Each source of knowledge may need a new way of training for the knowledge transfer. Regardless of how extensive the due diligence process before the merger was, it will be necessary to continue development and training during the post-merger period to learn and teach about unexpected problems and conflicts and how to deal with new challenges. Finally, development and training are also needed for adopting and controlling the new practices and routines that

differentiate the merged company and to sustain its competitive advantages. Most of these investments in training often increase the firm's specificity of manager and employee skills and help develop the integration capabilities (Weber, 2015).

Despite the positive aspects mentioned above, the relationship between HR practices and M&A performance is not simple. Human resource practices may be less effective in multicultural organization (Weber, Rachman-Moore and Tarba, 2012) because the values of individuals influence the acceptance and effectiveness of the HR process. Because of the increasing globalization, researchers have been argued about the degree of convergence of HRM practices across national cultures. Brewster (2006) found that cultural differences are important and some difficulties in convergence suggest that national cultures may continue to influence the way in which companies operate (Harzing and Sorge, 2003), others emphasized the necessity to adapt to local conditions and cultures and suggested that there is a need for both global integration and local adaptation (Ngo et al., 1998). Adler et al. (1986) suggested that, although organizations are becoming more similar in their macro-variables, such as organization structure and technology, they may be maintaining their dissimilarities in micro-variables such as behaviour within the organizations. HR management, therefore, seems to be an area influenced by national culture (Weber et al., 2011). Thus, it is possible that not only the amount of training added in a merger is different between countries, but also that the additional training in one country may be positively related to merger performance and in another country the correlation may be negative (Weber et al., 2011).

Moreover, development and training involve additional costs. More training may improve performance by developing competencies, but additional investment in training may be accepted only if performance is expected to produce additional funds. If both processes occur simultaneously, it becomes almost impossible to detach cause from effect. In addition, national differences may also have an additional effect on the relationship between additional training and M&A performance (Weber et al., 2012).

2.8.10 The relevance of leadership's role

As we saw, a merger can be considered a significant life event for both the organisation and employees (Martin and Roodt, 2008) and how employees cope with and respond to a merger has a

direct impact on the organisation's performance in the short to medium term. This perspective is confirmed by Muller (2006) who points out that mergers can cause staff to feel "overstretched" and "overburdened" with the consequence of having a negative impact on the performance of the organisation (Paul and Berry, 2013).

Instead of creating new value therefore, a merger can lead to value destruction and the reasons for the merger failure rates can be attributed to ineffective executive leadership or an executive leadership vacuum (Stahl, 2004). Scanlan (2005) analysed that merger success can be related to executive leadership who understand how to "build a business", he points out that a leader must chose to spend time and money in critically assessing the proposed community, economic and clinical merits of the merger, or spend even more time and money after the merger trying to fix what he should have been figured out before closing the deal. He also underlines that one of the biggest challenges for executive leadership during a merger is blending people of different corporate and national cultures, by working to reduce the psychological distances between them and that the chief executive and the executive team must join a visionary or values-based leadership to reinforce the values inherent in the organisation's vision (Scanlan, 2005).

Paul and Berry (2013) present the findings of a study conducted by Booz Allen Hamilton (2001) suggesting that merger success is linked to executive leadership rigour, which includes awareness and attention to people and organisational culture issues and dealing with competing priorities and needs. Effective executive leadership drives value towards the creation of an effective post-merged organisational culture integration and alignment process (Booz Allen Hamilton, 2001), the greater the frequency and magnitude of change, the more important leadership and organisational culture become (Able, 2007).

Macfarlane and Butterill (1999) confirmed the importance of effective leadership in their study on the management of post-merger integration for the creation of a successfully performing organisation. They presented six principles considered critical in ensuring the effective transitioning of employees during a merger that include the development of a clear, concise and accessible vision of the positive benefits of the merger and the involvement of visible, strong, cohesive executive leadership throughout the post-merger integration process. The post-merger executive leadership is the senior management

group (SMG) that, according to Macfarlane and Butterill (1999), has the accountability to lead the planning and implementation of the post-merger integration with the specific roles of developing a comprehensive set of transition planning principles and assumptions, convening a number of task forces and integration teams to assist in the planning and approving of their work plans and final reports, and also developing macrolevel indicators to monitor and evaluate the implementation of the post-merger integration (Macfarlane and Butterill, 1999).

Paul and Berry (2013) also presented two cases that corroborate the importance of executive management's role in achieving a successful merger. In the first one, Denison Consulting (2007) analysed that a successful and high-performing post-merged organisation was created in Reynolds American by implementing strategies which included:

- A pre-merger culture survey, conducted to determine the progress of the culture integration and identify the areas that need attention;
- Continuous communication of the executive leadership about vision, strategy and core values through open conversations with all employees about the roadmap to post-merged success;
- Executive leadership's task to collect input and employee reaction before launching any major initiatives;
- Functional team's task to present their employee engagement plans to the high-performance culture team, which included executive leadership.

The second case is the merger between London Guildhall University and University of North London to form the London Metropolitan University that was successful since the members of the executive leadership were appointed before the actual merger and based on merit and suitability (Floud and Corner, 2002). Designing and implementing an effective communication strategy were some of the key activities on which the executive leadership focused to ensure that employees would feel consulted and listened to; the executive team also spent much time and effort on planning, implementing and motivating change.

On the other hand, according to Paul and Berry (2013), merger failure occurs when the goals that brought the organisations to merge in the first place do not work out that way, or when shareholders suffer because operating results deteriorate instead of improving (Tobak, 2007). They presented a list

of the 10 most notorious merger failures that have been evaluated by Tobak (2007) including: AOL and Time Warner, HP and Compaq, Alcatel and Lucent, Daimler Benz and Chrysler, Excite and @Home, JDS Uniphase and SDL, Mattel and The Learning Company, Borland and Ashton Tate, Novell and WordPerfect, and National Semiconductor and Fairchild Semiconductor. Considering Tobak's (2007) conclusions on the evaluation of the mentioned failed mergers, most of the reasons for these failures can be attributed to executive leadership problems within the merging organisations. (Conclusion: esempi leadership negativa)

The issues raised in Tobak's (2007) list (flawed corporate strategy, sub-optimum integration strategy, culture misfit, loss of key employees after the conclusion of retention agreements, management team inexperienced regarding merger-related matters, flawed assumptions in synergies calculation, ineffective corporate governance, etc.) provide compelling evidence of which are the most relevant activities on which the executive leadership should focus in a post-merged environment to avoid the failure of the merger.

The importance of an effective integration during an M&A process is confirmed by Yan et al. (2016), this kind of processes usually cause dramatic changes to organizational structure and strategy that may result in employees' feeling a lack of safety (Schweiger and Denisi, 1991; Cartwright and Cooper, 1993a), loss of status, and perceptions of low relative standings (Hambrick and Cannella, 1993) and it can also give rise to the decreasing in organizational identification (Napier, 1989) and organizational commitment of the employees (Covin et al., 1996). Since these problems contribute to the risks involved in effective integration (Yan, 2012), measures should be taken to improve employee organizational identification, organizational commitment, and goal commitment.

Researchers revealed that transformational leadership could influence M&A performance by having impacts on organizational climates and cultures (Bligh, 2006; Nemanich and Keller, 2007) and, during the decision-making process, leaders can effectively reduce dysfunctional conflict and improve employee decision commitment (Kotlyar et al., 2011). Transformational leadership could improve employee acceptance of M&A, and increase job satisfaction and performance (Covin et al., 1996; Nemanich and Keller, 2007), earlier studies have also shown that cultural leadership, leaders' referent power, and expert power are able to promote effective M&A integration (Covin et al., 1996; Bligh, 2006)

but only a few studies have examined connective leadership during M&A. Connective leaders' behaviours are diverse and complex, and they have a spectrum of behaviours at their disposal, some researchers believe that connective leadership encompasses transformational behaviours (Doig and Hargrove, 1987).

The concept of connective leadership was first raised by Lipman-Blumen in the 1980s, connective leaders can see similarities when others only see differences succeeding therefore, in integrating individuals and organizations based on the same goal (Lipman-Blumen, 2000). According to Gilligan (1982) connective leaders may lead to successful M&A integration based on common goals and interests and ultimately promote employee goal commitment to the new organization, in addition, they may improve employee goal commitment by relying on three dimensions: relational, instrumental, and direct leadership.

Lipman-Blumen (1992, 2000) described connective leaders as individuals who have a full range of behaviours at their disposal. They can choose among nine achieving styles that are divided into three sets (relational, instrumental and direct) to adopt the more appropriate to each situation. Direct leaders are similar to traditional leaders and prefer to lead hierarchically, they enjoy power and competition. Instrumental leaders rely on the self and others as instruments to accomplishing their goals, they entrust subordinates with tasks and are skilled in constructing network. Relational leaders prefer teamwork, they are willing to help others and take pride in others' success. Research conducted on connective leadership underlined its importance for teams and organizations (Lipman-Blumen and Leavitt, 2009), and proposed its effectiveness during entrepreneurial and crisis conditions (Lipman-Blumen, 1992). Since M&A may lead to organizational crises (Schweiger and Denisi, 1991), connective leadership should be the most appropriate and desired kind of leadership to adopt for an effective integration during a merger (Yan et al., 2016).

Employee goal commitment is crucial for organizational development because it can predict team or organizational effectiveness and performance (Klein et al., 1999, 2001; Aube and Rousseau, 2005). Goal commitment can be defined as the intention to extend efforts toward goal attainment, persistence in the pursuit of that goal overtime, and an unwillingness to lower or abandon that goal (Hollenbeck and Klein, 1987). Goal commitment, which is related to team or organizational effectiveness and

performance (Klein et al., 1999; Aube and Rousseau, 2005), is crucial for organizational development. Therefore, employee goal commitment should be regarded highly in the new merged organization and its improvement is necessary during M&A integration (Yan et al., 2016).

Locke (1968) discovered that the higher the goal commitment employees possess, the more willing they will be to make swift adjustments to the organizational cultures and strategies, and the more strongly they will fight to achieve the goals. High employee goal commitment will accelerate the process of adaption to the new organizations, and then contribute to the effective M&A integration. To promote employee goal commitment, employees must clearly understand the goals, believe that the goals are worth pursuing, and be willing to connect their own goals to organizational goals (Bass, 1998). Because connective leaders can discover connections and are dedicated to the goals (Lipman-Blumen and Leavitt, 2009), it is possible for them to help the employees acquire an in-depth understanding of the goal and to lead them to fight for the goals during M&A integration. For this reason, connective leaders may have the ability to promote employee goal commitment at the stage of integration and they may also rely on their relational leadership skills, including teamwork support and helping employees to promote employee goal commitment. They may employ instrumental leadership in areas such as network-building and empowerment to promote employees goal commitment; and they may also employ direct leadership skills such as competition emphasizing to promote employee goal commitment (Yan et al., 2016).

On the other hand, connective leaders can bridge existing gaps between opposing parties by discovering similarities where others only see differences therefore, they could successfully manage diversity during the connective period (Lipman-Blumen, 1992). Diversity and complexity are the important antecedents of conflict (Polzer et al., 2002) and, since M&A combine and integrate two or more organizations into one (Haunschild et al., 1994), diversity and complexity inevitably exist among employees who originally worked in different organizations. Considering that groups with different values, norms, and routings must work together (Haunschild et al., 1994) this can lead to conflict (Jehn et al., 1999; Polzer et al., 2002) and, as a result, conflict inevitably arises during M&A integration. However, connective leaders may reduce conflict by employing a wide range of behaviours, and the low level of conflict could improve organizational performance (DeDreu and Weingart, 2003), and increase employee goal commitment.

Collaboration is one of the important ways that leaders use to manage conflict, individuals or groups must pay attention to common interests to attain “win-win” results (Desivilya and Eizen, 2005). The distinctive feature of connective leadership is connection (Gilligan, 1982), connective leaders can manage conflicts by collaboration and for this reason, connective leaders may also reduce levels of conflict during M&A integration by relying on their diverse and complex leadership behaviours. Relational leaders emphasize teamwork and help subordinates promote cooperation that may reduce levels of conflict. Instrumental leaders are good at networking and entrusting, they may easily perceive commonalities and build connections between different employees to reduce levels of task and relationship conflicts. Direct leaders enjoy power and competition, enabling them to identify the areas where disagreements begin and give employees the direction to reduce levels of task conflict (Yan et al., 2016).

Lower levels of conflict could improve employee decision commitment (Kotlyar et al., 2011) and may also promote employee goal commitment. Interpersonal relationships will become simpler if relationship conflicts decrease and this will contribute to communication and cooperation among employees. In addition, employees are more likely to make agreement about task goals when levels of task conflict are lower and that leads to higher work efficiency and employee self-efficacy. Therefore, connective leadership may influence employee goal commitment reducing relationship and task conflict (Yan et al., 2016).

3. BRIEF COMPANY PROFILE

3.1 COMPANIES' OVERVIEW

ALFA S.p.A. is a multinational energy company and one of the world's leading integrated electricity and gas operators. It works in 35 countries across 5 continents, generating energy and distributing electricity and gas across a network spanning about 2.2 million km. With 73 million clients around the world, ALFA has the biggest customer base among its European competitors and is one of Europe's leading energy companies by installed capacity and reported EBITDA.

Listed in 1999 on the stock exchange, ALFA is among the European companies to have the largest number of shareholders, including both retail and institutional investors. In addition to ALFA, other Group companies are listed on the world's most important stock markets. Thanks to its code of ethics, sustainability report, policy of respect for the environment, and the adoption of international best practices on transparency and corporate governance, ALFA counts the largest international investment funds, insurance companies, pension funds and ethical funds among its shareholders.

The ALFA Group is made up of nearly 69,000 people from around the world and the company's portfolio of power stations is highly diversified, running on hydroelectric, wind, geothermal, solar, thermoelectric, nuclear and other renewable sources of power. Almost half of the energy generated by ALFA is produced with zero carbon dioxide emissions, making the group one of the leading producers of clean energy. As a truly global group, it extends its business from Europe to North America, Latin America, Africa and Asia. It is one of the largest energy companies in the Americas, with power generation plants of all types across 11 countries from Alberta in Canada to the central Andes and supplies energy to some of the largest cities in South America: Rio de Janeiro, Bogota, Buenos Aires, Santiago de Chile and Lima.

BETA is the Group business line, founded in December 2008 to manage and develop activities of energy production from renewable sources worldwide. It is present in Europe, the Americas, Asia, Africa and Oceania, with over 1,200 plants in 30 countries and its production mix includes the main renewable sources: wind, solar, hydroelectric, geothermal and biomass.

The clean energy generated by BETA is able to meet the consumption needs of millions of families around the world and helps reduce carbon emissions, combating climate change and facilitating a new model of decarbonised development. BETA has developed new business and technologies, such as the construction of off-grid solutions and storage systems in order to improve flexibility and performance in its plants.

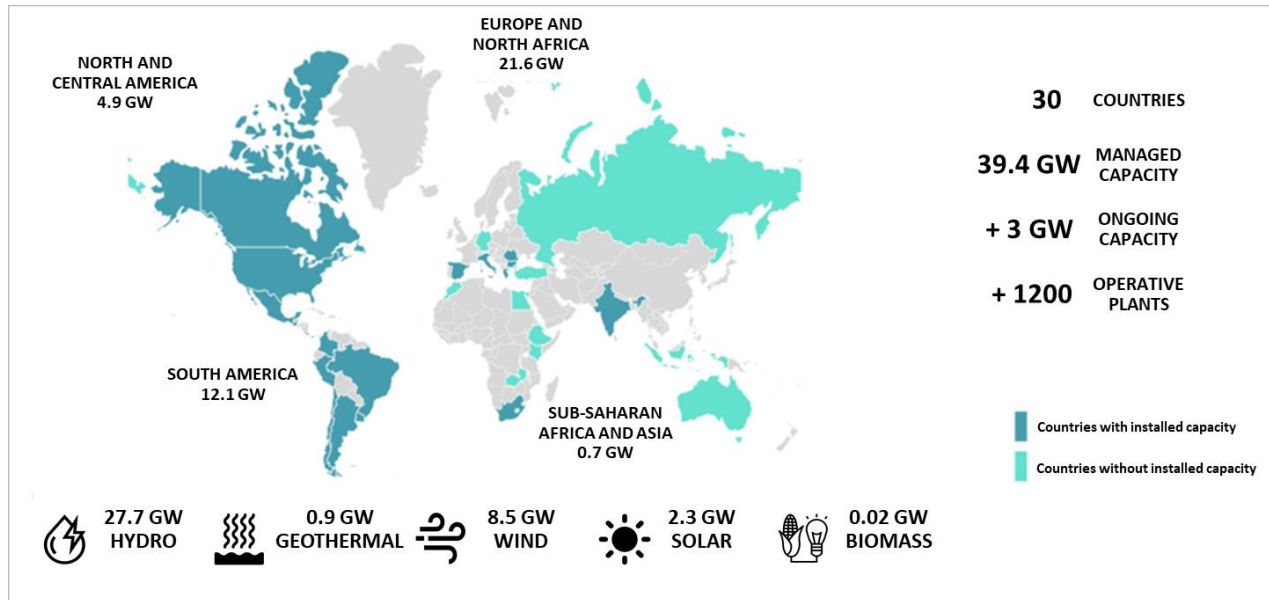


Figure 2 – Numbers of the company BETA

Holding ALFA Brasil is the largest private companies in the Brazilian energy sector present throughout the energy chain in generation, conversion, transmission and sales as well as energy solutions. It also plays a leading role in developing renewable energy sources in the country acting through BETA Brasil.

Through its distributors in three different Brazilian states, ALFA Brasil brings energy to around 10 million residential, commercial, industrial, rural and public-sector customers, it also has small hydro plants in several states, a hydroelectric plant and a combined-cycle thermal plant (gas and vapour) in the north-eastern region of Brazil. In trading, it buys and sells conventional and incentivised energy on the free market in several states and in transmission it keeps a strategic asset for the energy integration of Mercosur, a company responsible for converting and transmitting energy from Brazil to Argentina and vice-versa.

BETA is the top player across the entire Brazilian solar industry and one of the biggest wind-power players in the Brazilian marketplace.

3.2 INTEGRATION PROCESS

During an extraordinary shareholders meeting that took place in 2015, ALFA's board approved the merger of BETA, the renewable energy firm's non-proportional spin-off, with its parent, the Italian largest utility ALFA S.p.A. ALFA already owned 70% of BETA, but the new approval consolidated the remaining 30% and ALFA was assigned the BETA assets.

The merger between ALFA and BETA was a key point of the group's strategic plan, which was focused on the corporate simplification strategy started in 2014 with the spin-off of the company XYZ in Chile and continued with the reorganization of all South American holdings. The goal of the plan was to accelerate the group's ability to increase margins and investment for growth. As a matter of fact, since BETA was the global leader in the renewable sector, it was considered a key growth factor for the entire group.

According to the strategic plan forecast, 50% of incremental investment and EBITDA would be produced by the renewable sector. Through the integration, the renewables division would have reached additional investments and the synergies between the two companies would have led to an increase of the EBITDA of the division as well as the results of the entire group. The integration would have also allowed the adoption of BETA's best practices in the ALFA Group.

The transaction was expected to be closed by the end of March 2016. ALFA's board approved the all-stock transaction in November, saying it would involve a non-proportional spin-off of foreign assets and their subsequent assignment to the utility.

At the time of the deal, the office of BETA was located in Rio de Janeiro, in the downtown area of the city, and the company employed 450 people. ALFA Brazil office was located in the same State of Rio de Janeiro, but in another city 20 km away from BETA office. Its team was composed by 3000 employees and 15000 indirect employees (distributors).

In order to start merging the facilities of the two firms, BETA installed its office in the same building as ALFA. Nevertheless, they continued to independently operate their businesses till the end of 2016 when they moved the first step toward the integration unifying the first tools and IT systems.

The integration consisted in merging the “staff functions” (human resources, accounting, communications, legal etc) of the two companies. The “business functions” of the company BETA, those directly related with the business on the field, continued exclusively managing the activities of the renewable sources’ division of the group. Nevertheless, they too were impacted by the integration, since they started interfacing with the new merged “staff function” for what concerned the necessary support activities.

The integration process was still ongoing at the time of the research and the company expected to complete it within the first semester of 2018.

4. METHOD

The following section describes the research method used for this case study. It provides the justification for the selected research design, the interviewee profiles and selection process. It also provides a description of the data collection and analysis besides drawing a critical overview of the research limitations.

4.1 RESEARCH DESIGN

The method selected for this case study is based on the qualitative approach since the goal is to answer the following research question:

- a) How can the human factor affect and be affected by an integration process?
- b) What are the main managerial practices that can influence an integration process of companies belonging to the same holding and how?

Qualitative research was developed to enable researchers in the social sciences to study social and cultural phenomena, opposing the assumption of a unique research model for all sciences, based on the study model of the natural sciences. According to Vergara (2006), the different types of research can be classified according two basic criteria: the research purpose and its means of investigation.

Based on the research purpose, it identifies the following types of research:

- *exploratory*: performed in areas of little knowledge, it does not involve assumptions in early stages but during the research they may naturally arise;
- *descriptive*: defined as attempts to explore and explain while providing additional information about a topic, it tries to describe what is happening in more detail, filling the missing parts and expanding the understanding, encompasses standard techniques and well-structured collection of data;
- *explanatory*: its main objective is to make the actions studied in an easy to understand data, justifying and explaining their main reasons;
- *methodological*: associated to paths, shapes, ways and procedures used to achieve a purpose;

- *applied*: aimed at finding a solution for an immediate problem existing in practice, whereas fundamental research is mainly concerned with generalisations and with the formulation of a theory;
- *interventional*: not satisfied only in the explanation that is being studied, but wants to interfere in any way, day-to-day of their research object.

In connection with the means of investigation, a research can be:

- *from field*: based on the experience that is being applied in research and carried out exactly where the studied phenomena are observed;
- *in laboratory* held in a certain and limited location;
- *documentary*: through analysis of documents found in public or private institutions or people holding the custody of such documents;
- *bibliographic*: based on material published in books, newspapers, magazines, websites, and are available to the general public;
- *experimental*: empirical research in which the researcher manipulates and controls independent variables and observes the results of these manipulations.

The author recommends a few reasons for choosing qualitative research. First, when the research question usually begins with "how" or "what" and the research attempts to describe a situation or event, differently from the quantitative research, that aims to compare groups and variables. Second, when the topic needs to be explored, because the variables are not easily identifiable and available theories must be further developed. Third, when individuals are analysed in their natural environments.

In the light of the above-mentioned classification, this study can be considered exploratory and descriptive. Although the topic on mergers has been already addressed by several researchers, there usually are specificities that are unique to different case studies thus, not all existing theories may be applicable to the particular sample of this study. In addition, not all the aspects of mergers were analysed, as the focus of the research was to understand the human factor influence on the integration process and its main aspects.

Based on the means of investigation, the study can be classified as, documentary, bibliographic and included a field study analysis (Vergara, 2006). It is bibliographic because it included a literature review;

it is documentary because some company documents were made available, and it is a case study because the researcher interviewed participants in the merger process.

Qualitative research is also interpretative since it is impossible to avoid personal interpretations in the analysis of qualitative data and it is not preconfigured but emerging, since several aspects can arise and lead to adjustment in the method during the study. This allows the spontaneous emergence of relevant aspects and categories and the possibility to refine the questions according to the researcher's learning and focusing on the most relevant issues.

Since interpretation of phenomena is always perspectival, researchers should be aware that facts can be related to theory. Within discourse analysis, abduction is used in many research processes based on case-study. Induction has its point of departure in empirical data while deduction starts from theory. Abduction has characteristics of both induction and deduction, it starts from an empirical basis, just like induction, but does not reject theoretical preconceptions and is in that respect closer to deduction. In addition, it adds a new specific element: understanding, which is useful in situations with complexity and uncertainty (Alevesson and Sköldberg, 2009).

Thus, the design of the research process started with the selection of the case study itself and was followed by studies of previous theory in the literature, the identification of the different types of interviewees, the design of the questionnaire for the in-depth interviews with open-ended questions, the data collection and the analysis of data as a source of inspiration for the discovery of patterns that bring understanding. Therefore, the research process alternated between theory and empirical facts and both were successively analysed in the light of each other.

The integration between ALFA and BETA was selected due to several reasons. ALFA plays a leading role in the energy sector worldwide. Second, it was the opportunity to analyse the integration of two autonomous companies belonging to the same holding.

Interviews were organized by combining main questions, follow-up questions and probes. Main questions were worked out in advance to make sure all major parts of the research problem were covered (For example: How was employees' commitment before and during the integration process?). Follow-up questions ask for explanation of themes, concepts or events that the interviewees have introduced. (For example: What actions were taken by the organization to maintain or increase the

level of commitment of employees?). Probes help manage the conversation by keeping it on the topic, signalling the desired level of depth and detail as well as asking for examples and clarification (For example: In what way do you think employee's commitment affected the success or failure of the integration process? Talk about it). The questionnaire was originally written in English to be used with a wider base of interviewees and it was then translated into Portuguese using back translation to check for accuracy.

Reflective research as defined by Alevesson and Sköldberg (2009) has two basic characteristics that were considered in the design of this research process: careful interpretation of the responses provided by the interviewees and reflection. The first implies that all references to empirical data are the result of interpretation. The second element, reflection, turns attention inwards towards the researchers, the relevant research community, society, intellectual and cultural traditions, and the central importance, as well as the problematic nature of language and narrative in the research context.

Moreover, Potter and Wetherell (1987) provide several overall principles for conducting discourse analysis that were considered in the design of this research project: (1) the importance of approaching subjects' accounts in talk and writing "in their own right" and not as a secondary route to things "beyond" the text like attitudes, events or cognitive processes; (2) it is not the size of the sample that is fundamental but the analysis of nuances rising from a small number of accounts; (3) the importance of both variation and consistency in accounts and (4) the researcher should be interested in the way the accounts are organized, as well as in what is actually said and not in vague notions about what may have been meant.

4.2 SELECTION AND PROFILE OF INTERVIEWEES

The interviewees selection was based on the organizational structure mapping after consultation with the HR Director responsible for the integration activities and monitoring.

To provide a representative sample, the researcher took into account different areas of the company. These areas were selected according to the relevance they had in the organization and the level of impact received during the integration.

The individuals selected were managerial (senior executives, managers) and non-managerial employees of both companies who had all participated in the whole integration process and were willing to participate in the study.

Sixteen employees were interviewed: seven from ALFA, six from BETA and three employees who had been working for both ALFA and BETA. The number of interviews was considered adequate when they stopped providing different perceptions and information.

Table 1. Profile of interviewees

Interviewee	Hierarchical Level	Previous Company	N. of years with the company
N. 01	Middle Management	BETA	6
N. 02	Non-Managerial	ALFA + BETA	15 (6 BETA)
N. 03	Executive	ALFA	18
N. 04	Non-Managerial	ALFA + BETA	11 (10 BETA)
N. 05	Executive	ALFA	25*
N. 06	Executive	ALFA	41
N. 07	Middle Management	BETA	5
N. 08	Middle Management	BETA	3
N. 09	Middle Management	BETA	8
N. 10	Executive	ALFA + BETA	20 (3 BETA)
N. 11	Middle Management	ALFA	14
N. 12	Non-Managerial	BETA	4
N. 13	Middle Management	ALFA	14
N. 14	Non-Managerial	BETA	14
N. 15	Middle Management	ALFA	14
N. 16	Executive	ALFA	11

4.3 DATA COLLECTION

According to Ritchie and Lewis (2003) the in-depth interview is a core qualitative research method giving its power of generating description and interpretation of people's social world. The core features of the in-depth interview are:

- *Combining structure with flexibility:* researchers know the themes they wish to explore, and interviews are generally based on some form of topic guide setting out the key topics and issues to be covered during the interview. However, the structure should be sufficiently flexible to enable the interviewee to raise issues and shape the content of the interview at least to some extent, to allowed responses to be probed and explored;
- *Interactive:* the material is generated by the interaction between researcher and interviewee; what the researchers ask about and the way they frame questions is driven to a large degree by what the interviewee has already said;
- *Getting below the surface:* researchers use a range of questioning techniques to achieve depth of exploration and explanation. An initial response is often at a surface level and interviewers use follow-up questions to obtain a deeper and fuller understanding of the participant's meaning;
- *Generative:* new knowledge or thoughts are likely to be created. It is likely that the participant will at some point direct themselves, or be directed by the researcher, down avenues of thought they have not explored before. Participants may also be invited to put forward ideas and suggestions on a particular topic and to propose solutions for problems raised during the interview;
- *Importance of language:* the language used by participants is explored because it holds and elucidates meaning. In order to capture this as effectively as possible, interviews are generally audio recorded.

The sixteen in-depth individual interviews with open-ended questions took place in 2018 at the company's office and with the support of video conference tools when necessary. They had a duration ranging from 1 hour to 1,5 hours and were all recorded with the consent of the respondents. Confidentiality was ensured at the beginning of each conversation and the privacy of the interviewees was preserved by omitting their names.

In order to minimize external interferences, the interviewer tried to avoid ambiguous questions or suggest answers giving the idea of right or wrong responses. In addition, the researcher did not express any opinion about the topic discussed. The questions asked during the interview were open ended and semi structured, allowing the respondents to discourse on the subject and talk freely about what they thought and felt.

Before elaborating the questionnaire, the researcher had some informal interviews with the HR director and the CEO of the merging companies who made available the results of a survey already conducted by the HR. The information thus collected, helped the researcher to have a clearer overview of the integration process, so as to better design the questionnaire.

4.4 DATA ANALYSIS

The interviews thus recorded were transcribed and then analysed to identify categories or topics that were considered relevant to understand how the human factor, performed a key role in the post-merger integration process and its outcome.

The objective of qualitative analysis is to discover variation, portray shades of meaning and examine complexity. Analysis involves systematic coding and extracting information from the transcripts (Rubin and Rubin, 2005). Thus, the comments made during the interviews were broken down into data units or blocks of information that were examined together, many of which were interlaced. The analysis also involved combining data units on the same topic, both within single interviews and across the entire set of interviews.

Following Rubin and Rubin (2005) the first stage of the analysis was the identification of the important themes or concepts within the data. Once an initial list was generated the interviews were systematically examined to clarify and synthesize different versions of events and understand the overall narrative. The researcher constructed a manageable index, identifying links between categories, grouping them thematically and then sorting them according to different levels of generality. Then, the researcher applied the conceptual framework to the raw data. Rubin and Rubin (2005) refer to this process as “indexing”, it involves reading each phrase, sentence and paragraph in fine detail to determine which part or parts of the index apply. The categories or topics were given a label and sorted

so that the overall relationship between them matched the framework structure. After that, each topic was analysed to identify similarities and differences among the interviewees.

Although, for most categories, the authors chose to use labels related to the topics mentioned in the literature review in order to facilitate relating findings to other researchers' theory, great care was dedicated to avoiding missing the original insights of the data collected by reflecting on what they collectively implied and thus being able to make inferences.

4.5 LIMITATION OF THE METHOD

According to Vergara (2006) all research methods have advantages and disadvantages. Although adequate for this study, the qualitative research conducted through in-depth interviews, presents some weaknesses. These characteristics must be identified and, as far as possible, reduced by the researcher.

Among the drawbacks of the in-depth interview, we can identify the possibility for interviewees to be, consciously or unconsciously, influenced by the interviewer. Moreover, both interviewers and interviewees can face difficulties in communicating and expressing their thoughts. For these reasons, respondents may not always provide the true answers to the questions asked. In addition, given the subjectivity of the responses, the significance and quality of data collected can change among the different interviewees.

According to Creswell (2003), qualitative research is fundamentally interpretative; the researcher interprets and concludes the lessons learned. Therefore, the personal interpretation of researcher can influence the perception about each interview and the results of the study. However, the researcher tried to conduct the study maintaining a critical view when analysing results and drawing conclusions.

Finally, although the research focused on the case study can reveal characteristics of the company that may be of general interest, it is not possible to make statistical generalization from the results obtained.

Despite the limitation mentioned above, Creswell (2003) also identifies relevant advantages in the use of in-depth interviews, among which the possibility of participants to provide historical and more complete information on the subject investigated and the flexibility the researcher has in conducting the interview.

5. ANALYSIS

The following section presents a detailed analysis of the themes that most frequently drew attention during the interviews. The analysis identified nine categories or topics that were considered relevant to understand how the human factor, performed a key role in the post-merger integration process and its outcome.

- 1) *Culture differences*
- 2) *Planning ahead*
- 3) *Fear, stress and resistance*
- 4) *Commitment and turnover*
- 5) *Communication issues*
- 6) *Executive selection*
- 7) *Previous experience*
- 8) *HR role*
- 9) *Leadership role*

5.1 CULTURE DIFFERENCES

The differences identified between the two organizational cultures are mainly due to the size and the age of the two companies and the characteristics of the businesses they managed. ALFA is a multinational group listed on the stock market that has significantly grown over the years thanks to the acquisition of several companies all over the world. Its activities are mainly focused on the operations and maintenance of the business itself as the company and its main business, the generation and distribution of energy, have been on-going for years. Consequently, it is described by the employees as more “conventional and static” when compared to BETA.

On the other hand, BETA is a young company belonging to the same holding, founded as a start-up in order to build wind and solar parks and enter the world of renewable energy. Therefore, the way of organizing the activities is characterized by the necessity of being lean, agile and quickly take the necessary decisions, which is typical of small construction companies. Some of the interviewees do not

even talk about a different “culture” but they described it as a different way of working and managing the processes related to the daily activities.

INT. 4 “There are no different organizational cultures, there are different ways of working and approaching problems, but these are due to the difference in business, ALFA has always been focused on the generation and distribution of energy, BETA has been focused from the start on the development of renewable energy, building solar and wind parks from scratch, participate and win public bids. The different types of business imply different business needs and work organization. The business of BETA is faster, there is less time to investigate and analyze, it requires a quick response to the problem.”

INT. 6 “ALFA is a very conservative world, it is a company focused on the operation and maintenance of the business. It is a company that, using a metaphor, makes money even while sleeping, much of our business comes from captive clients. On the other hand, at the time the integration started, BETA was a construction company therefore, speed is fundamental for a construction company.”

Analysing the two cultures according to the Wallach definition (1983) we can associate the organizational culture of ALFA with the bureaucratic culture, which is similar to Harrison's role culture (1972) in which there are clear lines of authority and responsibility, work is systematic and highly organized, and it is based on control and power. Rules and procedures as well as job descriptions dominate the environment of this culture.

On the other hand, in the approach described by the employees of BETA, we can identify aspects of both the Wallach's (1983) innovative culture characterized by a creative, exciting, and dynamic work environment with continuous stimulation but also with a constant pressure to innovate and achieve, and aspects of the supportive culture, characterized by an open mindset, with a comfortable and friendly work environment in which people tend to be more cooperative.

INT. 12 “The biggest differences are the working style and the agility of the processes. Since ALFA is bigger and more mature, its processes, procedures, and policies are better structured, and you need this when the universe of employees becomes larger. BETA was a small company therefore, we used to work on demand, we were able to deal with many exceptions and analyse each case. The size of ALFA demands standardization while at BETA it was never necessary. It was very small, everybody knew each other, and many things were solved in an informal way.”

INT. 2 “When I started working for BETA, I felt this difference, in BETA everybody worked together, if someone had a problem it was a company problem, not a problem of the department.”

INT. 4 “I noticed a strong sense of belonging at BETA. BETA started as a small company therefore, all people knew each other, the decision line was shorter because you had to be faster. In addition, the business of BETA is characterized by the competition and biddings to build the parks and operationalize them on time. Thus, this is a type of business that fosters cooperation at all levels, as a common goal is more easily identifiable.”

According to Wallach (1983) the main problem with the bureaucratic culture is that it can be slow to recognize and react to change. As a matter of fact, what emerged from the interviews was that the culture of ALFA prevailed, but the reasons imputed by the interviewees are related to the characteristics of the integration itself. The huge difference in size between the two companies did not allow the small one to influence the other even if, according to most of the interviewees, this was part of the original goal of the integration.

INT. 8 “ALFA’s culture prevails, because it is immensely larger than BETA. What is the influence power of a small fish swallowed by a shark? I think it’s too small.”

INT. 11 “The ALFA way of working prevailed, because the group is very standardized, full of rules, guidelines, and policies, this is the ALFA way of being. If the goal is to merge all the companies and becoming a unique company, there is no way to be different because otherwise you must change everything from the top. Therefore, as much as we try to be supportive and understand this moment, I think it is impossible to do in a different way. There are always opportunities to improve the processes, but it would be impossible to replace ALFA’s processes with the BETA processes it would not be feasible for the company.”

INT. 2 “ALFA’s culture prevailed, although this was not the goal of the integration but the other way around. When the integration process started, the goal was to blend the BETA culture together with ALFA’s best practices in order to create something better but, unfortunately, BETA was very small, and its people were not able to generate a big impact.”

On the other hand, analysing the statement of BETA employees we can recognize several characteristics of the strong culture perspective described by Kotter and Heskett (2011). As a matter of fact, BETA was a company that had grown, thanks to the excellent performance achieved, and its organizational culture was deeply rooted in the sense of identity and belonging. Moreover, all

employees shared a common goal, were highly motivated and exercised control without the oppressive effects of a large bureaucracy. According to the authors, a strong culture is deeply held and widely shared, and it is also highly resistant to change. This resistance is mirrored in the reaction of its employees to the integration. They expressed dissatisfaction because they lost their sense of team, union and motivation that once pervaded the company.

INT. 2 “In the last few years BETA has grown in capacity and this rapid growth motivated the employees. When the company won a bid all the staff used to celebrate together because everybody had participated in the process. This was something made people feel enthusiastic. If someone had a problem it was everyone’s problem therefore, everyone tried to find a joint solution to that problem. That was lost with the integration, now each one defends the objective of his/her area and the problem is not everybody’s problem any longer. It’s like a Formula 1 team where two drivers compete against each other and their joint result does not matter.”

INT. 3 “There was this agility and team spirit, BETA was driven by the willingness to make things happen. This aspect was lost during the merger with ALFA, due to the size and the volume of the activities.”

Among the employees interviewed there seemed to be disagreement regarding the compatibility of the two organizational cultures. Some employees understood the peculiarity of the merged companies’ size and kind of activities and recognized that this inevitably affects the work style. Some of them also realized that, as most of BETA wind and solar parks were operational, at the time of the data collection, the two companies were becoming more compatible than when the integration started.

On the other hand, some employees still perceived the two organizational cultures as diametrically opposed. Most of them were employees of the smaller company. This could be related to the already mentioned strong culture as well as to the phenomena explained by Douglas (1986) regarding organizational culture. According to Douglas, once employees have developed an integrated set of assumptions, they will be comfortable with others who share the same set of assumptions and very uncomfortable and vulnerable in situations where different assumptions operate, as either they will not understand what is going on, or worse, they will misperceive and misinterpret the actions of others.

INT. 6 “Nowadays the two cultures are more compatible than when the integration process started. If the integration was to happen today, with most of the BETA parks in operation and

not under construction, it would be different because the business needs of both companies are similar.”

INT. 2 “Honestly, today we do not see a positive reflex. We are having a lot of rework due to the problems that are being generated. I have already worked for both companies and I can say that there is nothing that I would integrate from ALFA. When I started working at BETA, I found a totally different world.”

INT. 7 “The tendency is the prevalence of the ALFA culture. I think it was due to the profile of the people who participated in the integration, some BETA people tried to influence the integration process instead of simply accommodating to the new situation. However, I think that, since top managers were from ALFA, the people from BETA ended up accommodating because they did not feel free to suggest new ideas. People were and still are afraid to express their own opinions and this fear did not exist at BETA before the merger.”

Besides the differences in size, age and business type, another aspect highlighted by the interviewees is the need for ALFA to respect the rules and regulations applicable to companies listed in the stock market, rules that BETA never had to comply with before. The interviewees recognize that rules and regulations led ALFA to develop a high level of bureaucracy. However, the company wanted to reduce its level of bureaucracy and streamline the processes. The integration process was seen as a first step to reach this goal of flexibilization.

INT. 6 “Being a stock listed company needs transparency and a rigid governance. Then, when the corporate employees started checking BETA's company's governance procedures, it was a mess to align both companies, you must have a bureaucracy.”

INT. 3 “I think all the extremes cannot work, a lot of bureaucracy is complicated, but some rules and procedures are necessary. At the beginning we perceived that any procedure and rule different from the BETA standard was seen by the employees as something to obstruct the activities of BETA. We need to reduce the bureaucracy but reducing the bureaucracy does not mean dragging the proceedings, because without procedures and without knowing what I have to do, I spend a lot of energy guessing every time how to do it. Simple processes and procedures will ensure the correct and safe course of action.”

5.2 PLANNING AHEAD

About the presence of an integration plan, the analysis identified different perceptions among the interviewees. Most of them highlighted the absence of an integration plan and a careful assessment of

the cultures of the two companies before the integration. This confirmed that organizational differences are not the main problem of an integration process, the most relevant aspect is how the process is managed, as stated by Lupina-Wegener et al. (2011).

INT. 1 "There was no plan. The heads of the first areas that needed to be integrated were in charge to decide how to do it, therefore each area managed the integration based on what it thought was the best way."

INT. 12 "In my opinion there wasn't a structured plan. We managed the daily activities trying to integrate them without following a plan; we did not know which areas or processes to integrate first. The only instruction was "you have to integrate", then each area decided how to integrate without following a formal, well-structured and mapped process."

INT. 15 "It seemed we were going into a car that was already moving. It was not planned, and processes were not evaluated and reviewed beforehand, the integration happened, and problems started to emerge."

The respondents described a context in contrast with what was suggested by Venema (2015) about the characteristics of a well-structured integration plan. Beside paying attention to the organization and culture of the two companies, it must describe the actions to be accomplished and how to attain the integration benefits. Most interviewees highlighted the lack of a plan that included the elements needed to build the foundations of a good integration. At the beginning, the top management did not appoint a steering committee to oversee the integration nor to have some persons directly involved in the integration responsible for preparing and refining the process. These people were identified and involved in the integration only after the first problems appeared and late actions were taken.

INT. 2 "What happened is that, first we had the impact and then we worked trying to find a solution to the problem created. I think that with a previous evaluation of the integration process combining the best practices of each company, it would have been different."

INT. 7 "In the first areas to be integrated the process was very troublesome, it was a "worst case" scenario. At the beginning, they did not have the necessary care with the people but when the problems arose, they realized that they had to analyze it better and tried to improve the integration process. The integration process was not well-planned, and they only realized it in the mid stage of the integration."

INT. 8 "There were only late actions. Everything that HR did should have been done before. There was a survey to investigate the problem, but it was too late. In my experience, the plan

should begin before. In this case it was the opposite, the plan began after the people had already asked for resignations.”

INT. 12 “Almost a year after the integration, a first survey was made because we saw that there were many problems to solve, and the company required to analyze the integration process, to map the worst issues and prepare an action plan.”

As already mentioned, the perception about the lack of an integration plan was not homogeneous among the employees. Different areas and levels of the company had a different perception of the plan. In contrast with what was previously reported, some employees perceived that the integration was clearly stated and planned. This could be due to the differences in the communication received by different areas and hierarchical levels, as well as due to the individual decisions of some managers when implementing what they understood as integration.

INT. 4 “The plan must have been prepared before the integration. The final goal was clear, and it was clear how to get there but each area decided how to manage the integration.”

INT. 3 “I think there was a plan about which areas and processes had to be integrated and how they would work after the integration. There was an organization, more or less, and it was respected during the integration. The integration objectives were received from Italy and shared within the company.”

Some interviewees mentioned that there was an initial attempt to assess all the processes and best practices of the two companies as Lodorfos and Boateng (2006) suggested. The assessment was aimed to highlight the positive and negative attributes of each culture and decide how to integrate them for a successful co-existence. However, for some of the interviewees these activities were not well structured and organized according to a centralized guideline and for this reason, they were still not concluded after two years of integration, at the time of the data collection. On the other hand, some others stated that although there were clear directions from the headquarters, it was impossible to translate those directions into concrete actions.

INT. 1 “When the integration started, there was an attempt to map the processes, we prepared an assessment of the processes of both companies in order to understand how to integrate them, but it was never completed.”

INT. 2 “We tried to do everything in the best possible way, we prepared a report collecting the best practices of both companies. After two years we still can not migrate 100% of the activities.”

INT. 4 “At the beginning we prepared an assessment of all the activities in order to analyse which ones were worth integrating and which not. So, we can say we received a guideline but writing something on paper is easier than making it work.”

INT. 12 “in the areas of both companies that work together to review the processes and reorganize the structure, the integration was successful.”

According to the interviewees the lack of the integration plan identified was probably due to the directives given by the headquarters that pushed to quickly integrate the renewable sources’ division (BETA) of the group although they knew that it would have caused internal conflicts and logistics issues.

INT. 6 “It was a decision of the shareholders, therefore we had to do it. Maybe we could have waited longer, but whoever took this decision evaluated pros and cons. They chose not to wait, even knowing that there would have been problems, but to not make this decision would have been much more expensive for the company.”

INT. 8 “I think that in M&As, it does not matter if the companies are compatible or not. If the integration is not a choice but is a business decision and is better for the business, it must be compatible, and it must work.”

INT. 11 “It was decided quickly, and that was the cause of the lack of planning. I do not know if it was deliberately chosen or not, but I did not see a plan to integrate in a well-structured way. I think that Brazil, due to its needs of cost efficiency, accelerated the process and did not care about the differences in organizational culture.”

The effects of this quick decision clash with what was stated by several researchers (Cannella and Hambrick (1993), Homburg and Bucerius (2005), King and Schriber (2016)). They attributed to a quick integration some benefits such as minimizing the interruption of work routines for employees and improving performance. The interviewees highlighted the opposite, confirming Bauer et al. (2016) assumption that a higher task integration speed has a negative impact on performance. As a matter of fact, we saw that the quick decision to integrate, generated coordination issues and confusion over processes, consolidating also the theory of Snook (2000), Weick and Roberts (1993). The research also supported the theory of Saorin-Iborra (2008), observing that faster integration results in less communication.

INT. 15 “Brazil had this urgency of being the first country to integrate. Maybe if we had waited longer, we would have been better organized to do everything better, being more careful with people and avoiding logistic issues such as IT system incompatibility, lack of desk space for employees and so on.”

INT. 11 “It was decided to integrate but nobody decided when, where, who stays or who goes, thus creating confusion.”

INT. 10 “There was not a structured plan defining what to do, when and where to go. I think this was part of the learning process. We did not place enough effort in the analysis of “how to do it” and in communicating the reasons of the integration so that employees may agree.”

Despite what was suggested by Venema (2015) there was no integration plan sensitive to the organization and culture of both companies. As a matter of fact, the perception of the interviewees was that ALFA imposed its standards, its people and new values on BETA. This led employees to feel that the difference between the two companies was greater than they had expected. This generated a feeling of opposition between the two groups that recalls the “us-versus-them” comparisons outlined in the social identity theory of Tajfel (1981) and Turner (1982).

INT. 16 “If you talk to an ALFA employee, he would say that the others work in a very superficial way and if you talk to BETA employees, they would say the others are slow. They actually are just two sides of the same coin but there was no preparation from both companies to understand why the other side was different and avoid generating this conflict.”

INT. 2 “What was integrated must respect the rules of ALFA now. Most of the company’s rules were from ALFA, and BETA had to comply to these rules. After the integration, the goal of BETA was a bit set aside. We still do not have the feeling of belonging to the same company to work to solve the problems together.”

This gap between the two groups was accentuated by the difficulties that hampered the integration process and that, in part, they were still facing. One important detail that most of the interviewees stressed was the issues related to the IT systems. Contrary to what was suggested by several researchers such as Alaranta and Kautz (2012), Hough et al. (2007) and Merali and McKiernan (1993), who recommended fully integrating operational support functions, the two companies, at the time of the data collection, still had different systems or different versions of the same systems that did not communicate with each other. This created complexity and slowed the processes among the corporate areas. In the first stage of the integration, some employees could not even have access to the intranet and this made it difficult to carry out their daily work. According to the interviewees, the differences between the two companies were reinforced by the fact that the two groups of employees still maintained different corporate benefits and treatment, and this created conflict among them.

INT. 13 “Sometimes processes are even slowed down because of the different systems. We are working in a rudimental way; two years have passed, and we still do not have an integrated system and we do not even know when we will have it.”

INT. 15 “It was complicated. BETA had several systems different from ALFA. Some managers were not even able to access the intranet. With a better preparation maybe, we would have delayed the process, but we would have saved a lot of time and money.”

INT. 7 “There are people of my team with different corporate benefits because some of them are from BETA and some other are from ALFA. They all do the same work, but they have totally different benefits. This creates conflicts among employees and they have mentioned it.”

The cause of all the mentioned difficulties was attributed to underestimating the people factor and cultural fit, as also Bijlsma-Frankema (2001), Faulker et al. (2002), and Krishnan et al. (2004) suggested. The interviewees’ discourse suggested that the complexity of this integration was not assessed as it should have been. The reason was probably that BETA was identified as a business line of the “same company” and the management did not expect to face all the difficulties commonly faced during other integrations.

INT. 1 “ALFA underestimated BETA. The latter had 400 employees and the former 3000 then, top management thought it was very simple to integrate them, but the business and the processes are different. Besides, in BETA people are even scattered geographically. They adopt a simplified way to integrate, imposing ALFA processes and not having a concern about evaluating those of BETA.”

INT. 6 “We must admit that this integration was not complex to achieve. The risk was planned because the worst damage for the company would have been much less than the damage caused by not integrating the companies. I did not participate in the decision, but I think this was the trade-off: there will be problems, but we can manage them later because they will be much smaller than the problems of not integrating.”

INT. 13 “The reason for this lack of plan could be that BETA was already a business line of ALFA, so the companies already knew each other. But the business model and the way they work were different and they did not think about it. That was one of the failures of the integration, BETA was not considered as a different company. The previous integrations were made in a different way, step-by-step, procedures and systems were adapted after the analysis of the impacts.”

5.3 FEAR, STRESS AND RESISTANCE

At the beginning of the process, the integration triggered negative responses from employees of both companies. They entered the processes with the sceptical attitude mentioned by Greenwood et al., (1994) also confirming what was stated by both Kiefer (2002) and Kusstatscher (2006). Their initial tendency was to resist the change. That was probably due to the natural behaviour of people who usually prefer to maintain the status quo, as also stated by Ford et al. (2008) and Oreg (2003). This sensitiveness to uncertainty, riskiness, and potential for failure associated to change emerged in several interviews. It was stronger for the employees of BETA even though ALFA employees were not immune to such feeling.

INT. 4 "There is always an initial difficulty which is more a natural laziness to get away from the comfort zone where one used to do things in a way, regardless of whether it was right or wrong."

INT. 10 "People from ALFA were scared that BETA would enter and take control while the expectation of BETA's employees was to be absorbed without joining their practices. Each one had his point of view with different expectations. Most people looked at this integration more as a threat than an opportunity."

INT. 6 "Knowing that ALFA was a more conventional and traditional environment, they entered with this prejudice of "I will get there, and I cannot do anything because for everything you have to fill in a form."

As looking for efficiency and cost synergies was one of the goals of the integration, people felt threatened by change. This confirmed the theory of Nelson et al. (1995); their main concern was that downsizing, restructuring or relocation could follow, with implications for their jobs and working environment. The uncertainty they were experiencing, due to the lack of clear information, led them to be afraid of losing their jobs or seeing their position reduced in power.

INT. 1 "Due to the overlap of the functions people were afraid of what was going to happen. Joining the functions could have led to a reduction in terms of areas and employees."

INT. 4 "Obviously everybody knew that the goal of integration was to reduce costs so, the main fear was to be laid off or moved away."

INT. 8 "There was fear and worry because of the overlaps in the structure and the lack of information and HR strategy increased the fear and concerns about what would happen. The effort was to avoid laying off employees but, people did not know it and they were afraid."

The uncertainty mentioned above mainly affected BETA employees. Their first reaction to the news of the integration was characterized by a general sense of fear of losing their autonomy and being “caged” by the bureaucracy that characterized the “conventional” world of ALFA. This feeling lessened during the different stages of the integration since the employees who decided to stay in the new merged company adapted themselves to the new way of working.

INT.1 “There was resistance in almost every area because BETA was a smaller, more agile and more challenging company and employees were always dealing with new things and a growing business. On the other side ALFA, was more bureaucratic, it had more processes, and this required more time to work, therefore many people were not satisfied with the integration.”

INT. 6 “The employees of BETA were afraid of losing their autonomy. Before the integration the decision-making process was very quick. The loss of autonomy was critical for them because they used to work in a more dynamic environment than they joined. The most dissatisfied people were those of BETA because the impact was higher for them.”

INT. 2 “At first, there was a lot of resistance, but then, those who chose to stay, tried to keep the same rhythm they used to have before. People adapted themselves to the change.”

Even if the integration process mainly affected the reactions and satisfaction level of BETA employees, some interviewees underlined the increased level of stress among ALFA employees. Their workload increased due to new activities and the necessity of being compliant with the required regulations needed in the group. In addition, the fear of job cuts was shared among both employees of ALFA and BETA.

INT. 1 “The employees of ALFA were afraid that BETA people could take their place, but I think the impact was higher for BETA because they had to learn how ALFA worked. It was a more bureaucratic company and people had great difficulty in learning about it because, on the other side, there were also people unwilling to train them.”

INT. 8 “The employees of ALFA had the same fear of overlapping functions. They were afraid because the president of ALFA came from BETA and they thought it could replace some people with others of BETA. People were afraid of losing their jobs so, they did whatever they were told to do.”

INT. 11 “At the end, the perception is that the weight of the integration for ALFA was really heavy because they had to pay attention to people all the time while, on the other side, there was no responsibility. It seemed that the responsibility for everything to work out well was only on the side of ALFA Brasil. What we felt was “I am absorbing the work, I'm taking care of people,

I am implementing something that they tell me is better than mine", it was not egalitarian. They should also understand that they were not being absorbed because I wanted to, but because it is a guideline of the headquarters. There is a bigger goal that is common for everyone because we are in the same boat."

This feeling of dissatisfaction mirrored exactly what was stated by Martin et al. (1983) since the first thing that employees noticed during the integration were the differences between the two companies' cultures and how their own company was different from the other in terms of style of their leaders, the way they made decisions, the kind of people and work and also in terms of performance and reputation.

The perception of these "perceived differences", as we can call them using the definition provided by Marks and Mirvis (2011), were stronger among BETA employees, who began to pay attention to what made their culture unique. However, the dissatisfaction with the integration also affected ALFA employees.

INT. 10 "There were opposing forces on both sides and this made the integration process much more difficult. The employees of BETA thought that by integrating with ALFA, they would have ended up restraining their possibility to grow and evolve since BETA used to have a much more open, fast and agile vision while, on the other hand, ALFA had a more hierarchical structure. Then, the people of ALFA looked at the employees of BETA almost as "arrogant" people because they thought they were so powerful that they could change the world. We did not manage the change very well."

INT. 13 "This provoked stress among employees and caused dissatisfaction due to the cultural shock of having different business models. Besides the increase of the workload for ALFA people, the employees of BETA had a mindset different from that of the others."

This general mood created by the strong perception of the differences that distance the two company cultures created conflicts among employees and it also led to the onset of what Cartwright and Cooper (1996) called the "them-and-us attitude".

INT. 10 "They started comparing intellectual level, technical knowledge, and so on. But a person working in the field of renewable energy is not smarter than the other working in the distribution. They had a hard time accepting it because they were very afraid that, after the integration, these people would assume managerial positions, so it was really complicated."

INT. 11 "We are talking about ALFA with ALFA, it seemed like they were two rivals. It was not a company that was bought but this was the feeling I had. It should not have been like that; we already belonged to the same family but the feeling among employees was not of brotherhood."

People do not have this predisposition to put aside their need in order to reach a greater common goal.”

INT. 15 “Since ALFA in Brazil has not grown for many years while BETA was growing so fast, at first, the employees of ALFA were jealous of BETA people. They say that BETA employees were in a privileged position because the company was having success and it had a higher visibility. This difference was not so accentuated when the two companies were separated, but after the integration it started this dispute to achieve the luck of BETA.”

As envisaged in theory and research about diversity (Cox, 1993), not all the employees interviewed had the same expectation about change. Some of them recognized the opportunity embedded in the integration. Even the employees who started with a sceptical attitude, changed their perception during the integration and started perceiving the change as an opportunity to improve their career and expertise, being involved in new activities and challenges of a multinational group.

INT. 16 “The integration opened new opportunities. A person of my team that used to have no contact with the headquarters, for example, now has direct relationship with it because she is head of the communication process. She already coordinated a huge integration and now she will lead another one. Therefore, the world of opportunities widened, and it happened in all areas. On the other hand, in ALFA they were able to understand a business line that they did not know, and they gained in the image of the company due to the good reputation of the company they integrated.”

INT. 3 “I think that change is part of the life, so we must be always ready to change and to start again. There is always something to improve, so you have to choose the best practice and move on.”

The interviewees also confirmed the pivotal role of the communication, as presented by Bastien (1987), and the capacity of management to develop the readiness of employees to change, as defined by Armenakis et al. (1993), influencing them with information and leading them to view change as necessary. They highlighted the importance of managing employees’ expectations, helping them in this process to accept the changes, understand what would have happened and know each other’s job and needs. The interviewees had discordant opinions about how management guided these activities. Some of them highlighted the lack of shared information that generated rumours among the employees and consequently stress. Some others recognized the work performed by the management to share information about the characteristics of both companies. These conflicting views were probably due to

the lack of guidelines from the head of the company about how to manage the integration; therefore, each area organized the activities at its own discretion.

INT. 1 “There was stress which is natural when you change because you take people out of their comfort zone. Part of the stress was also due to the difficulty of people fitting in the new work because they did not have the training or a workshop explaining what they were going to do after the integration. They had to search for the information and since they often did not know how to find it, this ended up generating stress.”

INT. 10 “There were also some rumours since BETA was a smaller company with few managers and the employees of ALFA were afraid that after the integration BETA could take all the managerial positions. There was a lot of confusion because there was no clear communication of the leadership.”

INT. 6 “Change always frightened people. The human being tends to preserve their comfort zone. When you see change as an opportunity you start to be part of the change and not oppose it. We tried to overcome this fear by explaining that it was a great opportunity for everyone and people could gain the possibility to learn something new.”

INT. 13 “So we worked hard on the integration trying to show how it works in order to reach a common denominator. Everything can be solved with dialogue, with a better knowledge of others and with better planning. When you combine work with knowledge about how to get to the results, it always works.”

As shown above, employees adopted different behaviours based on their attitudes but also based on how the integration process affected their job and career. Among those who experienced high level of stress, this caused behaviours in opposition with the integration in terms of hostile perception of the other organization but, contrary to what was theorized by Moon (2007), it seemed it did not affect performance. Even the employees who were unsatisfied with the integration, did not manifest their resistance with strong negative behaviour. The resistance to change was mainly expressed in the HR surveys or directly with their business partners.

INT. 4 “The impact on people was different. Some saw their role reduced and were not satisfied, some others kept their role, but they had to change places and felt that the new environment was not welcoming. Some people were promoted so they were satisfied with the change. Of course, there were negative reactions, but it is part of the change. When you have a change with such a big impact it is obvious that not everyone will be happy.”

INT. 6 “There were criticisms that emerged in the survey, in the focus groups and also during the interviews with our business partners.”

INT. 2 “Employees showed resistance by complaining and doing everything they could to avoid the impact of the integration process. It happened at all levels. They would like to continue as BETA and not have to integrate with ALFA.”

INT. 8 “Many employees saw the integration as a downgrade in the career. If you were a first line in your old organization and you became a second line in the new one, this was a downgrade.”

Although the respondents presented opposed points of view about the work environment that characterized the integration process, the analysis confirmed the theory of Burns and Stalker (1961): more supportive work environments, might help overcome employee’s tendency to resist change. Some employees claimed that the integration was characterized by an environment where people were not encouraged to express their points of view. Sometimes they were cast apart without receiving guidelines and information about the activities to be carried out. Other employees highlighted that, the initiatives that the management promoted in order to share information about processes and practices of the two companies, helped people to feel more comfortable to accept the challenge and learn something new.

INT. 7 “In a certain way people feel intimidated, they did not have the courage to say what they thought about what was happening. The company should have encouraged people to talk and explain different points of view. It should have shown that it was possible to change without fear of making suggestions and proposing changes.”

INT. 12 “There were people of BETA who were put aside, whose managers did not want to give them a guideline. When they questioned something, their managers replied that they should not have questioned. They should have only done it. This process in my area was participatory and very well done but in some other areas the managers wanted people to do what they said. There were people who did not feel welcome by the manager of their new team.”

INT. 4 “The management took several initiatives to facilitate integration. It is a process that takes time to be metabolized because you cannot change so quickly both processes and the people in them. First of all, people have to learn not to be afraid of dealing with something new and in questioning themselves. In addition, at the start, they have to struggle to learn.”

The importance of giving attention to people in order to achieve the potential of the merger is highlighted by the interviewees, thus supporting the theory of Giffords and Dina (2003). People respond better and more positively the more they believe they are taken into consideration, listened to, respected, and given time to adjust to the new situation. The perception of some employees of ALFA

was that all the attention was directed to the employees of BETA who were being incorporated into the new company. For this reason, the employees of ALFA felt neglected. They also experienced stress due to the integration but, according to them, the management did not take them into consideration. On the other hand, some of BETA employees felt they could not express their opinion or explain how they used to work before the integration.

INT. 11 "I think that the employees of ALFA had this feeling that all the attention and concerns were directed to BETA's people because they were being absorbed. Nobody ever considered the impact this would have on the people from ALFA and on their feelings. It seemed BETA was a victim only because it was entering in this new structure."

INT. 15 "Maybe this integration could have been more humanized than it was. Most of the employees were from ALFA and they remained in the same place and with the same processes so, those who felt the change more were the employees of BETA. Some of them left the company because of the lack of attention. Sometimes they were even afraid to make suggestions and explain how they used to work. They were in a minority and they believed that they could never convince the employees of ALFA that their way of working was better than that of the others."

5.4 COMMITMENT AND TURNOVER

According to the interviewees, BETA has always been characterized by a high level of commitment due to the peculiarity of its business and the size of the company. Since it was a young company with a business continuously growing, its employees were naturally motivated; they used to work in a dynamic environment, with responsibility and autonomy and they felt a strong sense of belonging. On the other hand, ALFA was identified by the employees as an "old world", a big company characterized by a type of business that they defined more traditional and where the daily activities did not need the same level of speed that was necessary in BETA. For this reason, although committed, ALFA people were perceived as less committed in comparison to those of BETA.

INT. 6 "BETA employees used to have this strong sense of belonging, a great dynamism and a sense of empowerment, responsibility and authority. This made BETA a success. The mindset in ALFA is a high commitment as well but the sense of belonging is lower than that of BETA. I do not hesitate in saying that the life moment of BETA was more challenging and more exciting for the employees."

INT. 12 "I think that BETA employees maintained the same level of commitment because it was already very high. When a company grows in that way, people are naturally motivated. I think that people belonging to the old world are a little tired, discouraged, demotivated so it is difficult for them to have a greater commitment. They are people who get to the office, do their work and then return home, regardless of what remained to be resolved."

The results of the interviews showed that the level of commitment among the majority of employees was not affected by the integration. As a matter of fact, recent surveys (i.e. Best Place to work) submitted to all the employees of the group emphasized their satisfaction and the sense of belonging that still characterized the merged company even if some interviewees highlighted that some difficulties they faced during the integration sometimes generated demotivation. However, it should be noted that the merged company consists of a vast majority of former ALFA employees.

INT. 6 "We received the result of the survey "Great Place to Work" we reached the same score of the previous year. This means that we still have an important asset here which is the brand and the pride of belonging. The engagement of the employees remains high."

INT. 10 "I do not think that people have reduced the level of commitment, the performances have not worsened, we continue to grow and evolve."

INT. 2 "The commitment has not been affected by the integration, but we waste a lot of time trying to get people to understand that the process has to change because they are very different companies. It is not a loss of engagement, but you must work harder. The time to get things done has increased a lot and this ends up generating demotivation."

On the other hand, some BETA employees were more affected by the changes and they showed a reduction in their commitment, confirming the theory of Buono and Bowditch (1989). Analysing the phenomena according to the definitions provided by Meyer and Allen (1991) we can say that, before the integration, BETA employees showed an affective commitment since they identified themselves with the organization. For part of employees, we can note that their type of commitment changed in a continuous commitment, since their ties with the company were affected by the integration process. Among them, some left the company and those who decided to stay, lost their sense of belonging. They now see their commitment as the trade-off between the benefits associated to the permanence versus the costs of leaving the organization.

INT. 1 “The level of commitment has always been high due to the growing business but after the integration it dropped. When there were more people dealing with the same activity and you have to share the work with other persons, you end losing the big picture of it all.”

INT. 4 “The level of engagement, responsibility and commitment of the employees is the same for 90% of the people. It was reduced for those who saw their activity changed. Employees who still manage the activities of BETA and continue to work as they used to do before, remained with the same motivation and commitment.”

INT. 8 “I think the commitment did not change, employees have always been committed and they still are. I think the non-committed people have already left the company. I have heard that some people who are still in the company are looking for other opportunities in the market.”

Another point raised by the interviewees is about the importance of activities aimed to improve the commitment to change as defined by Herscovitch and Meyer (2002). According to the interviewees, it seemed there were no guidelines about how to manage this kind of activities. They were conducted in a different way with few specific initiatives that were not shared among the areas. This lack of a common plan led some employees to be unprepared to perform the new tasks because they did not know the peculiarities and needs of the new business.

INT. 1 “I think that the actions taken to increase the level of commitment, were ad hoc for each area, because they were not widely publicized. I think they were managed case by case, there was nothing general.”

INT. 15 “I noticed a difference in the level of commitment. I noticed that after the integration, there were people who changed their way of working without being prepared for it. This generated a lack of motivation because they could not understand the needs of the new business without being trained.”

To promote a cooperative attitude among employees some areas try to share the decision-making process with the management of the incorporated company. Unfortunately, the integration process was so quick that they did not have the time to complete the process before people left the company. Another initiative to improve the employees’ perception of fairness as defined by Melkonian et al. was the decision to unify the job posting policies in order to make them available to the employees of both companies.

INT. 11 “We thought a lot about it, we even had some meetings in order to try to share the decision-making process with them, but the integration was so quick that people who decided to leave the company had already left.”

INT. 6 “When we integrated BETA, we decided that all job postings were open to the employees of both ALFA and BETA.”

The company policy during the integration was to avoid lay-offs but there was a “voluntary exit plan” for those who wanted to retire or work for other areas inside the group. At the same time of the integration, there was an organizational restructuring that affected the turnover rate. As a result, not all the people who left the company decided to resign due to the integration. Even if some employees chose to leave the company after the integration, the turnover rate, on average, can be considered very low.

INT. 8 “The company cared about integrating people. It did not lay off employees, but there were people who resigned because they did not agree with the integration. ALFA opened a program of voluntary dismissals so, those who decided to leave the company, left because they wanted to, because they could not adapt themselves to the new culture.”

INT. 6 “The turnover rate was low, we have a voluntary turnover rate lower than 3%, but there were employees who did not accept the change and they left. They were mainly people from BETA who did not adapt themselves to this new world. There were also people who were transferred to other positions within the group.”

INT. 4 “Some employees left voluntarily because there was a voluntary exit plan for those who wanted to retire or change activities and those who did not want to remain. At the same time of the integration, there has been an outsourcing process of some activities. therefore, there was no loss of personnel for the integration itself, but some had to be dismissed for the reorganization of the activities.”

INT. 3 “I did not meet anyone who left the company because of this process but I understand that the integration affected the satisfaction of the employees of BETA more than that of ALFA employees.”

In accordance with Yoon and Lee (2012), the negative emotions and dissatisfaction following the integration process, led some employees to leave the company. They were mainly people coming from BETA who did not adapt to the new way of working and chose to find new opportunities in the market.

As a matter of fact, among the main reasons of the turnover, the dissatisfaction about how the integration was managed is the most relevant for the respondents. The problems and disorganization

of the daily activities that people faced in the new merged company brought demotivation with the consequent loss of the sense of belonging that had always characterized the employees of BETA. Besides these motivations, in some cases people decided to accept other opportunities they found in the market due to financial benefits.

INT. 11 "It is impossible to know which was the determining factor for the employees leaving the company, but people left, and the feeling is that the integration process did not work."

INT. 1 "The few people I saw who took the initiative to leave, lost the sense of belonging that characterized BETA. They thought that it would have been more difficult to work in the new organization and decided to look for other opportunities."

INT. 2 "We had a moment of turnover, people left the company to go to other companies. Some of them were not satisfied with the way the business was being managed, others because of salaries and benefits."

INT. 11 "The employees who wanted to integrate were integrated, those who decided that they were not comfortable in the new organization, made their decisions and created alternatives. I think it is up to the person to decide, based on his/her preferences. In some cases, the salary issue was involved."

The impact of the turnover was diversified among the areas due to several factors, such as the number of employees from each company, new activities to perform, overlapping roles and so on. As a matter of fact, according to the interviewees, some areas lost good talents due to the overlap of roles between people of the two companies and this also caused a loss of corporate history, know-how and identity.

INT. 11 "They were good employees but, since the structure had conflicting positions, there was an overlap between two persons. We could even have solved the problem later but one of them did not wait, she did not want to take the risk. She was a well evaluated employee."

INT. 2 "There were some overlaps. Not all the positions were kept, some had to leave. This had a negative effect on employees. We lost the history and the identity of the company. Most of the employees who were laid off were people of BETA."

INT. 7 "We lost a lot of good people and I think this is an invisible cost that was not foreseen by the company, because you lose people who had that culture that you thought was important. I do not know if they were necessary people, but they were good people, people who already had the culture and values that the company valued."

INT. 12 "We lost technically prepared employees and we lost some managers too."

Using the definition provided by Morrell et al. (2004) we can define this kind of loss an “avoidable turnover” because the employees who left the company were considered professionals who could add value to the company. In other areas we can identify an “unavoidable turnover” since the cost of the loss can be measured against the benefits expected from the implementation of change.

In this scenario, there were also employees who found growth opportunities for their career inside the company because of the restructuring of their area and others who found new opportunities within the group, in other areas or other countries.

INT. 6 “Those who left the group were employees that we could have maintained, but it was not a great loss. There were also employees who were transferred within the group. Most of them because they wanted to face a new challenge, for instance, a manager who has the opportunity to be a director in another country.”

INT. 11 “There was only one great loss, the others were good professionals, but I cannot say they were great losses because they were junior levels.”

The interviewees confirmed what was stated by DeYoung (2000), about the relevance of the retention and development of the human capital during the integration process. According to the interviewees, the HR department managed the activities of retention in a customized way, based on the perceived needs of each area. In order to avoid losing some critical employees, they created new opportunities in other divisions or countries within the group.

However, some interviewees noted that retention policies came too late, after several employees had already left. As a matter of fact, some of them confirmed that, at the time of the data collection, there was a growing attention of the HR department to these issues. They structured development practices, exchange programs and career opportunities to prevent losses of strategic employees.

INT. 6 “It was managed in a tailored way, we created other challenging opportunities in order to avoid losing valuable employees. We offered a career path different from what we had planned, we offered positions in other countries, other areas or other activities.”

INT. 8 “I think there was this effort of HR to relocate people. In my case, for example, my position was already occupied by another person, so HR created another function for her so that I could continue here. They also created opportunities abroad, so I think they had a retention strategy, but it arrived too late.”

INT. 12 “Now we have a closer attention to strategic employees. The strategy of ALFA today is not to leverage on salary to retain professionals and this is becoming an issue, because the market is growing, and salary is something that has weight. It is a company with a structured development plan that also offers the opportunity of having an international career. The retention strategy is not based on salary, it is based on growth and development of people.”

5.5 COMMUNICATION ISSUES

All the interviewees mentioned the key role of communication as recognized by Appelbaum et al. (2000). According to them, the communication plays a critical role in every process, especially during an integration process. It can be considered the cause of and the solution to every problem.

As a matter of fact, in this kind of process, communication should be the most important aspect to be analysed. It can influence, positively or negatively, expectations, uncertainties and satisfaction of the employees, the adoption of a new organizational culture and the entire change process. The interviewees also underlined the necessity of having a kind of communication that is able to positively impact people, both rationally and emotionally.

INT. 3 “Communication is essential, for any process, for everything. Communication is the solution and the cause of all problems.”

INT. 10 “Everything needs a communication process. Communication is paramount to start a change process because you have to declare what you have to do and why you are doing it.”

INT. 4 “Without any doubt the communication is important. It must have a credible and rigorous approach to the subject to be efficient.”

The interviewees confirmed another critical aspect of the communication mentioned by Appelbaum et al. (2000) which is its transparency. Employees’ uncertainty, stress and other negative feelings following the announcement of the integration, can be contained in a reliable and transparent communication regarding the future. When people understand the benefits of the integration, the goals the company intends to achieve and how it is going to affect them, they are less apprehensive.

According to some interviewees, it is extremely important for the company to analyse and be prepared regarding the topics included in the communication. The more the leadership of the company demonstrates knowledge about the situation, the more the employees are willing to follow, support and trust it.

INT. 6 “If you omit something in the communication and if you are not transparent, this will have a boomerang effect.”

INT. 3 “I think that if the reasons are transparent and the people understand the objectives, the intentions and the future paths, this will bring tranquility for the employees. Even if change is difficult, if people know where they are going, they are less apprehensive.”

INT. 4 “You must be the first to believe in what you say because people understand if you are saying something real or not. To communicate effectively you must be prepared, you must have analyzed everything before, in order to understand which topics to deal with and which not, what is the situation and what you want to achieve. In this way people trust you.”

INT. 16 “The difference of the corporate benefits between employees of the two companies was a very delicate issue. The goal of the company was to have the same benefits for everyone. There are always pros and cons in everything, I think that the best way to explain this is being transparent. You are part of a bigger group today, you used to have benefits that you do not have now, you lost something on one side and you gained on the other.”

What clearly emerged from the interviews is the wrong timing of the communication that characterized the integration process. This confirmed the theory of Garpin and Herndon (2000) and Schweiger and Denisi (1991). It is paramount that communication provides timely and accurate information about what will happen to the organization and to employees' jobs. In this case, the first stage of the process was characterized by the lack of information. This gave the employees the perception of not being part of the change process but just having to put up with it.

INT. 1 “Little information was shared. Most of them came from the head office in Italy. People waited for this information in order to understand what would happen in the future, but this information took too long to be shared.”

INT. 6 “I would have provided a richer communication before the integration. We communicated ex post, but I think it is important to communicate ex ante. You do not have to inform people of the change, you must make the people be the change, engaging them in the process.”

INT. 15 “This communication reached more people after the integration. I cannot say that no one said it before, but I did not have access to it. Maybe my boss received this level of information, but when it got to us, it was already after the integration.”

As already said, the decision of integrating the two companies so quickly entailed lack of communication. This plunged the employees into a state of confusion since they were not prepared to deal with the new processes. Most of them did not even know who was responsible for the activities,

thus generating coordination problems that confirmed the theory of Snook (2000) Weick and Roberts (1993).

INT. 1 "People still do not assimilate the integration. This ends up generating a lot of confusion about who is responsible for what, and what are the limits of each process."

INT. 11 "...they tried to find a way later, but things had already happened. If you do not prepare people and do not explain why the transition is happening, things get more difficult."

The analysis supported what was observed by Budhwar et al. (2009), Lodorfo and Boateng (2006); in other words, failure to communicate with employees increases cultural differences and creates tensions. The respondents underlined the crucial role that communication plays in developing knowledge and capabilities since it is essential in training and learning, especially in cross-cultural management. As a matter of fact, most of them complained that the integration was characterized by the absence of a detailed communication and specific training aimed to transfer the knowledge related to the new processes and necessities of the merged company. This created confusion and stress among the employees.

INT. 1 "I think that the communication should have been more frequent and more targeted. Besides the high-level communication, you must have a detailed communication with information about the state of the process and the people responsible for it."

INT. 8 "In comparison with the other employees I was in a privileged position because I had access to the president. I could talk with him to look for information. There was no structured activity of the HR department to inform people. I did not know where to find the information, everything was informal. The analysts were completely lost."

INT. 13 "I think that the most important thing during an integration process is to make one company understand the needs of the other. There are some activities that we must perform in order to be compliant with the regulation, but you can plan them in advance so that they do not prejudice the timing."

All the interviewees agreed with the research of Miller et al. (1994) who considered communication as "sine qua non" to reduce resistance to change. According to them, the leadership should pay particular attention to the human factor during the integration process. They stressed the importance of a regular and clear communication policy with the employees at all levels in order to help them adapt to change. Besides that, sharing information regularly and involving all the employees is a way to

improve their motivation and their sense of belonging, thus creating support to change. For this reason, the integrated company promoted periodical informal meetings and network building activities.

INT. 11 “The human factor is important. The way you do things makes the difference. You cannot please everyone but if you pay attention to people, they may not be satisfied with the final result, but someone is explaining the reason to them. Motivated employees are important for the company. We all like to feel valued.”

INT. 6 “We tried to involve everyone and to make a general communication. We tried to welcome the employees of BETA who had to be integrated. We promoted breakfasts and informal meetings to welcome them.”

In this scenario management, HR and some successfully integrated employees played a significant role as “sense-givers”, as defined by Monin et al. (2013) Vaara and Monin (2010). Their aim was to make statements in order to show the positive side of the merger, explaining its benefits and mentioning the new opportunities and challenges that the integration would open for all the employees.

Clarification meetings about the integration process were also organized by the HR department. However, the interviewees underlined that not even HR could clarify all issues as they frequently also learned things together with other employees.

INT. 1 “The internal communication shared some statements of the employees who were integrated in the new organization. They explained the positive side of the change, showing its benefits and mentioning the new opportunities and challenges that the integration would open for all the employees.”

INT. 12 “We (HR) organized some meetings of clarification with people of BETA, to talk about the integration. We shared the level of information we had. We did not have all the answers because things were going ahead, and we were going to learn together with the other employees.”

INT. 16 “I always talk with our president because we have to celebrate our achievements all together. We are a bigger group now, and we all must be proud of our conquests. It's like football teams, you can be Botafogo or Flamengo, but we are all Brazil.”

What emerged from the interviews confirmed what was stated by Buono and Bowditch (1989). During integration process, companies frequently do not use their communication tools in an effective way. According to the respondents, the integration process was characterized by an inefficient

communication since the company did not communicate what it should have communicated to keep employees well informed and minimize the negative effects of the integration.

There were several complaints because the lack of information generated rumours and consequently anxiety among employees. Since the information received by them was too generic, everyone interpreted it in a different way and this made the integration more difficult. In addition, not all company levels were involved in the communication.

INT. 6 "There were complaints about the lack of information due to those people who were reacting to the change. If you do not communicate, the corridor and the anxiety communicate for you and the expectation, at the end, is very bad."

INT. 1 "The information received was generic and of high level. It informed us that integration was important because of the synergies and so on. Because of it, each person interpreted in his own way and that made the integration difficult."

INT. 10 "The leadership had this information, but unfortunately we lack in the process of communicating to the entire team in a clear and transparent way, explaining the reason of the integration and how we had to organize the area."

They all agree that, the communication issues above mentioned were probably due to the lack of planning. It seemed that the communication strategy was not planned in advance but organized during the integration. After the company made the decision to integrate, a steering committee was created and one of the projects was related to communication. The perception of the respondents was that there were no formal channels. The only way to obtain information for the employees was contacting the HR department but, as already said, it did not have all the information. For all these reasons, the employees recognized the lack of a communication plan.

INT. 6 "The communication was planned together with the integration. When the company decided to integrate, we created a steering committee. One of the projects it managed was about the communication. We organized a communication of a high level and a detailed communication for each area together with HR."

INT. 8 "There were no formal channels to communicate with the company. The only channel was the HR department, but I think that they did not have all the information for us."

INT. 12 "I do not think that the company did not want to communicate with its employees. I think it did not have the information. There was a lack of a communication plan. I would have done a structured plan to communicate with people, following the formal guideline."

INT. 13 “My impression is that there was no communication plan. It seemed more like an arbitrary imposition. There was no training to prepare people and to explain what was happening. Every plan needs a part of communication.”

Another aspect related to the lack of a communication plan consists of the different approaches that every area adopted during the integration. According to the respondents the communication strategy was left to the discretion of each area. Some employees stated that there was a general guideline from headquarters, but this was not clear to all of them. This was probably due to the differences in the access to information, that was not available to all company levels. As a matter of fact, some interviewees noted that the communication was not unified, since it did not involve all the employees, contrary to what was stated by Weber, Ganzach and Ben-Yemini (1995). It was only well into the integration that the company unified the internal communication channels in order to reach all employees.

INT. 4 “Obviously there were differences in the approach because each area managed the integration in a different way. They had a common goal and guidelines, but they decided how to manage the impact on the daily work.”

INT. 10 “The communication was the responsibility of each area. Each area managed the integration in an independent way. There was no general guideline for everyone, in order to communicate to all the employees and generate confidence. I think that the internal communication process failed.”

INT. 7 “The communication should have reached all the employees, not only the managers. We needed a much deeper monitoring of the integration. Some surveys were done but the results were not shared with everyone. Not all levels have been involved in the communication.”

INT. 12 “During the integration process we started to unify the internal information channels. Everybody started to participate in the same projects.”

The last criticism raised against the communication process is related to its coherence. Some interviewees argued that, most of the times, the communication was not in line with what was really happening in the company. This does not mean that the communication was false or intentionally misleading but that it was probably based more on company intentions or wishful thinking than on the real state of the integration process.

INT. 11 “I think communication is very important, but it must be compatible with reality. I am not saying that the communication was false but when the company communicates something,

this must be reflected in the daily activities. Sometimes it did not happen. In practice, the process did not work according to what the company was communicating.”

INT. 7 “I think the company even tried to communicate the reasons of the integration and what was planned, but my doubt is that it was more in theory and not in practice. I do not know if the communicated intentions were aligned with the results they wanted to achieve, this was my doubt. I do not know if the goal was achieved.”

5.6 EXECUTIVE SELECTION

The aim of the integration was to join the best practices of both companies and adopt the best code for them, as also suggested by Lodorfos and Boateng (2006), but, according to the interviewees, the company failed in achieving this goal.

Since BETA was a young company with an agile decision-making process and a dynamic style of work, while ALFA was characterized by a large bureaucracy, the purpose of the integration was to incorporate the agility of the first to the new organizational structure in order to reduce the bureaucratic aspects of company processes.

Using the definition of Berry (1980) the company did not achieve the “cultural integration” they sought, where the two company cultures were to be blended together. What prevailed, in fact, was a “cultural assimilation” since one company absorbed the other.

As a matter of fact, the respondents stressed that the culture of ALFA prevailed over BETA’s. All the executives of the first maintained their roles and positions while the leadership of the second assumed subordinate positions. Thus, confirming the theory of Berry (1983) who stated that balanced mergers rarely occur, and one group typically dominates the other and influences the direction of cultural change more strongly than the subordinate group.

INT. 1 “It was expected that ALFA would gain the velocity of BETA after the integration but what happened was the opposite. ALFA caused a slowdown in BETA.”

INT. 12 “Most of the executives are from ALFA. One of the goals of the integration was to bring into ALFA the culture and the agility of BETA. What happened was the opposite.”

INT. 7 “At first, the message shared by the company was that the integration aimed to bring the BETA culture into ALFA. In the end, there was no change for ALFA employees while it caused a downgrade in those of BETA. This generated demotivation and mistrust in them.”

INT. 2 “ALFA’s culture prevailed, and this was not the goal of the integration. The original goal was to join the culture of BETA together with the best practices of ALFA in order to improve the entire company. Unfortunately, BETA was too small, and it did not have sufficient people to generate this big impact.”

All the respondents agreed that the main cause of the prevalence of ALFA culture was the different size of the two companies. ALFA was considerably larger than BETA, so it had a bigger hierarchical structure compared to the latter. For this reason, although the president of the new merged company came from BETA, during the first integration stages, all top managerial positions of BETA were allocated inside the new organization under the leadership of ALFA.

INT. 6 “After the integration, all the areas kept the leadership of ALFA because it was bigger than BETA. Then, BETA leaders ended up reporting to the leadership of ALFA. ALFA did not prevail, what happened is that the smaller and less complex company was integrated into the big and more complex one.”

INT. 2 “Since BETA was a company with an organizational structure smaller than ALFA, in most of the areas, the highest hierarchical level was the managerial level. Therefore, after the integration, it turned out that these managers passed under the directors of ALFA.”

INT. 1 “The culture of ALFA prevailed because it was bigger than BETA. Thus, BETA employees were incorporated into the structure of ALFA. BETA had the greatest impact.”

According to some interviewees, the expectations of BETA employees was to maintain more positions in the leadership than they actually obtained. This state of affairs justifies why, most of the interviewees perceived BETA as lacking in autonomy. On the other hand, it should be noted that, during later stages of the integration process, the president of the merged company carried on an assessment of leadership positions in order to evaluate each executive in terms of individual skills and performance. This led to a better mix of formerly ALFA and BETA employees in leadership roles.

Another effect of the difference in the companies’ size, was the overlap of roles that occurred after the integration. As BETA was an autonomous company with its own structure, most professional roles present in its “staff” areas also existed in the organizational structure of ALFA. In addition, it was a small growing company, and this was also reflected in its hierarchy; the professional roles inside its structure had less weight so, the leadership of BETA was integrated under that of ALFA. Top management constantly assesses the skills and knowledge of the employees and, during the integration, there was

an assessment in order to choose which profile was the best suited for each role. Based on this assessment the company decided who should occupy each position. This was not based on the membership to one or the other company but on individual skills and performance.

In spite of the above, due to the specific needs of the business, some areas maintained a duality of roles. In these cases, people of BETA continued to manage the renewable business activities, with the only difference that they started reporting to the leader of the new area in which they were absorbed.

How the integrated company dealt with both the overlap and the duality of roles, confirmed the findings of several researchers, such as, Capron (1999), Homburg and Bucerius (2005), Puranam et al. (2009), Schoenberg and Bowman (2010) who stated that, when firms seek to achieve cost synergies, deep integration yields beneficial results while, according to Schoenberg and Bowman (2010), Schweiger and Very (2003), integrations focused on knowledge have less need for deep integration.

INT. 16 "Since ALFA had an organizational structure bigger than BETA, there was an overlap of some functions. I think this was clear to all the employees. Everyone is constantly evaluated. People were evaluated, some left, and some others remained. It was not because of their membership to one or the other company. There was also an assessment for the leadership. The president of the company dedicated some time to evaluate the executives and decide who he would keep in their positions. This was during the integration, not before."

INT. 1 "There was an overlap of functions. BETA was an autonomous company; therefore, the organizational structure was completely duplicated. Every leader tried to accommodate in the best way the employees coming from BETA."

INT. 12 "BETA was a small growing company, and this was also reflected in its hierarchy. The professional roles inside its structure had less weight so, the leadership of BETA was integrated under that of ALFA. This reduced its power of influence."

INT. 6 "There was no overlap of roles but there was a duplicity of them. There were employees of BETA responsible for the activities related to the renewable energy and employees of ALFA responsible for those of the distribution. After the integration those of BETA continued to manage the same activities but started reporting to those responsible in the same area of ALFA and not to the president of the company. This has become an issue."

As a matter of fact, one of the objectives that the company wanted to achieve with the integration was to create synergy by integrating similar departments and functions and this was clear to most of the respondents. They recognized that it would be impossible to integrate the companies keeping the

old structure and maintaining the same people working separately on the activities. They also knew that there was no place for everyone and this was the reason why the company had to evaluate the most capable of each of the employees for the role he/she covered before the integration. Following this assessment some people were relocated to other functions while a few others left the company.

INT. 16 "It is logical that there were no positions for everyone. The company had to evaluate the employees in order to understand who best suited the roles to be covered. Many people were also relocated elsewhere because the aim of the integration was to look for efficiency. Several areas have been optimized."

INT. 10 "You have to seek efficiency within the process, you cannot maintain the previous structure and keep people of the renewable business separated from the others. Thus, there was efficiency, but I do not think it was so critical."

As already mentioned, most of the interviewees perceived BETA as lacking in autonomy, depicting more an incorporation than a merger between equals. Using the definition provided by Haspeslagh and Jemison (1991), we can see that this integration falls within the absorption type. As a matter of fact, the respondents described a context of a high BETA dependence reflected in its low autonomy.

INT. 7 "Most of ALFA employees kept their roles. People of BETA had to be integrated in subordinated positions. Therefore, it was a loss of autonomy. ALFA prevail in the decision-making process because the highest hierarchical levels were covered by people of ALFA."

INT. 8 "All the executive positions were covered by employees of ALFA. BETA was incorporated into this structure without having autonomy or being present inside the executive committee."

INT. 12 "No autonomy was left to BETA. Our decision-making power was really reduced, today everything we have to do must be validated by a responsible of ALFA."

The perception of autonomy loss evoked negative attitudes among most BETA employees, thus confirming the theory of Weber et al. (2012). They felt that the leadership did not understand their problems and did not care about their point of view. They thought that it was even useless to express an opinion since their power of influence were very low. Perceiving their lack of engagement, HR conducted a survey. It was only after the situation was confirmed that the company started asking the leadership to pay more attention to former BETA employees.

INT. 8 "ALFA prevailed. Who makes the decision is the boss so, my opinion is not important because the one of my boss will prevail. The power of influence is not so high."

INT. 12 “Since ALFA is much larger than BETA, it decided everything. At first, the employees of BETA were not considered and listened to and either were their clients.”

INT. 7 “The company maintained the leadership of ALFA. For this reason, the employees of BETA felt alone. The leadership did not worry about their problems. They started paying attention to them only after the negative results of the survey, it was a disaster.”

However, in line with what we saw about the duality of roles that the company maintained in some areas, some interviewees highlighted the lack of autonomy was only a perception because, due to some peculiarities of the BETA business, the company chose to leave a certain degree of autonomy to perform specific activities related to it.

INT. 4 “Not everything was integrated. There are some areas of autonomy that the company must keep due to the specific necessities of the business.”

INT. 6 “A certain degree of autonomy was left. The loss of autonomy was more of a prejudice than a real experience.”

5.7 PREVIOUS EXPERIENCE

ALFA has a long history characterized by the acquisition and following integration of several companies all over the world. The perception of all the interviewees was that, in this case, ALFA did not apply the experience gained over the past years. They noted that past integrations were characterized by a better planning and effort of the HR department.

INT. 13 “It was not like the other integrations. I have already seen other integrations and they were well organized and planned.”

INT. 2 “I have been working for this company for 15 years and I have already seen several integrations and changes. There were changes but there was also a lot of work by HR. It was not the case this time.”

INT. 12 “In my opinion the company did not apply the previous experience.”

It must be noted that not all the previous experience can be applicable to other integrations; Ellis et al. (2011) found evidence that learning occurs only between integrations with comparable characteristics. As a matter of fact, the previous experiences of ALFA were related to the acquisition of external companies while the integration of BETA was an internal change of the organizational structure since it was a business line of the same group. As we already saw in category “planning ahead”, this probably led the company to underestimate the complexity of the integration. Among the causes of

choosing to not apply the prior experience, some interviewees also mentioned the need to quickly integrate the two companies which negatively impacted the planning phase of the process.

INT. 6 “The previous experience was about acquisitions. What happened in this integration is a big change in the organizational structure which is a matrixial organization. It was an important change because people now have multiple bosses.”

INT. 4 “It is true that the company has a large experience in integration, but this case was different. It was not the acquisition of an external company but the integration of a company of the same group. We cannot compare the two kinds of processes. In this case the goal was to create synergies between the companies finding a balance between autonomy and integration within the same group.”

INT. 16 “If we analyze the complexity of the process, it would have been easy. They were two companies of the same group, they already co-operated but it was not so easy. I never would have imagined it to be so complicated.”

INT. 2 “I think it was different because it was a radical change and it had to happen as quickly as possible. The aim was to join the companies to increase the market share, and it had to happen in this way. There was no time to adapt the past experience to the new context.”

As already mentioned, one of the main points highlighted by the respondents was about the integration plan. As a matter of fact, the interviewees perception was that prior integrations were different from this one, because they were characterized by a more structured plan. On the other hand, the interviewees also realized that the new company is making the most of the experience gained during this integration in order to improve the planning of future integrations. Thus, confirming what was stated by Yu et al. (2005) and Zollo and Reuer (2010) about the conditions for leveraging previous experience in a positive way.

INT. 11 “We already experienced the past processes of integration and, even if they were not planned at best, there were some previous steps where the company analyzed which area to integrate, how to integrate it and how to manage the space. There was a plan. In this case I did not realize it, it was more “we have to do it, let’s do it”. I cannot say that there was no plan because I did not participate, but I did not perceive that there was one.”

INT. 12 “There was no structured plan about which areas and processes to integrate first. The only guideline was to integrate, then every area integrated as it wanted. It was not a formal process, well organized and mapped.”

INT. 16 “This was an experience that helped to learn for the following integration processes. (...) Now we are working on the integration plan of a company that we bought, in order to manage it in a way that everyone can win from the integration.”

The use of the experience gained by this integration emerged clearly from the analysis. Due to the small size of the company that was integrated, the process was considered a pilot. According to the interviewees, the goal of the company is to learn from the previous experiences in order to improve the future integration processes. As a matter of fact, the company has already learnt by this experience and has used the knowledge to successfully integrate another acquired company, in line with what was observed by Al-Laham et al. (2010), Barkema and Schijven (2008), Duncan and Mtar (2006) and Ellis et al. (2009).

INT. 16 “The integration of BETA was a pilot project. Since it was small, it allowed us to learn a lot to improve the process for future bigger integrations. Last year we acquired another company and the integration has been well managed. The company has learnt a lot.”

INT. 8 “We acquired another company last year and the effort we spent to integrate its employees was ten times more than what we did for BETA.”

INT. 10 “Now we have experience. The integration of the new company we bought last year, started in a different way. We did not follow the model we applied for BETA because we have learnt from this. Our expectations for the future integration processes is that they will be smoother.”

5.8 HR ROLE

All the interviewees agreed on the importance of the HR function in this kind of processes, thus confirming the theory of Latukha and Panibratov (2013). The HR department, as a rule, plays a strategic role in managing culture, conflict and assessing expertise and roles. It also represents a “mirror” that must give the example to all the employees during the integration process. For this reason, the HR department should be the first to be integrated during the process. In addition, one of the most significant responsibilities of the area is to integrate the policies of the two companies in order to allow people to enjoy the same benefits and feel equal.

The interviewees also highlighted that the HR function is fundamental to support people in the early stages of the integration process, since they are typically characterized by fear and uncertainty about

the future. Moreover, it drives and influences the change by giving directions about what to do and how to do it.

INT. 6 “The HR department is a strategical area of the company because it is very close to the CEO. We work a lot on topics related to culture, we managed many situations of cultural conflicts. In addition, the HR department has a double function. First, it is a mirror for the other employees; before integrating all the employees you must integrate the HR. Second, it consolidates the policies and practices of the two companies. Thus, allowing the employees to have the same benefits and treatment.”

INT. 8 “The role of the HR department is essential because the first feeling of the employees during an integration is fear. They are afraid and concerned about the future, about their jobs, the new processes and about what will happen. Having support and information is paramount.”

INT. 10 “The HR function is the influencer of the change. It gives the directions about what to do and how to do it.”

According to the employees of HR, they started integrating their department and then they worked together to combine the best practices and policies of both companies. This helped to reduce the conflicts between the two groups of employees. They underlined the relevance of doing this kind of activity in the right way. For this reason, they always paid attention to the communication and tried to involve all the employees in the assessment of processes and procedures.

INT. 6 “First we integrated the HR. Then we selected the best practices and policies of both companies and we integrated them. All of the HR programs we have today are shared with all the employees within the company. This helped greatly to stop the conflicts among them.”

INT. 12 “The HR area has the obligation to do this work well done and we did it. The HR director used to communicate everything he would do. He tried to involve the employees in the analysis of processes and procedures in order to reach something common that was the result of the best practices of both companies.”

Although the interviewed HR employees emphasized their involvement in the integration process, the perception of most employees was that, in practice, the presence of HR in specific activities related to the integration was poor. In this sense, they mentioned that the HR department could have taken more care in dealing with the reception of BETA employees and this would not have been so difficult since they were a limited number of people. Instead, in the early stages of the integration, some

employees even experienced some logistic issues, such as the lack of working space. That could have been avoided with a minimum effort on the part of HR.

What emerged from the interviews is the passive role the HR department played during the integration. The respondents stated that HR was always reactive in order to fulfill the needs of the other employees. They helped and supported the BETA employees when they directly asked for something, but they never had a proactive role in organizing specific activities related to the integration, such as training or teambuilding.

INT. 16 "I think that the HR function could have worked better on welcoming the employees of BETA because they were so few people. It could have improved the communication."

INT. 8 "Any integration process needs an HR strategy to support people, and this was the fault of the process here. You must be careful in conducting a process like this one. Some people moved, and they did not have a place to sit and work. This should be a minimum prerequisite, but HR failed to provide this support. Now they are trying to solve the problems."

INT. 11 "All we requested was fulfilled by HR people, but they were not proactive. We did not see a real concern for us."

INT. 13 "I did not feel the presence of the HR department. I think it was more reactive than proactive. For example, in our area we needed to organize some teambuilding activities with the BETA employees and we asked the HR to organize them. So, we had to seek and request support from them, but they did not organize any structured work or training related to the integration."

According to the respondents, no specific actions were taken to convey to the employees the importance of the integration, and the existing initiatives were generalist and sporadic. They argued that the integration process must follow a "top-down" approach. It must start from the top of the company and be shared within the company involving all the other levels. Accordingly, HR should have been the first function to be involved in order to understand how to manage the integration but, according to most of the interviewees, it did not play this role. Although some meetings were organized even before the integration, only those responsible in each area of both companies were involved. Thus, the initiatives taken by HR did not reach the employees at all levels. The interviewees recognized the effort spent by the HR employees to listen to the people, understand their concerns and help them solve their problems but they underlined that it was not an organized approach. They managed the situations case by case.

INT. 15 “The integration process must be led by the top management and the HR department must think about how to manage the human resources integration. There were no initiatives in this sense. They organized some integration meetings even before the integration but only the head of each area participated in those meetings. They did not involve the lower levels of the company.”

INT. 8 “The HR department tried to get closer to people in order to understand their concerns. This happened with the employees who moved, for example, but those cases were managed individually.”

Analyzing more deeply the theme of the HR initiatives, the respondents also stressed the fact that the actions of HR came too late. According to them, when the integration started, there were only “location” changes. They moved to different desks without any support or orientation. Later, HR started organizing breakfast meetings aimed to understand what was going wrong and how to improve the conditions of the employees affected by change. After almost a year from the beginning of the integration process, they also submitted a survey to the BETA employees, as it was the company that had suffered the greatest impact. Later, they conducted a second survey also including the ALFA employees.

INT. 12 “After almost a year from the beginning of the integration, the top management realized that several things were not working. For this reason, it asked the HR department to conduct a survey in order to understand how the integration process was going on, to detect the main points to improve and prepare an action plan. First, we submitted the survey to the employees of BETA since it was the smaller company that was absorbed. Then, we extended the second survey also to the ALFA employees.”

INT. 2 “There were some meetings. At first, the employees only changed their working space. Later, the company tried to understand why the integration was not working and it organized some breakfast meetings with people of every area.”

INT. 8 “The HR department was involved later, it was well in the middle of the integration. It should have been previously involved.”

Besides the wrong timing of the HR actions, the interviewees pointed out that these initiatives have not yet led to tangible results. Their perception was that the HR effort to integrate people was not effective. Since the HR department did not share the results of the analysis conducted, the overall impression was that the process had got completely out of hand. The reason why this happened was that the action plan prepared by the executive committee was spread within the leadership of all the

areas. Therefore, some employees could not have received feedback about what emerged by the analysis, on the basis of how their leadership managed the communication.

INT. 8 “The HR department belatedly started trying to organize its efforts to promote people integration, but they were not effective. They have not yet produced the desired results.”

INT. 2 “There were some activities but there is not progress yet. At the end of the year the HR department conducted an analysis that has not yet been shared until today. I think that the process ended up by getting lost.”

INT. 12 “Every director of the executive committee prepared an action plan for her/his area and was accountable for the progress. This was not shared within all the areas, so people could not have received feedback about the progress identified in the second survey.”

As already mentioned, the HR department conducted a survey to collect the different points of view of the employees and detect which were the main points of the integration to be improved. At first, HR submitted the survey only to BETA employees. The negative picture that emerged was, of course, biased and one sided. This was a relevant HR mistake.

In addition, when the results of the survey were disclosed and shared within the company, ALFA employees who were also affected by the integration, manifested their disappointment. Their complaint was that the company did not pay attention to how the integration had also influenced their jobs. This mistake was fixed only after several months when HR conducted a second survey that was submitted to both BETA and ALFA employees. According to some interviewees the second survey was really useful since it had exposed several interesting points that allowed the company to integrate people of both sides.

INT. 6 “The first survey was a mistake. It was misleading. Moreover, when the results were disclosed within the company, people who did not participate in the survey complained because we did not ask for a feedback from the employees of ALFA who were also affected by the integration. We corrected this error by conducting a second survey where everybody participated.”

INT. 3 “The survey was submitted only to the BETA employees. The employees of ALFA felt neglected because they were also affected by the change. This emerged in the second survey when people of ALFA manifested their disappointment. We should have consulted both groups of employees because they could have provided two different points of view.”

INT. 16 “In our area we received one person of BETA, but we have 26 employees so, they must be heard. The second survey showed several points which were very interesting and useful for the integration of both sides.”

A further point of attention that emerged in a few interviews is related to the disorganization of the activities promoted by HR that, in some occasions, caused misunderstanding and dissatisfaction among the employees. Some interviewees recognized the lack of a structured work of HR on people integration as the reason why several employees of BETA decided to leave the company during the integration. As a matter of fact, they argued that they still feel differences in treatment between employees of the two companies. One anecdote they narrated to explain this feeling, is that of the Christmas party, summarized below.

In the name of efficiency, the company decided to limit the expenses by organizing an event inside the office building. The celebration was supposed to involve employees of both BETA and ALFA, but some employees of BETA were working on an important bid and they would not be able to participate. For this reason, the HR department decided to cancel the event and reschedule it for a later undefined date when the whole company was able to attend. When BETA won the bid, HR organized a party to celebrate this success inviting only the BETA employees. This created disappointment among the employees of ALFA who saw their Christmas party cancelled while the event of BETA took place anyway. In order to solve this problem and reduce the conflict between the two groups of employees, the HR department organized a second party where all of them were invited.

INT. 8 “Since there was no structured work of people integration conducted by the HR department, people got lost and some of BETA have resigned. In some areas the employees still feel a difference in the treatment.”

INT. 11 “At the end of the year we used to organize a big party for Christmas. ALFA is different, it is more conservative in this sense. Since the group approach is looking for efficiency, the company decided to limit the expenses by organizing an event inside our building. Some employees of BETA were working on an important bid and they were not be able to participate. The HR decided to cancel the Christmas party and reschedule it for a date when the whole company would have been able to attend. When BETA won the bid, they organized a big party at Maracanã where only the employees of BETA participated. This created much confusion and complaints among the employees so that HR had to organize another party at Maracanã where everybody was invited.”

One final point that the respondents considered, was the importance of activities such as training and teambuilding, as also identified by Weber et al. (2011) about the integration capabilities. The respondents stated that, during the integration process, they did not organize any meeting, teambuilding or other experience outside the office; all things that they used to do before the integration. Moreover, there was no specific training related to the integration process but only sporadic initiatives without the involvement of all the employees. The reason for the absence of these activities was attributed to the fact that the integration was so quick that the company did not have time to organize them in a proper way.

Considering that, the integration process was still not finished at the time of the data collection, some interviewees asserted that it was still worthwhile organizing teams aimed at helping people learn about the other company, its people, structure, culture and processes. This also confirmed what was stated by Weber (2015): it is necessary to continue development and training during the post-merger period to learn and teach about unexpected problems and conflicts and how to deal with new challenges. In addition, training is also needed for adopting and controlling the new practices and routines that differentiate the merged company.

INT. 4 "There was no specific training related to the integration, there were sporadic initiatives. The HR department was involved in the process but there was no massive monitoring and involvement of the employees."

INT. 2 "There was no time for specific activities and training. The integration was so quick."

INT. 15 "We have never had a meeting, teamwork or teambuilding experience outside the office. We used to have some teambuilding in ALFA but since we integrated, there has not been any. I think that the integration is still ongoing so, it would be worthwhile to organize a teamwork aimed to show these people that there is a different way of working."

Several reasons were attributed to the flaws identified in the work of HR. The perception of some interviewees was that, at first, not even the HR area of BETA embraced the change with enthusiasm. Later this situation changed, and it started to show the positive image of the integration. In addition, there was no well-structured plan for the organization process and for the necessary mapping of the roles of the company. Due to this lack of a plan and the logistic needs related to the working space, not all the areas were integrated at the same time. At first, only the work spaces were integrated. In a second moment, the HR department started giving support to prepare the leadership of each area to

welcome the new employees of BETA and anticipate potential issues, resistance and loss of talents. Therefore, the overall impression of the respondents was that everything was managed in an informal way and not well organized.

The perception of the respondents was that HR did not play a central role in the integration process because the decisions were imposed on them by the top management. Contrary to what was stated by Grant (1996b), the HR managers did not have enough autonomy to be able to cope with the conflict situation of the merger, to motivate employees, to reduce uncertainty and so on. As a matter of fact, the impression of some interviewees was that the leadership of each area made the decision and then the HR employees followed it.

INT. 2 “The HR area of BETA was also integrated and, at first, it was clear that not even the leadership of BETA was satisfied with the integration. Later, this changed, and they tried to show the positive sides of the integration.”

INT. 12 “I did not see a well-structured plan. The areas did not integrate at the same time, it was staggered, based on the space they had. At first, the integration was only physical. Later, the HR department started giving support and preparing the managers of the areas to welcome the new employees, to anticipate possible resistance and loss of talents. But it was all organized in an informal way.”

INT. 10 “Change management must start from the HR. It must understand and map all the employees. But this was a work that should have been done in a more structured way and involving all the leadership. There was a lack of communication in this sense.”

INT. 1 “I think that the participation of the HR department was weak and distant. It did not play a central role in the integration process. The decisions were made by the top management and the HR employees had to follow these decisions.”

5.9 LEADERSHIP ROLE

Before analyzing the role that the leadership played during the integration process, it can be useful to provide a graphical overview in order to show, in a clear way, how the integration between the two companies affected the allocation of the top management positions.

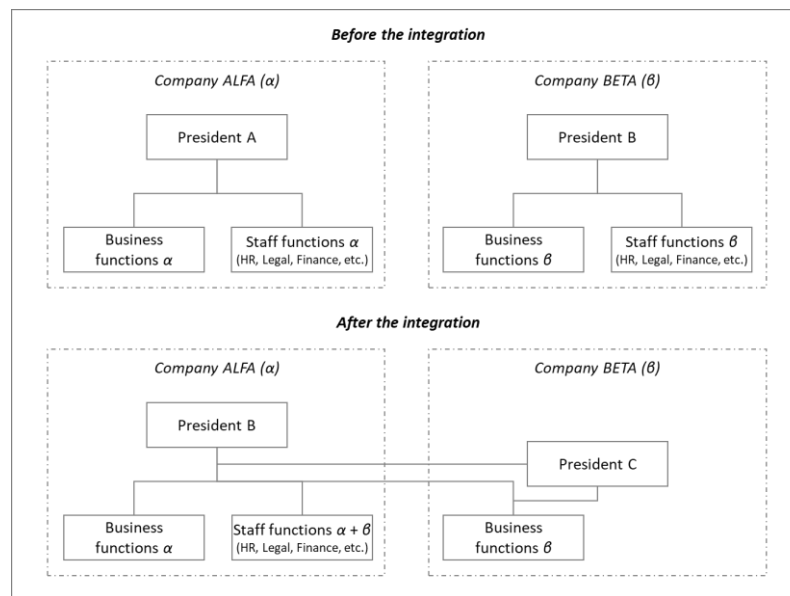


Figure 3 – Top management allocation before and after the integration

Most of the interviewees agreed on the pivotal role that the leadership should play during a process where the organizational culture changes. Thus, confirming the fact that culture and leadership are two sides of the same coin, as was stated by Schein (2003). According to the respondents, change must start with the leadership. If leaders do not change their way of thinking and behaving, it is impossible that their subordinates start behaving in a different way.

Given the fact that the leadership is a role model for the employees of the company, it can have a positive or a negative effect on them. For this reason, the interviewees recognized that the leadership is the first barrier to overcome in an integration process. Leaders must be the ambassadors of the change, in order to enable the integration process to move forward. This was further confirmed by the fact that all the interviewees highlighted the relevance of the actions of the president of ALFA who had been an example for the rest of the leadership and for all the employees.

INT. 2 “When you change the organizational culture, the change must start from the leadership. If the leaders do not change their way of thinking and acting, their subordinates will do the same.”

INT. 6 “The leadership plays a key role, for better or for worse. All the cultural changes start from the leadership. It is the first barrier. If the leadership hinders the change, you do not have chances to move forward with a process like this. The leadership inspires or discourages. In this

case, the top management played a relevant role. The presidents of both companies were guides for the other leaders of the company.”

Further analysing this aspect, the importance of the messages that the leadership, directly or indirectly, sent to the employees of both companies clearly emerged. Among the examples provided by the interviewees, it is interesting to mention the meeting held by the head of the Business Development department of BETA. During the meeting, he highlighted the importance for BETA of having become part of a larger reality thanks to the integration. The aim of this message was to show the employees of BETA what they had gained after the integration and to encourage them to feel proud of being part of the first largest company in Brazil and the third in the world.

A second anecdote among those mentioned by the interviewees, was related to the president of the integrated ALFA. He had previously worked several years at ALFA and, just before the integration, he was working for BETA. As we will see later, his role was highly significant during the integration as he strongly valued the culture of BETA. One of the interviewees explained that the logo of the group ALFA was made up of four colours. The green was the corporate colour of BETA and its employees used to wear a green badge-tape. During the first meetings after the merger, the president continued to wear the green tape he used to wear before. Even if unintentional this was highly symbolic for the employees of both companies. After the negative results of the second integration survey, he decided to wear a badge with the colours of the integrated companies. This detail sent the message to the employees: there was no longer differentiation; they were all working for the same company and pursuing the same goal.

These two examples presented the characteristics of the connective leadership mentioned by Lipman-Blumen and Leavitt (2009), related to the capacity of the leaders to help the employees to acquire an in-depth understanding of the goal and to lead them to fight for the goals during the integration.

INT. 16 “The leadership has a significant task, it must be the ambassador of the integration. During a meeting of BETA, the head of Business Development reminded everyone that, first of all we are ALFA, and all must be proud of being part of the largest Brazilian company and the third largest company of the world. He wanted to explain that there is a greater goal.”

INT. 12 “Since our president had been worked for BETA, he has this culture. He even paid attention to the symbology. For example, the group logo has four colours. The colour of BETA is green, so our badge-tape is green. After he left BETA to become president of ALFA, he always wore a green tie and the green badge-tape during the public presentation. This could be unintentional, but it sent a message. Those of BETA were happy but for those of ALFA it was strange. For this reason, during the first meeting after the results of the survey, he entered our auditorium wearing all the four badge-tapes. I think that even through these details we can send a message.”

Analyzing more deeply the role of the president, all the employees recognized the value he added to the integration thanks to the fact that he had worked for several years in both companies. Some characteristics of the visionary leadership described by Schein (2003) can be recognized in his leadership approach. His behavior provided the psychological safety the employees needed to imagine the change without feeling loss of identity, thus permitting the organization to move forward. As a matter of fact, since he knew the two “worlds” well, he paid great attention to the different cultures and working methods of the two companies and to the sensibility of all the employees. According to the respondents, he was the most suitable person to manage the integration. He had a highly structured approach and he knew all the pros and cons of both companies. This helped to impartially handle the situation, and no one felt privileged or at a disadvantage.

INT. 4 “Since our president had been worked for both ALFA and BETA, he set his mark in this process. He paid attention to the different cultures, employees’ sensibilities and working methods. This was the challenge, to make sure that different business and cultures live together in the same family. He paid extreme attention to that.”

INT. 16 “The president dedicated a lot of attention to the integration process. On the other hand, he was extremely important for the process. Since he had been worked for both companies, he added value to the integration. He was the personification of BETA, but it also had a clear overview of both sides.”

INT. 6 “The president had been worked for several years in both companies, so he knew the two worlds well. Nobody would be better than him to manage this integration because he knew the pros and cons of both companies. It was essential to have him in this position. Besides having a structured mindset and way of thinking, he succeeded in arbitrating the situation without biases or favoritisms. So that nobody felt privileged or neglected.”

In order to ensure the success of the integration, the president of the new integrated ALFA created a steering committee and became directly involved in monitoring the progress of the project by means of monthly meetings. He dedicated a great effort to explain to all the areas that the goal of the integration was not to absorb the employees of BETA but to analyze processes and working methods of both companies in order to integrate the best practices. In this scenario, the role of the new president of BETA (subordinate to the president of the integrated companies) was also essential. He was part of the steering committee and supported the president of the integrated ALFA in all the activities aimed to reassure the employees and convince them that the integration was an opportunity for all of them since it was part of the group natural growth process. Therefore, they succeeded in paying attention to the process while giving shape to the integration through leadership as recommended by Giffords and Dina (2003). They tried to give everyone a sense of belonging, and the feeling that they were all moving forward together, based on a common mission and a shared vision.

In addition, the president of the integrated ALFA promoted a company review meeting to present to all the employees the quarterly results of the company. According to the interviewees, during this meeting the president used to dedicate some time to a question and answer session. During this session, all employees could ask questions (also anonymously) which were answered in real time or later in a document reporting all the themes that emerged during the meeting and that was shared within the company.

INT. 16 “The president was directly involved in the integration. He created this integration project and monitored its progress every month.”

INT. 15 “The president spent great effort explaining to all the areas that the goal was not to absorb the employees of BETA. Their way of working and culture should not have been nullified only because they were few people. Instead, the aim was to analyse the best practices of both companies.”

INT. 6 “Our president was really important. The president of BETA played a key role as well. He participated in the steering committee supporting the president of ALFA in this activity of reassuring people and convincing them that the integration was a natural growth process of the group in order to be capable of acquiring other companies in the future. (...) Every three months the president promotes a meeting involving all the employees within the Brazilian business. During this meeting he presents the trimestral results of the company and it opens a

question and answer session. People ask questions even anonymously and they are answered in real time or later in a document related to the meeting.”

The respondents further highlighted the great attention that the president dedicated to the employees while leading the integration. He tried to get close to them in order to understand which were the main issues that they had been faced, which kind of solutions they found and if they were succeeding in creating synergies between the areas of the two companies that were integrated. To reach this goal he organized periodical breakfast meetings with the employees.

According to the interviewees, since the first level of leadership was maintained in ALFA, the leaders of BETA, who ended up under the first level, felt as they were not able to have their say. This emerged in the survey conducted by the HR. For this reason, the president extended these meetings not only to the first levels of the company but also to lower levels of employees, who usually did not have direct contact with him. This approach was in line with Marks and Mirvis (1985) theory about the importance for managers to clearly identify the subjective perceptions of the individuals that could be sources of stress within the context of the integration. It is also in agreement with what was stated by Fugate et al. (2002) about the relevance of organizing employee assistance programs and meetings where the employees can explain their views openly, listen to others and realize that others are experiencing the same emotions.

INT. 8 “What made the difference was that the president of ALFA was a previous BETA employee. He focused on several problems but always paying attention to people.”

INT. 11 “He cared about people. He promoted some breakfast meetings to get close to the employees. The aim was to understand the problems they faced, the solutions they found and if they created synergies between the two groups of employees.”

INT. 12 “The president was important. Since the first level of the leadership was made up of ALFA directors, the second level felt as if they were not able to have their say and that they could not even ask for help. After the survey, the president even invited the third level of the leadership to the breakfast meetings. They usually did not have access to him before. He wanted their views on how the integration process was going. He paid attention to people, he took note of everything in order to work on it. He truly cared about dedicating his time to listen to people.”

While all the employees agreed about the significant role of the president of ALFA, their opinions about the other levels of the leadership are discordant. Since there was no guideline from the

headquarters or an integration plan organized by the HR department that was shared within the company, every area organized the integration activities in its own way. There were areas where people of both companies succeeded in reciprocally sharing knowledge and exchanging ideas to find the best way to integrate their activities and processes and other areas where the integration was not so easy. This positive or negative outcome was not only due to this organization but also to the peculiarities of the areas, the type of activity managed, and the reactions of the employees involved.

INT. 6 “There were areas where the integration was easier than in others that faced several issues. This can be due to the kind of activity or to the reaction of the employees. Moreover, sometimes leaders think that everything is clear, and they have to do what has been established but it is not. You have to work on convincing people.”

INT. 13 “In our area there was a real concern in this sense. As a manager of ALFA, I tried to talk with the managers of BETA. We exchanged ideas in order to create the best possible relationship in this integration, but every area managed the integration in its own way. We did not receive a guideline from the headquarters. There was no plan.”

INT. 11 “Since there was no common plan, every area managed the integration in its own way. In our area we dedicated some time to talk with the person responsible for BETA to understand the characteristics of the activities and so on.”

Among the interviewees who described the other levels of leadership in a negative way, some stated that the leaders were not sufficiently involved in the decisions and activities of their areas. Some others stated that they failed to communicate properly. According to them, the leadership had to directly influence the integration process. It did not work this way and they believed that this was the reason for the issues and following complaints that emerged from the survey.

Furthermore, there were areas where, instead of integrating the employees of BETA, they literally swallowed them. They had to adopt the way ALFA worked and their activities started having a lower priority in comparison with those of ALFA. They described this kind of leadership as distant and authoritarian. The respondents attributed this behaviour to a probable fear of losing its space or being replaced by the leadership of BETA.

INT. 1 “It was not an active participation. The decision should have been made with the participation of the leaders, but it was really difficult to get them involved.”

INT. 10 “When the company decided who would cover each position, the leadership should have communicated this well with the support of the HR. The HR is the tool, but the leadership

is the influencer of the integration process. There was a lack of organization in both of them, and we realized it later, after the results of the survey.”

INT. 12 “There were areas where people were swallowed. They moved to the new area and they had to start working in the way ALFA did. Their activities started having a lower priority in comparison with those of ALFA. The leadership was extremely authoritarian and distant. I think that the leaders of ALFA were afraid of losing their role.”

Among the interviewees who gave a positive feedback regarding the other levels of leadership, some recognized that management dedicated attention to support the integration. According to them, these leaders promoted some initiatives that showed the interest reserved not only to the process but also to the human aspect of the employees. There were some meetings where multidisciplinary teams of both companies were involved to analyse, discuss and think about how to structure the new company processes. It was important to involve the employees in the creation of the new culture because it gave people the feeling that they did not need to choose between one company or the other, thus confirming what was stated by Cameron et al. (1991).

Some direct leaders’ testimonies explained that in their areas they cared about properly welcoming people of BETA and giving them the time they needed to adapt to the new situation. They dedicated time to explain the reasons underlying any process and necessity of the area. They also tried to make them comfortable with the daily tasks by combining old and new activities. This was aimed to show to them the importance of the integration in terms of personal growth and development of new skills for all the employees.

INT. 4 “There was the attention of the top management and the willingness to facilitate the integration. The transition was followed with several initiatives and this has shown that there was an interest of the company in caring for the personal aspect of the human resources.”

INT. 12 “We organized some meetings with multidisciplinary teams in order to think about the process. People were involved in the creation of the new culture and this was important. They felt part of this new entity. We did not have to choose between ALFA and BETA, we could create a new culture together.”

INT. 11 “In our area the leadership cared about welcoming people and giving them the time they needed to adapt to the new situation. We explained to them the reason why we needed to follow some procedures and respect some bureaucracy. We were also concerned about making them comfortable with the daily tasks. For this reason, we left them part of the old

activities related to the themes they used to manage but we also added some new topics so that they could understand that it was important for their personal growth and development of skills.”

According to the interviewees all the above-mentioned actions of the leaders in part obtained the expected effects but they affirmed that there were still medium-term results to be met. Since the integration of the different processes usually take time to be completed, they stated that the human factor and the emotional aspects of the integration process as a whole could still be better managed in order to allow people to see the change as an opportunity. Another successful initiative of the leadership was to organize the already mentioned breakfast meetings with the president of ALFA involving some key-employees as opinion makers. In accordance with what was stated by Monin et al. (2013) and Riad (2005) about the sense-giving as powerful tool to influence the collective interpretation of the change and to reduce resistance, the respondents argued that choosing the opinion makers was effective because they shared a positive image of the integration, thus improving the expectations of the other employees.

Furthermore, in the areas where the leadership allowed the employees to cover different topics in their daily activities in addition to those they used to deal with, people realized that they had joined a bigger world of opportunities and started to see change in a better light. This confirmed the assumptions of Gaertner et al. (1990) and Brooks et al. (2005) about the development of a common in-group identity by encouraging interaction between the two groups of the merged firms in a cooperative and supportive environment.

INT. 4 “In part they obtained the expected results, in part there will be medium-term results. The process is not completed because it cannot end in a short time. I think that the emotional aspects of the integration can be better managed with time. People will see the positive side of the change.”

INT. 6 “A successful initiative was that of promoting the breakfast meetings with some key employees, some opinion makers. We chose the right persons because they have shown a positive image of the integration. This helped a lot to improve the expectations of the employees. In addition, where leaders assigned to the employees some tasks related to both old and new topics, people started to see that this is a big world with many opportunities. This had a positive effect on the employees.”

The respondents also highlighted some margin for improvement regarding the leadership actions. Some of them believed that the leaders could have provided more tranquility and courage to the employees to better face the integration. This could have been done by constantly promoting the message about not being scared of learning how things used to work in the other company and by explaining that the integration aimed to reach a common goal that also required some sacrifices. They also affirmed that it was essential to show the integration as an opportunity, but it was not like that in all the areas.

One final point that they considered had to be improved was the motivation of the BETA leadership. The interviewees underlined that the resistance to change sometimes came from the leaders of BETA. Therefore, they could have been more involved and motivated from the start, so that they could understand that they were the leaders of the same company. They should have been the ambassadors of the change and not oppose it. This was reasonably taken care of, much later when some former BETA leaders were promoted to the new ALFA top leadership positions.

INT. 4 "The leadership could have conveyed more tranquillity and courage to the employees in order to face this new course. It should have increased the opportunities to send the message about not being scared to see what the other company does and to explain that the integration requires sacrifices, but it will bring advantages for everybody."

INT. 6 "It is essential to show the integration as an opportunity, a new challenge, a way for ALFA to grow. This message was not shared among all the areas."

INT. 16 "I think that part of the leadership, especially that of BETA, could have been more engaged. Several times, the resistance came from the leadership. We worked a lot on this. We tried to motivate the leaders of BETA explaining to them that they were leaders of ALFA as well, therefore, they had to be the ambassadors of the change."

6. FINAL REMARKS

Before presenting the final remarks of the study, it might be useful to provide a quick overview in order to contextualize the study. Subsequently, conclusions will be outlined and suggestions for future research will be proposed.

6.1 OVERVIEW OF THE STUDY

Over the past two decades mergers and acquisitions have become a popular strategy for companies to grow and expand their business. However, despite the increasing popularity of this phenomenon, more than two-thirds of large merger deals fail to create the value expected in the medium term. This is mainly related to the pressure that employees experienced during the process of organizational change. As a matter of fact, post-merger integration process can negatively affect the working environment with detrimental results for the entire organization, especially if the company fails in quickly understanding the most critical aspects and manage them in a proper way.

Although the implications of the human factor in post-merger integrations are usually considered less important when compared to the financial and legal aspects, they are the primary cause of failure in mergers and acquisitions. Therefore, the influence of the human factor on a post-merger integration process is a multifaceted theme that is worth to be deeply analysed.

The goal of this research was to understand how the human factor can influence the success or failure of a post-merger integration process and which are the most relevant aspects that top management must take into consideration during the process. To achieve this goal, it was selected the case study of a multinational company working in the field of energy that integrated a company belonging to the same holding. The analysis focused on nine relevant categories that most frequently drew attention during the interviews and were considered relevant for the purpose of the study: “Culture differences”, “Planning ahead”, “Fear, stress and resistance”, “Commitment and turnover”, “Communication issues”, “Executive selection”, “Previous experience”, “HR role”, “Leadership role”.

6.2 PRACTICAL AND THEORETICAL IMPLICATIONS

In the light of the analysis presented, it appears clear that the outcome of the integration is affected by all the categories identified. Besides this, on a closer observation, the interrelation among the categories and how they influence each other also becomes evident.

To provide a simplified graphical example (see Figure 4 below), the differences between the organizational culture of the two companies analysed, affected the actions of both HR (1) and management (2) as well as the kind of communication (3) that characterized the integration process. In the same way, the integration plan (4) must take into consideration and assess the different cultures before the process starts. Moreover, different cultures can give rise to conflict between the two groups of original employees. Some employees can resist having to learn new practices and work styles (5) and they can even start having defensive behaviors rejecting the integration (6).

Changes in the level of employees' commitment and an increased rate of turnover during the integration process may intensify the stress experienced by the employees and their resistance to change (7) that, in turn, can lead to further demotivation and consequent resignations (8). The fear of/ resistance to change can also accentuate the gap between the two cultures as people start perceiving that the other is more different than what they originally expected (9). This can also negatively affect the communication by generating rumors among employees (10). Another aspect that can generate negative feelings among the employees can be related to the criteria that the company used to select and appoint the new executive leadership (11). When most of the executive positions are covered by the leaders of one company, employees of the other company might feel neglected or at a disadvantage. The employees, especially those in managerial positions (12), can be scared of possible function overlap and consequent layoffs, and this may result in a negative effect on their commitment (13).

Communication issues, such as the lack of a structured communication or its wrong timing, can negatively affect employees' perception of the change, thus increasing their uncertainty and resistance (14). Employees may start feeling that they are not part of the change, but they just have to put up with it. This can cause demotivation thus, affecting their commitment (15). Communication can also negatively affect the integration plan and the employees' perception about its effectiveness (16). Even

when a well-structured plan is designed in advance and respected along the integration process, if it is not shared and well-communicated within the company and does not involve all the employees, this may undermine its effectiveness and progress. In addition, an effective communication strategy can help overcome conflicts created by the cultural clash (17).

Communication can also affect the role of both HR (18) and managers (19) for two reasons. First, if they do not receive much information from the top management, their margin of action is limited. Second, if the initiatives promoted by HR and by the leadership are not shared within the company, some employees may have a wrong perception of the HR and leaders' presence and involvement in the integration process. On the other hand, the communication is influenced by both HR (20) and leadership (21) since they are relevant actors in the communication process; they provide the support and information that employees needed during an organizational change.

The role of both HR and leadership during organizational change is paramount for several reasons. Besides acting as role models, their actions can help reduce employees' resistance (22; 23) by providing the assistance and the psychological safety they need during this critical process. To achieve this goal they can organize teambuilding, meetings and other initiatives aimed to both listen to people and share knowledge, thus also reducing conflict between different culture (24; 25). They can also leverage on retention policies to improve employee's commitment and reduce the unnecessary turnover (26; 27). Besides this, both HR and leaders play a pivotal role in the implementation and monitoring of the integration plan (28; 29). Of course, since the strategic decisions of the company are usually taken by the top management, the leadership also influences what HR can or cannot do (30).

In the same way, the presence of an integration plan and its characteristics have a great influence on the other categories. First of all, it has to be sensitive to the different organizational cultures (31). Then, it should include an effective communication strategy (32) and contemplate a list of executive leadership's actions (33), and HR policies (34) such as training and retention policies (35). The plan can also be influenced by the experience that the company may have gained during previous integration processes (36).

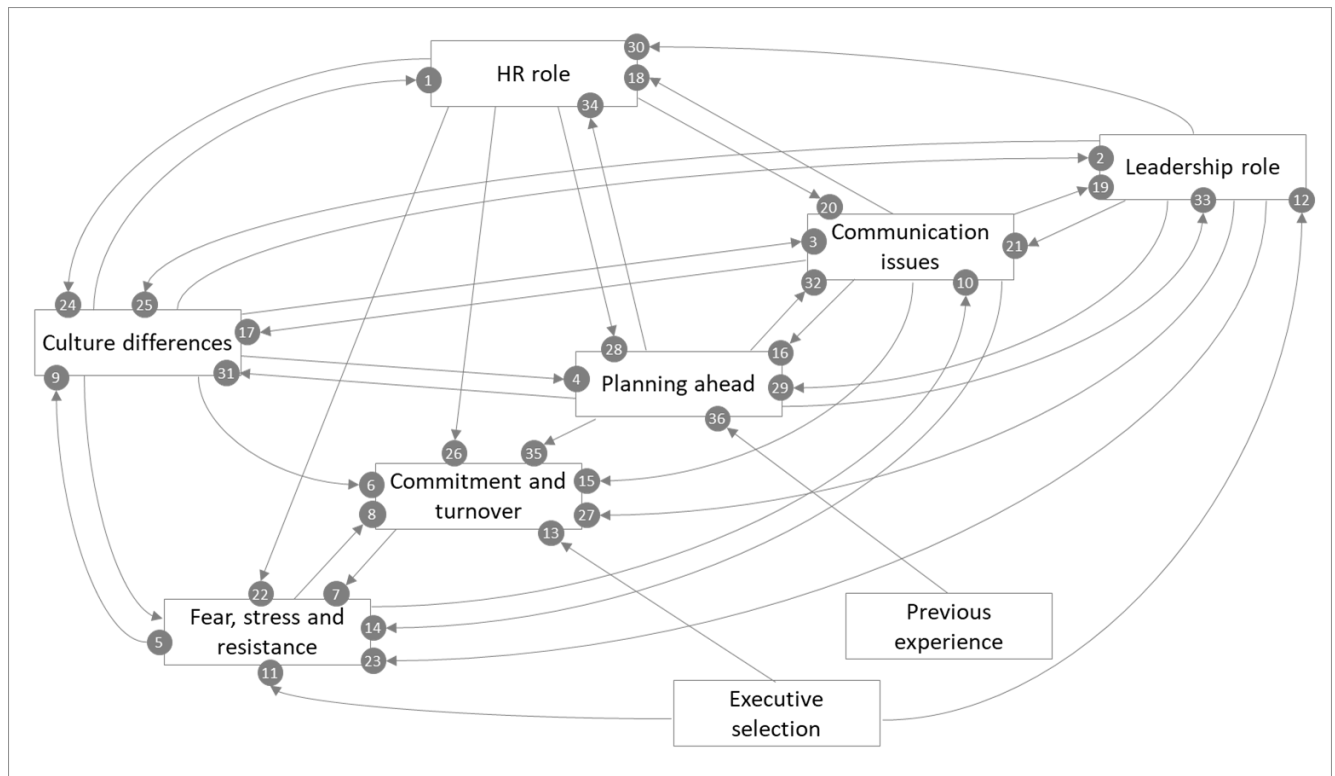


Figure 4 – Integration categories interdependence

In light of the above, it is evident that underestimating the impact of one factor on the integration process, even if apparently of low influence, can produce a domino effect by influencing other aspects of the integration, thus amplifying the negative impacts on the outcomes. For this reason, it is paramount to dedicate the right time to the design, implementation and monitoring of the well-structured integration plan.

In the case analyzed, the apparent absence of a well-structured plan, especially in the first stages of the process, negatively influenced the employees' perception of both HR and leadership actions that were perceived as belated and not well-organized and equally directed to all the employees. Furthermore, all the issues that emerged during the process, from the stressed differences between the cultures to the skeptical attitude and negative reactions of the employees, were consequences of a gap in the communication process, which is one of the most relevant aspects of the integration plan. Therefore, the case study sets out findings to confirm what was stated by Venema (2015), Weber (2015), Paul and Berry (2013), Floud and Corner (2002) about the integration plan. A successful post-

merged organization can be achieved by implementing a well-structured integration plan taking into consideration the following points:

- It must clearly define the strategic justification for the integration and the goal the companies want to achieve by merging themselves;
- It is important for the integration plan to be sensitive to the organization and culture of both companies. It should be avoided to impose standards, values and people of one company on the other as it might lead to accentuate the differences between them. A pre-merger culture survey can be helpful to determine the progress of the culture integration and identify the areas that need more attention;
- The plan should address all the legal and operational actions that must be implemented immediately following the merger. They usually are administrative tasks to be accomplished, such as ensuring that the payroll and benefits of the company's employees are not interrupted, and each activity must be coordinated with the others;
- It must include an effective communication strategy. This can relieve part of the anxiety experienced by the parties involved due to the change and reassure both internal and external stakeholders. It implies continuous communication of the executive leadership about vision, strategy and core values through open conversations with all employees about the roadmap to post-merged success. The communications should be based on feedback that must be solicited and involve all the employees;
- The plan should contemplate a list of executive leadership's actions in order to plan, implement and motivate change and collect inputs and reactions of employees before launching any major initiatives;
- It should envisage specific HR practices such as training employees to deal with conflict and with new assignments during the integration and adjusting practices such as recruiting, reward and labour relations to the new situation. It is important to continue development and training during the post-merger period to learn about unexpected problems and conflicts and how to deal with new challenges and also for adopting and controlling the new practices and routines that differentiate the merged company;

- The plan should address how the benefits of the merger are going to be attained and describe each step that must be accomplished in order to achieve the goals. It should include a timetable for accomplishing the steps and assign responsibility for each of them. In this phase, coordination is extremely important to leverage benefits across all the areas;
- Companies often begin the integration process with aspects of the integration plan that pose the least amount of disruption to the other company and leave the more controversial aspects of the plan after the first better understands the business, operations and personnel of the second.

Another relevant point that emerged from the research, that is directly linked to the perceived absence of an integration plan, is the reason why the company would not seem to have applied its experience of previous integration processes. As a matter of fact, the company had gained considerable experience over the years by integrating other companies. Although the previous processes seemed to be characterized by a better planning, organization and effort by the part of HR, the company did not apply this experience to the integration of BETA. The reason why this happened was probably due to the fact that the previous experiences were related to the integration of acquired companies, while BETA was a company already belonging to the same holding. Therefore, this integration was actually an internal change of the organizational structure and the company did not follow the same process of the previous integrations.

The complexity of this integration was not assessed as it should have been because BETA was identified as a business line of the “same company” and hence top management did not expect to face all the difficulties that commonly occurred during the integration of other companies. This was the reason why top management did not prepare a structured integration plan before starting the process, encompassing all the relevant aspects to manage along the different phases. The assumptions underlying the decision were misleading. The perception of similarity given by the fact that the companies belonged to the same group, acted like a blindfold that did not allow top management to see the specificity of the integration with the necessary depth. Moreover, the perception of similarity also probably influenced the decision regarding the expected rapid pace of the integration, which in fact only amplified the downside of the process.

When dealing with mergers and acquisitions of external companies it is quite obvious for top management to expect the occurrence of culture clashes and conflict since the differences are more evident. For this reason, the companies usually organize the integration process in a way to plan each step and be prepared for any issue that may come up. On the contrary, although integrating different companies of the same group may seem an easier process in comparison with the integration of external entities, it entails the same inconveniences and troublesome problems related to any integration and they must not be underestimated. When the perceived similarities of the companies seem to be more relevant than the differences, they could hide important details that might seem small at a first sight, but that may result in significant negative impact on the integration outcome.

In light of the above, the case study offers a great potential for meaningful learning that can help managers who must make similar decisions, to avoid jumping to conclusions without questioning the underlying assumptions.

6.3 SUGGESTIONS FOR FUTURE RESEARCH

This study widened the existing research on post M&A integrations and can be used as a reference for future researches in the field of strategy management and corporate governance. It can be useful to better understand the main characteristics of the human factor and how they can determine the success or failure of integration processes between companies.

Due to the peculiarity of the case, the study opened new paths of analysis about the integration of companies belonging to the same holding. Given the limited number of these specific cases, the theme was still not well analyzed by the existing literature.

Since this study only examined one organization, comparisons with one or more other organizations could be insightful. In particular, it might be interesting for future researches to focus on the presence and the characteristics of the integration plan, especially how it was structured and what was envisaged in terms of integration speed, communication strategy and human resources management.

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8. ANNEX

ANNEX A – SCRIPT INTERVIEWS (ENGLISH VERSION)

a) Respondent Profile

1. What is your role in ALFA/BETA? How long have you been working in the company?

b) Organizational culture and integration

2. What are the differences and similarities between ALFA and BETA organizational culture? Provide examples.
3. Do you think they are two compatible cultures or not? Why? What were the biggest challenges you faced during the integration?
4. Were the cultural differences between the two firms assessed before the merger or did they emerge during the integration? Did the perception of these differences change during the integration? Talk about it.
5. What were the effects and consequences (both negative and positive) of the cultural differences? When did these arise and what do you think were the main causes?
6. What kind of action was taken to prevent or minimize the negative effect and/or manage cultural differences? In which phases of the process? How did employees react?
7. Do you think the organizational culture and identity (sense of belonging) was a relevant aspect for the employees? Why?
8. In your opinion, what was the most important aspect of your company's culture and what would you bring from the other company?
9. Which kind of cultural integration was achieved? Do you think one of the two organizational cultures prevailed? Which one? Why?
10. How was acculturation managed and how did employees react? Was it successful? How was employees' adaptation to the new culture?

c) Integration plan and speed: designing and managing integration

11. Was an integration plan prepared by the leadership before or during the integration? What did the plan envisage? Was it respected during the integration process? Were the proposed goals of the merger clearly stated in the plan and shared within the organization?
12. Did the companies elect a responsible person or committee, directly involved in the integration, to follow the compliance, development and changes in the plan? Explain who was in charge and the composition of the team.
13. When did the integration plan start and how long did the integration process take? What was integrated with a high speed and what took more time to be integrated?
14. Which degree of autonomy was left to both companies? What was integrated and where they could maintain a certain degree of autonomy?

d) M&A Integration challenges key to success

15. Were the companies different in size and performance? How did it affect the integration process?
16. Was there complementarity between resources and processes of the two firms? Were there any overlaps between the functions? Which kind of positive and negative effects did these overlaps have on the integration?
17. Did the firms have previous merger experience? Did they use it in the merger between ALFA and BETA? Which kind of effect (positive and negative) did it have on the integration process?
18. Previous experience was used without adaptation or was it used after analysing the specificities of this merger and adapting experience to this specific context? Explain/elaborate/ give examples.

e) Resistance to change

19. Was there any kind of resistance to change among the employees during the integration process? Provide details. In your opinion, what were the causes of this resistance?
20. How did employees manifest this resistance? Were they unwilling to support or accept the proposed changes or scared of changing routines and processes they knew? Explain actions and behaviour.
21. What action was taken to prevent, minimize or manage the resistance to change? Did leaders have a supporting approach based on transparency explaining the potential benefits of the change or did they have a different approach? How was the employees' reaction to these actions?
22. Were these actions successful? Explain the effect and how it was analysed.

f) Uncertainty and employee expectations

23. Did employees experience uncertainty? How did they manifest it, and which were the main causes?
24. Which kind of expectations did they have about the merger? How did they manifest them?
25. Did employees' see the change as an opportunity or a threat? Did they trust in management?
26. How corporate environment was affected by employee uncertainties and expectations? Did they have positive or negative effects?
27. What kind of actions were undertaken by the management to prevent or minimize uncertainty and manage employees' expectation? Did it try to create a perception of justice and fairness? How?
28. Did uncertainties and expectations change according to the hierarchical level or involvement in the process? Talk about it.
29. Do you think that uncertainties and expectations changed during the integration process? Explain how and why.

g) Commitment

30. How was employees' commitment before and during the integration process?
31. What actions were taken by the organization to maintain or increase the level of commitment of employees?
32. In what way do you think employee's commitment effected the success or failure of the integration process? Talk about it.

h) Stress

33. Did employees experience any level of stress and anxiety? Talk about it.
34. What kind of physical, behavioural or psychological manifestation did they have?
35. In your opinion, what were the main causes of this stress?
36. What were the consequences and threats for the company?
37. Were there differences in stress levels between ALFA and BETA employees? Explain why.
38. What kind of actions were undertaken by the company to prevent or minimize stress and anxiety?
39. Has the level of stress changed during the stages of the integration process? Have the organization's actions also changed according to the stages? Explain how.

i) Turnover

40. How did the merger effect employees job satisfaction and turnover rate? How did it change during the different stages of the integration process?
41. What were the reasons why employees chose to stay or leave the company?
42. Was employees' turnover positive (necessary loss) or negative (loss of necessary employees) for the company? Why?
43. What kind of actions were undertaken by the company to prevent or minimize turnover rate and increase job satisfaction?

j) Employee retention

44. Was the organization concerned to retain key employees? How did it identify them?
45. What kind of retention strategies were undertaken by the management?
46. What were the biggest difficulties faced in retaining these employees?

k) The role of communication

47. What do you think about communication? What kind of benefits can it bring in the integration process and what are the biggest challenges the company can face?
48. In your opinion, what is effective communication in this kind of process? What do you think can be the best way to manage the communication?
49. In your opinion, how much an effective or non-effective communication can help or hinder the success of the integration process?
50. What kind of communication did the company have during the integration process? Was it formal or informal? Was information regularly shared and in multiple way or was communication characterized by lack of information? How did it change during the integration process?
51. Was a communication strategy planned before the merger and respected during the integration? Was it a unified communication involving actors of both companies?
52. Did the company communicate exactly everything or did it need or choose to omit some information? Why?

53. What effects and consequences did communication about the integration's progress have on both companies' employees? Were there differences between the two teams?

l) Decision making: need of synergies to effective integration

54. Which kind of interaction did the two companies had during the different phases of integration? What was the intensity and frequency of this contact during each phase?
55. Was decision making process managed by both companies or one of them was predominant to coordinate decisions and activities, impose standards and make crucial choices?
56. Do you think that cultural differences between the companies affected the decision-making process? How?

m) Human Resources development and training

57. What was the HR managers' role in the integration process? Were they involved since the beginning? Did their role and approach change during the integration? Talk about it.
58. Did they create a unified plan about staff needs approved by both parts? Did they encourage cultural diversity (different points of view, different perceptions of what is right and wrong, fair and unfair evaluation, pay, benefits, high and low workload, etc) or stimulate the interaction between the two teams? How?
59. Was employees' development and training part of the integration plan? How did it change during the different phases of the integration?
60. Did HR perform specific practices related to the integration? Did they provide training to deal with cultural issues and cultural integration? Did they have the level of autonomy to deal with integration specific issues? Talk about it.

n) The relevance of leadership's role

61. Was the new executive leadership appointed before or after the merger? Based on what kind of criteria? Were members of both companies involved?
62. What were the roles and challenges of the executive leadership? Did they change according to the stages of the integration process? In your opinion, which was the most challenging stage of the integration and why?
63. In general, how would you describe the type of leadership that characterized the integration process? Describe personality, behaviour and approach.
64. Was the leadership visible, strong, cohesive and involved in all the stages of the process? Do you think it was aware of people and organisational culture issues and able to deal with competing priorities? Talk about it.
65. Did leaders assess the culture at the beginning of the integration? How did they manage cultural issues?
66. What kind of actions did leaders undertake to blend people of different corporate cultures and reduce the distance? Did they encourage socialization? How?

67. What were the effects generated by leaders' actions? How did they influence the organizational climates? Did they succeed in reducing conflict and "connect" the companies? How? What do you think they should have done better?

o) Final evaluation

68. In your opinion, did the integration of the two companies was successful in terms of human factor? Why?

69. Would you have done anything different? What? Why?

70. In your opinion what would you do to fix or correct the problems of the integration process? Can they all be fixed? Looking ahead would you do anything differently from now on? What? How?

ANNEX B – SCRIPT INTERVIEWS (PORTUGUESE VERSION)

a) Perfil do entrevistado

1. Qual é sua função na empresa? Ha quanto tempo trabalha na ALFA/BETA?

b) Cultura organizacional

2. Quais as diferenças e semelhanças entre as culturas organizacionais da ALFA e BETA? Explique com exemplos.

3. Acredita que ambas as culturas são compatíveis ou não? Por quê? Quais os maiores desafios que você enfrentou durante a integração?

4. As diferenças culturais entre as duas empresas foram avaliadas antes da fusão ou surgiram durante a integração? A percepção dessas diferenças mudou durante a integração? Fale sobre isso.

5. Quais foram os efeitos e consequências para a empresa (tanto negativas quanto positivas) devido a essas diferenças culturais? Quando surgiram e quais você acha que foram as principais causas?

6. Que tipo de ação foi tomada para prevenir ou minimizar o efeito negativo e / ou gerenciar as diferenças culturais? Em quais fases do processo? Como reagiram os funcionários?

7. Você acha que a cultura e a identidade organizacional (noção de pertencimento na empresa) era um aspecto relevante para os funcionários? Por quê?

8. Na sua visão, qual era o aspecto mais importante da cultura da sua empresa e o que você integraria da outra empresa?

9. Qual o tipo de integração cultural alcançada? Você acha que uma das duas culturas organizacionais prevaleceu? Qual? Por quê?

10. Como foi realizada a gestão da aculturação entre os funcionários e como eles reagiram? Ocorreu com sucesso? Como foi na prática a adaptação desses funcionários a essa nova cultura?

c) Plano de integração e velocidade: desenho e gestão da integração

11. A liderança preparou um plano de integração antes ou durante a integração? O que o plano prevê? Foi respeitado durante o processo de integração? Os objetivos e as motivações para essa integração foram claramente definidos no plano e compartilhados dentro da organização?
12. As empresas elegeram uma pessoa ou um comitê responsável, diretamente envolvido na integração, para monitorar conformidade, desenvolvimento e mudanças no plano? Explique quem foi eleito e como o comitê era composto.
13. Quando começou o plano de integração e quanto demorou o processo de integração? O que foi integrado com mais rapidez e o que levou mais tempo para ser integrado?
14. Qual grau de autonomia foi deixado para ambas as empresas? O que foi integrado e onde elas mantiveram um certo grau de autonomia?

d) Desafios chave para o sucesso da integração

15. As empresas eram diferentes em tamanho e performance? Como isso afetou o processo de integração?
16. Existia uma complementaridade entre os recursos e os processos das duas empresas? Havia alguma sobreposição entre as funções? Que tipo de efeitos positivos e negativos teve sobre a integração?
17. As empresas possuíam experiências anteriores de fusão? Elas aplicaram esta experiência na integração entre a ALFA e a BETA? Qual tipo de efeito (positivo e negativo) teve no processo de integração?
18. A experiência anterior foi utilizada sem adaptação ou foi aplicada depois ter analisado as especificidades dessa integração e adaptada ao contexto específico? Explicar / elaborar / dar exemplos.

e) Resistência

19. Verificou-se algum tipo de resistência dos funcionários em relação as mudanças no processo de integração? Apresente detalhes. Em sua opinião, quais foram as causas desta resistência?
20. Como os funcionários manifestaram essa resistência? Eles não queriam apoiar ou aceitar as mudanças propostas ou estavam com medo de mudar as rotinas e os processos que eles já conheciam? Explique ações e comportamentos.
21. Que tipo de ações foram tomadas para prevenir, minimizar ou gerir a resistência dos funcionários? Os líderes ajudaram os funcionários com uma abordagem baseada na transparência, explicando os benefícios potenciais da mudança ou eles tiveram uma abordagem diferente? Como essas ações foram recebidas pelos funcionários?
22. Essas ações da liderança surtiram o efeito esperado? Explique o efeito e como foi analisado.

f) Incertezas e expectativas

23. Verificou-se incerteza entre os funcionários durante o processo de integração? De que forma eles demonstravam esta incerteza e quais foram as principais causas?

24. Quais foram as expectativas em relação à integração demonstradas pelos funcionários? De que forma eles demonstravam as expectativas?
25. Os funcionários perceberam a mudança como uma oportunidade ou uma ameaça? Eles confiaram na liderança?
26. Como permaneceu o ambiente corporativo devido às incertezas e expectativas dos funcionários? Eles tiveram efeitos positivos ou negativos?
27. Que tipo de ações foram tomadas pela liderança para prevenir ou minimizar a incerteza e gerenciar as expectativas dos funcionários? A empresa tentou gerar uma percepção de justiça entre eles? Como?
28. As incertezas e as expectativas variaram de acordo com o nível hierárquico ou de envolvimento no processo de integração? Fale sobre isso.
29. Você acha que as incertezas e as expectativas mudaram durante o processo de integração? Explique como e por quê.

g) Comprometimento

30. Qual era o nível de comprometimento dos funcionários antes e durante o processo de integração?
31. Quais ações foram tomadas para manter ou aumentar o nível de comprometimento dos funcionários?
32. De que forma você acha que o comprometimento dos funcionários facilitou ou prejudicou o processo de integração? Fale sobre isso.

h) Estresse

33. Verificou-se algum nível de estresse e ansiedade nos funcionários? Fale sobre isso.
34. Que tipo de manifestações, sejam físicas, comportamentais ou psicológicas foram visualizadas nos funcionários?
35. Em sua opinião, quais foram as principais causas desse estresse?
36. Quais foram as consequências e ameaças para a empresa?
37. Havia diferenças nos níveis de estresse entre funcionários da ALFA e BETA? Explique porquê.
38. Que tipo de ações foram realizadas pela empresa para prevenir ou minimizar o nível de estresse e ansiedade?
39. O nível de estresse mudou de acordo com os estágios do processo de integração? As intervenções da organização também se alteraram de acordo com os estágios? Explique como.

i) Rotatividade

40. A fusão das empresas afetou a satisfação e o índice de rotatividade dos funcionários? Como isso mudou de acordo com os estágios do processo de integração?
41. Quais foram os motivos alegados pelos funcionários para escolherem sair ou permanecer na empresa?
42. O turnover foi positivo (perdas necessárias) ou negativo (perda de funcionários necessários) para a empresa? Por quê?

43. Que tipo de ações foram realizadas pela empresa para prevenir ou minimizar a taxa de rotatividade e aumentar a satisfação dos funcionários?

j) Retenção de funcionários

44. A empresa se preocupou em manter os funcionários importantes? Como identificou estes funcionários?
45. Que tipo de estratégias de retenção foram realizadas pela liderança?
46. Quais foram as maiores dificuldades enfrentadas para manter esses funcionários na empresa?

k) Comunicação

47. O que você acha da comunicação? Que tipo de benefícios pode trazer durante um processo de integração e quais são os maiores desafios que a empresa pode enfrentar?
48. Em sua opinião, como deveria ser uma comunicação eficaz em um processo como esse? Qual você acha que seria a melhor forma de gerenciar a comunicação?
49. Em sua opinião, quanto uma comunicação eficaz ou não pode ajudar ou dificultar o possível sucesso do processo de integração?
50. Que tipo de comunicação a empresa teve durante o processo de integração? Era formal ou informal? As informações eram compartilhadas regularmente e de múltiplas formas ou a comunicação era caracterizada pela falta de informação? Como isso mudou de acordo com os estágios do processo de integração?
51. A estratégia de comunicação foi planejada antes da fusão e respeitada durante todo o processo de integração? Foi uma comunicação unificada que envolveu ambas as empresas?
52. A empresa comunicou exatamente tudo ou precisou ou preferiu omitir algumas informações? Por quê?
53. Quais foram os efeitos e as consequências da comunicação sobre o progresso da integração nos funcionários de ambas as empresas? Havia diferenças entre as duas equipes?

l) Tomada de decisão: necessidade de sinergias para uma integração eficaz

54. Que tipo de interação tiveram as duas empresas durante os diferentes estágios da integração? Qual foi a intensidade e a frequência desta interação durante cada estágio?
55. O processo de tomada de decisão foi gerido por as duas empresas ou uma delas era predominante em coordenar as atividades, impor padrões e tomar decisões importantes?
56. Você acha que as diferenças culturais entre as empresas afetaram o processo de tomada de decisão? Como?

m) Desenvolvimento e treinamento dos Recursos Humanos

57. Qual foi o papel dos gerentes de RH no processo de integração? Eles foram envolvidos desde o início do processo? O papel e a abordagem dos gerentes de RH mudaram durante o processo de integração? Fale sobre isso.

58. Eles criaram um plano unificado sobre as necessidades dos funcionários aprovado por ambas as partes? Incentivaram a diversidade cultural (diferentes pontos de vista, diferentes percepções do que é certo e errado, avaliação justa e injusta, remuneração, benefícios, carga de trabalho alta e baixa, etc.) ou estimularam a interação entre as duas equipes? Como?
59. O desenvolvimento e o treinamento dos funcionários fazia parte do plano de integração? Como isso mudou de acordo com os estágios da integração?
60. Os gerentes de RH realizaram atividades específicas relacionadas à integração? Forneceram aos funcionários o treinamento para lidar com os problemas culturais e da integração? Você acha que eles tinham o nível de autonomia necessária para lidar com questões específicas de integração? Fale sobre isso.

n) Relevância do papel da liderança

61. A nova liderança executiva foi nomeada antes ou depois da fusão? Com base em que tipo de critérios? Os líderes de ambas as empresas foram envolvidos?
62. Quais foram os papéis e os desafios da liderança executiva? Eles mudaram de acordo com os estágios do processo de integração? Em sua opinião, qual foi o estágio da integração mais desafiador e por quê?
63. Em geral, como você descreveria o tipo de liderança que caracterizou o processo de integração? Descreva personalidade, comportamento e abordagem.
64. A liderança era visível, forte, coesa e envolvida em todas as fases do processo? Você acha que estava ciente das pessoas e dos problemas de cultura organizacional e capaz de lidar com diferentes prioridades? Fale sobre isso.
65. Os líderes avaliaram a cultura no início da integração? Como eles gerenciaram os problemas culturais?
66. Que tipo de ações foram tomadas pelos líderes para unir as pessoas de diferentes culturas corporativas e reduzir as distâncias entre eles? Incentivaram a socialização? Como?
67. Quais foram os efeitos gerados pelas ações realizadas pelos líderes? Como eles influenciaram o clima organizacional? Conseguiram reduzir os conflitos e "conectar" as empresas? Como? O que você acha que eles deveriam ter feito melhor?

o) Avaliação geral

68. Em sua opinião, a integração das duas empresas ocorreu com sucesso em relação ao aspecto humano? Por quê?
69. Você teria feito algo diferente? O que? Por quê?
70. Em sua opinião, o que você faria para corrigir os problemas do processo de integração? Eles podem ser corrigidos? Olhando para a frente, você faria algo diferente de agora em diante? O que? Como?