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**"M&A INTEGRATION AS ORGANIZATIONAL CHANGE**  
**PROCESS: RESIST OR COMMIT? EVIDENCE OF A**  
**RECURSIVE MODEL FROM A CASE STUDY."**

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## INTRODUCTION

Mergers and Acquisitions (M&As) are a relevant phenomenon in the global economic scenario, as proven by the amount of \$4.7 trillion as total value of deals signed in 2015 (KPMG, 2016; Deloitte, 2016).

M&As have been studied by scholars, consultants, companies and public institutions. In the academic world, M&As have been analysed from several points of view, showing that they are characterized by a high degree of complexity, which makes their success rather challenging to predict and achieve (King et al, 2004; Meglio and Risberg, 2011), even though researchers of finance, strategy, organizational behaviour and process fields (Bauer & Matzler, 2014) have tried to find the “success recipe”.

In this complex system, integration is the last phase of M&As and is particularly important because it is when value is created rather than simply captured (Haspeslagh and Jemison, 1987). This absolute relevance of integration is recognized also by the business world in order to realize the M&As expected value (KPMG, 2016).

This work aims at better understating the integration process, opening the so-called “black box” of integration (Teerikangas and Very, 2006).

To do so, the analysis proposed and the case study presented will focus on the dynamics that develop during the integration period, developing a research about the dynamics of processes involving individuals and teams of the two organizations involved.

Therefore, starting from an overview of the integration literature, which studies integration dynamics between the two organizations involved at overall level, there will be a particular focus on group dynamics. To do so, organizational change studies will be combined with integration literature, in an attempt to contribute to the existing literature, since integration has been defined as the most dramatic form of organizational change (Hogan & Overmyer-Day, 1994).

To build the findings of this work and answer to the research question, the field research has been fundamental in order to understand how the dynamics described in theoretical terms can appear in a real context. The case study is about a post-acquisition integration, limited to the HR (human resource) function process in the first 100 days after the deal closing. The case study presented is explorative and longitudinal, with the peculiarity of the use of participant observation as one of the data collection methods.

The findings are presented in the form of a conceptual model that is proposed in order to describe how employees of the acquired company, in the role of change recipients, interact with an integration team, in the role of change agent, during the integration.

The structure of this work is organized as follows:

- The first chapter presents an overview on the M&As in the economic scenario, presenting the main motivations that drive to realize them and showing the several phases of the M&A process;
- The second chapter focuses on integration, a dialectic process in which the two organizations involved, but also their members, interact with subsequent actions and reactions;
- The third chapter is composed by the case study context and narration, together with the explanation of the methodology employed;
- The fourth chapter includes the case analysis, presents the findings in the form of a conceptual model, highlights contributions to existing literature, limitations and opportunities for further research and in the end managerial implications.

## **AN OVERVIEW ON MERGERS AND ACQUISITIONS**

### **1.1 Introduction**

Merger and acquisitions (M&As) are means for companies to pursue inorganic growth (Trautwein, 1990) and in a competitive environment such as nowadays scenario, growth is essential for firms to overcome competitors and achieving good market positions.

A merger is defined as “the joining of two independent companies to form a combined entity” (Rothaermel, 2015: 278), while an acquisitions consists in “the purchase or takeover of one company by another” (Rothaermel, 2015: 278) and it can be friendly, if the acquired firm agrees on the takeover, or, if not, unfriendly.

The M&A phenomenon started to develop in the beginning of the 20th Century and has occurred in waves over the time (Martynova & Renneboog, 2008). It has been studied by scholars, consultants, companies and public institutions since it has a relevant role in the global economic scenario. Focusing on research performed by academia, several perspectives have been used to analyse M&As. Finance, strategy, organizational behaviour and process perspectives are the main four (Bauer & Matzler, 2014).

An overview of M&As will be presented in this chapter, starting from data provided mainly by consulting companies, which help to have some ideas about the size of this phenomenon and the current M&A trends specific of the main sectors at global level.

Then, a description of the motives that induce companies to start M&A projects will be presented, following the synthesis by Haleblian and colleagues (2009) with regards to the relative academic literature.

In the last part of the chapter, the M&A process will be described through its phases and the main drivers of M&A success will be highlighted for each phase of the process.

The chapter will end with some final considerations about the complexity of the research in this field.

## **1.2 M&A Trends**

According to KPMG (2016) and Deloitte (2016), M&A deals signed in 2015 in total had a value of \$4.7 trillion, a significant increase given the \$3.4 trillion of 2014.

Analysing the worldwide M&A activity of the last 25 years, a BCG report (Kengelbach et al., 2015) shows that companies that make acquisitions are characterized by higher growth rate in revenues and this rate tends to increase with the frequency of acquisitions that a company performs over the time. Acquiring firms have higher revenue growth not only in the short-term, but also considering a longer time period. As for the EBITDA growth rate of acquiring companies, data show that it is higher than non-acquiring firms, even if with lower values with respect to revenues growth. This result seems consistent with the idea that gaining profitability from M&As is complex and many obstacles can be found.

Taking into consideration the results of the 2016 Capital Confidence Barometer (Ernst&Young, 2016), which observes deal making intentions at a global level, 50% of the executives involved in the study declared their willingness to make acquisitions in the following year. With respect to the previous survey (October 2015), deals are expected to have higher overall value (51% of the deals are expected to be higher than US\$250m, while in the previous report this percentage was 29%).

From a worldwide perspective, the 19th annual Global CEO survey published by PwC (2016) shows the 27% of CEOs plan to complete a domestic M&A, while 24% a cross-border M&A. The top destination is US, followed by UK, India, China and Germany (Ernst&Young, 2016). In this scenario North America results to be the most active area of the world. Focusing on US market, a KPMG report (2016) shows the expectations of more than 500 M&A professionals. Their intention to close deals in 2016 are increased with respect to the past year in terms of number of acquisitions. Also Deloitte (2016), which reports the expectations of US companies and private equity firms, shows that in 2016 the expectations go towards the same pace. For US companies, Deloitte (2016) indicates that top destinations where to find targets are, after US itself (79%), Western Europe (21%), North America (excluding US, 13%), China, India and the rest of Asia (between 10% and 11% each).

So, from this overview it is clear that M&As are a relevant phenomenon in the economic scenario and, despite US is the leading country, also other areas of the world are increasingly being involved in cross-border M&As.

According to executives interviewed by BCG (Kengelbach et al., 2015) and by KPMG (2016), expected value is realized in M&As first of all if there is a well-executed integration plan, then also a correct valuation and an effective due diligence plan provide a key contribu-

tion; as for market conditions, they play a limited role. The importance of strategic fit in the target selection is highlighted as the most important criterion by KPMG report (2016), followed by growth potential, target's valuation and return on investment. As for market conditions, the scenario of low economic growth and low market volatility is seen by executives as favourable for M&A success.

Strategic goals are realized in the moment of the deal closing, but for financial goals a subsequent effort is required, even more for operational goals, in particular in case of transformational deals, where the integration becomes even more crucial (PwC, 2014).

According to a Deloitte report about integration (2015), one third of the US executives interviewed reported that the integration was not successful. The first reason for failure is given by unexpected problems that impede a smooth transition. From the analysis of failed integrations (Roland Berger, 2015), the main causes are lack of synergy management, incomplete integration and problems in organizational cultures compatibility. Executive leadership support, involvement of management of both the entities and early integration planning are seen as the key factors for a successful integration. This last element is a key activity also according to PwC findings (2014). Moreover, the three top concerns for acquirers are linked to change management issues, quality and timeliness of data and capability of the management team.

The effort to learn from past integrations is a common element in the large majority of the US companies. IT, change management, human resources and communication are seen as the areas that need more improvement in terms of integration skills (PwC, 2014). In general, keeping the right pace, using a phases approach and improving the communication strategy are the three aspects to which the executives interviewed committed to for future integrations.

In conclusion, M&As appear to be really widespread in the business environment, across sectors and countries. The point of view of executives shows that the phenomenon is recognised as complex and, despite the several risks and difficulties, it is still a key tool for strategic moves.

### **1.2.1 M&A trends in the main sectors**

A common tendency observed by KPMG (2016) having an overall view on all sectors is that US companies start M&A projects because they look for new lines of business, new customers and geographical expansion. These factors are signals of a renewal of companies' strategies. In fact, the reason for M&As provided by US companies one year before was simply linked to the consolidation of the competitive position. Independently on the industry, the main perceived obstacle is the valuation disparity between buyers and sellers negotiating M&A deals.

However, the rationale that induces companies to start M&A processes depends in large part on the industry in which they operate. Looking at the analysis of KPMG (2016) of sector-specific motivations for M&As in the US context, some insights help to understand in which way such a phenomenon can be different in terms of drivers and challenges from industry to industry.

The technology sector has been the hottest in the last years considering both the number of deals and the value premiums (Kengelbach et al., 2015). In 2016 it is expected to be the top industry for M&A too (Deloitte, 2016). Data analytics, cloud, internet of things and security are reported as the main drivers for M&A activity for 2016. On the other hand, retaining and keeping motivated key employees is one of the main challenge.

In pharmaceutical and biotechnology fields, another two top sectors for M&As, deals are driven by the need to acquire clinical research (sometimes also from small enterprises in the early stage) and because of key patent expiration. The alignment on post deal strategies is perceived as a potential problem that may create troubles.

M&As involving media and telecommunication companies are expected to be motivated by convergence of technologies, in particular leveraging the mobile/devices fields. At global level, primary drivers are market share expansion and customer reach (Ernst&Young, 2016). In this sector the issue of key employee retention constitutes a serious challenge.

In the consumer markets sector, product and service growth and consolidation of core businesses are seen as the main drivers of M&As, while finding suitable targets is highlighted as a challenge. In this sector buying existing brands is evaluated as a convenient strategy, both in case of domestic and foreign expansion. At global level, the necessary disruption of traditional approach to consumer products and in customer relationships, the rationalization of distribution networks and supply chain are elements that push companies towards M&A activities (Ernst&Young, 2016).

Need for consolidation of core businesses and persistence of lower oil prices are expected to foster M&As in the energy sector, in particular targeting cross-border companies. There is a need to find a new position in the marketplace, in the direction of renewable energy sources (Kengelbach et al., 2015), given the pressures from regulators and capital investors at global level. This may also lead to cross-sector M&As, involving technology and financial sectors (Ernst&Young, 2016). In this scenario however, the general economic environment is seen as a concern.

As for the financial sector, consumer growth drives M&As, while regulation seems to be a challenge.

Finally, in industrial manufacturing three main drivers are mentioned in KPMG report (2016): consolidation of the OE manufacturing base, the need for market access and the need to cut costs. Worldwide the technological revolution, including automation, robotics and 3-D printing development, is expected to encourage M&As that involve also the digital and technological sectors (Ernst&Young, 2016). On the side of the challenges, there is the difficulty to find a suitable target.

### **1.3 M&As and the reasons behind them**

After a broad overview of trends, leaders' opinions, an academic perspective will be provided on the M&A phenomenon. This paragraph will focus in particular on a literature review starting from the question: "why do firms make M&As?".

The reasons behind the decision to implement M&A strategies have been analysed in the past by many authors, since a clear understanding of such topic is fundamental to lead the M&A process consistently. This means that all the phases, especially the post-merger integration, will be better managed if the goal that has to be achieved is clear (Bower 2001; Trautwein, 1990).

Haleblian et al. (2009) tried to summarize in a systematic way the most important findings with regards to the motivations that push companies towards M&As. They grouped them in four main categories: value creation, managerial self-interest (value destruction), environmental factors and firm characteristics. A summary is provided in Figure 1.1.

Figure 1.1: Why do companies make M&As?



Source: Personal elaboration on the base of Haleblian and colleagues (2009)

### 1.3.1 Value creation

M&As can be realized for several value creation purposes. Increasing market power was considered by finance researchers a possible antecedent for M&As. Some evidence for this hypothesis was found in particular industries, namely the railway (Prager, 1992) and the airline (Kim & Singal, 1993) ones, since the stock price in the first case and the selling prices in the second increased after M&As. These cases present several similarities with what Bower (2001) categorized as “Overcapacity M&As”.

Another way to create value is connected to efficiency, which was proven to be relevant for M&As in the beginning of 20th century (Banerjee & Eckard, 1998). However not clear results emerge for later periods (see Kaplan & Weisbach, 1992; Klein, 2001).

From another perspective, following the resource-based theory (Grant, 1991), M&As can be seen as means to acquire new resources and capabilities and combining them with the existing ones in order to generate value. This motivation should be peculiar of related acquisitions, where more synergies can emerge from combining resources (King et al., 2004). Moreover, several studies aimed at understanding this M&A strategy (e.g. King et al., 2008), focused on horizontal acquisitions, where resource complementarity was proven to be particularly important for value creation. M&As can therefore become also means of innovation, as suggest-



ed by the results found by Karim and Mitchell (2000) about acquisitions in the U.S. medical sector, by Uhlenbruck, Hitt and Semadeni (2006), who studied internet-related innovation achieved through acquisitions and by Bena and Li (2014) looking at mergers between firms with patents. Also Lubatkin et al. (2001) supported this view, finding evidence of the influence of firms' resources on product market performance after M&As. One of the strategies indicated by Bower (2001), which is the "M&A as R&D", is in line with this perspective.

Another possibility for value creation is linked to market discipline. This idea comes from finance studies and is connected to the power of the market for what concerns the reward and punishment of managers. From this perspective, once a company is acquired, its non-performing management will be replaced or their compensation will be reduced (Agrawal & Walkling, 1994). This is a way for shareholders to defend themselves from top managers' opportunistic behaviours, which emerge from an agency relationship. This idea however is hindered by some studies which provide evidence to the hypothesis that firms with similar market-to-book ratio tend to do M&As with each other (and so with similar managers' ability to create value for shareholders), as observed by Haleblan et al. (2009) looking at a more recent study (Rhodes-Kropf & Robinson, 2008).

### 1.3.2 Managers' self-interest (value destruction)

Opportunistic behaviours of top managers, in line with what suggests the agency theory, can be a dangerous driver of M&As since they can lead to value destruction.

Evidence provided by several scholars (Harford & Li, 2007; Grinstein & Hribar, 2004; Bliss & Rosen, 2001) indicates that after acquisitions CEO's compensation increased.

The chance to increase the size of the company and their own power may induce CEOs to take into consideration M&As for their own interest. However, proper governance tools could be helpful for an alignment with the shareholders' interests. In support of this, Kroll et al. (1997) found that managed-controlled firms had negative returns (meaning the variations in the stock price movements after the M&A) from M&As with respect to firms controlled by either managers and owners, or just owners.

A recent study from Phan (2014) helps to develop research in this field. This study in fact found that returns after M&As were positively related with CEO's inside debt in the company, supporting the hypothesis that if CEOs have inside debt holdings in the company, they are less willing to undertake M&A projects that are too risky and do not contribute to value creation. The typical incentive to grow firm's size is therefore mitigated. Moreover, Cai and Vijh (2007) work about the relationship between stock options and M&As shows that an acquisition could be seen as a way for CEOs to unblock their stock options. In fact, if a change of

control occurs, CEOs' stock options usually become vested and so M&As can reduce the time CEOs have to wait for this type of compensation.

Another reason that can lead to value destruction is managerial hubris, as suggested by Roll (1986). According to Hayward and Hambrick (1997), the exaggerated self-confidence of CEOs makes them willing to pay higher premiums, not justified by rational reasons, instead of walking away from a deal that would not create value for the owners. Once again, the governance structures can be a way to overcome this risk.

### 1.3.3 Environmental factors

Also context-specific elements can play a role in decision making related to M&As.

Environmental uncertainty has been studied as a possible driver for M&As by some scholars, in particular considering the different influence that it may have on firms that had a diversification strategy and those which had an undiversified one (Bergh & Lawless, 1998). The intuition that low level of diversification led firms to increase it by starting M&As more than the other firms was confirmed.

Moreover, the role of antitrust laws and other forms of regulation that limit firms' actions in favour of shareholders' interests have been studied. Surprisingly, the results led to conclude that these interventions from legislators did not limit the willingness to make M&As (Matsusaka, 1996; Rossi & Volpin, 2004). Another study tried to understand the effect of laws in sin industries, typically much more regulated than others: in this context M&As are used with a diversification purpose (Beneish et al., 2008).

Always referring to environmental drivers of M&As, companies could imitate successful M&A first-movers (Stearns and Allen, 1996) or be influenced by M&A activity of firms with which they share interlocking directors and so belong to the same network (Haunschild & Beckman, 1998).

### 1.3.4 Firm characteristics

Some key characteristics of firms may provide another answer to why firms make M&As. In particular, acquisition experience seems to lead firms to replicate the same choices, in particular there is support to the hypothesis that companies tend to acquire firms with similar geographical and organizational profiles of the ones previously acquired (Baum, et al., 2000).

Another interesting case of influence on M&A behaviour of firm's characteristics is provided by Harzing (2002), whose study concludes that firms with a multi-domestic strategy are more willing to make acquisition with respect to the ones with a global strategy, which on the contrary prefer the greenfield entry mode when expanding geographically.

## **1.4 The M&A process**

After an overview about why firms decide to undertake M&As, the topic of how M&As are realized is now developed.

A merger or an acquisition is a process composed by several stages that have been studied by many scholars with the specific purpose of understanding the link with M&A success. The first authors to highlight the importance of the process were Jemison and Sitkin (1986), whose work was then developed by Haspeslagh and Jemison (1987). Their papers started from the consideration that the strategic decision to start a M&A project was not the determinant of M&A success or failure. In fact, how the process was developed was actually the way in which value could be created or destroyed.

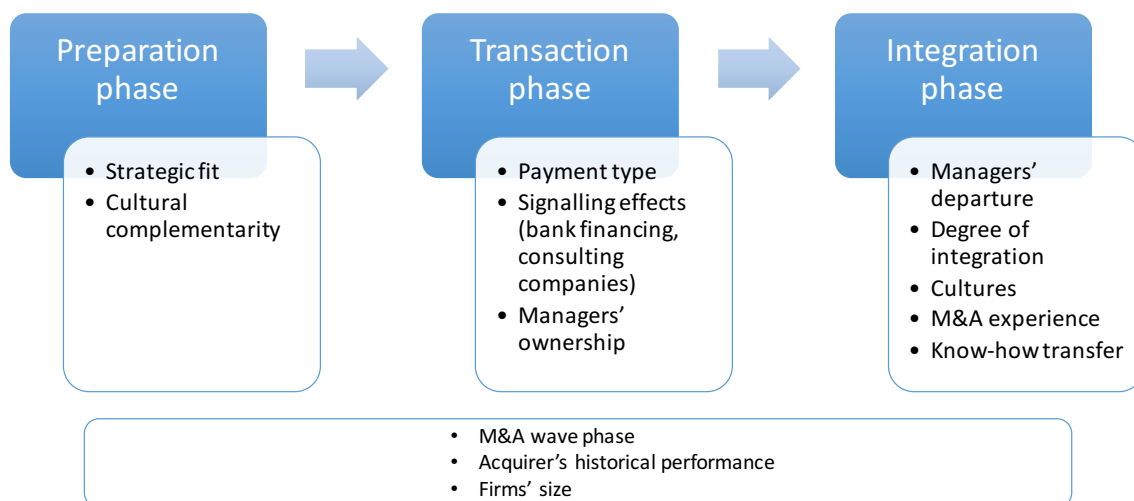
Studying the M&A process is not an easy task considering the time length, the organizations and people involved and the different and sometimes opposing interests that individuals are driven by. Haspeslagh and Jemison (1987) highlighted the difficulty of creating value, with respect to capturing value (thanks to the transaction itself). They also highlighted that each M&A has different characteristics according to many variables, such as the motivation, relatedness, the firms' characteristics, the degree of sharing and learning, the type of synergy and many others. This complexity makes difficult to find a set of best practices and to understand what are the main drivers of M&A success.

In an attempt to illustrate the M&A process, Meckl (2004), adopting a project management perspective, presents a three-phase structure composed by the following:

- preparatory phase
- transaction phase
- integration phase.

These phases will be described in the following pages, mentioning also some success drivers present in each of them according to the literature findings.

*Figure 1.2: The M&A process: phases and main drivers of success*



*Source: Own elaboration*

### 1.4.1 The preparatory phase

The first step of the preparatory phase includes the definition of the M&A strategy, so the rationale behind the project that the company wants to undertake. Once the company has opted for inorganic growth, therefore finding the drivers of growth in the external environment rather than developing internal project within the company (organic growth), it is necessary to look for the right target to acquire or the partner to merge with. Therefore, an analysis of the overall scenario is performed, sometimes with the help of external consultants that support top management decisions. It may be that some projects do not go to the next step, that is why, according to Meckl (2004), this phase is not really structured but rather characterized by informal communication channels. The author also suggests to involve somehow line managers that later on will be directly involved at operational level in the integration process. At the end of this phase, after a first selection of potential candidate targets, a company is chosen and an estimation of the deal value is performed.

Studying M&As involving German SMEs (small and medium enterprises), Bauer and Metzler (2014) found that strategic complementarity and cultural fit both have significant positive effect on M&A success (measured according to management opinions). This supports the need to take into consideration these two elements already from the first phase when selecting the target.

Another contribution comes from Rogan and Sorenson (2014), who found some interesting insights about M&A outcomes in case of common clients between acquiring and target firms. According to their research in the global advertising industry in the 1990s and early 2000s,

the probability of acquisitions is higher for companies with common clients. However, in the post-acquisition phase, the revenues per client coming from the common clients decrease and there is also a significant more rapid loss of those common clients. They concluded that there may be a selection bias that leads companies to sub-optimal outcomes, since companies tend to look for potential targets in their network and tend to exclude companies more distant from them, even they could generate better results. This is consistent the findings of BCG (Kengelbach et al., 2015) and KPMG (2016), which report that executives recognize the crucial role of the due diligence process.

#### 1.4.2 The transaction phase

The transaction phase starts with the due diligence, a process of analysis at many levels of the target company in order to arrive to determine its value and the potential synergies that can be created after the integration with the acquiring company (Caiazza & Volpe, 2015). Particularly important topics for due diligence are the legal, financial, cultural, and environmental ones. This phase is useful for verifying the information previously provided by the target and so for confirming the intention of the firm to acquire the target. Once the due diligence is concluded, the acquiring company should have clear strengths and weaknesses of the target company and opportunities and threats given the context in which it leads its business. In the end, due diligence results affect the definition of the price what will be paid in the deal.

For this transaction phase, the main issue is coordination. Many experts from inside and outside the company are involved and, given the complexity of the analysis, the effort towards having an overall view of the target company is large. As Jemison & Sitkin (1986) highlight, the involvement of several external specialists leads to have many different points of view and processing all the information in order to end up with a synthesis can be really hard.

To be coordinated, communication is fundamental and a well-organized structure may be helpful. Meckl (2004) suggests a system of teams led by a steering committee, which has decision power and appoints one of its members, a project manager to guide a leading team. The project head usually comes from the M&A department or, in alternative, is a person that will have a top position in the target once acquired. The team involves people from the business unit, finance and M&A function, who are usually fully dedicated to the project. The core team coordinates the sub-teams, each one taking care of a particular aspect (e.g. due diligence, negotiation, evaluation) of the process and composed by both externals and internals, possibly also by someone from the core team. For an effective transaction phase, also the horizontal communication is important since the sub-teams work on interrelated topics.

One typical problem is that there may be some actors pushing for closing and for a process

acceleration (Jemison & Sitkin, 1986). The increasing momentum may find its root cause in the high level of commitment and concentration, together with the need to stop with secrecy, to give a signal to the uncertainty of employees and other stakeholders.

In addition, outside advisers' interests go in the same direction. In fact, they are paid on the basis on the deal value and not on the basis of the time they dedicate to the project, so they tend to encourage a fast transaction closing. On the other hand, there may be also some good reasons for accelerating to the closing, such as the presence of competitors for the acquisition. Given these issues, the alignment of incentives and the involvement of employees from the operational world can help to lead this phase in a way that limits the emergence of subsequent problems as the process goes on.

In Jemison & Sitkin (1986) work another relevant topic is highlighted for this phase: unresolved expectations. Before the agreement is completed there may be some points of disagreement between the two companies. The authors recommend to focus on key aspects for the agreement closing during the initial negotiation, then minor issues should be postponed to the integration phase. In case this does not happen, during the integration phase serious problems may arise.

According to Haleblian et al. (2009) literature review, the payment type is a topic that may affect M&A performance for several authors, who presented different results. Considering more long-term returns, Loughran and Vijh (1997) found evidence for higher returns 5 years after the merger for cash deals rather than stock deals. Instead other researchers looked at immediate stock returns after the M&A announcement, specifically focusing on US companies. Travlos (1987) arrived to similar results as the aforementioned study, highlighting the importance of the signalling effect of cash deals. Heron and Lie (2002) wondered whether payment method influenced operating performance, but they did not find support for a positive answer. More recently, a study of Mortal and Schill (2015) tried to give an explanation to poor post-deal stock returns of stock deals. In particular, they refer to the growth asset effect: companies that buy the target paying with stocks are associated with growing of asset more than companies that made cash deals. And since increasing growth rate is associated with lower returns, the result is that stock deals tend to have more negative returns.

For what concerns signalling effects in the transaction phase, Bharadwaj and Shivdasani (2003) found that M&As totally financed by banks have more positive returns after the announcement with respect to the others. Among the others, the returns are positively related to the percentage of the deal value financed by banks. Therefore, the presence of banks financing M&A deals seems to be considered a factor that may facilitate M&A success. A similar role is played by the non-big 4 auditing companies according to Louis research (2005): post-

announcements returns are proved to be higher in case of small auditing companies. The author interprets this result considering that minor auditors can dedicate more to each company with greater attention and precision, therefore it would be somehow a signalling effect.

Also the ownership of management is another factor that may affect M&A deal outcome, in particular acquirer's returns. An inverted U-shaped function associates acquirers' post-announcement returns with the ownership percentage of management (Hubbard & Palia, 1995). Therefore, a medium level of ownership for managers seems to create more alignment of interests between managers and stakeholders, reducing the risk of overpayment. Wright et al. (2002) found similar results just referring to CEO ownership, also finding a positive influence of CEO stock options on returns. Additionally, the bonuses received by CEOs with high power over governance bodies did not reflect a significant increase on stock returns after an acquisition (Grinstein and Hribar, 2004). Therefore, the opportunism of manager is still an element that can affect this transaction phase (Devers et al., 2007).

### 1.4.3 The integration phase

After the closing the two companies become one, either because they merge or because one acquires the other, and the integration process starts. Integration includes all the activities aimed at making possible for the two firms to generate value. Value creation can be realized in several ways, but it is never automatic after the deal closing (Haspeslagh & Jemison, 1987), it always requires some effort to make things work. That is why integration is necessary.

Meckl (2004) describes the complex integration process with a matrix structure in which functional teams (R&D, production, sales, etc.) and support teams (ICT, HR, etc.) collaborate with each other. The teams usually include individuals from both the companies, sometimes also external consultants are involved (in particular in support teams). The skills and the experience required in this phase are quite different from the previous two, so at this point of the process there may be a quite high turnover of people involved. To manage this, a leader with some experience is required to ensure a smooth transition, overcoming power issues (some people lose power, some other acquire more). The activity of people involved in the integration is mainly executing the plan designed during the transaction phase and, if necessary, creating solutions to adapt the planned activities to the context, always having synergy and value creation as final goal.

The last step is closing the integration phase and arriving to the situation in which the two companies become one and normally run their businesses. Meckl (2004) explains that the timing depends on the reach of key milestones, upon which the integration can be concluded.

Key managers are seen as fundamental for the integration adopting a resource based-view.

This is proven by the fact that their departures generate negative effects on M&A performance (Cannella & Hambrick, 1993; Krishnan, Miller, & Judge, 1997). However, recently Krug and colleagues (2015) challenged these results arguing that in some cases management turnover can facilitate integration and positive M&A results.

Another driver of M&A success was found by Bauler and Matzler (2014) in their model studying M&As of German SMEs. They concluded that there was a positive influence of the degree of integration on M&A success and that it also worked as a positive moderator for strategic complementarity. The experience and the characteristics of executives involved in M&As may affect the whole process. What Pablo (1994) found was that the way in which executives perceive task, cultural and political characteristics influences the decisions about the degree of integration.

Focusing on cultural issues, their effect was studied by Stahl and Voigt (2008) both on the outcome of the integration process, on synergy realization and on shareholder returns on short and long term. They concluded that the level of cultural difference (national or organizational) and firms' relatedness act as moderators for the effect of culture on M&A outcomes.

Despite the M&A experience may affect also the previous phases of the process, its effect has been studied in particular on the integration outcome. The common belief is that M&A experience positively affects future M&A performance, however some doubts have been raised, as Haspeslagh and Jemison suggested: "Companies do not learn all they could from their mistakes" (1987) since individuals involved in the M&A process have just a partial view of what is happening and why it is happening. In fact, a study by Zollo & Singh (2004) on US bank mergers provided support to the idea that experience per se does not facilitate integration and M&A success, but knowledge codification does. Moreover, a recent paper by Trichterborn and colleagues (2016) presents other interesting results. Studying German companies, they tried to understand whether the presence of a dedicated M&A function could support positive M&A performance (measured on the basis of managers' assessments). They concluded that a dedicated function is not per se a success driver, but the positive relationship between the presence of M&A function and M&A success is fully mediated by M&A capability, so the ability of the firm to create and accumulate know-how. These findings may help to understand why in previous works a U-shaped relationship was found between M&A experience and M&A performance (Haleblian & Finkelstein, 1999). As companies acquire more and more, they may increase the M&A capability and knowledge codification, while at intermediate levels of experience they do not really learn from previous experience, or they replicate what they did in the past in different contexts because the knowledge is not yet explicit. This transfer effect was studied by Ellis et al. (2011) for large acquisitions. They considered that com-



panies tend to do several small acquisitions before a large one, therefore they may build M&A know-how relative to small acquisitions and then apply it also to large ones. The negative effect of experience in small acquisitions on outcomes of large M&As was confirmed by data analysis, with the moderating effects of product and geographic reach dissimilarity (negative) and cultural similarity (positive). Experience is therefore an important element in the M&A process and its role has shown to be complex and depending on how firms learn.

One last element to consider in the integration phase is proposed by a recent study (Reus et al., 2016) which focuses on the effects of knowledge transfer from the acquiring company to the target during the integration of cross-border M&As. The authors found that sometimes transferring non-location specific know-how may hinder the M&A outcome, especially when the acquiring company does not impose its knowledge completely, but just partially.

#### **1.4.4 Additional elements affecting the M&A process outcome**

This was a review of the M&A process through the description of its phases and some phase-specific drivers of M&A success. To provide a more complete understanding of the causes of M&A success that the literature accounts for, some other drivers will be mentioned. Among the most relevant elements that may affect the M&A performance not just intervening in one particular phase, but rather influencing the whole process, there are: M&A waves, firm size and firm previous performance.

The moment in which the M&A transaction is done within a merger wave has an impact on returns. McNamara, Haleblan, and Dykes (2008) found that positive returns were associated with first movers and (to a less extent) deals in the ending phase of the wave, while the immediate followers of the first movers obtained more negative results. They also found that these findings are moderated by the frequency of acquisitions firms do (serial acquirers benefit less from first-mover advantage) and by some environment characteristics. The authors interpreted these findings saying that the first followers do not learn enough from the first movers, while when the wave is almost over, companies have learnt more and can be more successful.

Moving to the analysis of firm-specific characteristics, it is not clear the role of firms' size on M&A outcome, since scholars have found mixed results. For instance, some authors found evidence supporting the hypothesis that large M&As are more successful (Healy et al., 1992; Fuller et al., 2002), other studies consider more successful M&As with relative small target with respect to the acquirer (Eckbo & Thorburn, 2000), while other studies concluded that M&As with small acquirers and targets presented more positive results (Moeller et al., 2004). Another element to consider is the historical performance of acquiring firm: as noticed by Haleblan and colleagues (2009), it has a positive effect on post-acquisition performance. In

particular, acquisitions of bad performing companies by good performing companies is the case when more value is created, given the fact that there is more room for improvement (Houston et al., 2001), with limitations in case of really low performing targets by Clark and Ofek (1994).

One last consideration about M&A success is linked to the market reactions immediately after the M&A announcement. This cannot be considered a success driver, but more an estimate of whether the market believes the project will be successful. Krishnan and colleagues (2009) actually found evidence of a significant predictability of synergy realization looking at the variation of stock price after the M&A announcements (so called “abnormal stock returns”). This field has been recently studied more in deep by Graffin et al. (2016) and by Campbell et al. (2016). The first authors studied a tactical move, impression offsetting, of executives in proximity of M&As in order to manage market reactions. With impression offsetting, top managers disclose an unrelated positive information in correspondence to the M&A announcement and this move is proven to significantly mitigate the negative market reactions due to the M&A. In the other recent paper mentioned above, the fuzzy logic is applied to analyse market reactions to M&A announcements. It is a holistic, configurational approach, which is aimed at understanding if some combinations of characteristics about the M&As can determine precise reactions. The authors find some interesting results, in fact investors react significantly positively to several combinations of elements related to acquirer’s characteristics, strategic and organizational fit. These results show that the market is actually aware that M&As are not per se good or bad, but there are several case-specific elements that need to be taken into consideration when evaluating a M&A.

## **1.5 Conclusions**

Given the data resulting from consulting companies’ reports, it appears that M&As are a complex phenomenon to study, scholars have analysed the motivations behind them and have also gone further. In fact, the need to adopt a “process perspective” (Haspeslagh & Jemison, 1987) was then highlighted by the results from a study of King and colleagues (2004). They concluded that M&As per se do not create value for shareholders. Performing a meta-analysis, they found no evidence supporting the hypothesis that acquiring firms improved returns the day after the M&A announcement or in the following periods. What the authors suggest is that, given the fact that M&As continue to be tools largely used by companies, there should be some moderators’ effects that contribute to M&A success. So M&As can actually be successful and generate positive results, but only if some particular elements are present in the

M&A process or if the process is realized in a context with particular characteristics. Starting from these conclusions by Kings and colleagues (2004), in the last decade many scholars have wondered under which conditions M&As can be successful and they tried to understand the main drivers of M&As success, as shown in the previous paragraph. The complexity of M&As and the several variables taken into consideration led to an articulated body of literature, which is difficult to summarize and sometimes presents contradictions.

At this point the critical analysis of the M&A success study by Meglio and Risberg (2011) can be helpful in understanding these results. These authors argue that there has not been consistency upon the “M&A success” construct, therefore providing a possible explanation about why the results of papers are sometimes contradicting or fragmented. Sometimes success is measured in returns from immediately after the public announcement of the transaction, which is inconsistent with the process perspective (Sitkin & Jemison, 1986). In fact, if synergy and value creation come once the process is concluded, looking at the increase of share prices the day after the M&A announcement could not fully reflect the final outcome of the M&A. In other cases, internal accounting performance measures have been used, with the limit that they can be more easily manipulated by management. Success was also measured in terms of operational measures or overall performance (reaching goals, survival), usually referring to managers’ assessments. Additionally, Meglio and Risberg (2011) also show that the numerous studies have analysed samples relative to different geographic areas, sometimes from different industries, therefore it becomes even more difficult to have an organic view of the knowledge accumulated relatively to M&A success. The paper written by these two authors suggests that attention should be paid to contextualize results relative to M&A performance research, also considering what each author refers to as “M&A performance”.

In conclusion, this chapter was aimed at providing an overview of the M&A process, trying to highlight some M&A success drivers that may intervene along the process. The findings presented and mentioned need to be contextualized and drawing the limits of each research results is really important.

Moreover, what is evident from this review is that the integration appears to be particularly challenging since problems created and accumulated over the process have evident effects. At the same time, it is in this phase that real value is created (Haspeslagh and Jemison, 1987) and so special attention should be dedicated to the study of this phase. For this reason, an analysis of integration will be developed in the following chapter.



## POST-ACQUISITION INTEGRATION: A DIALECTIC PERSPECTIVE

### 2.1 Introduction

The overview of the M&A phenomenon provided in the previous chapter was intended to give a grasp of the complexity of the overall M&A process. What will follow now is a focus on the post-closing period, given the need highlighted by several authors to open and analyse the “black box” of the integration (Teerikangas and Very, 2006; Stahl and Voigt, 2008; Martin and Butler, 2015, Teerikangas et al. 2011, Angwin and Urs, 2014; Weber and Drori, 2011). This need comes not only from the academic world, but also from the business world (Deloitte, 2016; Pwc, 2014; Roland Berger, 2015).

Despite the previous chapter showed some findings about the integration phase, it was limited to present the main antecedents of M&A success that researchers have found within this third phase of the M&A process. The purpose of this chapter is to go deeper, to show the typical mechanisms of the integration that lead to its outcome.

This will be done first presenting a framework that focuses on the roles assumed by the two organizations, following the logic proposed by Steigenberger (2016), whose model will be revisited.

As suggested by this author for further studies, this chapter includes also some research about the organizational change field, broader than the M&A integration literature. In fact, M&As can represent really drastic organizational change processes (Hogan & Overmyer-Day, 1994) and so there is an opportunity to put together findings from these two connected fields of research and build on them to expand research about integration.

Considering the suggestions for further research of Stahl and colleagues (2013) in their literature review about integration, it is advisable to study separately mergers from acquisitions. The typical dynamics of a merger are linked to the difficult balance that needs to be found because power and dominance issues come into play. In acquisitions instead the supremacy of the acquiring firm is clear, therefore roles should be well defined, at least at the beginning. The acquired company is expected to be a change recipient, while the parent company is in charge to initiate and lead the change initiatives. In this context, the evolution of power dynamics is an interesting field of research that can be further developed, showing how the au-

thority is kept by the acquiring company or the acquired one is allowed to have discretion and freedom (Stahl et al., 2013). For this reason, the focus of this theoretical chapter will be just on acquisitions.

## **2.2 The integration in dialectic perspective**

The framework that will be presented in this paragraph is based on the main integration-related themes that emerge from a recent literature review published by Steigenberger (2016). These elements are presented highlighting the interactions that they have along the integration process, with the result that over the time a series of actions and reactions follow each other and lead to the final outcome. In this framework, there are two entities that come into play and therefore the model is built on this dialectic. This perspective, which consists in looking at the integration as built by two parties, was introduced for the first time in terms of “Us versus them syndrome” by Barkema and colleagues (1996) and was then recalled by other authors (Mtar 2010; Yildiz 2016; Stahl and Voigt, 2008). The presence of a power imbalance between the two companies involved determines who starts: the acquiring organization plays first an active role realizing a series of interventions. By the way, the effectiveness of these actions depends on whether and how they are accepted by the acquired company, which probably will react trying to negotiate for a more desirable outcome. The model presented below is composed by: the context, the interventions by the acquiring organization, the interpretations and reactions of the acquired one and the subsequent negotiation dynamics, which is a way to see in a dynamic way all the previous elements taken together.

### **2.2.1 The framework matters**

Each integration process is different from any other since each case has a peculiar context (Papadakis, 2005). Some of the characteristics that contribute to create such a framework in which the integration takes place are: strategic issues, national and organizational cultures, other sub-cultures, previous experiences of the companies, industry, relative size of the companies involved, their integration experience, reciprocal expectations and the presence of particular powerful stakeholders.

As already mentioned in the previous chapter, strategic complementarity as well as organizational compatibility have a role in achieving M&A success (Bauer and Matzler, 2014). To be more precise, they are not success drivers per se, but rather their interaction with some strategic choices about integration (in essence the degree and the speed of integration) is proven to be successful. With their paper, Bauer and Matzler (2014) provide strong support to the idea

that the integration process cannot be studied and analysed in isolation with respect to the context where it is set.

In a similar vein, the issue of the cultural context has been studied for many years by several authors since, as highlighted by Cartwright and Cooper (1993), this is a major issue of the integration given the risk of “culture clash”. The fact that there is a “double layered acculturation” (Barkema, Bell, and Pennings, 1996; Lee et al., 2015) means that there are two levels of culture that need to be considered and that employees deal with: the national culture and the organizational culture. Culture is defined by Hofstede (1991: 5) as “the collective programming of the mind distinguishing the members of one group or category of people from others”. Calori, Lubatkin and Very (1994) studied the effect of national culture, in particular national administrative heritage on post-acquisition integration. In their case studies they find out that acquiring firms born and set in different countries adopted different control mechanisms. According to Larsson and Finkelstein (1999), the cross-border element of M&As has a negative effect on organizational integration.

Some authors argue that there is some overlap between the two, since national cultures somehow affect the organizational one (Sagiv and Schwartz, 2007; Viegas-Pires, 2013).

Some other authors (Chatterjee et al., 1992; Datta, 1991) focus just on organizational cultures, being convinced that the organizational values, beliefs and assumptions have a stronger effect on the integration. Organizational culture is defined as “a set of norms and values that are widely shared and strongly held throughout the organisation” (O’Reilly and Chatman 1996, p. 166).

The management style can be considered a part of organizational culture and the style similarity between the organizations involved is “the degree to which managers in combining organizations emphasize risk-taking, authority and structure” (Larsson and Finkelstein, 1999: 8). Datta (1991) found that the difference between management styles of the firms involved in the acquisition has a negative effect on the acquisition outcome, while the difference in evaluation and reward systems was not proven to have a significant effect. These two elements were selected by the authors as indicators of organizational fit between the firms involved in the M&A and so were highlighted as important variables by Jemison and Sitkin (1986) together with the strategic fit. Also Larsson and Finkelstein (1999) found similar results for what concerns management style similarities.

Puranam and colleagues (2009), considering technology firms, define another aspect of the context in which the integration takes place: the presence of a so-called “common ground” affects how the integration develops, in particular in terms of formal and informal coordination.

If the companies have a similar background, they can more easily integrate even with a low level of structural interventions.

A third level of culture is considered in some recent studies. In fact, in a longitudinal research, Marrewijk (2016) finds that there are some sub-cultures within an organization and they actually have a role during the M&A integration. Another model involving more than two levels of culture is proposed by Viegas-Pires (2013), who includes the occupational culture, developing the findings of Zaheer and colleagues (2003). In defining this third type of culture, he refers to the technical background that a person gains by doing a particular job. During the integration process, interaction between people from the two companies may be facilitated if they share a similar occupational culture, which can help in case of high levels of distance between national cultures.

Together with and connected to the organizational culture elements (values, assumptions, mental schemas), there are the expectations of the employees of the two companies. Integration expectations are socially constructed (Vaara, 2002) and, even if they may change as the process goes on, the starting expectations are inherent in the framework in which the integration takes place and they need to be analysed and taken into consideration (Hubbard and Purcell, 2001; Edwards and Edwards, 2015).

Going beyond the cultural context, another field of research has adopted the institutional view. Institutions can be defined as sets of prevailing social rules that regulate social interactions (Hodgson, 2006) and can be affected by culture but also other context-related elements, sometimes considered in combination with each other. Mtar (2010) notices how differences in countries at institutional level may affect the transfer of practices and procedures. At the same time, she highlights the need to contextualize each M&A in its industry and she introduces the concept “market structure” of the specific industry in the country where the parent company wants to enter (Mtar, 2010). The market structure is expected to affect the process of transferring the rules and management practices in the new context – this transfer can be realized through a post-acquisition integration.

Zhu and colleagues (2015) have recently developed research in this field, in fact in their paper they analyse differences in industry contexts and link them with level of autonomy left to the acquired firm. They conclude that autonomy is more beneficial in the high-tech industry with respect to the manufacturing one, where a deeper integration is more advisable. They also add that language differences and institutional distance, both formal (such as regulation) and informal (such as social norms), negatively affect the value creation process during the integration. On the contrary, diplomatic relationships between countries, meaning the way in which



the countries involved see and interact with each other, act as a positive moderating variable for the value creation (Zhu et al., 2015).

Referring to particular characteristics of the companies involved in the integration, some elements result to shape significantly the context in which the process is realized.

The greater the size of the acquirer with respect to the target, the smaller the combination potential and the degree of integration (Larsson and Finkelstein, 1999). At the same time, in a context where large companies are becoming one single entity, the complexity increases significantly and more attention should be paid on the plan of detailed and harmonized structural interventions (Shrivastava, 1986).

It is important to take into consideration also that the acquired company, other than relatively large or small, has also a certain degree of complexity in its structure. Therefore, the integration of a single-unit company is necessarily different from the acquisition of a divisional organization (Shrivastava, 1986).

Additionally, the integration experience of the acquiring company can be seen as a characteristic that contributes to define the integration context. However, according to Zollo and Singh (2004) what really matters is the knowledge codification relative to the previous experience in M&As.

Finally, to be included in the general framework in which the integration takes place, there is also the power of some particular groups in the two companies involved, or coming from the external environment. They can affect the pace of the integration, facilitating or making more difficult the negotiation necessary to find an agreement about the outcome of the integration. This has been taken into consideration in the works of Clarks and colleagues (2010) and Monin and colleagues (2013).

### **2.2.2 The acquiring firm interventions: what and how change is proposed**

The company in the dominant position is the one that during the integration phase, as well as in the previous phases, has the leading position. Therefore, for acquirers it is necessary to define an integration strategy and decide the nature of the change that is implemented (the “what”) (Dauber, 2012, Haspeslagh and Jemison, 1986; Jemison and Sitkin, 1986). In parallel and in particular once the integration has started, also the “how” is important. In other words, even if the structural interventions fit the specific case and are well defined, it is necessary to support them with what Steigenberger (2016) defines “leadership and communication-based interventions” in his literature review. In the model proposed in this chapter, they are not properly interventions per se, but ways to support the implementation of the organizational change.

Starting from the structural interventions, the acquiring firm usually takes a series of strategic decisions about the integration process in designing the action plan, such as the degree of integration, the speed and the roles and organizational structures dedicated to the project.

Going for a deep integration is not always the best choice (Bauer, Hautz and Matzler, 2015). Pablo (1994) found several factors that can influence the choice about the level of integration, many of them have been mentioned in the previous paragraph discussing the context for the integration. It is the case of level of multiculturalism, power difference between the acquirer and the acquired firms, and the need for strategic interdependence and organizational autonomy, two elements already used by Haspeslagh and Jemison (1991). Their integration framework was based on these two variables and from the combination of different levels (high or low) of them, they indicated four possible integration approaches. One of them, “Holding”, is not really an integration approach because the two merging companies go on with their own businesses almost as if there was no M&A. This is the proper strategy to adopt in case of low need for interdependence and high autonomy required by the acquired company. As for the three other strategies, there are relevant interventions to be implemented. The most difficult approach to realize is “Symbiosis” since the two organizations need to keep their boundaries but at the same time collaborate and interact to realize synergies. However, this approach is more typical for mergers rather than acquisitions. The other approach that requires structured interventions is “Absorption” (low need for autonomy, high need for interdependence). In this case the acquiring company really prevails and imposes its procedures and its power on the acquired, which is englobed in the parent. The last approach is “Preservation”, suggested by the authors in case of high need for autonomy and low level of interdependence. In this case, interventions from the acquiring firm are not really disruptive and revolutionary for the acquired, since it is in the interest of both to keep some distance between the two.

Ellis and Lamont (2004) started from this classification in order to understand what are the proper interventions, but also “how” they should be realized, in the different integration approaches. They focused their research on acquisitions with companies involved of similar size and related industries. In case of symbiosis, they found the need to have a long-lasting structure for integration, since the change is more disruptive and more challenges and problems have to be solved, not only in the short-term after the deal closing.

The choice of the degree of integration is, according to Larsson and Finkelstein (1999), linked with the combination potential of the two firms. In later studies, some scholars have gone deeper in analysing the criteria for the choice of degree of integration. In the model tested by Bauer and Matzler (2014), the degree of integration should be driven by strategic and cultural fit. Moreover, Puranam and colleagues (2009) studied integration of M&As involving tech-

nology firms. They discussed the role of structural integration the degree to which goals, procedures, authority of the two companies are made common. In an extreme case the two companies become a single business unit. What is interesting about their study is that they highlight that the level of structural integration necessary is higher the higher the interdependence and the lower the common ground between the firms. In fact, the first element is a driver of the need for coordination, while the latter is a signal of a lack of coordination capacity. Therefore, to fill this gap, structural integration becomes crucial. In other words, when the informal coordination, facilitated by a basis of common knowledge, is not sufficient to realize the planned outcome, formal coordination intervenes.

Angwin (2004) illustrated the importance of the first 100 days of integration, considered the key period for the most important changes, or at least their launch. Leading a fast integration can reduce uncertainty for external stakeholders as well as internal ones. In support of this concept, Homburg and Bucerius (2006), focusing on the marketing and sales integration, suggest that a fast integration is advisable just in case of low external relatedness (target markets and positioning) and high internal relatedness (management style, strategy and performance) explaining that in this specific situation perceptions of some external stakeholders (mainly clients) are particularly important. More in general, even the relationship with investors can be better managed if this challenging period is shorter, and at the same time the organization can limit its weaknesses that may arise with respect to competitors (Angwin, 2004). Additionally, the shorter the integration, the less the organization will work at sub-optimal level, given the fact that employees during this period of organizational change are required to fulfil their standard tasks and at the same time work for the integration (Angwin, 2004). This concept of doing two activities at the same time, called “contextual ambidexterity” was brought in the M&A literature by Meglio, King and Risberg (2015) and was already indicated as an issue by Gomes and colleagues (2013). However, a fast process is tough and stressful for employees, but in this particular case the internal relatedness can limit this problem (Homburg and Bucerius, 2006).

In other cases, instead, a slower integration fits better. For instance, according to Monin and colleagues (2013), in presence of large cultural differences, the integration period should be sufficiently long to let the employees solve problems and create the basis to slowly change and accept the interventions. The debate is therefore still open and, as concluded by Stahl and colleagues (2013), further research is required to better understand the best length of the integration process according to context characteristics.

Connected with the degree and speed of integration, there is the topic of what to integrate and so which types of interventions to realize. Shrivastava (1986) was one of the first scholars to

clarify the types of structural interventions that shape the integration: procedural, physical and sociocultural are the main ones he describes. The procedural integration includes the harmonization of the accounting, controlling systems as well as the other tools to support the core business. Recently Jordao et al. (2014), studying a case of integration in Brazil, highlighted the importance of the changes of the control system, which can trigger a change in organizational culture as well. Physical integration may be realized in manufacturing industries, while the sociocultural integration is not really the result of structural interventions, it is more a matter of leadership and acculturation. Since according to Shrivastava (1986) structural interventions have to fit the specific context, he suggests different actions according to the size and type of acquired organization, and to the strategic goals of the acquiring company. In case of low integration depth, the interventions will be limited to procedural tasks and financial operations; if instead the integration will be more complete, also the sociocultural and physical dimensions may be part of the integration program (Pablo, 1994).

More recently, Meglio and colleagues (2015) defined a series of activities that can give an idea of which interventions an acquiring company can realize in order to realize task integration. They mention: restructuring, in order to adopt similar processes and create efficiency; formal planning, which is fundamental to set priorities and see what needs to be done first; management information systems, to be coordinated and have comparable data management; and transition teams, which also work for human integration.

Transition teams (integration teams) are aimed at executing the plan and pursue the task of integration (De Haldevang, 2009). At the same time, they provide support to employees and help to make them feel involved in the process – in fact these teams may include employees from both the companies (Myeong-Gu Seo and Hill, 2005; Larsson and Lubatkin, 2001). In particular the role of the integration project leader is to drive the employees involved in the integration process from both the companies toward the realization of the operational consolidation as well as the socio-cultural one (Meglio, King and Risberg, 2015; Teerikangas, Very and Pisano, 2011).

What is missing up to now in this illustration of the interventions made by the acquiring firm is the “human side” of the integration (Birkinshaw et al., 2000; Myeong-Gu Seo and Hill, 2005; Meglio, King and Risberg, 2015; Bansal, 2015), which mainly consists in creating positive attitudes in employees and to a certain extent in the acculturation process, consisting in sharing values, beliefs and assumptions (Larsson and Lubatkin, 2001). Human integration complements the structural integration and reinforces it (Burgelman and McKinney, 2006). Meglio, King and Risberg (2015) indicate some elements of the integration that typically focus on this human side: socialization, mutual consideration, human resource management and

transition teams. Once defined the degree of change to implement, through which structures and having defined a pace for the integration process, the acquiring organization has also to define how to lead the desired changing process. Leadership, sensegiving activities, both in a proactive way (mobilization) and in a reactive way (mitigation), and cultural differences management are the main themes discussed below that help to understand “how” the interventions of the acquiring firm can be realized at to what extent they can be effective.

The integration leaders are in charge to take into account the dynamics that can be triggered by their actions, as well as the introduction and actions of structures to facilitate the change (committees, integration teams, processes and procedures, new rules...) (Kavanagh and Ashkanasy, 2006). It is therefore really important that the change agents reduce ambiguity in the perceptions of the acquired firm members in relation to the integration process. To do so, Steigenberger (2016) refers to the dynamics of mobilization and mitigation (Graebner, 2004). These are ways in which leaders exploit their knowledge, focus on cultural integration and work for conflicts resolution (Lakshman, 2011). In other words, the role of the leader is to influence the followers in order to induce them to behave in a way that facilitates the reach of the integration goals. This has been studied by Martin and Butler (2015), who talked about the fundamental role of “executive political skills” during the integration. This concept is not far from “Mobilization”, which consists in sensegiving activities: actions aimed at influencing sensemakers (Weick, 1995) through offering them a way to interpret what is happening during the integration (Gioia and Chittipeddi, 1991). Monin and colleagues (2013) find three types of sensegiving activities that the members of the acquiring firm can use: sensebreaking, sense specification and sensehiding. Sensebreaking consists in trying to break the mental schemas the sensemakers used to refer to when interpreting the reality. In the context of change, breaking the cognitive link with the pre-change situation is crucial in order to facilitate acceptance of the change, which can be seen using a new cognitive maps in sensemakers’ minds. Monin and colleagues (2013) include creating new principles, symbolization and exemplarity decision in sense specifying activities. Moreover, they argue that the change agents should also take into consideration the alternative of sensehiding, therefore choosing not to mention some issues, which is linked to the fact that some concepts need to be left apart in order to facilitate the change and accept a new system, with new values and rules. This study by Monin and colleagues (2013) was focused on the concept of justice perceived by sensemakers during a merger integration, but these mechanisms can be useful also to describe more in general the integration process.

When the integration starts, the change agents should be aware of the expectations that change recipients have (Hubbard and Purcell, 2001) – these are influenced by the previous phases of

the M&A, as well as contextual factors. Whatever the expectations are, integration leaders have the chance to communicate to change recipients and show an alignment of the acquiring firms' actions with their expectations or, in case of misalignment, they have the chance to give explanations ("sense specification" in the words of Monin et al., 2013).

Communication is the key in "how" change is realized, because it gives the chance to change recipients to deliberately offer a sense to what they are doing (Schweiger and Denisi, 1991; Papadakis, 2005; Gomes et al., 2013). If they do not exploit this opportunity, and so do not choose to communicate deliberately, the acquired firm will in any case guess the meaning of the behaviours and the actions realized. Not exploiting this opportunity of explaining what is going to happen and why the structural interventions will be realized can therefore be detrimental for the acquiring firm and for the integration outcome in general (Schweiger and Denisi, 1991). This is totally consistent with the first communication axiom of the Palo Alto "One cannot not communicate" School (Watzlawick, Beavin and Jackson, 2011: 49). In fact, every behaviour communicates something and there is no opposite to behaviours. In fact, not catching this opportunity for providing explanations leaves ambiguity and so the risk of misinterpretation and subsequent behaviours in opposition to the change can become an obstacle to a smooth integration (Searle and Ball, 2004). Moreover, Hubbard and Purcell (2001) highlight that it is not the quantity of communication, but rather its quality that really counts, in terms of honesty and consistency with actions (Papadakis, 2005).

Gaining the acceptance and a positive attitude from change recipients is particularly important to avoid serious problems in case of unexpected events during the integration (Bauer, Haultz and Matlzer, 2015). In fact, despite a careful planning, it is possible that the actual integration deviates from the plans and in this case gaining the collaboration of the acquired firm is really helpful.

According to Ellis and Lamont (2004), in case of absorption strategy, involving the target firm becomes crucial, as well as taking care of procedural justice. On the contrary, in case of transformation strategy, the same authors indicate that the target firm should not be fully involved in the decision-making process later on in the integration process, therefore limiting some communication channels (Hogan, 1990).

The sensemaking activities of change agents can be referred also to identity issues. De Bernardis and Giustiniano (2015), starting from Clark and colleagues (2010) findings, developed research in this field and found that the acquiring firm can deliberately work for maintaining multiple identities during the integration process, and different sub-cultures can survive after the integration (Marrewijk, 2016).

Bellinger and Hillman (2000) studied the role of tolerance and diversity management during merger integrations and found that it can actually be helpful in case of differences between the companies involved. Therefore, they conclude that even in dissimilarities between merging companies, success can still be achieved with proper management practices.

These studies are linked to the contextual element of culture, which absolutely requires attention in order to define how structural interventions can be implemented. This was highlighted by Stahl and Voigt (2008), whose literature review was focused on the influence of culture and cultural difference in the integration process.

To integrate cultures, deep-level cultural learning is necessary according to Schweiger and Goulet (2005), who saw that training and moments of reciprocal learning could actually help in building awareness of cultural differences and therefore facilitate communication. On the contrary, absence of cultural learning initiatives or superficial learning are not beneficial since stereotypes remain and communication becomes more ambiguous and problematic.

In a similar vein, Larsson and Lubatkin (2001) found that social control mechanisms can be significantly helpful in the acculturation process. For instance, the realization of the integration plan with the help of a task forces or transition teams can help because the changes can be implemented following an informal channel. If on the contrary changes are proposed in an authoritarian way, the acculturation can be more problematic and find more resistance. This finding is consistent with the results of Puranam and colleagues (2009). As previously explained, these authors designed a model in which the structural integration intervenes when the informal coordination is not sufficient to guarantee the ideal level of coordination necessary to realize synergies.

Stahl and Voigt (2008) performed a meta-analysis aimed at understanding the role of cultural differences in M&A integration. They found that socio-cultural integration is actually negatively influenced by the cultural distance. In particular, differences in organizational rather than national cultures have a stronger negative effect on the success of the integration. In fact, the organization members tend to pay more attention to national differences, therefore they are less problematic. Stahl and Voigt (2008) found that also the degree of relatedness of the combining firms moderates the negative effect of cultural distance on sociocultural integration and synergy realization. In fact, the higher the relatedness, the more the companies will need to integrate and so the more problems and obstacles will be found in the integration process.

Similarly, also Sarala et al. (2016) found that cultural distance requires particular attention and they propose in particular that flexibility in HR issues is a way to weaken the negative effects of this distance. Referring to national cultural distance, communication can become

more difficult even because of the language barriers and the need to use a “lingua franca” (Harzing and Feely, 2008; Kroon et al., 2015).

What is remarked by Stahl and colleagues (2013) in a recent literature review is that culture is an evolving concept in an organization, even more in a context of organizational change such as a M&A integration (Viegas-Pires, 2013). Therefore, actions and communications enacted by the acquiring firms must follow the culture evolution accordingly in order to facilitate as much as possible the integration. If the starting point is characterized by large cultural differences, probably more time and effort will be required, as already explained, but what is important is to keep under control the evolution of the acculturation process in the acquired firm and design proper interventions for its success. In any case, cultural distance can also be an opportunity and therefore the acquiring firm should analyse the situation and decide how to act looking at cultural distance as a double-edged sword (Stahl and Voigt, 2008).

In conclusion, the role of the acquiring firm can be seen from several perspectives in this framework. On one side, the imposition of the acquiring firm is realized to a certain degree through structural interventions and formal control. On the other side, there is the need to facilitate the socio-cultural integration, based on informal coordination. Awareness of this issue should be at the basis of the sensegiving activities and communications, such that they help to generate a spirit of cooperation and positive attitude in employees of the acquired firm.

Among integration managers, there may be some managers more focused on control and fast task integration and some others more focused on cooperation and socio-cultural aspects, as shown by Bijlsma-Frankema (2004). As already said, the right balance may depend on contextual factors.

### **2.2.3 The acquired firm collective sensemaking and reactions**

The interventions realized by the acquiring firm generate reactions in the acquired company. But before reactions, there is a process of sensemaking that is realized within the acquired company. In fact, being in a relatively unusual situation characterized by uncertainty and ambiguity (Hubbard and Purcell, 2001), the change recipients need to attribute a meaning to what they see and experience, reading between the lines (Stahl et al., 2013). This is the sensemaking process, defined by Weick (1995) and integrated in the context of organizational change by Bartunek and other scholars (2011).

According to these authors, the sensemaking of change recipients is of absolute importance for the successful realization of the change (Maitlis & Sonenshein, 2010; Sonenshein, 2010). Moreover, sensemaking in a changing environment is of particular interest because the reality is not interpreted using the old mental schemas by change recipients, not even using totally



new schemas, but rather finding a compromise between the old and the new (Bartunek et al., 2011). In fact, together with the change in the environment, the change recipients are modifying their way to make sense of reality - this process is slow and leads to an evolution of the sensemaking tools that individuals use (Yu and colleagues; 2005).

Sensemaking is a social process (Boje, 2008), especially during organizational change (Bartunek et al., 2011) and in particular M&A integration (De Bernardis and Giustinano, 2015), and it can define legitimation of actions realized, with crucial consequences on sense-makers' motivation and willingness to cooperate (Vaara and Monin, 2010).

Monin and colleagues (2013) find three alternative ways of making sense of the changes due to the integration: acceptance, resistance or distancing. The first and the second alternative are easy to understand: they are enacted through active support and agreement in the first case and opposition and disagreement in the second one. By the way, the authors introduce also a third alternative, which consists in purposely ignoring the intervention or the event that is expected to be interpreted. In concrete terms, this alternative may be realized with use of irony or cynicism, or by questioning the observations.

In parallel to the collective sensemaking process, there is also a process that generates collective emotions at firm level (Barsade and Gibson, 1998), and then a social identity emerges (Huy, 2012). Also this process can have an effect on the reactions of the acquiring firms with reference to acquiring firm interventions. To be more specific, Kiefer (2002) noticed that emotions during organizational change tend to be seen under a pathological perspective, highlighting the irrational consequences that they generate in change recipients. However, according to this scholar, emotions need to be considered as an unavoidable component in the process of sensemaking of change-related events. Moreover, always according to Kiefer (2002), emotions have a motivational component and they tend to be socially shared, so their effect can be amplified in a whole group.

Within the acquired organization, there are some employees who are in the situation of not only making sense of the actions of the acquired firms, but are also expected to give sense to their subordinates and possibly increase their satisfaction and contribute to the successful integration outcome. This is the case of middle managers (Hubbard and Purcell, 2001), but also of some particular functions such as the human resource one, whose role is to transmit company values to employees and communicate the company culture to the rest of the organization (Antila and Kakkonen, 2008; Huy, 2012; Bijlsma-Frankema, 2004).

In the paper published by Colman e Lunnan (2011), they analyse and compare two acquisition integrations led by the same acquiring firm. What is remarkable is that they find that threats to acquired firm's identity may have a positive or a negative effect. They found that the percep-

tion of this threat makes employees more willing to act, and in case conflicts arise, there may be creativity in looking for new solutions, so proactive behaviours. However, it may also be the case in which the actions are towards self-preservation and do not contribute to facilitate the integration and the value creation.

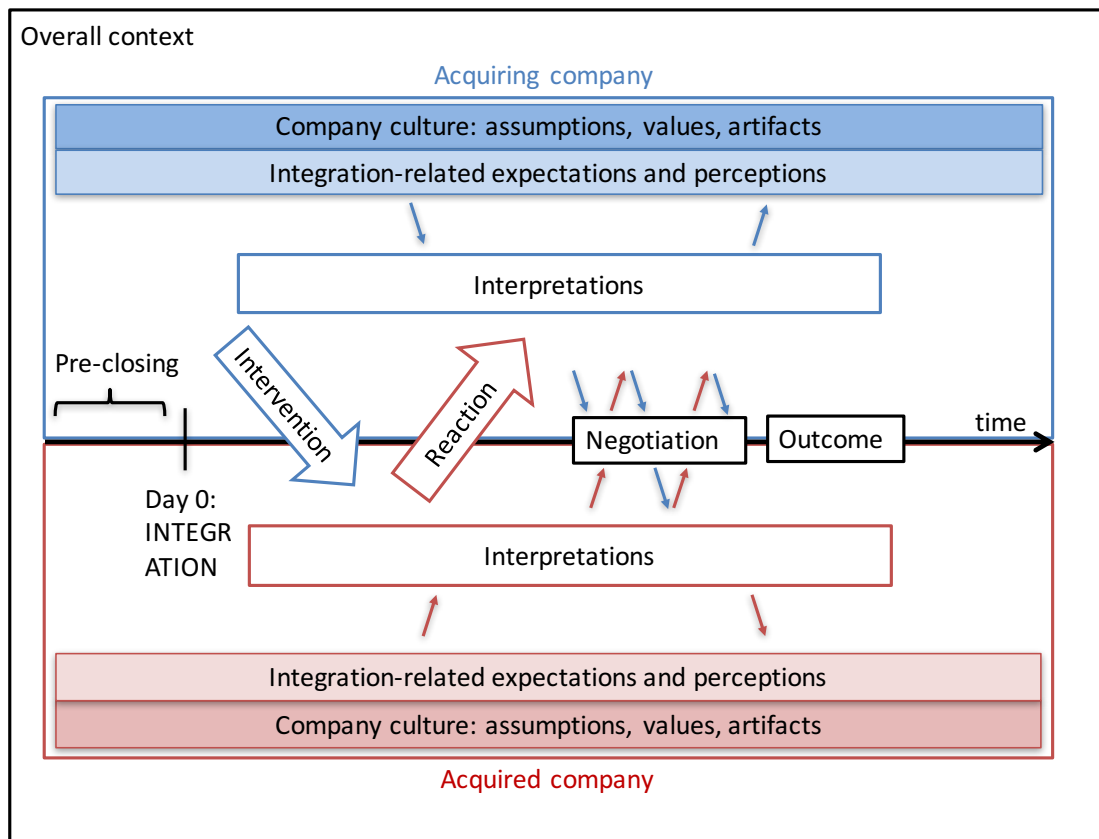
Historically the dominant field of research was focused on trying to understand the best actions to be implemented by the acquiring firm (for instance: Shrivastava, 1986; Pablo, 1994). Only in the last years scholars have started to explore what comes further, that is the collective interpretations and reactions in the acquired organization (for instance: Monin et al., 2013; Bartunek, 2011; Kiefer, 2002). Understanding these mechanisms can be a way to understand even better the “ideal integration recipe” given the context and the characteristics of the acquired company that will then affect the sensemaking process.

Some of the concepts affecting this process that scholars have analysed are trust, justice, resistance to change, risk perception, perceived power balance or imbalance, organizational and national culture. These concepts are linked to a certain extent to the context and so to the history and the values of the acquired organization, its environment and its employees as previously explained. But what is interesting is that these concepts evolve during the integration process and become stronger or are weakened by the interaction between the two organizations. In the following paragraph these dynamics will be further explained.

#### **2.2.4 Negotiation - Interactions between the acquiring and acquired firms**

Now that the main players of the integration process have been described and their role made clear, it is interesting to see how they interact with each other and how the final outcome is reached. Figure 2.1 is aimed at showing the most relevant elements emerging during the integration process in both the companies and their interactions over time.

Figure 2.1: The integration process - a dialectic perspective



Source: Personal elaboration on the base Steigenberger (2016)

The process is specular in the acquiring and in the acquired organizations, except from the fact that it is the acquiring company to start with the interventions and then a reaction by the acquired follows.

The deep-level characteristics of the two organizations (cultural elements), together with expectations and perceptions, affect the interpretations of the integration-related events. Then, these interpretations accumulate and so the expectations and the perceptions are adjusted, generating other reactions.

The two main players have different goals and interests. After the closing they are tied and need to find out how to approach the change process. They start with some expectations, collectively make sense of what is happening and react consistently (Steigenberger, 2016). The dynamics of the integration process therefore constitute a negotiation process: the acquired firm and its members can obtain some autonomy or power even if it was not planned, leveraging the informal power that they have thanks to particular valuable resources that they still control - they can be tangible as well as intangible resources (information, know-how, relational capital).

It turns out that the organizational change process can be different from how it was initially planned in terms of timing, results, and interventions and that emerging strategies need to be found. Moreover, the outcomes may not be the desired one, with probably unsatisfying results for both the parties, which is something evident also in consulting companies' reports (Deloitte, 2016; Roland Berger, 2015; Pwc, 2014).

### **2.2.5 Integration finishes, interaction continues**

Once the integration process is concluded, the two organizations are supposed to become one and lead their businesses without obstacles or difficulties. However, the process of transformation may go on even after the integration is officially concluded. In this period of stabilization what is important is that, excluding the case of a separation due to a disastrous integration, the two organizations will continue to interact and negotiate for other issues (Myeong-Gu Seo and Hill, 2005). What is prospected here is therefore a long-term relationship. This final consideration is important to explain the dynamics of the previous negotiations, and to understand how harmful it can be to establish a relationship based on negative premises and attitudes.

## **2.3 Going deeper than the organizational level**

In this paragraph, some topics will be presented taking inspiration from the literature about organizational change and sensemaking, and power issues. This way, the model presented by Steigenberger (2016) is supported and enriched, adding an analysis at a micro level. In other words, the already presented integration mechanisms are seen for what concerns the repercussion that they have at lower levels of the organizations involved, that is where the real change is realized concretely. For instance, it can be the context of a particular function, or a small team of individuals.

### **2.3.1 The intervention about change**

During the integration process, the integration team members usually present requests to perform tasks to an employees of the acquired firm. These requests from the integration team are ordinary events that may happen on a daily basis during the integration phase, and they can be seen as the continuum of the data and information requests that are made during the due diligence phase (Meckl, 2004). The acquiring firm is hierarchically superior with respect to the acquired and this enables its employees, in particular the ones devoted to the integration, to exert formal power on the acquired firm's employees.

### 2.3.2 The interpretation

A request coming from the acquiring firm, represented by an integration team, is usually processed and replied by the employees belonging to a team involved in the integration.

This request may be source of uncertainty. It is common that employees perceive to be in a risky situation during the organizational change, therefore in particular during the integration (Melkonian et al., 2011; Reilly et al., 1993; Terry et al., 2001; Harwood and Ashleigh, 2005). Also feelings of insecurity are proven to increase in the employees of the acquired firm after the acquisition, especially in case of a hostile takeover (Guerrero, 2008). In fact, once an individual perceives that his/her need for safety may not be satisfied, he/she experiences personal insecurity (Haslam et al., 2000; Van Dick et al., 2006).

Sense of vulnerability arises from this perception of risk and uncertainty about the own future (Reilly et al., 1993; Mayer et al., 1995) and the future of the organization in which they identify themselves (De Bernardis and Giustinano, 2015). If there is a particular perception of personal risk, Harwood and Chapman (2009) argue that there is also a transposition of that risk in exaggerated organizational risk.

Perceptions of risk and uncertainty are at the basis of the sensemaking process. In fact, in absence of uncertainty, there is no need to interpret what is happening and estimate the probability of several outcomes (Stahl et al., 2011).

Instead of an automatic execution, that is what would happen in the so-called “zone of indifference” according to Barnard (1938), the employees of the acquired firm go through a process of analysis of the request received and of the person or team that is presenting it. In synthesis, it is a process aimed at deciding whether to be compliant or not with the request coming from the acquiring firm.

The process of sensemaking, i.e. the interpretation according to own cognitive maps, may happen at individual level as well as collective level. In fact, in such a turbulent moment, employees may be aware that the situation that they want to make sense of is such complex that their bounded rationality (Simon, 1955) may not be sufficient.

Moreover, in a situation in which different parties make reference to different organizational identities, employees of the acquired firm may feel the need to share with the colleagues what they are experiencing and interpreting (Searle and Ball, 2004; Huy, 2012; McLain and Hackman, 1999).

The sensemaking process triggered by a request from a powerful party can be analysed also using Barnard’s theory of authority acceptance. This perspective, together with the sensemaking one, basically shows that requests coming from a change agent are not automatically accepted mainly because each individual accounts for personal and organizational interests (re-

ferring to the acquired organization). Employees make sense of requests considering their effects on the acquired organization's future as well as the consequences on themselves.

One of the first authors to study the acceptance of authority was Barnard (1938). He questioned the fact that an order from a hierarchically superior party is automatically accepted by the subordinate. This automatism happens only in the so-called "zone of indifference", that when the subordinate does not feel the need to analyse deeply the order. The rest of the times the subordinate analyses several dimensions of the order received and then decides whether to perform the task required or not. The acceptance of the order by the subordinate has both objective and subjective aspects (Gazell, 1970), which can be seen in the four conditions that Barnard indicates as necessary for an order to pass this acceptance process.

The first condition is comprehensiveness: the order received must be precise and clear enough to be understood by the subordinate expected to accept it. Secondly, the subordinate has to consider himself/herself able to perform the task, so ability is as requirement. As a third condition, the order received must be perceived by the employee in alignment with organizational goals. Lastly, the order received has to be in line also with the personal interests of the individual.

What Barnard argues (1938) is that most of the times the subordinates do not question the validity of the orders they receive because they recognise to their supervisor authority, that is not only given by the formal power, but is a "negotiated" authority gained over the time thanks to the positive attitudes that they have towards their supervisor (Geertshuis et al., 2015). This negotiation is the result of an exchange: acceptance from one side, reward from the other side. Barnard (1938) already had the intuition that non-monetary rewards have a key role in motivating employees and gaining their commitment. Some scholars that developed his ideas (Perrow, 1986; Mitchell and Scott, 1987) already noticed that in Barnard's theory of acceptance there it is implicitly considered an equilibrium in what the subordinate gives and receives with respect to the supervisor. Mitchell and Scott (1987) named it "the theory of exchange", while Perrow (1986) argued that a balance of the goals of executive and employee helps the executive to gain legitimacy from the bottom.

Some years later, in line with Barnard's intuition, several scholars have developed the leader-member exchange theory, which asserts that the relationship between a superior and a subordinate is an exchange relationship (Graen and Scandura, 1987), not only in material terms, but especially in terms of psychological terms, and it represents the "quality" of the leader-member relationship (Henderson, Liden, Glibkowski, and Chaudhry, 2009). This theory is founded on the social exchange theory (Blau, 1964), which supports the idea that individuals

develop relationships based on exchanges, which most of the times are not economic but socioemotional.

In the context of organizational change, the acceptance of authority mechanisms described by Barnard are complicated by the fact that employees are living a turbulent period, characterized by high uncertainty and by the fact that the orders that they receive from the authoritative parties require them to change most of the times.

In particular, during the initial stage of the integration, this process of analysis of the order received from the acquiring company's employees is particularly common since uncertainty is particularly high among employees (De Bernardis and Giustiniano, 2015; Schweiger and Denisi, 1991; Cartwright and Cooper, 1993).

Moreover, the organizational change context can affect the acceptance of the 4 conditions that, if met, generate a positive response to the order coming the powerful party.

Even the simplest condition, comprehension, can be more complex during an integration process. In fact, if it is the case of a cross-border acquisition, there may be problems related with the language used and not all the employees may speak fluently the language used during the integration between the two companies (Capron, 1999; Luring and Selmer, 2012; Kroon et al., 2015).

Moreover, even without considering the national and language differences, also the different organizational cultures can make comprehension more complex. In fact, also the vocabulary used by the employees is part the organizational culture (Schein, 1985), and this can cause misunderstanding when interacting with employees of another organization with a different culture.

Considering the ability to perform a task, during the integration process, especially if a great emphasis is given to speed, an employee may be in the condition of being able to perform the task, but not in the timing required.

During the integration these two previous conditions may be met less than in an ordinary context for reasons that are quite practical, i.e. language problems and lack of time or adequate tools. Therefore, as the integration goes on, these obstacles should be removed. For what concerns the other two conditions instead, the issues are more deep, complicated and need more attention in order to solve them.

In the evaluation of the alignment of the request with the organizational goals, acquired firm's employees may find some trouble. In fact, they are used to identify themselves with the acquired organization and so will probably make this evaluation according to the relative goals. More than in other contexts it is therefore possible to have a perception of misalignment in this evaluation. The order coming from the integration team, which should be consistent with

the acquiring company's interests, may clash with the goals of the acquired firm and so the employee may perceive to be in a difficult situation. On one side, the formal power of the acquiring company cannot be ignored, but on the other side the identification with the acquired company is still strong. This is a problem of social identity, a concept developed by Tajfel (1978), who defined it as the knowledge, value and emotions referred to the membership of an individual to a group. The effect of this sense of belonging on acquired firms' employees was studied by some authors, sometimes focusing on the effect of "us versus them" mentality (Colman and Lunnan, 2011; Guerrero, 2008; Lupina-Wegener et al., 2013 and 2015; Lee et al., 2015; Yildiz 2016; Chung et al., 2014) on behaviours of employees and this argument seems consistent with their results.

With regards to the last condition indicated by Barnard (1938), that is alignment with personal goals, it is necessary to consider that the refusal to perform a task requested by the acquiring company can be motivated by perceived fear, risk and uncertainty relative to the personal situation (Oreg, 2011). Beyond this common situation, there could also be an incompatibility between personal values and the values and the perceived intentions of the acquiring company, or more specifically with the person of the integration team that made the request (Chung et al., 2014).

Finally, from another branch of the literature, what emerges is that the perceptions of trust, justice, and psychological contract affect the sensemaking process and so interpretations of events and requests that involve employees from the acquiring company (Bellou, 2007; Melkoninan et al, 2011; Neves and Caetano, 2006; Brockner et al., 1997; Bijlsma-Frankema 2004; Hajro, 2015; Dirks and Ferrin, 2002). In other words, they contribute to define whether there is a recognition of authority or not and affect the decision about a behaviour in reaction to a request.

### 2.3.3 Reaction to change

Behind the behaviours that employees adopt there may be either acceptance or resistance with respect to the change or the request that originates in the acquiring company. According to Monin et al (2013), a third alternative is distancing, therefore ignoring somehow the request and not having any reaction to it.

A positive reply to the request is due to a positive result of the sensemaking process, which leads to commitment. Commitment is a facilitator of organizational change (Bligh and Carsten 2005) and, according to Meyer and Allen (1991), it can be in the form of desire (affective commitment), need (continuance commitment) and obligation (normative commitment).



However, in general, organizational change is seen as having a negative effect on affective and continuance commitment (Freese and Shalk, 2001). Chung and colleagues (2014) highlighted how not meeting personal interests could determine resistance to change. Resistance can be affective, cognitive or behavioural (Oreg, 2011).

Cynicism is mentioned as a driver of resistance to change and is defined by Cole and colleagues (2006) as a negative disposition due to past experience. Scepticism is slightly different, as defined by Stanley et al. (2000: 436): “doubt about the viability of a change for the attainment of its stated objective”. These authors argue that the same drivers of trust (benevolence and integrity in particular) contribute also to cynicism and scepticism in a changing phase. Therefore, these two concepts can be seen in trade-off with trust. Pate and colleagues (2000) argue that the combination of low trust and high cynicism with regard to an organizational change limits the changing process.

#### 2.3.4 Negotiation

In making sense of an action realized from an employee representing the acquiring firm, the decision about how to react is affected by several variables. The predominant variable mentioned in the literature about organizational change is trust (Dirks and Ferrin, 2002; Hajro 2015; Krug & Nigh, 2001; Brockner et al., 1997). In fact, whenever there is a perception of risk, there is room for trust, which is “a willingness to be vulnerable under conditions of risk and interdependence” (Rousseau et al., 1998: 395). In this sense, ambiguity and trust are seen in a trade-off in relationship (De Bernanrdis and Giustiniano, 2015): where there are doubts and uncertainty, trust in the counterparty can fill this gap and let the relationship develop and go on. In case of lack of risk, trust has no reason to be developed (Mayer et al., 1995), because trust begins when prediction ends (Lines et al., 2005; Morgan and Zeffane, 2003).

Authors have further analysed the relationship between trust and risk, going to the next step: if trust mechanisms are activated, individuals become willing to take risk, they make the so-called “leap of trust” (Mayer et al., 1995). This is the result of a negotiation, where the change agents are expected to reduce risk and so change recipients are willing to trust them.

In the context of organizational change, according to Lines and colleagues (2005), the drivers of trust in leadership are the following:

- identification, driven by honesty and integrity;
- competence/ability, since the leader is expected to have the proper functional competence, interpersonal competence, business sense and judgment (Gabarro, 1978);
- fairness/benevolence, when there is a will to act in a good way with respect of the follower or at least not to voluntarily hurt him/her, and;

- openness, linked to communication and facilitation of reciprocal influence.

Abrams and colleagues (2003) make one main distinction: benevolence-based trust and competence-based trust; Yildiz (2016) started from here and came to the conclusion that in a M&A perception of similarity drives the benevolence-based trust, while the superiority of status of the acquiring firm drives competence-based trust in employees of the acquired one. Stahl and colleagues (2011) instead focused on the following factors related to trust: perceived ability, benevolence, integrity, openness, and value congruence.

As argued by Brockner and colleagues (1997), trust is fundamental in recognizing authority and being supportive in the organization. In other words, trust is a driver of commitment to the organizational goals.

This can be linked to one of Barnard's conditions in his theory of authority acceptance (1938): if the leader behaves in a way that is line with organizational goals, this is a step towards the acceptance of his/her authority. Behind this mechanism, there is trust as described by Brockner et al. (1997).

Going further, the fourth condition indicated by Barnard necessary for authority acceptance is linked to the alignment with personal interest. In the context of organizational change, considering the factors that contribute to trust in leadership, the benevolence of the leader can be seen by the subordinate as a condition that enables him/her to pursue his/her personal interest without obstacles. Consistently with this statement, Brockner and colleagues (1997) found in their study that outcome favourability is a moderator of the relationship between trust in authority and its support by the individual. If outcomes are not favourable, other drivers of trust may have a key role in determining the choice to support the authority. In particular, the authors highlight the role of procedural fairness in order to obtain commitment. Given these conclusions from these authors, in the context of organizational change, characterized by uncertainty as already said, and so in a situation of lack of outcome favourability, procedural fairness can be really important in accepting authority. Both these elements were also highlighted by Searle and Ball (2004) in their longitudinal study of a merger.

Talking about fairness, in the literature there have been several specifications of justice, the three main ones are: distributive justice, procedural justice and interactional justice (Colquitt et al., 2005). While distributive justice focuses on the fairness of decision outcomes, procedural justice deals with how fairly the decision process is carried on, if the principles rules and adopted are fair; interactional justice is linked to the treatment of people involved in the decision process (Melkonian et al., 2001; Searle and Ball, 2004).

Long and colleagues (2011) developed research in linking managerial control and justice perceptions. They introduce the concept of "fairness monitoring", which they define as "sense-

making activities through which individuals gather and process fairness information in order to understand their treatment in their organization (Long, Bendersu and Morrill, 2011: 1046). The authors highlight the importance of this mechanism in periods of organizational change and turbulence, such as M&As.

Beyond the already mentioned authors that included fairness in trust building dynamics (Clarks and Pane; 1997; Lines et al., 2005), several scholars have included the concept of justice in their research about organizational change (Ellis, Reus, & Lamont, 2009). In M&A integration in particular, among the main reasons why there is a high need for sensemaking of justice there are socio-political concerns (Monin et al., 2013). Masterson and colleagues (2000) have studied for instance the role of procedural and interactional justice in the relationship between subordinate and superior in an organization. Neves and Caetano (2006) have developed this research in the context of organizational change, finding that interpersonal justice significantly affects the building of trust in the supervisor, together with the perceived supervisor's support.

Korsgaard and other scholars (2002) focused instead on the effect that perceived procedural justice during organizational change has on trust in managers. The change does not decrease trust if the change process is perceived as being fair.

Searle and Ball (2004) highlighted that trust and distrust were based in particular on procedural and interactional justice during the sensemaking of employees experiencing a merger process.

Ro and colleagues (2013) showed how perceived informational injustice, in particular in terms of managerial pay comparison, from the point of view of the acquired firm generated low willingness to share information.

Melkonian and colleagues (2011), have studied the role of justice during a merger integration, starting from the consideration of Lind (2001) that justice perceptions are used as heuristic for trustworthiness. In this study the role of justice is analysed as the integration process goes on, and the idea provided by the authors is that distributive justice is primarily taken into consideration, while later on procedural justice has higher impact on the willingness to cooperate.

In the negotiation process, together with expectations and perceptions of trust and justice, also the psychological contract can play a significant role. In the eyes of an employee, psychological contract is the perceived set of obligations and contributions that the employee himself on one side, and the organization on the other side, are committed to (Rosseau, 1995). The way in which the psychological contract is perceived by the employee affects his/her trust and commitment to the organization (Robinson, 1996; Pugh et al., 2003).

However, the psychological contract is not “signed” between the employee and the organization as a whole, but rather between the employee and a key manager that represents the organization or a part of it, such as a division or a function (Harriot and Pemberton, 1996). Therefore, an employee can hypothetically enter in several psychological contracts within an organization if he/she deals with different individuals representing the organization according to his/her point of view.

In general, the psychological contract can be subjected to some modifications during a period of organizational change (Stahl et al., 2011; Korsgaard et al., 2002). In the case of a M&A there is the most dramatic change since one party of the two is replaced by another one (Appelbaum et al., 2000), in fact Bellou (2007) compares the situation of employees experiencing a M&A to the one of new employees since there is they build a new relationship with the organization. During M&A integration employees may need some time to adapt their expectations and decide how much to commit to the new counterparty given its contributions and the obligations. So they use sensemaking in order to adjust expectations and eventually renegotiate the contract (Bligh and Carsten 2005; Bellou, 2007). At the same time, there is a mechanism that goes in the opposite direction since also the evolution of expectations and perceptions related to the psychological contract affects trust dynamics and the way sensemaking of actions of the acquiring company (Searle and Ball, 2004). In fact, Robinson (1996) studied the interaction of trust and psychological contract perceptions, finding that the first positively influences the latter, while psychological contract breach triggers a loss of trust, and so lowers employee contributions. Similarly, Freese and Shalk (2011) provided support for the influence of psychological contract changes on affective and continuance commitment of employees during an organizational change. These authors argue that changes of task, atmosphere and issues related to the implementation process are among the main causes of psychological contract modifications.

## **2.4 Conclusions**

This chapter was aimed at illustrating post-acquisition integration under a dialectic perspective, considering the two organizations involved and their interactions. These dynamics are shown to be affected by a broader scenario and by the specific characteristics and expectations of the two organizations. The different characteristics, expectations and interpretations trigger collective sensemaking processes, followed by actions and reactions. Since the two organizations may have different goals, a negotiation process is realized, resulting from exercise of formal power of the acquiring company and informal power of the acquired company. The

overall integration process and its outcomes will then affect the post-integration relationship between the main organization (parent) and the sub-organization (subsidiary).

In the end of this chapter, some other insights beyond the model of Steigenberger (2016) are presented, recalling some topics relative to organizational change. These insights help to understand how the dynamics that happen at organizational level may happen also on a smaller scale, in small groups of the organization and single individuals. In this context, also some power and authority issues are highlighted.

With the model and the additional references to the literature about organizational change and sensemaking, there are the premises to provide additional contribution through the case study that will be illustrated in the following chapter.

## THE CASE STUDY

### 3.1 Introduction

After a chapter about M&As and a specific chapter about integration from a theoretical perspective, this chapter is about the case study that is used to further explore the phenomenon of integration and contribute to the existing literature. This choice is consistent with the need to open the “black box” of integration (Teerikangas and Very, 2006). The focus will be on the integration dynamics in a single function of the organizations involved, instead of a broad analysis of the integration in the whole organization. The case study will be explorative, with the goal of proposing a model about integration not at a broad level (as the model previously presented), but instead describing the mechanisms going on in a team of employees, in this case belonging to the same function. To do so, the concepts about integration and organizational change already presented will be recalled, in line with the suggestions made by Steigenberger (2016).

### 3.2 The integration context

Before the core part of the case study about change acceptance, sensemaking, reactions and how these dynamics affect subsequent interactions between employees of the two companies involved, the contextual elements of the case study are now presented<sup>1</sup>. This is useful to better understand the narrative part and the analysis, as well as to support the conclusive findings. In fact, as highlighted in the first chapter, the contextual element can play a key role in shaping the M&A process and its outcome.

#### 3.2.1 The companies involved

The acquiring company is a multination corporation operating in technology segment. It operates at global level thanks to its well-known brands and a wide range of products, which have a pronounced technological component as main common characteristic. In terms of key char-

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<sup>1</sup> The sources for the collection of this introductory paragraph include companies' websites, and newspapers' articles, interviews with the integration project manager and the acquired company's HR director.

acteristics of this organization, it can be defined it as financial and legal oriented, as the integration project manager stated during the interview.

The acquired company<sup>2</sup> was born around a century ago as a family business and then moved to a more managerial structure, up to becoming a group of companies thanks to several acquisitions and an international expansion strategy. The acquired company is a manufacturing company that over the years has enriched its product offer in the heating sector. The company's overall offer is supported by a brand that is well-known and has a good reputation in the country where the company was founded and where the headquarter is set. The success of the company's products is backed up by not only a strong brand, but also by a widespread commercial organization, a strong distribution network and an up-to-date technology.

In order to give an idea of the relative size of the two companies, it is sufficient to notice that the employees of the acquired company account for the 1% of the total employees of the acquiring company<sup>3</sup>.

### 3.2.2 The Acquisition project

In the last years the to-be-acquired company was struggling to deal with a huge debt. After several attempts to renegotiate the financial debt with the financial institutions, it started to look for an acquirer in order to increase equity and so receive liquidity in order to write off the debt position. This resulted to be the way for the company in order to avoid the bankruptcy hypothesis.

*“In this moment the debt position is a serious problem [for the company], since the majority of the debt will expire by next year. The company crisis is [...] merely financial. [...] Only the entrance of a new shareholder can reduce the debt leverage and enable the repayment of the debt.”*

(Pavesi and Festa, 2015)

The acquisition made sense from the acquirer's point of view because it was a way to acquire know-how, value added activities and a portfolio of brands and products<sup>4</sup>. Among the several motivations of this acquisition, there was a strategic consideration<sup>5</sup>: the division of the corporation operating in the sector related to technologies in buildings had the same target customers of the to-be-acquired company. Therefore, the acquisition was seen as a way to create synergies in distribution, joining the salesforce and the distribution channels, in order to better serve target customers. In fact, the product offers of the two companies involved is comple-

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<sup>2</sup> Source: company website and company documents.

<sup>3</sup> Source: companies' websites.

<sup>4</sup> Mandurino, *Il Sole 24 Ore*, December 24th, 2015.

mentary and so the acquiring company decided to take this acquisition as an opportunity to offer a more complete range of products to its customers and better satisfy their needs.

Referring to the rationales presented in the first chapter as the main reasons of M&A projects, in this case the disclosed information supports the hypothesis of the value creation rationale, in particular focused on the combination of certain resources and capabilities (King et al., 2004). A minor reason for this acquisition can be linked to a characteristic of the acquiring company: some years before, a similar acquisition was done and so this project could be seen as a replication of the previous one, with the belief that geographical and organizational similarities could facilitate value creation (Baum et al., 2000).

The to-be-acquired company found an acquirer which built up an acquisition project that lasted more than two years. The project was designed by a steering committee, which involved, among the others, the acquired company's CEO and the integration project manager. This governance structure is in line with the one suggested by Meckl (2004) and mentioned in the first chapter.

The first phase of the acquisition process, the due diligence period, necessary to deeply understand the business and how the company worked, lasted one year<sup>6</sup>. In this process a lot of information was gathered for an appropriate offer presentation, in order to evaluate the strategic and cultural fit, and then prepare an ad-hoc the integration. Also this is in line with the best practices described in the first chapter (Meckl, 2004).

Then, there was a six-month period of negotiation for the agreement and legal validation of the deal by authorities. At the end of this phase, the deal was closed and the acquisition publicly disclosed.

The integration period was planned to last about one year, with a great part of the changes being launched in the first 100 days, that is about the first six-month period, as suggested by Angwin (2004) - mentioned in the second chapter.

### 3.2.3 The integration process and organization

The integration process was headed by a project manager who started to work about integration three months before the deal closing, a typical practice suggested by the literature (Meckl, 2004), such that the due diligence team could "pass the baton" and so make the integration team ready to work from "day one" of the integration phase. The integration project manager was in charge to supervise an integration team, composed by about 20 individuals coming from several functions and divisions of the corporation. These figures were selected

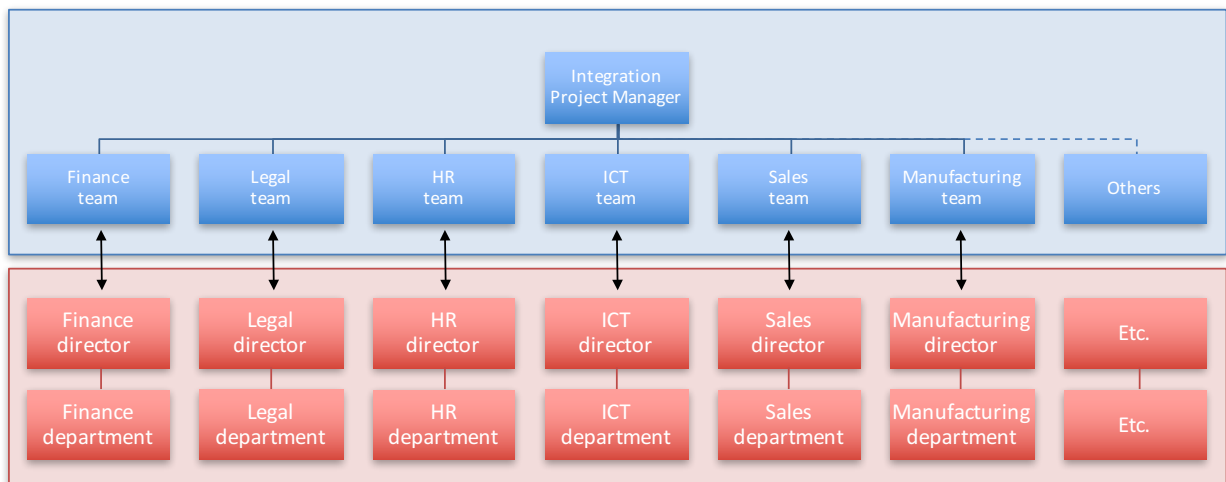
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<sup>5</sup> These considerations were done by the integration project manager in a focused interview during the integration.



looking at several characteristics: experience in international environments, knowledge and competences with regards the corporation's policies and their first implementation during the integration, availability to be physically present in the acquired company for some months and speaking the language of the acquired company employees. These selection criteria<sup>7</sup> were used in order to obtain an integration team that could facilitate the change process and the interaction with the acquired company's employees. Some of these team members worked full time on the integration, while others were only partially dedicated to it. As figure 3.1 shows, the integration process was organized by function, with a responsible for each function, who was in direct contact with a correspondent manager of the same function in the acquired company. In some cases, there were other integration team members supporting the integration process.

Figure 3.1: The integration organization



Source: Personal elaboration from company internal documents.

Considering the overall process, the two companies were trying to introduce and adapt best practices to the acquired company context. For instance, before signing a contract with a supplier, the acquiring company was used to require some conditions that the supplier necessarily must have. However, considering the business of the acquired company, some rules were adapted in order not to obstacle the run of the business. This strategy, according to the integration project manager, was producing good results because well-established procedures and ways of working were compensating the weaknesses of the acquired company and, at the same time, there was an effort to adapt the procedures and the proposed changes to the context.

<sup>6</sup> The acquisition process structured was described by the integration project manager during an interview.

On the other side, looking at drawbacks of the integration, the acquiring company made some efforts to reduce the additional workload due to integration that the acquired company employees had to face. In fact, the integration team was reinforced with additional resources fully dedicated to the project and the acquired company structure was strengthened as well. In concrete terms, the top management team of the acquired company was enlarged with three promoted managers and two new managers hired. Moreover, in finance and ICT departments, the acquiring company encouraged the hiring of some new employees. Nevertheless, the integration project manager highlighted that:

*“A widespread problem of this integration process was the management of priorities for employees of the acquired company, given the additional workload due to integration issues. Despite the new hiring and promotions, this is the main issue of the integration process, especially in the middle of the integration phase, when the workload is usually at maximum level”.*

### **3.3 Methodology**

In order to consider the set of findings reliable, the methodology employed in this case study will be illustrated in this paragraph.

#### **3.3.1 The case study plan and design**

The literature review presented in the first two chapters of this work suggests that integration is the most complex phase of M&As, it was defined as a “black box” (Teerikangas and Very, 2006; Stahl and Voigt, 2008; Martin and Butler, 2015, Teerikangas et al. 2011, Angwin and Urs, 2014; Weber and Drori, 2011). Therefore, despite the rich literature, integration is still worthy to be further studied. In particular, the questions that need to be answered are not such as “who”, “what” or “how much” (for which surveys or archival data are appropriate methods), but rather “how” integration develops and “why” it is so. Moreover, given the relevance of cultural elements, environmental factors and M&A-related issues in the literature review, it seems appropriate to perform an empirical analysis taking into consideration the integration context. Therefore, the case study method appears to be the proper method to contribute to the existing literature.

In fact, case study is the method indicated by Yin (2006) to study contemporary phenomena, to understand the reasons behind them and how they develop over the time. As defined by Hartley (in: Cassel and Symon, 2004: 234): “Case study research consists of a detailed inves-

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<sup>7</sup> This information was disclosed by the integration project manager during the interview.

tigation, often with data collected over a period of time, of phenomena, within their context. The aim is to provide an analysis of the context and processes which illuminate the theoretical issues being studied". What is highlighted in this definition is the importance of studying processes and phenomena in the context where they are set, since the events being studied and the context are not clearly distinguishable (Yin, 2006). Therefore, the expected outcome consists in understanding how contextual elements affect social processes and trying to give an answer to the "why" question with regards to what happens. This way, a contribution to theory can be provided, going beyond the context-specific circumstances, in an attempt to highlight dynamics that can occur in other cases. Referring to this process, Yin (2006) talks about "analytical generalization", which is different from the generalization derived from a quantitative research. The idea behind the findings of a case study method is linked to replication: the dynamics that are found to be common in a multiple case study research, or are found to be repetitive in a single case study, are worthy to be highlighted by the researcher, who can contribute to the literature by suggesting that the same dynamics may occur also in other contexts.

This case study represents a particular organizational change case, which is the post-acquisition integration, defined as the most dramatic one (Appelbaum et al., 2000).

This case study attempts to gather some insights in the field of post-M&A integration, considering it an organizational change process, paying attention to sensemaking and decision-making mechanisms, since these topics are particularly important and not yet deeply studied in combination, as argued in the previous chapter.

The purpose of this case study is explorative (Yin, 2006). In fact, a theoretical model is not perfectly defined in advance, rather it is defined in a quite broad way and will be better detailed according to the findings of the case study.

In particular, the only model presented in the previous chapter takes the organizations as units of analysis. The effort of this work is instead to go deeper in the analysis of integration, studying the organizational change in the dynamics of a team in the acquired organization, interacting with a correspondent team in the acquiring organization.

In light of this, the research question that this case study aims to answer is the following:

*In the context of post-acquisition integration, how does a team of acquired firm's employees (change recipients) react to requests of the integration team members (change agents) over time and, in case of resistance, what are the underlying reasons behind it?*

The choice between multiple and single case study in this particular case was in favour of the single case study. In fact, the single case study that will be presented has the following char-

acteristics, among the ones indicated by Yin (2006), in support for the choice of a single case study:

- Typical and representative case – the acquired company was born as a family manufacturing company that grew and developed a managerial structure. It was close to collapse financially and was then acquired by a multinational corporation present at global level with a value creation purpose. The integration typically involved the implementation of procedures in order to harmonize the acquired organization with the rest of the corporation.
- Revelatory case – despite some researchers performed case studies about integration, few of them had the chance to observe the evolution of events and interact with the actors involved on a daily basis, therefore being real participant observers (Yu et al., 2005; Riad, 2005; Vaara, 2003; van Marrewijk, 2016).
- Longitudinal case – the case is analysed over the first 100 days of the integration, which accounts for about half of the integration phase, with particular attention to the evolution of events and context specific elements.

One final consideration to confirm the choice of the single case study is that it is difficult to find several cases of post-M&A integration in a relatively short time period and to deeply analyse them with relatively scarce resources and time.

Another decision is relative to how many units of analysis to focus on. The literature review presented in the previous chapters started from an overall view of M&As, having the M&A cases as units of analysis, then the analysis went deeper to organizations involved in an acquisition, highlighting the collective dynamics of sensemaking, actions, reactions, and negotiation between the two organizations involved. In this case, there is another step towards a more specific focus, that is the one of a team of employees living a specific part of the integration process, such the integration process of a single function.

This case study is focused on one unit of analysis, that is the HR integration process. It involved a small team of two dedicated integration team members (one manager and one controller) and, on the side of the acquired organization, it involved in particular the team of HR managers and HR employees working at the headquarter level of the acquired organization. In fact, given the importance of the context and the effect that it has during the integration or more in general during organizational change, the decision was to observe and study the dynamics of a limited area of the integration.

This decision was backed up by some general considerations about the integration project typical structure: usually the integration process is realized at functional level (Meckl, 2004), with each integration manager devoted to a particular function, who interacts with the corre-

spondent team of the specific function. In this view, employees with key roles, such as being in a staff function and/or at the headquarter level, in the acquired organization, may deal with integration-related changes at a deeper level. Especially at the beginning, the interactions with the change agents are probably more frequent for these employees than for the ones at the bottom of the organization.

HR has resulted to be a critical function in M&A processes, both in the due diligence phase and during the integration (Waight, 2004; Antila and Kakkonen, 2008; Budhwar et al., 2009). Despite the key role of this function in being at the same time a change recipient and a change agent (Antila, 2002), there are few examples of works that focused their empirical analysis on HR teams during post-M&A integration (Kiefer, 2002).

Moreover, as suggested by Angwin (2004), given the particular importance given to the first 100 days after the M&A deal is signed, the duration of the observation for the development of this case study focused on this key moment of the M&A.

Once defined the research question, the quantity of cases to analyse, how many units of analysis to study and where to find them, it is necessary to make clear which data need to be collected in order to have the right inputs to perform a focused analysis and so provide a proper answer to the research question.

The data and information needed in this case are relative to the sequence of relevant events happened during the integration phase for what concerns the HR integration, since this is the function chosen for the analysis. Then, it is important to collect information about the perceptions of the employees of the acquired company that have a key role in the HR integration process, as well as their interpretations, actions and reactions when dealing with interventions coming from HR integration managers.

To analyse how events affect subsequent interactions between the individuals of the acquired company and the change agents of the acquiring organization, it would also be useful to collect data over time during the integration period. This way, the sequence of relevant integration-related events could be seen in perspective.

In general, a typical characteristic of case studies is that they include different sources of evidence, since they are realized using several data collection methods. This enables data triangulation, which helps to build stronger findings. In the case study that will now be presented, the methodologies employed are the following:

- Participant observation;
- Semi-structured interviews;
- Focused interview;
- Documentation.

The data collected are then used to build a narration of the relevant events that occurred during the integration period. This narration is analysed and interpreted recalling the theoretical concepts, putting emphasis on how they emerge in the case study, with which frequency, showing the actors involved and the relationships among these concepts in a dynamic way. The discussion of these topics, together with the emerging ones, will lead to the proposal of a conceptual model.

Given this plan for the case study, it is possible to assess the quality of this research using three criteria suggested by Yin (2006) for exploratory studies:

- Construct validity is ensured by the use of several sources of evidence, such that there is a considerable effort in order to avoid biased measures of the theoretical concepts used to guide the research.
- External validity is linked to generalization, which is ensured thanks to the theoretical review performed before the case study itself, such that the case, despite being exploratory, is approached with a theoretical background about the topics of M&A integration, organizational change and sensemaking.
- Reliability is the last element indicated by Yin (2006) and refers to how much rigorous the case study procedure is realized: a reliable model, if hypothetically repeated, would give the same findings. Participant observation is a method in which inevitably the observer affects the observation, therefore it could be argued that reliability could be hindered. However, in this longitudinal study the development of the events is not only observed by the participant observer, but also reported from the perspective of the other actors involved and partially present in company documents. As a consequence, these sources of evidence help to mitigate the effects on the analysis of the observer's subjective point of view and his/her active role in the events to be analysed.

### 3.3.2 The case study preparation

The researcher was prepared to collect the data thanks to the building of a theoretical background before the observation period, and deepened the study of theory as the longitudinal study went on, according to the relevant topics and issues that started to emerge.

The researcher was also guided by the thesis adviser, Professor Gianecchini, who gave advice with regards to the most appropriate techniques to use in this specific case study and indicated some practices to adopt to properly build the empirical part of the case.

Before the integration phase started, the observer had a first meeting with the HR team, during which there was a company presentation and an illustration of the M&A process, with particular emphasis on the integration plan. The meeting was also useful to find an agreement on the

participation of the observer in the HR activities of the acquired company, in order to provide support to the HR organization during the first 100 days after the closing of the deal and at the same time collect data for this case study. According to the plan, during this period the most dramatic changes would be implemented. The observer had the opportunity to join the HR team one week before the official start of the integration. Then, her presence was granted in the HR department for the first 100 integration days.

Consistently with the validity and the reliability of the case study design, the following pieces of advice suggested by Yin (2006) were used as guideline for in preparing for the case study:

- Ask good questions – the questions were formulated before, during and after the observation period, being inspired by the data and information collected as the process went on;
- Be a good listener – the information collection activity was performed on a daily basis in several contexts: from formal meetings and official documentation, to phone calls, emails and informal conversations;
- Be adaptive and flexible – adaptation and flexibility were useful for planning the interviews but also in being supportive and helpful to the HR team;
- Have a grasp of the issue being studied – the theoretical background built over the time was strong and useful to facilitate the collection of the appropriate information and the analysis;
- Avoid bias – the support of advisers and the multiple sources of evidence could limit the biases in the research process.

Data collection was possible thanks to the authorization by the companies involved to use documentation and data for this study and thanks to the approval to interview some HR employees of the acquired company and one integration team member.

### **3.4 Data collection**

The collection of data was realized through several methodologies, which together allowed a multi-faceted analysis and a triangulation of evidence. Figure 3.2 summarizes the time dedicated to each method, the main type of data collected per method and its use in the analysis. Then, each specific paragraph provides further details for each method.

Figure 3.2: Data collection processes

Method:	Data collected:	Dedicated time:	Use of data in the analysis:
<b>Participant observation (ethnography)</b>	Observation and/or participation to integrated-related meetings or other events: 3 official meetings with HR team and HR integration team. 4 meetings with HR team about integration. 3 training sessions about integration projects. Observations for behaviours. Reception of impressions, feelings, perceptions of change recipients and change agents.	The time dedicated to this project was of 5 months. An estimated 25% of the working time was employed in ethnographic research. Additional time, about 45 minutes per week, was dedicated to write the researcher's diary (in total 15 hours).	Definition of the list of individuals to interview. Facilitation in contacting interviewees. Insights about emerging issues not previously considered in theoretical preparation. Drawing of a timeline of events. Facilitation in interviews' analysis.
<b>Focused interview</b>	1 focused interview to the integration project manager. Information collected about the integration project and more in general the overall acquisition. Further documentation about these topics was provided after the interview.	The interview lasted 30 minutes.	Definition of the context of the case study. Clarification of company rules about company private information and anonymity.
<b>Semi-structured interviews</b>	5 semi-structured interviews to acquired firm HR employees (1 director, 2 managers, 2 clerks): data collected was about the point of view and experience of change recipients. 1 semi-structured interview to HR integration team members (1 HR controller): data collected was about the point of view and experience of change agents.	The 6 interviews were towards the end of the 100 days and they lasted on average 40 minutes (in total about 4 hours).	Comparison with data collected during the participant observation. Critical review of the timeline of events according to the several points of view.
<b>Documentation</b>	10 presentations released by the integration team to guide the process. 8 Internal institutional communications to introduce main changes.	5 hours in total	Drawing of an objective timeline of events. Mapping of activities and processes planned over time.

Source: Personal elaboration.



### 3.4.1 Participant observation (Ethnography)

The method

Participant observation enables the observer “to study first-hand the day-to-day experience and behaviour of subjects in particular situations, and, if necessary, to talk to them about their feelings and interpretations” (Waddington, in: Cassel and Symon, 2004: 154). Among the several alternatives listed by Waddington (in: Cassel and Symon, 2004), in this case study the researcher, that is writing this work, acted as a participant-as-observer, making clear from the beginning that an observation would be done over a well-defined period.

During the first 100 days of integration, I was in the HR office of the headquarter of the acquired company. I supported the HR team in the controlling activity, as well as in the integration related activities. At the same time, I had the chance to observe integration from the point of view of the change recipients. I used to have informal conversations with the HR members both while working and during coffee breaks and lunch time. In many cases I was directly involved in the integration meetings or I collaborated with the colleagues to work to comply to integration requests and procedures. When I was not directly involved, I listened to employees’ narratives and asked them to share with me their thoughts and perceptions about the integration process. Cooperation and trust building were helpful to collect perceptions and go deeper in the observations of the dynamics over the HR integration.

During this period, I took note on a weekly basis of observations and direct experience related to HR integration indicating the development of the integration day by day. Every week I wrote these notes in a file which was divided into several categories in order to start to organize my observations by broad topics.

In general, I was directly involved in the main 6 processes that took place during the first 100 days of integration in the HR function. I worked with the HR controller and the other HR employees and in particular I took part in:

- 3 official meetings with HR employees and HR integration team members;
- 4 meetings with HR employees whose topic was integration;
- 3 training sessions organized by the integration process.

Yin (2006) highlights how this method can be exposed to biases since the participant-observer can become a supporter of the group being studied, or may not have time to observe with due attention the event if he/she is too involved in participation. These drawbacks have been faced in this particular case recurring to other methodologies of data collection.

Time dedicated

The time dedicated to this activity lasted 5 months. During this period, I was present full time in the HR office of the headquarter of the acquired company. In some moments, especially at the beginning, I dedicated most of the time only to work, while later on, when the integration processes emerged more, I was actually more active in my research project. As in a typical ethnographic research, I was directly involved in the events I wanted to study. Therefore, everyday I was at the same time working and gathering useful information for this case study. For what concerns the reporting activity that I did on a weekly basis, it took me in total about 10 hours over the 5 months that cover the first 100 days of integration.

#### Use of data

The information gathered with this method was really useful to write a researcher's diary. It was useful to understand which employees to interview and the information written and organized became a source of inspiration for the development of the case study in terms of emerging problems that were interesting to analyse.

It was also useful to place relevant facts in the timeline and it facilitated the building of the structure of the interviews. It also helped during the interview analysis to better understand the references that employees made to past events recalling their experience.

In general, the observations obtained thanks to this methodology were useful for inductive rather than deductive analysis. Therefore, they helped to shape more precisely the proposed conceptual model. Additionally, the evidence of repetitive patterns and similar processes reported over the time was useful for strengthening the recursive nature of the model.

### 3.4.2 Semi-structured interviews

#### The method

Semi-structured interviews are a typical method for qualitative research, they resemble a normal conversation since both the interviewee and the interviewer play an active role (Yin, 2006). In fact, while the interviewee is expected to express ideas, feelings, perceptions and experiences, the interviewer should make clear the topic of the interview and then guide the other person to go deeper when necessary and make explicit what is behind the mere narration (Legard et al., in: Ritchie and Lewis, 2003). A semi-structured interview is better led if it is face-to-face, in a location where the interviewee is at ease and distractions and interruptions are avoided as much as possible.

During the last 20 days of the integration period being studied, I interviewed 5 HR team members belonging to the acquired firm and working at the headquarter of the acquired company. In particular, I interviewed the employees that, according to the observations during the integration period, were more involved in the integration process:

- a HR employee dedicated to the headquarter site;
- the HR controller;
- the two HR managers
- the HR Director.

Subsequently, I tried to arrange a meeting with the two employees of the acquiring company that were part of the integration organization working at HR integration. Unfortunately, it was not possible to interview the HR integration manager. On the contrary, I was able to interview by phone the other person:

- the HR integration controller.

Given the inclusion of participant observation as a method in this case study, an important element such as neutrality of the interviewer was probably difficult to be perceived by interviewees. To strengthen the perception of neutrality, the I made clear the purpose of the interview at the beginning, behaved and talked in a way that made the interviewees feel comfortable, not judged and protected by anonymity.

The interviews were recorded with the permission of the interviewees.

The interview was conducted with some flexibility, with follow-up questions to better understand the content of the interviews, thus avoiding leading questions that induced the interviewee to say what the researcher expected a priori. At the same time, the interview was structured in order to guide the conversation towards the topics presented in the previous chapter and so make the elements of the theoretical model emerge. The structure of the interview can be found in Appendix I.

A particular technique that was employed to make the first broad questions was the critical incident technique, recently used also by Hajro (2015) and Durand (2016) in studies about post-merger integration. This technique was employed to investigate perceptions relative to relevant facts during the change process. Through the critical incident technique, a person is invited to recall the incidents that first come to his/her mind with reference to a context or a period defined by the interviewer. Facts that are recalled are the ones which are emotionally relevant for the interviewee, either in positive or negative terms. The person is invited to narrate the events or the processes recalled, with the help of the questions made by the interviewer. The subsequent analysis is therefore focused on facts that are relevant and that have generated cognitive, affective or behavioural reactions in the interviewee (Chell, 2004).

Towards the end of each interview, the I made sure that all the issues were covered by asking to the interviewee for additional topics that still wanted to talk about.

#### The time dedicated

The 6 interviews lasted on average 40 minutes, with a total time employed consisting of about 4 hours.

#### The use of data

The interviews were fundamental to formalize the declarations of the HR employees expressed during the participant observation period and so were the result of an effort to decrease subjectivity in the observation of the case study.

Putting together the results of the interviews to employees of both the organizations involved is a way to compare the two perspectives. The different perceptions of the same facts and processes is interesting to explain subsequent conflicts or negative reactions.

In general, the interviews were used to track similar dynamics to the ones defined in the theory. In case of contrasting results, being the study exploratory, they triggered a review of theoretical models and/or induction for further developments.

### 3.4.3 Focused interview

#### The method

Focused interviews are a method that can be used when the interviewer needs to gather information about a specific topic and therefore intends to make few focused questions. In this case, I was already aware that the person to interview was in possess of the information and could express it quite easily with direct questions.

A focused interview was made to the integration project manager in order to understand the structure of the integration project, its main problems and overall positive elements. This person was also encouraged to give some other insights about the acquisition in general.

#### The time dedicated

The interview lasted 30 minutes and was supported by the provision of documentation that facilitated the explanation of the topics that discussed.

#### The use of data

The information gathered during this interview was useful to define the context of the case study and to let the researcher find the right individuals to involve in semi-structured interviews. Moreover, having some insights from the perspective of the integration team facilitated the researcher in preparing the semi-structured interview with the other integration team member.

### 3.4.4 Documentation

#### The method

Documentation can be useful to obtain precise information that can be consulted in every moment of the research process. There can be a bias in the selection of documentation by the researcher, but for sure the documents contain objective information (Yin, 2006). During the period of participant observation, documents were collected and archived, in particular the important collected documents were:

- 10 presentations released by the integration team to guide the process;
- 8 internal institutional communications to introduce main changes to the employees of the acquired company.

#### The time dedicated

In total, an estimated time of 5 hours was employed to read, select and archive the documentation useful for this case study.

#### The use of data

These documents were useful to map processes and events, as well as make reference during the interviews to precise presentations, topics discussed by email and events, in order to facilitate the recall of past facts.

## 3.5 Narration of the first 100 days of HR integration process

The HR integration process had a projects structure. The plan shared with the HR director at the beginning of the integration period included many projects about the launch of new activities, procedures and rules about training, recruitment, internal communication, performance management and, among all, controlling and reporting.

The HR integration process was managed by the HR integration manager and the HR integration controller and it involved the HR director on the side of the acquired company and his team working at the acquired company's headquarter.

The integration project manager summarized the HR integration process with these words:

*“The main work during the HR integration process consists in an alignment of procedures. The gap to cover in terms of difference in policies applied in the two organizations is relatively small. However, some new policies need still to be implemented or adjusted. Additionally, some effort is needed for the coordination with integration process in finance department.”*

Being the acquiring company financially oriented, as he defined, the first part of the integration was dedicated in particular to controlling, reporting activities in order to transmit a finan-

cial oriented culture and at the same time introduce the same financial procedures used in the rest of the group headed by the acquiring company. In the HR integration process, the controlling part was the most difficult part, as the HR integration controller reported:

*“The controlling and reporting activities are typically the most difficult part because there is a lot of work to do within a relatively short period and the requirement of the acquiring company is to receive detailed reports periodically, which is something acquired companies are not always used to do”.*

The HR integration process included a widespread range of activities that were connected with many parts of the acquired company. For instance, every manager interested in hiring a new employee would necessarily come across the new hiring procedures. Additionally, the controlling and reporting activities were organized in coordination with the finance department and the relative integration process.

Moreover, as reported by the integration project manager:

*“HR is one of the functions that started the integration earlier, so in the first 100 days people worked on integration much more than other functions, such as operations or sales, which will be involved in integration projects later on.”*

The sequence of events occurred during the first 100 days of the integration is shown in figure 3.3, highlighting the most important projects, whose development was observed by the researcher during the participant observation period as well as mentioned in company documents and during interviews.

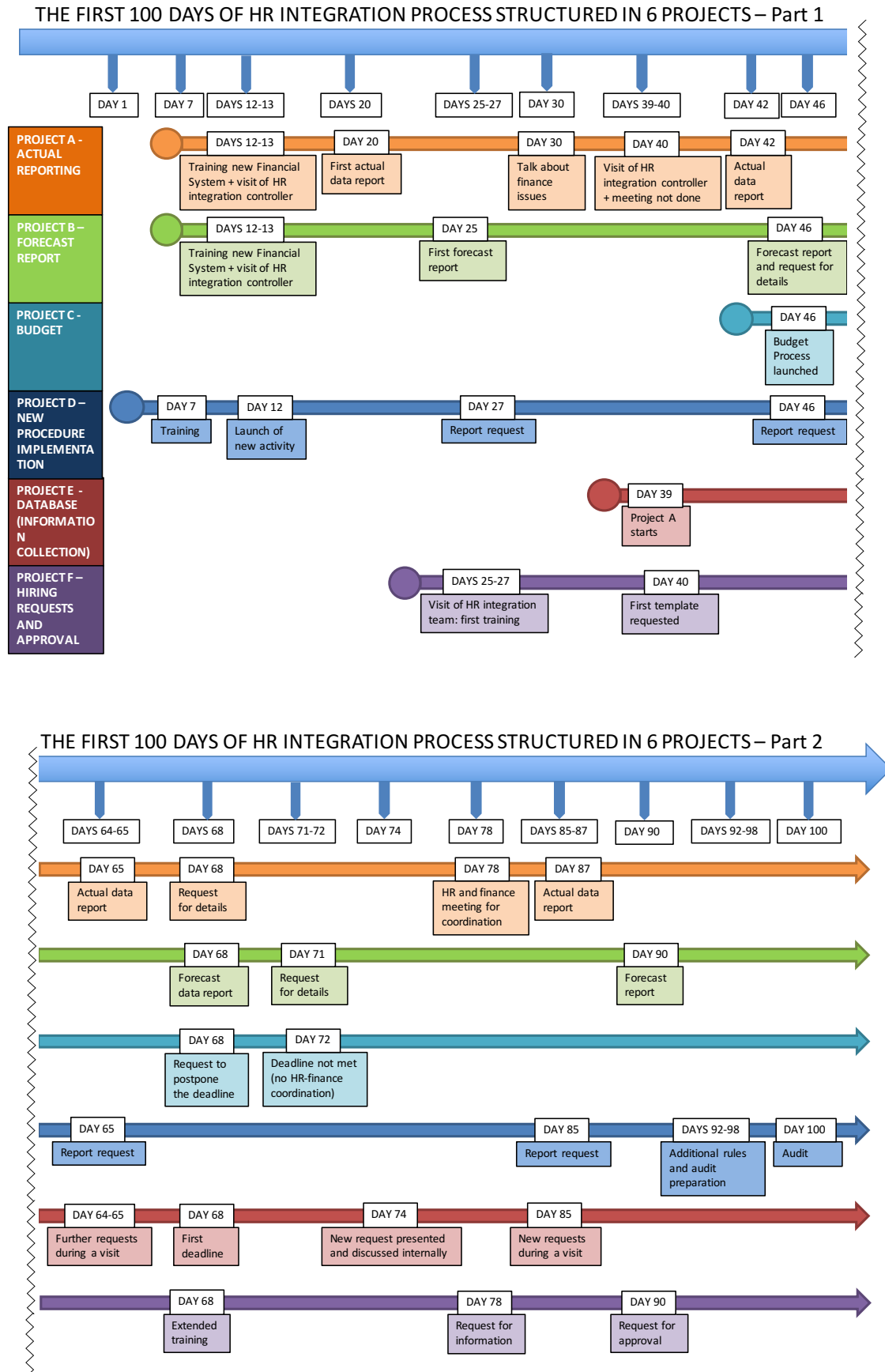
The main projects are the following:

- Project A – Monthly report of actual personnel cost and actual number of employees and personnel cost according to the new financial rules and system;
- Project B – Monthly analysis of forecast by the end of the year regarding personnel cost and number of employees according to the new financial rules and system;
- Project C – Budget of personnel cost and number of employees for the following year according to the new financial rules and system;
- Project D – Introduction of a new activity to perform when hiring a new employee starting from the early beginning of the integration;
- Project E – Creation of a database including personal data, job description, function, for each employee in force;
- Project F – Introduction of a new module for requesting the authorization of new hiring, to be submitted to the acquiring company.

These projects, except project D which was managed by an external consultant, were headed by the HR integration controller. Her main interlocutors were the HR controller and the HR director of the acquired company.

The narration is now developed following the sequence of steps highlighted at the end of the second chapter, in paragraph 2.3, which was focused on showing how the integration process develops not at organizational level, but at a lower level, dealing with small teams and focused projects. Therefore, for each paragraph, which is a step in the integration process as described in the second chapter, there will be a section including the narration for each specific project or groups of them.

Figure 3.3: The integration process timeline



Source: Personal elaboration starting from company documents.



### 3.5.1 Requests

Before the launch of the 6 main projects, the overall HR integration process was presented to the HR director by the HR integration manager by sending a presentation which included a timeline and the explanation only of some of the processes mentioned.

The HR director reported during the interview that the initial plan of the processes was not disclosed completely to him. In fact, the plan was shared with him just by sending a written presentation of the processes. With reference to this, he reported:

*“Even after few months since the beginning of the integration, I have no clear visibility on the overall plan about HR integration. All I know is that there is a plan that I just received by email, without any explanation, and that was for sure discussed without involving me. I feel that there is something the HR integration team decided not to share with me and my colleagues about goals and vision. This feeling is based on the fact that several times in these months the HR integration people came out with new procedures or new projects that I had never heard about.”*

This is similar to what one of the two HR managers of the acquired company reported:

*“Even if I am satisfied with the integration process in general, I would have desired to receive more information from the acquired company, in particular at the beginning when there was more uncertainty in my team. For instance, there were some questions we made that did not receive any answer and this made me feel insecure about the future.”*

During the development of the several projects, in the first 100 days there were some visits of the HR integration manager (2 times) and HR integration controller (6 times), usually in correspondence with the launch of a new project or when they had particular requests – such as to enrich the database (Project E) or train for new activities (project F). When there was any visit, the HR employees of the acquired company headquarter participated in meetings with the managers or directors and worked side by side with the HR integration controller. The communication of these visits usually came only few days in advance, sometimes with some last-minute changes.

Another activity among the actions enacted by the acquiring company in order to lead the change process was the audit, which was realized at the end of the first 100 days of integration. It was aimed at assessing the overall integration process in the HR function. The auditors were employees coming from the acquiring company and also the HR integration controller was involved in the audit. The dates of the audit were decided together with the HR director, in compatibility with the other processes.

## PROJECTS A, B & C

Project A was about the reporting of actual data on a monthly basis for what concerned personnel cost and number of employees.

The requests of project B consisted in a periodical review of forecasted costs and number of employees for the following months up to the end of the year. This project started together with project A (day 20), but more attention was paid to this one as time went on, and so also the requests increased.

Project C requests (day 46) included the use of new rules to realize the budget process and to provide evidence and motivations for the data presented in reply to the request.

Projects A, B and C were also part of finance integration. To meet the deadlines and be compliant with the plan decided by the finance integration team leader, coordination was required. In general terms, personnel cost had to be consolidated with the rest of the costs, following the same new rules and timing of report.

What was required to do consisted in uploading the actual personnel costs and the number of employees in force into the new accounting system every month. Some days after the upload of actual data of the month, the forecasted situation by the end of the year had to be uploaded as well. To do this activity, training was provided at the beginning of the integration period (days 12-13) by specialists of the new accounting system sent by the acquiring company. Guidelines were provided in presentations and written documents when the processes were launched. The acquired company employees that were trained were the finance employees and the employees that, despite not belonging to the finance department, were involved in accounting and controlling activities. Among these ones, there was the HR controller.

Together with the requests, at the beginning of the integration, the HR integration controller sent mails and made calls to the HR controller in order to show she was available for help if needed. The HR controller did not exploit this opportunity, in particular at the beginning, avoiding the sharing of documents and the explanation to the HR integration controller in working to reply.

The HR integration controller, some days after the upload of the data in the new system, made some requests for clarifications and asked a higher level of detail (such as categorization of personnel by some categories, specifications of personnel cost components) in order to be prepared to reply to the requests that were presented to her by HR controllers at higher levels of the acquiring company.

The plan about projects A, B and C included lots of new activities and short deadlines, and so generated some uncertainty for the HR controller, who declared:

*“When I first saw the calendar for the first months of integration, I was excited because the new projects could become an opportunity to learn and grow professionally. At the same time, I was worried because I was not sure I had the proper tools and I was not enough prepared. [...] Then, day by day I had to deal with requests of information and of performing some tasks with few guidelines. Having short deadlines and few support, I was not sure I could do it.”*

The point of view of the HR integration controller about the requests she sent for these processes was expressed during the interview in these terms:

*“I know I’ve asked many things, but I had no choice because this is the plan that the acquiring company expects to be realized. [...] Other than making requests, at the beginning I also showed my willingness to help the HR controller and to work side-by-side with him because this is part of my role”.*

In such complex processes, the HR controller mentioned that sometimes the same request was presented both by HR integration controller and by the finance integration leader. In particular, the HR controller stated:

*“To decide about when to start with the budget [Project C], initially we were given different dates from the integration finance leader and HR integration people. This made me unsecure about how to organize my work.”*

Talking about another topic related to the number of employees to report in the three projects, the HR director said:

*“How to categorize employees in the new categories has never been clear, since finance integration people tell us to do in a way and HR integration people in a different way. [...] In order to understand which was the correct version of the criteria to categorize the headcounts, we arranged a meeting inviting both finance and HR people of the integration team [day 78]. We didn’t solve the problem but at least we highlighted that there were not clear and agreed guidelines”.*

Furthermore, both the HR director and the HR controller mentioned different guidelines provided coming from HR and finance integration plans. The HR controller stated:

*“To decide about when to start with the budget [Project C], initially we were given different dates from the integration finance leader and HR integration people. This made me unsecure about how to organize my work.”*

This perception is not shared by the HR integration controller, who stated:

*“I did not notice any problems with the finance people of the integration team, we use to share information and I can say that we are aligned. We have weekly meetings with the rest of the integration team.”*

## PROJECT D

The requests linked to project D were presented early in the integration process (day 12), since the new procedure to be implemented was part of a broader process which involved several functions of the company. The person that made the request was an external consultant that was in charge of following this project in several functions of the acquired company. The request to realize the new activity came after a training session (day 7) and after some discussions with the HR director, which was involved in designing the new procedure such that it could both fit the acquired company context and lead to compliance of the rules required by the acquired company. Then, a periodical report was required by the consultant in order to monitor the compliance with the new procedure implemented (days 27, 46, 65, 85).

After the first 100 days of integration, an audit was organized (day 100) in order to assess any risks and evaluate how the implementation of the new procedure was realized.

With respect to the periodical report, the audit required the preparation of more documents to be collected from all the HR employees widespread in the several sites of the acquired company. Moreover, just before the audit, a new update of the procedure extended the rules to other cases which were not previously included (day 92).

The requests presented for the audit, together with the last-minute update of the procedure, created some stress among HR employees (days 92-98). Both those HR employees in the headquarter in charge of collecting the documents, and the other HR employees were required to deliver more documentation than they were used to send for the monthly update, additionally with a short deadline. As an employee said during the audit preparation:

*“Right now, one week before the audit, a new request comes up so I don’t feel really confident about the audit result. First we had to apply the new procedure just to some categories of new employees, and now we have to extend this activity also to other categories.”*

## PROJECT E

Project E was about the creation of a database of the employees currently in force in the company. The HR integration employees motivated the request of this database with the need to include the employees of the acquired company in the same database of the rest of the employees of the group, which would have become the reference point for training and performance assessment programs. In concrete terms, the request (in day 39) was to assemble data from different sources of the acquired company documents and systems since such a database was not already in use in the acquired company. Moreover, some other information that were known by the HR employees but not written and formalized, needed to be reported in the da-

tabase. To help with this consolidation, the HR integration controller and the HR integration manager came to visit and spent one day on this topic (day 64). This work of putting together data from different sources was made more difficult by additional requests as time went on. As the integration HR people started to receive the first drafts of the database, they realized some information they needed was missing and so required to add some other pieces of information not mentioned before (day 74 and 85). The deadline for the database preparation gave one month to work on this project to the HR team, given that many other activities were going on.

When the process of information collection was concluded, the next step was the request of a monthly update of the database in order to let the acquiring company see the evolution of the workforce composition month by month. The HR employees were worried about this future periodic update because of the time consuming activity needed to check month by month whether the information had to be updated. As one employee reported:

*“I understood what needs to be done now, but what worries me is related to future updates. They are asking to do a new activity on a monthly basis for which we don’t have any software or system available. This means it will take a lot of time.”*

## PROJECT F

Project F was about a periodic report of the hiring processes to present to the HR integration team in order to let them understand which were the open positions and so the future new employees. Training was initially not detailed given in informal way during the first visit of the HR integration controller (days 25-27), involving few employees. This first training session was aimed at explaining how to perform part of the new tasks, only the most important ones. Given this partial training, the HR integration controller asked a periodical report of the hiring processes, which was required only to inform the HR integration team about the development of these processes. In other words, the hiring processes did not have to be approved by the acquiring company (day 40).

Then, the HR integration controller arranged a new training session (day 68) which was more extensive and involved a higher number of employees trained. In fact, during this training session more details were given about how to be compliant with the full set of rules introduced. The new procedure fully implemented required the preparation of the report not only for information, but also for approval. At this point, all the employees that needed to be compliant with the new procedure had the knowledge and the competences to do so, differently from the situation after the first training.

Therefore, later on a more detailed report was required in order to authorize hiring of new employees (day 90). Since the procedure was new, the timing of the authorization process was not clear, and so the HR team did not know the time required for receiving a feedback after a request to hire. The HR director reported:

*“The request they made it’s clear, but I have no information about when we will receive the feedback for our requests. So we don’t know what to do with the pending requests: should we block the selection processes and lose candidates or go on still knowing that without approval we should not hire anyone?”*

### 3.5.2 Interpretation

Some general considerations need to be done with regards to the overall integration process. When the HR director received the integration plan without any other explanation, he reported:

*“I feel that they don’t want to involve me in the strategic vision that they have for this integration process. How can I be totally compliant if I don’t have the clear vision? I can try to lead my team to be compliant with the requests, but we could help more if we could understand the reasons behind the requests.”*

Even if the vision was not fully disclosed according to the HR manager and director, a fair approach was highlighted by the HR director in the way the projects were realized. In fact, he said:

*“During these months, integration people involved the managers and employees of our company in order to find together the proper way to adapt their processes to our context. There was not a “top-down” approach for what concerns implementation”.*

The same fair approach was perceived also in regards to the HR audit in the end of the period observed. One of the two HR managers reported:

*“The auditors were employees coming from the acquiring company and they assessed the HR function with a constructive rather than destructive attitude, without making us frustrated or annoyed.”*

Moreover, also the fact that the audit was scheduled such that it could accommodate the HR department calendar, ensuring that it was compatible with all the other processes of the function, was perceived by the HR team as a constructive approach.

The two visits of the HR director to the acquiring company headquarter of the division and geographical area of belonging helped to reduce uncertainty in the HR team. The first time the director went for a visit with the HR controller and during this visit they came to know sever-

al projects that had to be implemented. The second visit was due to a general meeting with all HR directors of the area. Both the times, he came back with more information in hands and more vision of the future projects and plans.

On the contrary, the visits to the acquired company headquarter by the HR integration manager and controller were characterized by uncertainty. In fact, the scarce information regarding the timing and the rationale behind them made the HR team in the headquarter worried about new visits. They understood that in case of a new visit, they had to re-schedule their work. As a consequence, more time was needed to perform their standard job in the days of the visits.

As an employee reported:

*“Now I know that when there is a visit of the HR integration team, I have to stop my standard activity and be fully dedicated to the meetings and available for integration-related issues. Every time they come here, they come up with new activities that increase our workload. I don’t feel I have full control over the scheduling of my activities.”*

On the contrary, as time went on, some visits reduced the uncertainty perceived by employees of HR team in the acquired organization. In particular, the two visits of the HR director to the acquiring company headquarter of the division and geographical area of belonging helped to reduce uncertainty in the HR team. The first time the director went for a visit with the HR controller and during this visit they came to know several projects that had to be implemented. The second visit was due to a general meeting with all HR directors of the area. Both the times, he came back with more information in hands and more vision of the future projects and plans.

On the contrary, the visits to the acquired company headquarter by the HR integration manager and controller was characterized by some uncertainty. In fact, the communication of the visit usually came only few days in advance, sometimes with some last-minute changes.

### PROJECTS A, B & C

The way in which the requests were interpreted can be expressed through the words of the HR controller and the HR director for what concerns these projects.

The HR controller reported:

*“When I received the same request by the HR integration controller and the integration finance people, I perceived a lack of coordination and communication between them.”*

Similarly, the HR director said:

*“When finance and HR control people of the integration team gave us different indications, we thought that they had some problems of coordination, which was creating also creating problems and misalignments between the two functions in the acquired company”*

Additionally, the interpretation of different priorities in requests presented was the following for the HR director:

*“We saw from the requests that we received that finance people were determined to follow their calendar with lots of activities, while HR had its own timing and was not pushing us to go on with the budget process [Project C]”*

#### PROJECT D

The requests before the audit and the need to gather documents, even beyond the initially required ones made the employees feel that they needed to keep monitored the subsequent mails and communications related to this project. The HR director said during an internal meeting after the audit (day 100):

*“We have to keep this project monitored and be prepared to other requests because this project has a larger scale than the others, there is an external consultant to follow it and it is interesting all the functions. It’s a big deal.”*

#### PROJECT E

During the database building process, the HR employees of the acquired company received some questions for clarifications that made them reflect about the purpose of the database. To some employees, it seemed that the database was used even for other purposes beyond training and performance assessment – one of these could be thinking about reorganization and so layoffs of some employees. The HR controller reported:

*“We have to pay attention to the information that we put in this database because we are passing the “professional identity card” of each employee. What we are sending them can be used to map which are the activities that are strictly necessary and which are not... and so which employees can be fired and which not”*

#### PROJECT F

The sense made by the HR director according to the requests that were going on within this project was the following:

*“The requests they are presenting for this project imply that we will not be free anymore to decide about hiring new employees. Given the uncertainty about time*



*needed to receive feedback, we should start to put in the hiring request even positions that we are not still sure about because it's a time issue. They are asking to us to wait for one month in case we need an approval to hire an additional employee".*

### 3.5.3 Reactions

#### PROJECTS A, B & C

The replies to the requests for what concerns these three projects were almost always provided on time and were compliant with the requests.

However, the HR integration controller mentioned one typical practice used in replying to her questions when quantitative information was required:

*"When I asked for quantitative results, such as aggregated measures of costs or number of employees, I was never given a calculation but only the final total number. I tried to ask for the calculation, but then I still saw that only the exact information I asked for was sent to me, nothing more".*

Moreover, even still within deadlines, there was not a prompt answer, but rather slow even for simple requests.

The HR integration controller expressed her concerns in these terms:

*"Many times it happened I received the reply to my question, I had the answer in front of me and I felt there was some kind of resistance to share data with me [...]. People struggled to give me data probably because it was a way to pass control from them to me".*

Then, she perceived that there were some problems with the timing of the reply, even if it was within the deadline or even in those cases when a simple question was done without any deadline imposed. She said:

*"At the beginning I didn't understand why for a simple question that I made I had to wait one or two days. In fact, I knew that the HR employees had access to the information necessary to answer me. I started to think it was because the HR personnel were afraid of me being in this position of superiority with respect to them, maybe they thought I could replace them in the organization. I can imagine it's not easy to involve someone new in the work you are used to do just with your close colleagues or even alone, but this is my role and I can help only if people are willing to share with me their work. I also created a shared folder with the HR director and HR controller, but they have never accessed it and put any document.".*

The HR director of the acquired company, commenting the process of reply to requests, stated:

*“In this company we are used to be complaint with requests. I am willing to collaborate with the HR integration people and we are also able to be compliant with the requests: I have total control of the situation of the HR department thanks to the work done by the HR controller.”*

However, there was some complexity in being compliant to the requests reported during the interviews with him and the HR controller.

In fact, the HR director highlighted that the need to change the way of working was accompanied by unclear guidelines, which complicated the quick and easy reply:

*“It’s difficult to change the way you perform controlling activities, when you have new rules and in particular if the new rules are not clear”.*

Then, the HR controller and the HR department in general used to operate in respect of privacy principle, not disclosing confidential information and data about any single employee to the rest of the organization. Therefore, the HR controller used to check and double check the information he was sending to the HR integration controller in order to avoid disclosing too much information. This process required more work and a period of time in order to obtain the approval of the HR director, so it slowed down the replying process. The HR controller mentioned this characteristic of the process during the interview:

*“When I receive a request about the explanations of data I uploaded for the actual and forecast monthly report, before replying I ask for approval to the HR director if sensible data, such as data about salaries and other benefits clearly referable to specific employees, have to be shared with integration people.”*

Moreover, another issue was the time that the HR controller used to reply to his supervisor, the HR director, usual requests of reporting and analysis. Sometimes HR employees said to the HR integration controller that they could not work with and for her because they were busy in doing other activities, not related to the integration. About this issues, the HR controller said:

*“I need to keep on doing the tasks I used to do before the integration, my supervisor is asking for them. I’m working hard, more than usual I’m supposed to do. I need time to be compliant with all the requests, integration-related and not.”*

With regards to the existing workload, the HR integration controller expressed her thoughts in this way:

*“Some previous activities of HR controlling and reporting area should be abandoned, leaving space to the new rules and procedures. The “double work” is ac-*

*ceptable just at the beginning of the changing process. [...] I think that the real transformation has still to happen, because I see people that want to keep on doing what they did before the acquisition and at the same time do additional work required by the integration team. But this is not a sustainable strategy, they will need to stop doing some of the previous work and give priority to what we are asking. This is the only way they can survive. The earlier they start, the better it is. I tried to transmit this idea, but I think they will understand it when integration will be over, with a lot of pain”.*

Later on during the integration process, the HR controller used some other time also in order to prepare a reply that was backed by a detailed analysis. This way he kept track of how he created the reply to the request and could be prepared for additional requests for details. He reported that:

*“The HR integration controller first asks me one thing, and then she wants to go deeper and makes other questions about details of my reply. Therefore, I want to be prepared and so make a detailed work such that I can provide answers to subsequent questions”.*

#### PROJECT D

Project D was implemented and the monthly report was delivered periodically, moreover the HR team was able to gather all the documentation necessary and the audit about the implementation of this new procedure led to a positive result. The new last-minute requests did not determine any resistance and the audit led to a good result.

The HR Director, at the end of the audit, told to the HR employees that worked on this project:

*“The audit had a positive result, I was sure about it because we worked hard to comply to the procedure and to prepare all the documentation necessary to prove it.”*

#### PROJECT E

Initially, the HR controller was the one to decide not to give detailed information about the job description of each employee. However, when the request for more details was presented (day 74), there was no other alternative but to give the precise job description of each employee. The HR controller said about this project:

*“I tried to avoid to share all the information about employees’ activities, and when I was forced to do that, I double checked the file that had to be sent.”*

The process of update the database, in reply to the periodic request, included the check of the several pieces of information that had to be sent to the HR integration controller. In fact, the activity of collecting the data from the several sources took some days, but then some time was needed in order to discuss about the information to send. So, the compliant reply was delivered in delay with respect to what the HR integration controller expected.

## PROJECT F

HR employees were complaint with the requirements, as reported by the HR controller:

*“In this project we gave you some indications and you followed them, everything was smooth and we simply had to coordinate for the timing and for any doubts or questions.”*

The HR director, indeed, said during an internal meeting:

*“We have to be totally compliant with this procedure because if we are not, we are blocked in the hiring processes, which is fundamental to let the several parts of our organization work properly.”*

In the end of the period observed (day 90), this report was submitted for authorization following a system of approvals according to the organization hierarchy. This was planned in order to align the acquired company hiring processes with the acquiring company rules in a gradual way.

### 3.5.4 Negotiation

#### PROJECTS A, B & C

The negotiation dynamics about requests and replies were mainly between the HR integration controller and the HR controller.

As anticipated in the paragraph about reaction, despite the usual respect of the deadlines, the HR controller used to reply to requests just with the minimum acceptable level of information required. The reaction in the first period of integration by the HR integration controller was a tolerant behaviour. She said:

*“At the beginning I was patient and I believed it was normal not to have full collaboration from people of the acquired company.”*

The consequence of a compliant but not satisfying answer was that she needed to send a new request and ask for details if she wanted to obtain the expected result, in fact she reported that:

*“My work was slowed down even if I knew information was already available, the HR department just needed to forward me the documents I needed. So I went on*

*asking new requests to increase my knowledge of the acquired company situation”.*

In practical terms, the slow processes had an impact on the monitoring of the integration team on the HR function.

Given the recurring of the same dynamics of respecting the deadlines but with minimum collaboration and information sharing, then the HR integration controller decided to talk about this issue. During the interview, she said:

*“I decided to share these thoughts with the HR director and the HR integration manager. I expected the HR director to be a mediator and encourage his team to be more cooperative. I also shared it indirectly with the HR controller, who was my main interlocutor, saying that I was available to help him but I needed him to do his part of the work and share it with me”.*

Then, the habit of sharing just few information and not being really committed continued despite the problem was highlighted. For instance, when the HR integration controller asked “how many employees are working in R&D function? If possible, could you tell me in which divisions?”, she received a total number and the name of the divisions which had R&D employees, but no specifications of how many employees per division was provided. Then she reported:

*“This practice of not easily sharing information with me made me really impatient and frustrated.”*

She commented these dynamics this way:

*“I think I’ve understood how the department is organized and is used to work. My perception is that there is a great centralization in the management of data and information, the HR director and the HR controller have their “little garden” with some information that they don’t want to disclose. So, each time I ask for some data, the reply has to pass through a filter, and this takes time and slows down the process.*

*I think we [the acquiring company employees] have a different style if compared to the style of the acquired company HR employees. They are really concerned about confidentiality and privacy. I know that the information of HR department is typically confidential, but in our group of companies we share information. I think that people of the acquired company have not yet realized their relative importance compared to the rest of the group headed by the acquiring company. It’s a matter of understanding what is relevant in overall terms and what is not, it’s a matter of unit of measure.”*

After some time, the HR integration controller decided to adjust her behaviour and simply make requests with a given deadline, not being supportive and tolerant anymore.

*“After some months I haven’t insisted anymore on information sharing, I limit the interaction with the HR controller to ask the essential data needed, without expecting to be involved in anything else. I decided to do so because there are time constraints in order to maintain the pace of the integration process. There is no time now to try to build a collaborative relationship”.*

She also limited her intermediation role. She said:

*“Before I used to be like a sponge, requests were coming from the higher level of the acquiring company, I contributed as I could to reply and then asked for what remained to be done to the HR controller. This was a way, according to my point of view, to reduce the pressure on the HR team of the acquired company. But when I realized it was so difficult for me to obtain collaboration, I simply forwarded the request to the HR controller”.*

The HR integration controller commented her shift of behaviour with these words:

*“I could have helped more, but in order to do so I needed to be involved more in the internal processes of controlling and reporting. However, I was not involved in the real work, I was just given some results limited to what I asked specifically each time.”*

For what concerns the issue of lack of coordination between HR and finance, once there was an overload of requests made to the HR controller made by integration people of finance and HR. He had the chance to talk with the HR integration controller about this (day 30). She made some attempts to solve this problem by arranging a meeting (day 40) with finance integration team and the HR controller, but the meeting was never realized because finance integration people did not show up. Beyond this attempt, the HR controller stated that he saw no other sign of efforts for solving this issue of lack of coordination.

Commenting this problem, the HR integration controller highlighted a lack of collaboration between the HR and finance functions in the acquired company. She said:

*“I initially tried to help and facilitate collaboration between finance and HR people. But I’m not here to babysit people of the acquired company and so I decided not to go deeper in these internal dynamics”.*

The interpretations and the decisions about how to reply to requests presented within these three projects were the results of the reflections of the HR controller and the HR director. For what concerns not clear guidelines, the HR controller reported that he tried to reply to the requests but sometimes he had to do the task another time, when more clear indications were

subsequently provided. For instance, there were initial doubts about how to allocate the employees among the different new categories provided. After a first allocation, a new request asked to change the allocation of employees according to new rules. This generated in the HR controller some doubts about the believability of the subsequent guidelines provided. At the same time, since the reply to the request was a work that took some time, he did not feel rewarded for his work and for his effort to try to understand the not clear guidelines.

With this experience, he did not feel really confident about starting a work that included the categorization of employees, because he did not know whether the guidelines could change.

Another episode where trust was recalled referred to “improper use of information”, using the words of the HR controller. He sent a graph to the HR integration controller and then he saw the same graph in a company presentation prepared by her, but the title of the graph did not reflect the information that the graph represented. The HR controller concluded:

*“After the HR integration controller used that graph in a not proper way, it will be really hard for me to reply to her requests for graphs next time, because I don’t want her to use them in a wrong way.”*

For what concerns project C in particular, the fact that it was launched right before the summer holiday period (day 46) and it required to present some results right after the vacation period (day 72), was perceived by the HR controller as a not correct request. It implied an expensive effort, which he felt to be too much.

In line with this episode, the HR controller expressed his dissatisfaction about the three projects with these words:

*“I would have desired more empathy and more reward for our sacrifices and effort. Low empathy and reward have influenced the ongoing interaction with the HR integration people and the way we have been working”.*

## PROJECT D

During the first phase of project D, the employees declared to trust the project responsible, but when a new request was presented just before the audit, during an internal meeting for the audit preparation, they showed not to trust anymore the consultant in charge of the project:

*“In the last period I’m not sure I can be confident about this project, the consultant came up with new rules at the last moment...will it happen again?”*

In the end, the employees were satisfied with the outcome and felt rewarded for their effort of first implementing the new procedure and also with the hard work of preparation for the audit. An HR employee reported:

*“We worked hard together but in the end the auditors recognized that we were complying with the rules and we did a good job”.*

#### PROJECT E

The HR integration controller, who was in charge of following this project, reported that she felt that the process could have been quicker. In fact, she was aware that the information was in the hands of the employees but they waited some time before sending the database to her. She referred to a “filter” through which information was processed when she was asking for data. This filter was in concrete terms the decision of the HR director and the HR controller about the degree of information detail to share with the HR integration. An example was linked to the request of indicating in the database the precise job description of each employee. What she initially received in response to this request was just the function to which each employee belonged. Then, she asked a higher degree of detail (day 74) and she waited about 10 days before having a reply. During this time, she asked for partial updates but she could not have full control of the process, having to trust the HR team when they said “we’re working on it, we’ll send you the updated database after the approval of the director”.

Trust was considered by the HR controller when deciding about whether to give details or not about the job positions of the employees. He said:

*“I would avoid to give a lot of details about our employees because I do not know all the reasons behind this request. And so I don’t trust them.”*

#### PROJECT F

In this project, negotiation developed when the HR integration controller required the HR team to send the new hiring requests but the feedback about the previous requests was not provided yet. The HR director said in an internal meeting:

*“So they’re keeping on asking us to ask for approval for new hiring but in the meanwhile we’re still blocked with the hiring requests that we sent last time. I’ll send an email asking for a feedback because it’s nonsense that we keep on making requests while receiving no answer.”*

### 3.5.5 Outcome

Talking about the overall integration, some issues related to trust emerged during the interview with the HR director. As already reported, the rationales behind the integration projects were not fully disclosed to him. When asked about the interpretation of this behaviour, he said:



*“Maybe they think we’re not able to organize ourselves and achieve the goals they present us, so they want to guide us through the implementation and limit our presence to this part of the process. With this in mind every time a new request comes up my first thought is: what is the rationale behind this request that they are not telling me?”*

As for the rewards received, with reference to the final audit, employees worked a lot in order to prepare all the documentation such that it could be easily available for auditors. The audit had a positive result and so they felt satisfied and rewarded with the results and how the audit was held.

#### PROJECTS A, B & C

This led the whole process to be slow and not efficient in comparison to the potential development of the process with full collaboration. The acquiring company had a previous experience of an integration of a less structured company: it was a long and hard process because the previously acquired company had no structured controlling processes in HR. On the contrary, in this acquisition, at least in the HR department, the presence of a HR controller who performed regular reports and controls was a signal of a potentially easy integration process for HR control. But the HR controller did not want to involve the HR integration controller more than what was formally required in this changing process because this meant sharing confidential information with her.

The HR integration controller concluded the interview saying:

*“Integration is like a honeymoon, it is a first period together for the two organizations and there is room for initial adjustment, mistakes. In this case, I was in the role of providing help, but I was not fully involved and I felt the HR controller did not want to involve me. It’s a pity because when the integration will be over I will not be there to help. The excessive attention to share information and the practice to keep on doing the old work adding the new work is extremely time consuming. Once the integration will be over, there will be no time allowed and then employees will have no alternative but to respect the future deadlines and if some data will be asked, there will be no way of not giving the level of detail required right at that moment”.*

#### PROJECTS D, E & F

The outcome of these projects was positive in terms of time, results and commitment of HR employees. With reference to project E, there could have been a saving of time if the reply to

the initial request was totally compliant, sharing all the information in detail. As for project F, despite the commitment of the HR team, the feedback arrived in delay with respect to the expectations of the HR team, slowing down the hiring processes in the acquired company.

### **3.6 Conclusions**

This chapter presented a case study starting from the description of the context, illustrating the methodology followed throughout the research project and in the end it includes the narration of the case to be analysed.

The description of the context is fundamental in order to fully understand the narration content and so put the reader in condition to follow the analysis that will be presented in the following chapter.

The methodology was illustrated in order to support and strengthen the findings that in the end will be proposed as contributions to the existing literature. The research question presented will guide the analysis and the findings presentation. To strengthen the results that will be presented, in this chapter the choices made by the researcher about the tools and the techniques to use in this case study were presented with proper motivations, supported by the specialized literature about qualitative research.

Finally, the narration will be the starting point for the following chapter, which will present the analysis and the results of this case study. Once the reader had clear the sequence of events and perceptions observed, the process through which the analysis leads to the findings will be easier to understand.

## CASE STUDY ANALYSIS AND RESULTS

### 4.1 Introduction

After the introduction to the case study, the formulation of the research question and the narration of the sequence of events according to the several steps of organizational change within integration, this final chapter analyses the case and highlights some findings that contribute to the existing literature about M&A integration. Together with the empirical results, some theoretical concepts presented in the first part of this work will be recalled in order to shape a conceptual model for post-acquisition integration at team level. This is an attempt to answer to the research question and to contribute to the existing literature about integration, which has been studied deeply mainly at organizational level (Steigenberger, 2016).

In the end, limitations and opportunities for further studies will be illustrated, as well as some managerial implications.

### 4.2 Analysis of the case

The narration of the HR integration process during the first 100 days after the deal closing will be now analysed, taking into consideration the several steps of the integration process throughout the narration.

Looking at how the several projects developed over time and what were the common and different patterns observed, it is possible to define more specifically the dynamics of integration at team level in two ways:

- Firstly, highlighting some relationships between the abovementioned steps of intervention, interpretation, reaction and negotiation;
- Secondly, it is possible to better specify the concepts, explaining under which forms they may emerge in a real context.

#### 4.2.1 Interventions: new activities, changes proposed

In this case study, interventions during the integration took the form of requests of information, requests to perform some new tasks and to dedicate some time to the projects. The

majority of the requests consisted in monitoring activities that had to be performed with new rules and in requests for explanations and information (projects A, B, C and E). Only for projects D and F the requests consisted in the introduction of totally new activities. Interestingly, also the visits of the HR integration employees were requests themselves, since acquired firm's employees were required to be fully available for integration issues during the visiting days.

The requests came from the HR integration controller and the HR integration manager (change agents) were addressed mainly to the HR controller and HR director (change recipients).

The difficulties with the interventions reported by the change recipients were mainly of three types.

First, the change agents had the power to present these requests even without providing too much detail about the reasons behind them, which were later or never disclosed. For instance, the reasons of the visits became evident only after the visits, some requests of information became evident when a new project was officially launched. The rationale behind requests about project F was a shift of power from the acquired company to the acquiring one (i.e. the power to approve or deny a new hiring) and became evident in the second part of the project.

Another difficulty in processing the requests was unclear guidelines, which limited the comprehensiveness of the orders. This is one of the difficulties that Barnard (1938) accounted for in his theory of authority acceptance. In projects A, B and C confused guidelines were cause of uncertainty for the HR controller. This is not linked to language problems due to different organizational cultures, as argued by Schein (1985), or language barriers (Harzing and Feely, 2008; Kroon et al., 2015), but rather to a lack of alignment within the integration team.

Recalling Barnard (1938), he argued that also the ability to perform the task required was necessary to accept authority. Time constraints and doubts about the appropriateness of tools can be considered the third issue to obstacles to a smooth intervention acceptance. This was evident in several cases: the initial doubts of the HR controller in projects A, B and C, the last-minute requests in project D, the requests for future time consuming activities in project E and the not clear timing of the feedback for the work done by the HR team in project F. All the HR employees (change recipients) interviewed, except from the HR director, mentioned a sense of worry when talking about events or requests that, according to them, were characterized by uncertainty, which was mainly expressed with doubts such as "Can we do this? Do we have time to do this? Do we have the tools to do this?". These concerns about time are linked to the concept of contextual ambidexterity (Meglio et al., 2015), while the worry about appropriateness of tools and structures is in line with the findings of Yu and colleagues (2005).

#### 4.2.2 Interpretations: sensehiding and sense specification

Requests coming for the change agents, who had formal power, generated uncertainty most of the times and so the need to make sense of the situation (cognitive reaction to change; Oreg, 2011). Especially at the beginning of integration, the sensemaking process was particularly important and crucial in evaluating the situation and deciding about the reply, as argued by several authors (De Bernardis and Giustiniano, 2015; Schweiger and Denisi, 1991; Cartwright and Cooper, 1993).

The main perception of uncertainty was due to a lack of disclosing information about goals behind the projects and the requests related to them. In other words, sensehiding (Monin et al., 2013) was perceived by the HR director and HR controller in particular. Having the perception that the overall goals and plan were not totally disclosed, there was a general need to make sense of the requests presented. The sensemaking activity, mainly resulting from the interaction of the HR director and HR controller, tried to address the not answered questions that were made to the HR integration team (as reported by one of the HR managers) or those that were not even made. The questions were about the “why” of the requests.

Thanks to openness for collaboration regarding the overall HR integration and the HR audit, the approach to the implementation was defined “fair”. However, it was not sufficient to make the requests fall within the “zone of indifference” (Barnard, 1938) and so be automatically processed. In fact, when the main projects were launched, if some reasons were provided, the subsequent requests generated doubts about the rationales of the requests in the HR director and the HR controller, with an emerging scepticism about the declared goals (Stanley et al., 2000).

However, this uncertainty decreased when the HR director visited the headquarter of the acquiring company. During these visits, some of the rationales behind the projects were disclosed to him and he felt more involved in the guidance of the integration process as well as in the ongoing activities going on in the group of the acquiring company, beyond the integration. Therefore, these visits were occasions for sense specifications (Monin et al., 2013).

Sensehiding fostered uncertainty, which enacted sensemaking and so the evaluation of the requests presented. The sensemakers evaluated the alignment of the request with organizational goals and personal goals. The organizational goals for sensemakers were the ones of the acquired company. In fact, the “us-versus-them” syndrome (Barkema et al., 1996) was evident in several discourses of the acquired company employees interviewed. The topic of fear and insecurity about the personal situation, mentioned by Oreg (2011) and others (Reilly et al., 1993; Mayer et al., 1995), did not emerge in the words of the interviewees. Instead, the incompatibility of values, recalling Chung et al. (2014), was found more at organizational level

rather than at the individual one, in line with De Bernardis and Giustinano (2015). This process of evaluation of the alignment with goals in this case involved at least two people, therefore confirming that the sensemaking process has a social component, especially during integration (Bartunek et al., 2011).

The HR director and the HR controller acted in order to pursue the goals of the acquired organization, and so kept their “little garden” of information (as defined by the HR integration controller) in order to make decisions with the necessary autonomy to pursue the goals of the organization. On the contrary, the change agents involved acted in order to pursue the goals of the acquiring organization. In case these two kinds of goals were perceived to be in opposition by the change recipients, they struggled to commit to authority. In these dynamics, a social identity problem emerged (Tajfel, 1978).

All these aspects of evaluation of the requests coming from the integration team led to question the authority of who was behind the requests, not having the positive attitude, mentioned by Geertshuis and colleagues (2015) when talking about “negotiated authority”.

#### **4.2.3 Reactions: resistance and commitment**

After the sensemaking, there is also a behavioural reaction (Oreg, 2011), which looking at the literature and at the case narrated, can assume the form of resistance or commitment.

In the narration of the case, commitment was linked to the totally new activities that had to be introduced, projects D and F. These activities were perceived as important new procedures according to the view of the HR director. During internal meetings, he adopted the role of a facilitator of the change since he motivated his team to comply to requests presented and also to the future ones. His role was similar to the one of middle managers described by Hubbard and Purcell (2001), being a sensemaker and a sensegiver at the same time.

Considering the categories of commitment indicated by Meyer and Allen (1991), in these cases, the commitment can be defined as normative. In fact, the necessity to work for the best reply to the request of introduction of new activities was presented by the HR director as a necessity to his team. Despite the doubts about the ability to perform the new tasks, the commitment in project D was rewarded by the positive result of the audit.

Talking instead about resistance, what is interesting in the case is that resistance was found in how the answers to requests of information and details were provided. Therefore, resistance was not a total lack of reply to requests presented by change agents. In fact, all the interviewees agreed on the fact that the requests had always been replied. In concrete terms, resistance could be perceived in contents and timing of replies. Contents of the replies were usually at the minimum level required, without going beyond the precise request. In addition, the replies

were not promptly provided even in case of simple tasks required. Deadlines were respected, but usually with last-minute replies, and in case of no deadline, the reply came after solicitations and later than expected. This practice is in line with the concept of self-preservation presented by Colman and Lunnan (2011). This resistance was evidence of the existence of informal power, which was tried to be limited as time went on. This kind of resistance was present in projects A, B, C and E, all characterized by information sharing. Another common element of these projects is that they are about activities that the HR team already used to perform, but in a different way.

In summary, reactions to interventions were expression of commitment or resistance.

#### 4.2.4 Negotiation: tolerance and formal power

In order to reach the expected outcome, the change agents activated some behaviours and practices because they believed that otherwise the expected outcome could not be reached completely.

This negotiation process was activated when the first replies to the interventions and the requests were not satisfying according to the change agents. In other words, negotiation was the consequence of resistance to change.

In the case, this was quite common for projects A, B and C and it was observed also in project D. Initially, the HR integration controller was more willing to accept a sub-optimal outcome, therefore she limited further requests, was supportive providing help and conceding more time. She believed that at the beginning of integration change recipients needed time to be fully compliant and get used to the new situation.

In the negotiation therefore, the change agent was initially willing to be tolerant, accepting unsatisfying reactions to the interventions, in order to establish a good long-term relationship with the change recipients and so facilitate future full compliance. This temporary sub-optimal situation was costly for the change agent since she had to respond to her supervisors in the acquiring company and so, as she stated, she was like a “sponge” and absorbed part of the pressure that otherwise could be transmitted to change recipients. This is consistent with the findings of Lines and colleagues (2005), who argue that the acquiring firm, in the person of a particular change agent, can accept the counterparty’s resistance to a certain extent, and so let that he/she has discretionary power in order to build trust, and so facilitate commitment (Brockner et al., 1997).

In this situation, the change recipients and so the HR team was benefitting from more time, less pressure to reply to requests and so informal power was conceded to them. However, in the case study these benefits were not mentioned and perceived by the change recipients, and

trust and psychological contract perceptions did not show to be improve thanks to these concessions.

After some time, the change agent did not observe the expected increase of commitment and so decided to adjust her behaviour. This perception of a need for more collaboration was brought up explicitly, but it did not show any positive consequences. This led to new requests in response to not fully satisfying reactions to change and then also to limit the help she was willing to provide. It was an attempt to re-balance the forces in the negotiation and reduce the initial concessions made. The change agent was motivated by frustration and impatience due to the impossibility to be a facilitator between the acquiring company and the acquired one requires some involvement in the processes going on in the acquired company, which was instead expected in reply to the requests made. The new strategy was to simply present what needed to be done and limit any support or help (explanations, part of the work already done, time allowed).

On one side, the integration team member used the formal power to make new requests and push for a compliant reply, with limited support provided. On the other side, however, the change recipients realized they had to give some informal power coming from asymmetrical information (the so-called “little garden” of confidential information which the HR integration controller believed to be not disclosed to her). In fact, not disclosing information was a way to defend personal and organizational interests for the HR team. This can be defined a political issue and a matter of emerging power (Whittle et al., 2016). The reason behind the willingness to keep power coming from retaining information can be found in the previous sense-making process analysed in the case. There was scepticism with regards to the requests compared to the disclosed goals to reach (Stanley et al., 2000), when declared, and there was no trust built because sensehiding was perceived. Recalling Barnard (1938), if personal and organizational goals of the subordinate are not aligned with the perceived aim of the person making the request, the subordinate will not choose to be compliant.

This adjusted behaviour of the change agent had an effect on perceptions of trust and psychological contract for the main change recipients. In fact, they perceived this less collaborative behaviour to be not appropriate given their effort in the integration process.

In the case, these dynamics were particularly evident in processes A, B and C, which were about reporting and controlling activities and required to change the way of doing some activities that were already being performed. Even if it happened just once, the same sequence of events happened in project E. As for projects D and F instead, these dynamics were not so evident. These two projects were about new activities to implemented. In this sense, they were different from the others.



Therefore, it can be highlighted that, in case of interventions introducing new activities, commitment is easier to obtain and so the expected results. For this reason, negotiation process is limited. On the contrary, resistance and negotiation were emerging more in case of interventions aimed at imposing new rules to perform existing activities, which coincided with activities that managed confidential and powerful information.

In case of resistance, besides the approach for the implementation was defined “fair”, which could be helpful for trust building, the lack of communication about general goals was detrimental to building trust and commitment. What was missing, among the drivers indicated by Lines and colleagues (2005) in the context of organizational change, was probably the openness, since the not disclosed goals were kept by change agents.

#### **4.3 A conceptual recursive model about actions and reactions of the teams from the acquired company and from the integration organization**

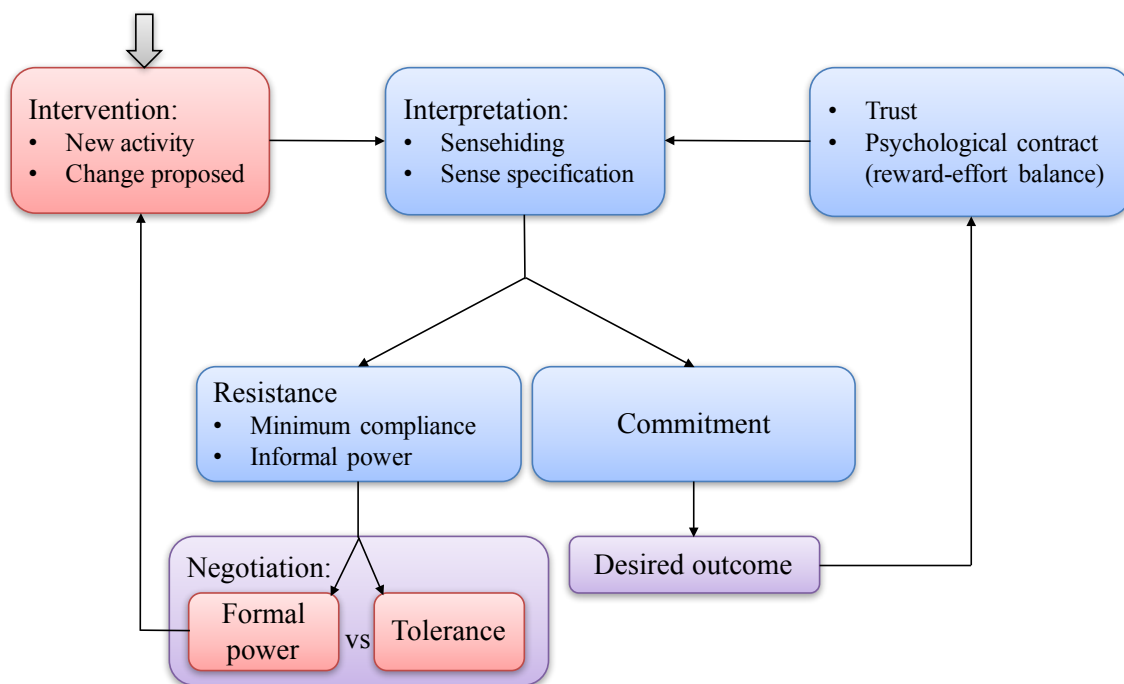
The following conceptual model is an attempt to summarize the analysis results about the dynamics of integration process that were broadly defined in the theoretical part of this work and that now, after the case analysis and the proper literature recalls, can be better specified.

In this sense, this model constitutes an answers to the research question:

*“In the context of post-acquisition integration, how do the acquired firm’s employees (change recipients) belonging to a team react to requests of the integration team members (change agents) over time and, in case of resistance, what are the underlying reasons behind it?”*

The model is shown in figure 4.1, with the elements referred to the employees of the acquiring company (in particular of the integration organization) in red, the ones of the employees of the acquired one in blue, and the elements involving employees of both the companies are purple.

*Figure 4.1: A conceptual recursive model of actions and interactions of the teams from the acquired company and the integration organization*



*Source: Personal elaboration*

Interventions, which are the starting point, can assume the form of requests to perform new activities or introduce new procedure to perform some existing ones.

These interventions, characterized by uncertainty in the changing context of integration, are interpreted through sensemaking. The perceptions resulting from the interpretation can be of sensehiding, perceiving the change agents from the acquiring company are not clearly disclosing the intentions behind the intervention, or, on the contrary, there can be perceptions of sense specification.

When the interpretation leads to conclude that it is not convenient to totally comply with the requests because the goals are not clear and can be detrimental to the team involved of the acquired company, resistant behaviours are enacted. They are enacted by exerting informal power and, in concrete terms, resistance can consist in postponing the reply and being compliant only at minimum level.

This generates a negotiation since it emerges that the acquiring company actors (change agents) and the acquired company actors (change recipients) want different outcomes and have different goals. The negotiation can be managed by the change agents with tolerance or imposing formal power. Tolerance leads to limit or delay subsequent interventions, accepting a sub-optimal result from the point of view of the change agents. However, this does not show to have a positive impact on trust and psychological contract perceptions for the change recip-

ients. Additionally, tolerance does not lead to the expected outcome of the change agents, at least for the immediate results.

If instead the change agent is determined to obtain the initially expected result, or at least wants to go as close as possible to it, the negotiation leads to a new intervention. Also in this alternative, there is not a positive effect on trust and psychological contract perceptions for the change recipients. What happens is that the new interventions make the dynamics of the model repeat, with another push for the desired outcome.

If on the contrary the interpretation encourages commitment, thanks to positive attitudes towards the intervention and perceptions of transparency about the intentions behind it, the outcome satisfies both the parties involved. Moreover, it strengthens trust and positive psychological contract perceptions.

This model is not static, but instead it is possible to argue that this is a recursive model, which is replicated over time during the integration period.

The change recipients of the acquired company build step by step their perceptions of trust and psychological contract, in particular the balance between efforts and rewards (as stated by the leader-member exchange theory; Graen and Scandura, 1987).

These perceptions result to affect the attitudes and the behaviours of the change recipients with respect to the change agents of the acquiring company over time. In case of negative perceptions about the interventions and the actors presenting them, so in case of resistance, the change recipients may limit perceptions of trust and justice linked to the non-fulfilment of the expected duties coming from perceived psychological contract built with the change agents (Aslam et al., 2016). Since these concepts are used for making sense of events and so, considering the sequence of the dynamics repeated over time, vicious or virtuous cycles can emerge, inducing to interpret subsequent requests with previous perceptions of sensehiding or sense specifications, supported by low or high trust respectively.

As a consequence, resistance to change may be reinforced and make integration more difficult. Pate et al. (2000) talk about a loop during organizational change, affected by a self-fulfilling prophecy that leads individuals to perceive the reality in consistence with what they expect to happen.

In case of commitment, the general outcome results to be satisfying for the change agent, who is expected to reward the change recipient. When rewarded, change recipients can reinforce the perceptions of trust and a balanced exchange with the change agent and so perceive a fair psychological contract. This can affect the future interactions and a virtuous cycle can be created. Mayer and colleagues (1995) describe this cycle as a trust loop; in their model the outcomes resulting from trusting someone contributes to future trust. Robinson (1996) argues

that in this mechanisms there is a cognitive consistency bias, inducing individuals to keep on having the perceptions that they had in the past and that they expect. In this process, the first positive signs of trust at the beginning create the basis for a “leap of trust” (Mayer et al., 1995) even if there are the premises for a negative interpretation. Trust facilitates commitment, as argued by Brockner and colleagues (1997), also if more uncertainty may be perceived. Linked to this, there may be a cognitive consistency bias, according to which individuals reinforce the previous perceptions because this is what they expected.

After these observations, it becomes clear that trust and psychological contract perceptions are built and adjusted by change recipients over time. This can create virtuous or vicious cycles, affecting future interactions.

This is how the mechanisms of integration at teamwork level showed to have a recursive pattern.

These dynamics have an impact on the overall integration outcome, since in case of resistance there is a slowdown of the process, given the sub-optimal results that induce simple tolerance or to repeat the process with new interventions.

Moreover, the creation of a vicious cycle can hinder the long-term relationship between the team involved in the integration process and so make more difficult the interactions also for future projects and beyond the integration period itself.

#### **4.4 Contribution to the existing literature**

This work is aimed at contributing to the existing literature relative to M&A integration.

M&As are widespread phenomena, which have been largely studied, but M&As still show unsatisfying results that are revealed by several reports and highlighted by academic authors.

Integration is the most delicate phase from an organizational point of view. The recent literature review of Steigenberger (2016) shows that the dominant focus is on dynamics at organizational level, while an analysis of the integration dynamics in group contexts is not deeply developed. However, it is putting together these micro dynamics that the overall integration process and its outcome are built up. This level of analysis has recently been the focus of some authors in the organizational change literature (Oreg, 2011; Huy, 2012), despite not being so common in integration studies in particular. For this reason, the choice in this work was to consider how individuals and groups deal with the changes related to the integration.

The contribution of this work is about the development of the study of the integration phenomenon using also the knowledge about organizational change at individual and group level, including the sensemaking theory. At the same time, given the fact that interactions during in-

tegration have a political component, meaning that power is involved, also the literature about authority and power was used to better shape a new conceptual model.

With these sources from different literature fields, this work proposes a conceptual model, whose aim is to contribute to the analysis of integration dynamics at a deeper level than the organizational one. This model not only answered to the research question, which was about how change recipients react to change during integration, but went further. In fact, the time dimension, which was observed thanks to the longitudinal case study, enabled to show that the model has a recursive pattern and that vicious and virtuous cycles may emerge over time.

#### **4.5 Limitations and further studies**

This case study research is qualitative, therefore it is characterized by several limitations typical of this kind of research, among all the challenge of generalization. However, this represents at the same time a chance for further studies as argued below.

The choice to focus just on acquisitions, as suggested by Stahl and colleagues (2013), led to start from a clear distinction between the side of change agents and the side of change recipients. In this sense there were clear roles at the formal level. However, even if the power imbalance was theoretically attributable to the integration team members, informal power emerged in the hands of change recipients. It would be interesting to see whether and how in the context of a merger the same dynamics would be observable and would affect the integration outcome.

Using the categories of Haspeslagh and Jemison (1991), the acquisition of the case study was as absorption for what concerns the internal procedures, at least for the staff functions. In fact, autonomy was not allowed to the acquired company – strong control procedures highlighted that interdependence was needed to align the systems of the acquired company with the acquired one. Therefore, it would be interesting to compare the results of this study with other studies of acquisitions with a different rationale (preservation, absorption, holding) and see whether the model would still fit.

Another note with regards to the possibility to extend the results of this study to other contexts is related to the specificity of the function. It may be interesting to understand whether the model presented can be applied also beyond HR and other staff functions. An idea could be a comparative study of integration processes within different functions of the same acquired company, realizing multiple units of analysis.

Another consideration to be done given the limited observation for the case study is linked to the temporal dimension. In fact, the integration period goes beyond the first 100 days after the

closing. Therefore, this model could be tested in a more extended period in order to observe how these mechanisms evolve as the integration period goes toward the end.

Finally, the concept of this “emerging power” of controlled organizations (such as the acquired one in case of acquisition) has been recently studied and developed in a recent edition of *Organization Studies* (September 2016), a special issue whose title is “New Organizational Perspectives on the Study of Politics and Power in the Multinational Company”. In a paper, Whittle and colleagues (2016) analyse the dynamics between the headquarter controlling activities over a subsidiary and its reactions. They study the legitimation of authority and link this topic to self-censorship as a tactic which often leads to inaction of the subsidiary, anticipating the fact that the headquarter will exercise its legitimate power. Somehow, this topic is comparable to the one developed in this paragraph. It could be interesting to further compare and analyse these two literature topics and find whether there can be cross-learning and a common ground to develop further research.

#### **4.6 Managerial Implications**

When starting an M&A project, managers should be aware that the integration phase is the most delicate for employees since they will face an organizational change period.

In particular, the findings of this work have some implications in concrete terms about what managers, in the roles of change agents, should do when leading integration projects:

- Integration managers should share the intentions and the goals behind their interventions that will be proposed with the change recipients of the acquired company.
- The first interventions of the integration should be managed with maximum attention because they can affect the sensemaking tools that change recipients will employ also for the interpretation of future interventions.
- If commitment cannot be easily obtained, tolerance is not really a solution, instead it is advisable to propose other interventions, making more clear the intentions behind them.
- Communication is a key element: sharing intentions is necessary and looking for feedback in order to understand if there are perceptions of sensehiding are activities that managers in the role of change agents need to do during integration in order to better orientate their future behaviours.
- Interventions aimed at proposing changes to existing activities are more delicate than those that introduce some new ones. The risk in this case is that resistance is realized continuing to perform the activities also, or only, in the “old way”.

- The interpretation of interventions by managers in the teams of change recipients is a reference point for subordinates, especially in a hierarchical structure. Therefore, if change agents favour positive interpretations of managers in the acquired organization, they can more easily benefit from the commitment of a great part of the manager's team.
- Integration managers should involve the whole integration team in sharing the goals such that there are no mere executors, but contentious change agents. In fact, fair approach in concrete terms is not sufficient to gain commitment when goals are not clear for the team of change recipients.

## **4.7 Conclusions**

This work started from a general overview on M&As, then focused on the integration process adopting a dialectic perspective, in line with the recent literature review of Steigenberger (2016). This author gave the inspiration to further study the M&A integration in combination with the organizational change literature, since these two topics are related but not enough integrated. Some concepts from organizational change were proposed, starting to define some dynamics which are expected to develop in teams and small groups of the companies involved in an acquisition when interacting with each other.

The explorative case study gave the right inputs to use the theoretical concepts for the development of a conceptual model. The longitudinal case study analysed the first 100 days of integration after an acquisition, limiting to the HR process and so with two well defined teams from the two companies involved.

In this last chapter a conceptual model about integration as an organizational change phenomenon was proposed. This model tried to give an answer to the research question, which wondered how change recipients react to interventions of change agents during integration, considering teams of acquired company employees and integration teams.

In fact, the model clarifies how change recipients during integration interpret interventions from the acquiring company actors, decide whether and how to resist or commit. In summary, the reasons behind change recipients' resistance, which is mainly expressed through informal power, are found in the sensemaking process. The dynamics of the model are repetitive over time, creating virtuous or vicious cycles that may induce to a return of the same situations.

Despite being a study on a particular process, and so with limitations to generalization, the careful case study design and methodology helped to make the findings more valid for a pos-

sible extension to other contexts. The conceptual model needs some more research to be better defined and tested, but it already carries some meaningful managerial implications.



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## THE INTERVIEW STRUCTURE

### INTRODUZIONE E PRESENTAZIONE:

- Questa intervista è finalizzata a raccogliere informazioni e pareri sul processo di integrazione tra [azienda acquirente] e [azienda acquisita], in particolare focalizzandosi sull'integrazione e i suoi processi nella funzione HR. Userò i risultati di queste interviste per il caso di studio che presenterò nella mia tesi di laurea magistrale.
- Non ci sono risposte giuste o sbagliate: quello che mi interessa raccogliere è la tua esperienza di persona che ha vissuto il processo di integrazione, sia nei suoi aspetti positivi sia in quelli problematici.
- Nell'analisi del caso di studio che riporterò nel mio lavoro di tesi non riporterò nomi o altri riferimenti agli intervistati, perciò garantisco l'anonimato. Inoltre, garantisco la riservatezza di ciò che verrà discusso durante questa intervista, che non riporterò a colleghi di [azienda acquirente] e [azienda acquisita].
- Questa intervista durerà all'incirca 30-45 minuti.
- Prima di iniziare chiedo se è possibile registrare la conversazione, in quanto mi sarà utile per l'analisi dei contenuti. La registrazione non verrà usata per altri scopi oltre a quello dell'analisi del caso di studio per il mio lavoro di tesi. (Se vuoi, ti fornirò l'estratto della tesi che contiene l'analisi di questa intervista.)
- Se non ci sono domande, possiamo iniziare.

### DOMANDE:

- 1) La prima domanda che ti faccio è di elencarmi un paio di processi, eventi, richieste o questioni riguardanti l'integrazione che hai vissuto positivamente. Può trattarsi di eventi, processi, progetti o questioni proposte da parte dei responsabili di [azienda acquirente] per l'integrazione HR sui quali una o più persone delle risorse umane sono state coinvolte.
- 2) Poi, due o più processi, eventi, richieste o questioni riguardanti l'integrazione che invece hai vissuto come problematici e ricordi negativamente. Può trattarsi di eventi, processi, progetti o questioni proposte da parte dei responsabili di [azienda acquirente] per l'integrazione HR sui quali una o più persone delle risorse umane sono state coinvolte.

- 3) Puoi descrivere quando e come si sono svolti e conclusi o verranno conclusi secondo te gli eventi che hai appena elencato?
- 4) Per quali motivi ricordi questi eventi positivamente e negativamente?
- 5) Quale effetto ritieni che ciascun evento sul futuro? Su di te, sulle altre persone coinvolte e sui successivi eventi e processi che riguardano HR di [azienda acquirente] e [azienda acquisita]?

CONCLUSIONE:

- C'è qualche altro tema di cui vuoi parlare che non abbiamo già trattato?
- Grazie mille per la collaborazione, il tuo contributo è stato molto utile per il mio progetto.