

# **CULTURAL CHANGE PROCESSES IN MERGERS**

## **A social constructionist perspective**

### **Authors:**

Associate Professor  
Martine Cardel Gertsen  
Department of Intercultural Communication and Management  
Copenhagen Business School  
Dalgas Have 15  
DK-2000 Frederiksberg  
Denmark  
tel: +45 38 15 32 00  
fax: +45 38 15 38 40  
e-mail: [mg.ikl@cbs.dk](mailto:mg.ikl@cbs.dk)

Associate Professor  
Anne-Marie Soederberg  
Department of Intercultural Communication and Management  
Copenhagen Business School  
Dalgas Have 15  
DK-2000 Frederiksberg  
Denmark  
tel: +45 38 15 32 04  
fax: +45 38 15 38 40  
e-mail: [ams.ikl@cbs.dk](mailto:ams.ikl@cbs.dk)

Professor  
Eero Vaara  
Department of International Business  
Helsinki School of Economics and Business Administration  
Runeberginkatu 14-16  
00100 Helsinki  
Finland  
tel: +358 9 43 13 85 84  
fax: +358 9 43 13 88 80  
e-mail: [evaara@hkkk.fi](mailto:evaara@hkkk.fi)

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**A social constructionist perspective**

**Short title:**

**Cultural Change Processes in Mergers**

**Summary**

There have been a number of attempts to explain post-merger problems by cultural differences, and in this paper, we argue that much previous research on mergers is based on an essentialist concept of culture. We claim that this conception is a problematic starting point for cultural studies, and argue for a social constructionist alternative. The conceptual challenges we address are: decontextualization of cultural issues, cultural differentiation and fragmentation, and structural versus processual views on culture. We also outline an agenda for future merger research and argue for studies focusing on cultural sensemaking processes in merging organizations by adopting narrative perspectives.

**Key words:** merger, culture, organizational change, integration, social constructionism, narrative.

## **Introduction**

Mergers<sup>1</sup> have become a major strategic tool of multinational corporations and their preferred mode of organizational growth and internationalization. During a period of 6 years the worldwide mergers activity has risen to new records. According to KPMG Corporate Finance's Dealwatch 1999, the total value of cross-border transactions has been multiplied with four from 196,4 billion USD in 1994 to 798 billion USD in 1999. The main motives behind these strategic alliances are usually related to improved performance and creation of higher value. However, empirical studies applying different performance measures consistently report that nearly half of all mergers lead to disappointments or outright failures; even merged companies with a fairly good financial performance must sometimes confront severe internal problems in the implementation phase. This has created a need to explain experienced difficulties, and to this end, many researchers, management consultants and practitioners have drawn attention to cultural dimensions of organizational change processes in mergers (see e.g. Buono & Bowditch, 1989; Haspeslagh & Jemison, 1991; Morosini, 1998).

Drawing on the literature on organizational cultures, researchers have conceptualized post-merger change processes as cultural integration processes and attempted to explain problems and failures by cultural differences (see e.g. Buono & Bowditch, 1989; Datta, 1991; Chatterjee et al., 1992; Weber &

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<sup>1</sup> The term "merger" has two slightly different meanings: Firstly, it may refer to a combination of organizations where neither partner is dominant and where both partners are secured an (at least in principle) equal influence on decision making. Secondly, it may refer to any kind of combination of organizations, regardless of the contractual arrangement. Here, we use the term "merger" in the

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Schweiger, 1992; Cartwright & Cooper, 1993; Weber, 1996). In these studies, cultures (usually understood as shared assumptions and values) have been found to be quite change resistant. Therefore, it is assumed that they may cause organizational problems in case of incompatibilities. In the study of cross-border mergers, national cultural differences have been given particular attention (Olie, 1994; Calori et al., 1994; Very et al., 1997; Gertsen & Soederberg, 1998b, 1998c; Gertsen et al., 1998a, 1998b; Vaara, 1999a, 1999b). It has been argued that persistent national cultural differences make integration processes in cross-border mergers more difficult than in domestic mergers. This is the case because it can be complicated to work with people who have been socialized into different beliefs and values (see e.g. Very et al., 1997). Not only researchers but also the managers and employees involved in mergers have pointed to national and organizational cultural differences as major causes of integration problems. In fact, culture has become an integral part of the general discussion on mergers, and thus a core element of the social construction of the phenomenon.

We argue in this article that there is a need for critical reflection on the impact attributed to culture in the merger context. The purpose of this article is to discuss some of the theoretical and methodological problems in studies of culture in post-merger organizational change processes and to present and elaborate an alternative approach for future research based on a social constructionist conception of culture. Our argumentation is based on theoretical reflections from a social constructionist point of departure.

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second, more general sense, which also includes acquisitions.

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In the first section of this article, we argue that most previous research on mergers is based on an essentialist concept of culture. In the next section, we elaborate the social constructionist alternative. We then take up specific conceptual challenges in cultural research on mergers in the third section. These are decontextualization of cultural issues, cultural differentiation and fragmentation, and systemic versus processual views on culture. In the fourth section, we outline an agenda for future research. We argue for studies focusing on cultural sensemaking processes, and specifically suggest adopting narrative perspectives on merger discourses.

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### **The essentialist conception of culture**

While there are a few earlier attempts to study organizations from a cultural perspective, more widespread interest in the cultural perspective did not emerge until the early 1980s when both national (see e.g. Hofstede, 1984) and organizational (see e.g. Pettigrew, 1979) level considerations started to interest organization and management scholars. This development was reflected in both more theoretically (Pettigrew, 1979; Ouchi & Wilkins, 1985) and more practically (Peters & Waterman, 1982; Deal & Kennedy, 1985) oriented research efforts. Since then there has been an ongoing debate in organization studies concerning the epistemological, methodological, theoretical and even ideological foundations of research in organizational culture (see Martin and Frost, 1996).<sup>2</sup> Consequently, there are many perspectives on and definitions of organizational culture, ranging from more essentialist (Schein, 1985) to more constructionist views (Hatch, 1993; Christensen & Kreiner, 1984; Kreiner & Schultz, 1995; Willmott & Knights, 1995).

Some earlier studies pointed to the significance of the period following the initial merger or acquisition (Davis, 1968; Kitching, 1967, 1974; Levinson, 1970), but the discussion concerning organizational change processes following mergers and acquisitions did not really start until the mid-1980s. Most of this research concentrated on strategic questions such as which

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<sup>2</sup> There are a number of excellent reviews of this literature such as Pettigrew (1979), Ouchi & Wilkins (1985), Barley et al. (1988), Turner (1990), Kunda (1991), Alvesson & Berg (1992), Czarniawska-Joerges (1992), Linstead & Grafton-Small (1992), Martin (1992), Hatch (1993), Trice & Beyer

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acquisition choices are likely to lead to success (Salter & Weinhold, 1979; Kusewitt, 1985; Fowler & Schmidt, 1989), or what types of mergers and acquisitions (related or unrelated) lead to better results in terms of synergy or financial performance (see Lubatkin, 1987; Chatterjee, 1986; Porter, 1987; Singh and Montgomery, 1987; Shelton, 1988; Chatterjee and Lubatkin, 1990; Seth, 1990). But eventually, more and more scholars became interested in integration issues (see e.g. Shrivastava, 1986). There was an increased focus on questions such as how the management can bring about the expected or other potential synergistic benefits from joining previously separate organizations (Lindgren, 1982; Larsson, 1990), create value (Haspeslagh & Jemison, 1991), transfer capabilities from one organization to another (Laamanen, 1997) or enhance learning (Leroy & Ramanantsoa, 1997). Motivated by general interest in the "soft aspects" of mergers and acquisitions, other scholars adopted a human resource oriented perspective and concentrated on organizational responses to mergers and acquisitions (Schweiger et al., 1987; Buono & Bowditch, 1989; Napier et al., 1989; Schweiger & DeNisi, 1991; Cartwright & Cooper, 1992; Hambrick & Cannella, 1993; Greenwood et al., 1994; Fried et al., 1996; Lohrum, 1996). These latter studies demonstrated the need to take human resource issues into consideration in the strategic planning of mergers.

When organizational scholars discovered "culture" as a convenient metaphor for various types of organizational phenomena, researchers started to analyze organizational change processes following mergers and acquisitions from a cultural perspective. This literature concentrated on the organizational cultural

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(1993), Willmott (1993), Harris (1994), Schultz (1994), Martin & Frost (1996).



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integration processes and sought explanations for post-merger problems in terms of "cultural clashes" (Davis, 1968; Sales & Mirvis, 1984; Marks & Mirvis, 1986; Buono, Bowditch & Lewis, 1985; Walter, 1985; Altendorf, 1986; Datta, 1991; Chatterjee et al., 1992; Weber & Schweiger, 1992; Cartwright & Cooper, 1993; Larsson, 1993; Elsass & Veiga, 1994; Weber, 1996). In international settings, researchers have focused not only on organizational, but also on national cultural differences (Olie, 1994; Calori, Lubatkin & Very, 1994; Morosini & Singh, 1994; Villinger, 1996; Weber, Shenkar & Raveh, 1996; Very et al., 1997; Gertsen et al., 1998a).

Our point here is that most of the studies in this area adhere to an essentialist concept of culture which developed within Western anthropology of the 1950s and 1960s. According to this concept of culture, culture is seen as an empirical category, a relatively stable, homogeneous, internally consistent system of assumptions, values, and norms, which can be objectively described (cf. Hastrup, 1995); something that members of a group, an organization, or a nation have or bear collectively. The reasoning is that, by analysis, it is possible to reach the core (the basic assumptions and values) of any culture by surveying and systematizing the behavior and stated attitudes of individual members. In this way it is possible to present cultures as objectively identifiable and well-defined entities which may be compared. This classic concept of culture forms the theoretical basis of most comparative management research (e.g. Hofstede, 1991) and has also inspired a considerable part of the research in organizational cultures (e.g. Schein, 1985).

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In line with the essentialist conception, most cultural research on mergers see integration problems as being caused by these objective cultural differences. In international settings, drawing on Hofstede's (1991) and Trompenaars' (1993) work, this has resulted in research arguing that mergers between culturally closer nations lead to better outcomes than those between more distant national cultures (see Morosini & Singh, 1994). The contrary argument that cultural differences may also be a source of value has received little attention until recent studies. Krishnan, Miller & Judge (1997) have, however, illustrated how cultural diversity can benefit top management decision making.

Reflecting the essentialist conception, most researchers in this field share an ambition to find out which organizational cultures can co-exist and how. According to the "cultural fit" or "cultural compatibility" perspective (Cartwright & Cooper, 1992; Larsson, 1993), the most problematic situations are those where the beliefs and values of the organizational members are contradictory. According to this view, beliefs and values that do not conflict are not likely to create particular problems. Others, like Nahavandi & Malekzadeh (1988), Morosini & Singh (1994) and Calori, Lubatkin & Very (1994), have also developed the argument that the adopted integration strategies should be "culturally compatible".

The concept of acculturation is central to the study of contacts between different cultures and is therefore of interest in this context. Berry (1980, 1983, 1984) elaborated the classic anthropological concept of acculturation. He has defined acculturation as "changes induced in (two cultural) systems as a result of the diffusion of cultural elements in both directions" (Berry, 1980, p. 215).

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This means that whenever individuals from two cultures come together, for example by working together in a merged company, a change takes place whereby individuals adapt or react to the other culture. This process can take the form of "assimilation", "integration", "rejection", or "deculturation". "Assimilation" means replacing one's culture with the new culture, "deculturation" giving up one's culture without adopting the new culture, "separation" maintaining one's own culture with rejection of the other culture, and "integration" maintaining parts of one's own culture while moving towards the new culture.

Drawing on Berry's studies (1980), Nahavandi & Malekzadeh (1988) described a model where post-merger acculturation may likewise proceed in four different ways: assimilation, integration, separation and deculturation. Central to this model is on the one hand the actors' willingness to preserve their own culture and on the other hand their perception of the attractiveness of the other culture. This model has become a corner stone in the cultural literature on mergers and acquisitions. For example, Elsass & Veiga (1994) have later further elaborated these ideas and illustrated how the acculturation processes are affected by organizational performance.

Researchers in this field also mostly share a normative goal - to advance general action instructions that may minimize problems in mergers and promote more effective managerial action. Though different models are proposed, and somewhat different conclusions reached, researchers within this approach have generally assumed that cultural analyses of the companies involved carried out before the merger will make it possible to predict

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problems of integration and adjust the management's integration strategy accordingly.

However, the essentialist concept of culture has been increasingly criticized within the field of anthropology in which it originated (see for example Hannerz, 1996). Many anthropologists now query the essentialist ways of thinking. This leads to a social constructionist conception of culture, which will be elaborated in the following section.

### **A social constructionist perspective on cultural change processes**

In the last 15-20 years, several variants of social constructionism have appeared. In the following presentation of key themes in social constructionism, variations in researchers' agendas are deliberately downplayed and similarities highlighted. We will not go deeply into discussions of philosophical statements, but instead look at how social constructionism can be employed in empirical research. Furthermore we will focus on how social constructionism offers a theoretical basis for critical discussion of mainstream research approaches to cultural change processes in mergers.

In their seminal work *The Social Construction of Reality. A Treatise in the Sociology of Knowledge* (1966), the sociologists Berger and Luckmann start with two claims: reality is socially constructed, and processes of social construction should be the focus of a sociology of knowledge. Everything belonging to a culture, including science and technology, presupposes human

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beings, a human language and human actions. Berger and Luckmann make a distinction between society as subjective reality including people's beliefs about the world, and the material world or, as they express it, "that world which cannot be wished away". Social objects are by their nature meaningful, whereas material objects are only meaningful when they are incorporated into the social. However, we have no direct access to any reality, neither the material nor the social. Access is always mediated through our use of language.

Social constructionism rests on a number of key premises (see for example Gergen, 1999):

- Subjective and social realities are constructed in societal and cultural processes which are culturally and historically limited.
- Discourse (language in texts and talk - e.g. narrative - and other forms of representation) plays a central role in social construction processes. Our understanding of the world is created and maintained in social interaction, in ongoing negotiations about what should be held as either true or false.
- Social construction processes (e.g. description, explanation) are performed in a context of relationships. Meanings are born of agreements, negotiations, affirmations among persons.

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- The ways we understand our world, and the representations of the world that we create, are historically and culturally specific and contingent.<sup>3</sup>
  - The outcome of the social constructions is communicated in narratives. Cultural identities and world views are expressed in narratives about how we interpret ourselves and phenomena in the subjective and the objective reality.
  - Different and competing scientific descriptions, accounts and theories of our internal and external reality are also historically and culturally situated narratives. They are neither true nor false framings of reality, but they may favor some perspectives and suppress others and likewise give voice to some groups and silence other. Moreover they can be viewed as an outcome of negotiations aiming at consensus within a specific scientific community.

In the following sections, we will look at the implications of these premises for the understanding of cultures and identities in organizations.

Each person's social reality is built up of cultural constructions, meanings and interpretations that are kept in place by negotiation and mutual consent. Cultural patterns are thus results of social, discursive processes, understood as ongoing negotiations that constantly create, uphold and transform perceptions of reality. Nevertheless cultural patterns may become internalized and thus

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<sup>3</sup> Even though in principle our knowledge and our social identities are contingent, they tend to be rather stable, because social situations always include ramifications of our potential identities as well as contextual boundaries, so that not every statement about the internal or external reality will be

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appear as stable and "objective". But cultural meanings are per se contingent and contextual. Therefore, for example, an organizational culture may well be fragmented and change according to circumstances. Since cultural patterns of interpretation are produced, reproduced, and continually changed by the people identifying with them also people's affiliation to national and organizational cultures, as well as to other cultural communities, are subject to change, and boundaries between cultures thus become fluid.

It is in our discursive interactions that we constitute our social reality, including our knowledge, our identities and our social relations, and thereby maintain certain social patterns and cultures. Discursive changes are thus one way to change the social reality. This implies that language is not viewed merely as a kind of channel or conduit through which information is transmitted, such as it is often assumed in the dominant process models of communication (for a critique, see Putnam et al., 1996). On the contrary language and discursive action constitute the social world, our social identities and our social relations.

This view on discursive practices is anti-essentialist: since social reality is socially and discursively constructed, it can neither be viewed as simply determined by external factors nor as something natural and given. Accordingly, social identities and cultures have no internal essence; they are not "genuine" or "authentic", but rather negotiated and contingent.

Social constructionism does not prescribe a particular methodology for the study of cultural change processes. Culture as understood by social

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constructionists defies quantification, but the perspective is open to several different qualitative approaches, many of which are developed through anthropological fieldwork. Ethnographic case studies based on participant observation, qualitative interviews and collection of documents and aiming at "thick description" (Geertz, 1973) or "tales of the field" (van Maanen, 1988) are the preferred methodologies within this paradigm.

### **A case study on cultural change processes**

Mergers and acquisitions lend themselves to a social constructionist approach. To date, however, there are only few examples of studies adopting such a perspective on post-merger cultural change processes. Kleppestø (1998) studied the construction of organizational cultures and social identities in a Swedish merger case. He specifically concentrated on the relationships between the representatives of the two companies as they negotiate their identities. Vaara (1999a) investigated organizational actors' cultural sensemaking processes in a Finnish-Swedish context and concluded that cultural conceptions are formed in complex sensemaking processes.

The telecommunications sector is for the moment the dominant line of business when it comes to cross-border mergers activity, both in the number of deals and the value of them. Gertsen and Soederberg have studied post-merger integration processes in 7 Danish telecommunications companies acquired by major foreign concerns (see also Gertsen & Soederberg, 1998a, 1998b, 1998c, 1999, 2000). Gertsen and Soederberg's focus has been on the role of



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communication in managers' and employees' cultural identification processes at a national and an organizational level. Gertsen and Soederberg have carried out fieldwork every year in the period 1994-2000. They collected what was written about the company in newspapers as well as other written material: annual accounts, web-sites and the like. But their main access to the events and actions taking place in the merged company were interviews not only with the top management, but also with a large number of employees on different levels. They included unskilled workers, shop foremen, secretaries, R&D engineers, accountants, human resource managers, and sales people. Gertsen and Soederberg also interviewed representatives of trade unions and local trade councils as well as the director of the regional science-park to get an impression of the company's interaction with the local environment before and after the international mergers. Their perspective has mainly been that of the Danish merger partner, but expatriate managers sent to Denmark by their head offices were also interviewed. Most of the interviews were narrative in nature; i.e. they encouraged their interviewees to describe their situation at the workplace in their own words with as few interruptions from the interviewer as possible. These organizational narratives were not interpreted as accurate reports of actual events. They were rather seen as tales about various actions and events that are given a certain meaning by the organizational actors as part of the plots they are continually constructing and revising in order to make sense of their experiences.

The following empirical examples which will be used to illustrate the conceptual challenges related to cultural change processes are all taken from

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Gertsen and Soederberg's longitudinal case study of Dancall, a Danish telecommunications company that develops and produces mobile phones. This company was first acquired by the British concern, Amstrad, in 1993, and then, in 1997, by the German multinational Robert Bosch GmbH.

The company, which was originally called Dancall Radio, is situated in a small community in Northern Denmark. It was founded in 1980 by a small group of Danish engineers and expanded from 44 employees in 1981 to 870 employees in 1990. Management of the growing company was characterized by an R&D-focused entrepreneurial spirit and a consensus-oriented decision-making style. In the late '80s the growth of the cellular mobile phone industry and the intensive price wars made it difficult for smaller companies like Dancall Radio to keep pace with the giants, L.M. Ericsson, Motorola and Nokia. Nevertheless, the management of Dancall Radio knew that a new pan-European telecommunication standard, the GSM system, was to be established in 1992. They were aware that products developed for the GSM system would give access to a huge European market. Therefore they decided to develop a GSM phone together with Cetelco, another local developer and producer of mobile phones. This joint development project, which was carried out in the regional science park was technologically successful, but it proved extremely costly.

In 1993, after several years with severe financial difficulties, the company could not meet its financial obligations and had to suspend its payments. The British consumer electronics company Amstrad, whose owner wanted to diversify and had for some time been planning to enter the expanding

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telecommunications market, decided to buy Dancall and sent a British managing director and a couple of other managers from their headquarters to Denmark. The British managers claimed that marketing and sales were relatively weak points in the Danish company, and the new management made great efforts both to redefine the company's commercial strategy and to enter into long-term contracts with telecommunication network operators on the European market. Extensive plans were made for mass production and the building of a new high volume factory, but it turned out to be harder than expected to make profits, and the plans were postponed.

In 1997, after almost four years under British ownership, the German multinational industrial group, Robert Bosch GmbH bought the company. Today, the managing director and most of the other managers are Danish, but there are a few German managers as well. A new production plant aimed at mass production has been built, and in addition, Bosch Telecom has invested considerable amounts in research and development. Since the German acquisition the number of employees in the Danish business unit of Bosch Telecom has increased from 750 to about 1650. In Denmark where most companies are small or medium-sized, this company has been the biggest in the region.

However this company will now be divided into two units in near future. The R & D department with a staff of 300 highly qualified engineers and technicians has recently been acquired by the German multinational Siemens, whereas the production department with about 1200 employees will be taken over by the US company Flexotronics International Ltd.

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## **Conceptual challenges**

In the following we will focus on the practical relevance of the social constructionist perspective for research on cultural change processes in mergers. We will take up three specific conceptual challenges: decontextualization of cultural issues, cultural differentiation and fragmentation, and systemic versus processual views on culture.<sup>4</sup> And we will illustrate our points with examples from Gertsen and Soederberg's empirical case study of the merging telecommunications company Dancall introduced above.

### **From decontextualization to contextualization**

Cultural analyses frequently meet with problems of decontextualization. These have to do with the disconnecting of organizations from their environment. Analyses of organizational cultures often focus solely on internal factors and neglect the organizations' linkages to their environments. Still, there are a few exceptions which have concentrated on different national preferences or institutional practices (see e.g. Calori et al., 1994; Olie, 1994; Very et al., 1997; Morosini, 1998; Gertsen & Soederberg, 1999).

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<sup>4</sup> These challenges reflect more general questions in cultural organization studies (see e.g. Alvesson & Berg, 1992; Czarniawska-Joerges, 1992; Linstead & Grafton-Small, 1992; Martin, 1992; Hatch, 1993; Trice & Beyer, 1993; Willmott, 1993; Harris, 1994; Schultz, 1994; Martin & Frost, 1996), but they are particularly central issues in research on post-merger cultural change processes.

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The problem with decontextualization is that it prevents researchers and practitioners from contemplating how particular organizational cultures are embedded in, related to and sustained by their local and national surroundings. We suggest that studies in this field would benefit from conceptualizations that transcend organizational boundaries and seek the rationalities of particular practices in wider organizational networks or institutional systems. In this context, discussions concerning national business systems (see e.g. Whitley, 1992; Whitley 1999) seem particularly interesting. At the local network level, it would be worthwhile to examine specific relations with for example suppliers, other local companies (e.g. partners in joint R&D projects), or local educational institutions.

At the national institutional level, one might study for instance accounting procedures, education systems, or industrial relations (see Gertsen & Soederberg, 1999 for a further description of national differences in linkages to the organizational environment). In the case of the Danish electronics company Dancall, the acquiring British concern Amstrad was unaware of the well-established position of trade unions in Danish society, and of the high degree of unionization among blue collar as well as white collar workers. In interviews the power of the trade unions and their role in relation to the company was explicitly mentioned by the British expatriate managers as one of the features that seemed to make managing in Denmark different from managing in Great Britain. The fact that in Denmark, not only workers, but also engineers, technicians, office staff, etc. are usually organized and that their unions make general wage agreements in collective bargaining, which

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companies are obliged to comply with, was new to them. They soon had to realize that the demands of the Danish unions could not be ignored and that it was impossible to employ unorganized workers under different wage and working conditions than those contractually agreed upon.

At the local network level there has been considerable cooperation between Dancall's R&D department and a particular research center at a nearby university since company's start in 1981 (see Gertsen & Soederberg, 1999). The development of the first Danish GSM mobile phone took place in a science park connected to the university in 1990-92 as a joint project between this company and another local firm. Also, most of the engineers in the company are educated at the university and firmly believe that the company's success depends on intensive research activities. When the company was acquired by the British concern Amstrad, the new owners attempted to reduce all costs as much as possible. This resulted in cuts in the R&D budget, and the concern was unwilling to finance new joint development projects with the university or engage in explorative R&D projects which might not pay off on a short-term basis. The British owner of Amstrad and the expatriate managers felt an urgent need to produce short-term results. The development engineers were demotivated by this attitude from the British owner, who had no relevant technical knowledge in the field, but nevertheless personally interfered with planned projects in the R&D department and rejected them without any argument. Several engineers eventually chose to work with other companies where they found more challenging R&D projects.

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Decontextualization has important implications for practitioners. A lack of attention to the environmental linkages of an organization's culture is misleading because it may cause an inability to understand the institutional roots and rationalities of particular practices. In many cases, decision-makers striving for savings or other synergistic benefits stemming from the standardization of particular practices have discovered that the required changes may not be worthwhile or even feasible because of linkages beyond organizational boundaries.

In our view, a social constructionist approach makes the problems of decontextualization less likely to occur because of its emphasis on the organization's history and its embeddedness in a global and a local context as the basis of the organization's ongoing interaction with its surroundings.

### **Recognition of cultural differentiation.**

Researchers have provided plenty of reflection on how organizations are subject to different types of cultural divisions (see e.g. Pettigrew, 1979; Gregory, 1983; Meyerson & Martin, 1987; Linstead & Grafton-Small, 1992; Martin, 1992). Martin (1992), for example, sees the differentiation perspective as complementary to the traditional, unitary integration view. She argues that the integration perspective can only provide information concerning views and values, which are commonly held within the entire organization. When such a perspective is used alone, it creates problems such as inability to reveal subcultures and multiplicity of views.

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Although cultural differentiation are theoretically acknowledged, there is a strong tendency among empirically oriented researchers and practitioners to view organizational cultures as unitary belief systems (see Ogbonna & Harris, 1998). In the merger context, this tendency has been particularly dominant as attention is focused on the integration of what is viewed as two separate cultures. Researchers in this field have not paid much attention to the fact that the organizational cultures of the merging organizations are not likely to be completely homogenous, internally consistent or unambiguous. The problem is that the integration perspective may be a misleading starting point, especially in the context of large multinational organizations, consisting of several types of units and operating in several countries.

In a merger context, the division between the two formerly separate organizations is central, but it is not the only one on which the actors' cultural interpretation may focus. Another obvious but often not explicitly recognized division is that between the management in charge and the employees making up the organizations in questions. As discussed in a previous example, there are also professional divisions that are likely to be relevant. Similarly, for example, gender or ethnic considerations might play a role in these processes.

In the Dancall case, when the company was acquired by the British concern Amstrad after financial problems and suspension of payments, different groups of employees had completely different perspectives on the merger (see Gertsen & Soederberg, 1998a, 1998b, 1999). The unskilled workers were much more dependent on the British concern than the engineers in the development department, for instance. Alternative employment opportunities for unskilled



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workers in the local area were extremely limited. That is why they would go to great lengths to accept less favorable wage and working conditions. They were also very sensitive to the management's argument that savings were necessary to ensure the survival of the Danish company (that is to say, their jobs) and readily accepted Amstrad's policies regarding strict financial control and cost reduction in various areas. Their overall attitude to Amstrad was very positive, and they seemed to identify with the company's new owners and managers.

The development engineers' situation was quite different. They were well aware of their own worth in the labor market, and they knew that it was their know-how in GSM technology which the British concern found attractive in order to get onto the global market for cellular telephones. Therefore, the engineers did not accept any reduction in their wages or any deterioration in their working conditions. They were also very critical about any attempt by the management to reduce the engineers' autonomy in work, and about their strict financial control of purchases to the R&D department. They felt that such initiatives demonstrated the new management's lack of understanding for R&D in advanced technologies. But the British concern was also aware of the strategic importance of the engineer group for the future of the company. So the management preferred to comply with most of the engineers' demands rather than to create conflicts. Contrary to other employee groups, the engineers retained more or less the same salary and working conditions as before the company suspended payments. Still, though the engineers expressed commitment to their development projects, they did not in any way seem to identify with the British concern.

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This case shows that it can be problematic to assume that a company has a homogeneous, stable and coherent organizational culture. The Danish company obviously consists of a number of partially intersecting subcultures. If we look at engineers and unskilled workers, we find that they had very little in common, either as regards their interests or the way they perceived the company and interpreted the foreign management's initiatives. They also had only limited personal contact with each other; they worked in different buildings, and very little communication took place between them. Therefore, the differentiation perspective (Martin, 1992) offers a multifaceted picture of the post-merger situation. This perspective recognizes the existence of a number of small cultural communities associated with different departments and professions in the company.

The point to be made here is that cultural change processes may be very differently perceived in different parts of the merging organizations and among different sub-groups of people. An integration perspective on culture may hide inconsistencies and ambiguities in the organizational cultures, which may actually be important and should not just be seen as anomalies to be discarded. Also, it should not be overlooked that a group may perceive its own (sub-) cultural identity as more coherent than before when it is confronted with or feels threatened by that of another group. And, obviously, this may well be exactly what happens in connection with a merger (cf. the social constructionist view of culture as relational).

### **From systemic to processual views on culture**

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Cultural studies of mergers typically focus on initially perceived cultural differences conceptualized in terms of value systems which are assumed to guide behavior. These studies usually pay little attention to the (often slow) processes of cultural change during the post-merger phases. Significant attention has been given to issues such as "culture fit" and "cultural distance" (see Cartwright & Cooper, 1992, 1993; Olie, 1994; Weber et al., 1996). These studies use a priori measured or estimated cultural differences as explanations for and predictors of organizational problems. There are plenty of examples of studies concentrating on decision-makers' beliefs and values (e.g. Chatterjee et al., 1992) or national cultural differences (see e.g. Very et al., 1998). This type of thinking has also been prevalent in the business press. However, some researchers have concluded that the predictive value of estimates or measurements of cultural differences at national and organizational levels remains questionable (see e.g. Gertsen & Soederberg, 1998b).

A social constructionist approach to the role of culture in mergers implies that the researcher does not have the ambition to develop universalist theories or make analyses whose results can be applied in the form of general guidelines for managers. This is because the ongoing social construction of culture is seen as a process which is dynamic in its nature and depends on an almost infinite variety of individual and contextual factors, some of them unforeseeable or inaccessible to the researcher. So unlike most research in the business field, this approach is neither normative, nor prognostic, but has the advantage of highlighting more aspects of managerial reality and offering situated, practical knowledge (see Kleppestø, 1993, 1998; Gertsen & Soederberg, 1998).

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In the Dancall case, a "pre-merger culture analysis" was actually carried out in practice. This took place when the German concern Bosch bought the Danish company from British Amstrad in 1997. Bosch had recently experienced a couple of disastrous foreign take-overs, and its management thought that more attention to cultural issues might make the integration phase more painless this time. Therefore, Bosch's executive intercultural training unit carried out a comparative cultural analysis in order to identify differences between the Danish Dancall and the German Bosch - including both national and organizational dimensions. The idea was that in this way, managers would know more about what to expect from each other beforehand, and this would supposedly make communication easier. The analysis was based on a limited number of interviews with key actors in Germany and Denmark and resulted in two lists characterizing the two companies/countries: In brief, the Danish company culture was claimed to be easy-going, fast, people-oriented, and flexible. Bosch's culture, on the other hand, was described as formal, authoritarian, power-oriented, and bureaucratic.

The fact that Bosch had actually taken the initiative to such an analysis was initially interpreted as a good sign by the Danes. This was seen as an indication that their culture would be respected, especially since Dancall seemed to be described in such a positive way in comparison to Bosch. But the analysis also activated some of the common Danish stereotypes about Germans and thereby provided the Danes with ready explanations as soon as the need for mutual adaptation began to be felt. The focus on Germans as formal, authoritarian bureaucrats - and the negative emotions this idea may provoke - maybe

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diverted the Danish employees' attention from the actual common problems to be solved: major issues such as strategic planning and minor issues in connection with reporting procedures. Eventually, the Danish managers came to refer to the culture analysis and its description of Bosch whenever disagreements appeared. Though they had expected that Bosch would pay due regard to their culture, they soon began to think that this was not sufficiently the case, and many consequently felt the report to have been a false signal that turned into a disappointment. All in all, it does not seem likely that the "pre-merger culture analysis" furthered integration in this case, more likely the opposite. But the report - or rather, the ways in which it was interpreted - did seem to have an effect, though probably not the one Bosch's management had hoped for. Two years after the acquisition, the Danish R&D manager described it as follows: "It was worthless. It simply confirmed people's prejudices. It would have been better to spend some time trying to look through these prejudices, to get rid of appearances, and come down to what it takes to work together".

The dominant essentialist perspective on culture implies a lack of attention to the processes of change where cultures are transformed and developed. We suggest that a key to understanding long-term cultural integration processes is the recognition that a merger creates new cultural identifications and communities. To organizational decision-makers, it is crucial to pay attention to this ongoing social construction of organizational identities and cultures. By focusing on the creation of new cultures instead of conflicts between old ones, it may be possible to overcome unproductive debates concerning the choice

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between for instance existing cultural symbols or practices originated in one of the two companies.

The actors' cultural interpretation processes should be seen as firmly linked with their identification and identity construction processes. Cultural identities are developed by distinguishing oneself from another group and emphasizing the cultural differences that appear important. Reduction of uncertainty, reduction of ambiguity, construction of similarities and differences, boundary drawing, and (re)construction of stereotypes are likely to be essential in these processes.

Especially in merger situations, where there is often considerable organizational upheaval and anxiety, there is likely to be uncertainty concerning the near and distant future at organizational, and individual levels. In these situations, cultural categorizations may serve the purpose of reducing this uncertainty by providing cognitive means to handle the situation. This reduction of uncertainty may first lead to relatively superficial categories, which may then later become more refined understandings. When relatively short time has been spent with the other side, actors are likely to make use of existing stereotypes about themselves and others. This is especially likely to be the case in international mergers and acquisitions. As researchers have pointed out, national stereotypes typically function as a first pattern of interpretation, before more refined understandings are developed (cf. Gertsen & Soederberg, 1998b).

From a social constructionist viewpoint it may be argued that it is these identification processes that lead to the cultural conceptions rather than vice

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versa (cf. Kleppestø, 1993). Positive experiences tend to make actors perceive and describe cultural differences as small or predominantly valuable. In case of failure, cultural differences are often described as considerable and problematic, and are pointed out as causes of difficulties (Vaara, 1998). If there is a negative feeling towards the foreign company, for example because of financial difficulties and ensuing fear of cutbacks and organizational changes, or as a result of a power struggle, it is likely that the employees in the acquired company will feel a need to emphasize that their culture is different and better, and the work style and the managerial attitudes in the acquiring company lead to cooperation difficulties. If, conversely, the merger or acquisition leads to financial success and better career opportunities or greater security of employment, the employees will be more inclined to describe the differences experienced in positive terms ("something we can learn from"). Or they will treat them as a funny, but harmless characteristic, to which one can adapt.

The majority of managerially oriented cultural studies tend to treat cultural differences as problems and barriers, not as sources of learning. This is also the case in the merger context where most researchers adopting a cultural perspective on post-merger change processes assume that cultural differences are causes of post-merger problems. We would like to emphasize that perceived cultural differences can also be assets that benefit organizations (see e.g. Krishnan et al., 1997). In the merger setting, this means that the different national or organizational cultures are potential sources of complementary experience (see e.g. Krishnan et al., 1997; Morosini, 1998; Morosini et al.,

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1998), capability transfer (see e.g. Haspeslagh & Jemison, 1991), and learning (see e.g. Villinger, 1996; Leroy & Ramanantsoa, 1997). The internal discussions and comparisons following mergers can also serve a constructive purpose by forcing people to reflect on their own practices. This may in turn lead to changes and improvements in these practices. This was the case in Dancall, where Danish middle managers admit that they learnt very much about assertiveness and competitive behavior from the British CEO who was sent to Denmark to manage the company as a business unit in the Amstrad concern. Even though the Danish development engineers had a very high reputation as specialists within GSM-technology, they never thought of ambitious mission statements like the following formulated by the British CEO: "We want our company to become one of the four world giants within cellular communication." The Danish managers and development engineers who were primarily committed to the ongoing research and development processes learned a great deal from the British CEO's strong market orientation. The expatriate British CEO introduced a remarkable shift of focus by taking initiatives to get long-term contracts and financial support from operators at the global telecommunications market before initiating new research and development projects.

After the company has now, some years later, been acquired by the German multinational Bosch, the Danish managers and employees have experienced that new control procedures ensure that performance comes close to plan and that corrective action is taken. In this area the Danish managers have observed a management style very different from the one they had been accustomed to.



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Especially when it comes to what the Danes characterize as "micro-management", the routines were not so elaborated in the Danish company. These perceived differences between organizational practices led to minor conflicts when for example the German sales people were more concerned with questions why for example the sales target for Poland was not fulfilled, whereas the Danes were enthusiastic because instead, the sales in Roumania were four times bigger than expected, and thus more than compensated the bad result in Poland. As the Danish director of finance stated in an interview, the Danish company had realized that it would have to learn from the bigger company's professionalism and orient itself more to rules and routines, especially in planning and mass production. But simultaneously the Danes wanted to maintain some of the qualities of what they perceived as their company culture, a more spontaneous approach to problem solving and an innovative team spirit, something that they wanted the German managers and employees to learn from them.

### **An agenda for future research**

The previous sections discussed major conceptual challenges in research on post-merger cultural change processes and highlighted the shortcomings of the dominant cultural paradigm in merger research. One way to solve these difficulties may be to drop the culture concept altogether. This would, however, have the drawback that valuable insights in the actors' experiences might be lost. It would also imply that researchers would distance themselves from the practical world of business and management where the "culture

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discourse" is an inherent part of the public debate on mergers. Therefore, we find it worthwhile to consider how specific social constructionist alternatives may be developed in order to study cultural change processes in mergers.

Social constructionism is sometimes perceived as a theoretical approach totally devoted to postmodern scepticism, critique and deconstruction. And indeed, it does unsettle the assumptions of the dominant scientific paradigm as regards the rationality of human beings, objective knowledge and scientific truth (see e.g. Czarniawska, 1999). Some sceptical readers will possibly be disappointed and claim that they are left without any concrete guidelines, just with a sense that everything is relative, ambiguous, context-bound, and ever changing. But critique also gives way to emancipation, and social constructionism opens up for alternative visions of knowledge production and for new practices engaging researchers and practitioners in dialogue.

A social constructionist approach also offers new ways of exploring organizational life. We suggest that future studies on cultural change processes in a merger context focus on cultural sensemaking processes. More specifically, we advocate studies of narratives of organizational change processes told by different actors in the merging organizations. Furthermore, we recommend studies of how managers and employees construct new visions for the future (see for example Gertsen & Soederberg, 2000)

### **Cultural sensemaking processes**

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Studies on cultural change processes in merging organizations might well draw from studies on sensemaking processes (Sackmann, 1991; Weick, 1995). The concept of "sensemaking" has been given different definitions in studies on organizational actors' interpretation processes (see e.g. Dutton & Jackson, 1987; Porac, Thomas & Baden-Fuller, 1989; Dutton & Dukerich, 1991; Gioia & Chittipeddi, 1991; Czarniawska-Joerges, 1992; Weick, 1995; Gioia & Thomas, 1996; Vaara, 1999). With support in Weick (1995), we will understand "sensemaking" as an ongoing process that is grounded in shifting identity constructions. It is retrospective, that is, when many possible meanings may need to be synthesized, the clarification is often worked out in reverse. Sensemaking is enactive of the organizational environments: Organizational actors produce part of their environment while doing things with words and creating the materials that become the constraints and opportunities of this environment. Sensemaking is moreover a social process taking place within a community that is viewed as a network of intersubjectively shared meanings sustained through the development and use of a common language and everyday social interaction. Thus, studies on actors' cultural sensemaking processes should focus on collective negotiations and discussions.

Such construction of shared understandings is necessary to provide a basis for meaningful social action in organizations. This should not be understood as a requirement for organization-wide long-term consensus but rather for continuous renegotiation of particular arrangements and search for a common basis for action. It is, in fact, important to see that specific meaning(s) given to

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organizational structures may be different for different actors in different settings.

From a cognitive perspective, sensemaking processes can be seen as processes through which collective discussions lead to the formation of specific cognitive maps. Especially interesting are organizational learning processes where actors continuously try to make sense of the perceived cultural characteristics of both sides and of the cooperation involved. Mergers also trigger emotional processes among the actors. The organizational changes may appear positive or negative from the perspective of the organizational members. Positive changes are likely to lead to sensemaking processes that portray the merger as favorable. If the organizational changes are seen as negative, for example if “good old” procedures and routines are changed leaving the actors with a feeling of being threatened, challenged, and made insecure about their future tasks, they will tend to emphasize problematic features of the merger. What is important is not only whether the total gains are positive or negative when added up, but also whether the effects, positive or negative, are perceived by the organizational actors as distributed in an equal and fair manner. Thus, a merger that all in all benefits both sides, may still be interpreted in a negative manner by those who feel that they have suffered injustice and that the psychological contract of equality has been broken. Such an emotional experience of injustice may be turned into a general conception of lack of synergy and into organizational problems in cooperation.

Sensemaking processes can also be seen as political processes, that is: as purposeful manipulation and use of meanings for the promotion of

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organizational or personal interests. The point to be made is twofold: On the one hand, the actors' interests are in themselves socially constructed as part of the complex identification processes in organizations. On the other hand, and more interestingly, these actors also purposefully influence the collective sensemaking processes by intentional "management of meaning". The clearest manifestation of this is probably management's work to justify the merger decision, to seek social acceptance for their plans, and to motivate people to work for the new joint organization. In fact, a crucial part of their leadership role is precisely this management of the organizational change processes at the symbolic level. Other organizational actors, however, are also likely to promote different or conflicting agendas to further their own careers or other interests by attaching alternative meanings to the issues discussed.

Finally, sensemaking processes may be seen as institutionalization processes. From this perspective, institutionalization of the new post-merger organizational structure and its associated practices requires construction of commonly shared meanings. When the actors have reached a certain consensus and new meanings begin to be taken for granted as elements of organizational life, there is no longer a strong need for deliberate collective sensemaking: a new culture has arisen. This, however, does not imply the end of sensemaking activity. Sensemaking processes are ongoing activities and in all organisations, new emerging issues have to be dealt with on a continuous basis.

### **Narratives of organizational change**

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Narratives play an important role in organizational sensemaking processes. Therefore we suggest that future studies on post-merger cultural change processes draw from theories and methods of narrative analysis (see e.g. Bruner, 1990; Polkinghorne, 1987; Greimas, 1991, Czarniawska, 1997). The value of the narrative perspective on cultural change processes is that it provides tools for the analysis of stories and myths spread around the organizations and told by different organizational actors in different settings and at different points of time. The strength of such studies clearly relies upon the researchers' ability to gather or get access to an extensive qualitative material to focus on specific structural or thematic features of these stories.

A narratological approach helps to understand the discursive framework used by story-tellers to make sense of different actions and events. For example how national and organizational culture issues are used in a plot to account for success or failures.

Narratological analysis focuses on different elements in the narrative constructions. A narrative must have a goal or a project. Events relevant to the endpoint must be explained, such as for example a company's suspension of all payments and a foreign take over of a company. The story may also be focused on a state to be reached, for example the corporate vision that the company becomes a "global player" in its industry. Or it may focus on a state to be avoided, for example that the best R&D engineers leave the merged company because they are offered better job conditions by the competing companies. Organizational events and individual actions are related and ordered in the narrative in a sequence of time. Narratives also provide a sense

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of explanation through more or less explicit causal linkages. For example, the new British CEO told us after Amstrad's acquisition of Dancall that "The company had to suspend its payments because the former management was not able to maintain strict financial control, and because it delegated too much responsibility to middle management and aimed at consensus. I, on the other hand, tend to..."

We have observed in our empirical studies (Vaara, 1998; Gertsen & Soederberg, 2000) that in turbulent and challenging situations, which often occur in a merger, most organizational actors, and especially the managers, feel a need to tell their stories. These may be accounts for what they have already done (to justify it to themselves and others), what they are doing right now (to monitor/control it, at least in their minds), and what they will do in the future (to plan it) (see also Czarniawska, 1997). These accounts are usually communicated in a narrative mode as the actors try to endow with meaning what they do and what has happened to them in the organization. The narrators generally reveal very different perceptions of their own role and those of the others in the course of events.

In our case of the Danish company acquired by a British and later by a German industrial group, it was evident that different voices told of the same events in different ways and that the same voices told differently about the same events at different times (Gertsen & Soederberg, 2000). The shop steward, for example, who was extremely relieved that her and her colleagues' jobs have been secured, said of the British acquisition: "They saved us, didn't they? If Amstrad hadn't bought Dancall, we'd still be out of work." The R&D manager

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was much more guarded in his comments: "The acquisition has been a good thing in many ways, but their [Amstrad's] understanding of GSM technology is still insufficient. I suppose they'll learn, but if not, I'll look for another job - as I see it, what I do must be fun and technologically challenging."

The narratological perspective applied to the interviews analysed offers insight into interpretations based on different perspectives, and at the same time displays how central actors within an acquired company may have very different goals and world views. The narratological analyses also make it clear how different organizational narrators and actors construct different plots and account for causalities from different points of view. The analyses demonstrate that the plots and causalities in the narratives told must be seen as a result of both individual and collective processes of selection, hierarchization and sequencing of organizational actions and events. The narratological analyses also focus on different modes of storytelling. Gertsen & Soederberg (2000) have analysed both rationalistic, seemingly objective accounts and enthusiastic stories about individuals' visions and future plans for the company, and tales of personal triumph and managerial success. But they have also analysed tales of trial and failure told by both top management and people lower in the workplace hierarchy who blame problems on others' actions or present cultural differences at a national or an organizational level as the explanation of failed plans.

The longitudinal perspective on the organizational change perspectives in the Dancall case made it clear how narrators' stories change and develop over time. Stories told over the years - from the suspension of payments in 1993



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through British and German mergers of the company - show for instance that the dominant merger partner seems to move from a position as a "helper" to a position as an "opponent" or a cause of problems as soon as some time has passed or a new company is taking over. When the one of the managers was interviewed just after Bosch had bought the company from Amstrad, he described the new owner as a helper: "We had a lot of problems during Amstrad's ownership. But now, with the help of Bosch's brand name and capital, I believe we're able to become a much stronger player in the global telecommunications market." But a year later, when targets had not been met, he said: "Bosch is definitely not a world champion in telecommunications – that's why we have problems. They do not understand that this technology requires huge investments. As I see it, Bosch has three possibilities: Closing us down, investing billions in marketing, factories, and development, or they can find someone for us to collaborate with... Of course we won't be sold, but... We won't be able to make it alone."

Both top and middle managers tend to see themselves as decisive agents when the company experiences success. But they tend to downplay the impact of their own decisions when problems arise. In times of trial, managers typically point to contextual factors outside their control as causes of problems - the merger partner, the market, the competitors, the technological development and consumers' changing preferences. Other organizational actors - for instance the shop steward, the production workers and the secretaries - represent themselves as agents to a much lesser extent, regardless of whether things go well or not.

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Along the same lines, in a study of managers' narratives of post-merger integration in Finnish-Swedish cases, Vaara (1998) found that retrospective accounts showed a very clear tendency to attribute failure to cultural differences. Thus, when decision-makers told stories of frustration, they tended to rely on a "cultural" rhetoric implying that differences between the previously separate organizational and national sides were referred to often and in a negative manner. But when the decision-makers described successful developments, they preferred a "rationalistic" rhetoric, emphasizing for instance strategic or financial considerations.

Thus, managers are more than ready to take responsibility when things go well, but they are quick to identify reasons and adversaries in the environment when problems arise. In this way, managers' accounts may distort researchers' conclusions if such tendencies in managers' story-telling are not detected in studies of factors that lead to success or failure in mergers or acquisitions. This is particularly problematic if scholars put forward very specific practical guidelines for managers based on such potentially misleading information. Therefore, it is probably wise to interpret causal explanations with a grain of salt when relying on qualitative interviews. A narratological perspective on interviews can make it clear that the truth of the managers' and employees' stories may not lie in the "facts" they recount, but rather in the way they construct their story and retrospectively try to make sense of a course of actions and events.

It has been mentioned earlier that dramatic organizational changes such as mergers and acquisitions can create a sense of helplessness and confusion

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among the employees, or a feeling of being threatened by the unknown future. In that case, narratives may be helpful when constructed deliberately to bring people within the merging companies a sense of belonging to a new cultural community from which a new future may spring (see Gergen, 1999). But of course there is always a risk that so-called shared narratives are introduced by top management with no basis in feelings shared by other employees in the merging companies. This is fairly often the case - an example is given by Gertsen & Soederberg (1998b) where new US managers from a dominant merger partner announce to their somewhat sceptical Danish partner what are to be their shared values as soon as the merger is made public. Still, it might well be possible to find stories telling of positive experiences across boundaries and spread them to build a common ground among people in the merging organizations. Such stories of joint successes obtained by for example a merged group of R&D engineers or the merged sales and marketing staff might be used in the creation of new visions for a viable future together and perhaps even contribute to a set of action programs for future collaboration.

### **Concluding remarks**

We have argued that the literature on cultural dimensions of mergers is dominated by an essentialist conception of culture. We have elaborated here on an alternative social constructionist perspective on organizations and cultures. This perspective is theoretically founded, and we believe that research on mergers can benefit greatly from it. It would reduce the risk of arriving at conclusions and possibly recommendations to managers that may be

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misleading because of insufficient attention paid to contexts, cultural differentiation or fragmentation, or ongoing cultural change processes.

To managers, likewise, social constructionism may provide new insights, offer new analytical tools, and contribute to the creation of new strategies and visions for the future. The emphasis on contingency and embeddedness makes it less likely that practitioners overlook relevant local linkages and the impact of national business systems on merger performance. An enhanced understanding of culture as a dynamic process encompassing differentiation, fragmentation and ambiguities leads to more multifaceted pictures of daily life in merged organizations. And an awareness that our understandings of events and actions are socially constructed may help both managers and employees to shift their perspectives and see organizational life from others' perspectives. As the organizational scholar Gareth Morgan puts it in his book *Imaginization. New Mindsets for Seeing, Organizing, and Managing* (1993), the effective manager must be able to imagine multiple realities and put them into use as he or she negotiates the world with others. And this is exactly what social constructionism can assist him or her in doing.

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