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Leveraging cultural differences in cross-border M&A
The case of a consulting company

JURY

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GENESIS OF THE THESIS

This research work originates in the cultural enigma that has long puzzled researchers in the field of mergers and acquisitions. It follows up on a master's thesis dealing with **cross-cultural variations in management.** In studying cross-cultural variations in management, I became interested in international combinations. A closer examination of economic and business trends of the late 20th and the early 21st centuries drew my attention to the wave of **cross-border mergers and acquisitions** making the headlines. Anyone interested in expanding their business would, like me, have been struck by the percentage of unsuccessful combinations: a significant number of **failures were reported to have culture and management-related** explanations. Issues of compatibility or fit between companies' national and organizational cultures and subsequent inability to manage the cultural integration process were often quoted and blamed for undermining successful combination attemps. Identifying the cultural factors which jeopardized performance was the initial objective of my research. I started probing into notions of fit or compatibility between cultures which were largely investigated by scholars and academics alike. As cultural analysis could not be dissociated from the combinational process, I became familiar with the nature, content and phasing of post-M&A integration. Stumbling against inconclusive explanations for the role of culture in integration, I decided to inquire further into the relationship between culture and performance.

The following thesis is the outcome of this research. A book chapter summarizing the research theoretical assumptions was published in 2013 by Palgrave McMillan, entitled Mergers and Acquisitions in the 21st century. The research work was developed and presented in several complementary conference papers summarized hereafter:

Association Internationale de Management Stratégique (June 5, 2012) : La gestion des différences culturelles dans les fusions-acquisitions internationales : une compétence distinctive ?

Cet article propose un cadre conceptuel permettant d'éclairer la problématique culturelle dans les fusions-acquisitions transnationales. S'appuyant sur une revue de la littérature, cet article examine le paradigme de la distance culturelle qui a dominé la recherche de ces trente dernières années : le paradigme de la distance culturelle englobe l'ensemble des analyses de mesure et d'écart des différences entre cultures. Sur la base de résultats contradictoires issus de cette analyse et des conclusions et recommandations de chercheurs de premier plan,

l'article propose de dépasser ce paradigme pour aborder le mode de traitement des différences culturelles par les organisations transnationales. Le développement qui suit remet en cause le caractère statique des analyses dérivées de la distance culturelle pour s'intéresser à la dynamique du rapprochement. Cette dynamique, alliée à la complexité de la notion de culture, nécessite une approche radicalement différente, source d'avantage concurrentiel pour l'organisation.

Afin d'éclairer le rôle de la culture dans les rapprochements internationaux, un continuum est proposé qui progresse de la non-prise en compte à la prise en compte des différences culturelles et dévoile des stratégies culturelles susceptibles d'être mises en œuvre dans les organisations transnationales. L'analyse de ces stratégies privilégie une prise en compte active de la dynamique culturelle ou management interculturel. Le management interculturel est la prise en compte formelle des différences culturelles dans la gestion d'une organisation.

Le management interculturel de l'intégration des fusions-acquisitions internationales est présenté comme une compétence distinctive, capable de transformer les résistances et incompréhensions mutuelles en création de valeur pour l'organisation. Les bénéfices d'une gestion formalisée des différences culturelles peuvent se révéler considérables pour les chercheurs et praticiens : les démarches qui consistent à tourner la page du paradigme de la distance culturelle et aborder la différence culturelle sous l'angle de l'enrichissement mutuel sont dignes d'intérêt.

ISIT–CRATIL (November 22, 2012): Leveraging cultural differences for M&A performance: a cross-cultural management approach

The purpose of this paper is to offer a management framework for effective integration of cross-border M&A. The failure rate of cross-border M&A is still high (Bain, 2009; BCG, 2010; PWC, 2012) and culture is often blamed for hampering performance (Zollo & Meier, 2008). However the role of culture is unclear and extant research is inconclusive. So far, culture has been viewed as a static whole whose input into a combination process produces expected outcomes (Teerikangas & Very, 2006).

We argue that the cultural distance paradigm which has dominated M&A literature for the past three decades is overdue: the procedure that consists in comparing or measuring cultural differences between organizations (King et al, 2004; Stahl & Voigt, 2004) has not been successful in resolving the cultural enigma and produced mixed findings (Buono & Bowditch, 1989; Cartwright & Cooper, 1993; Chatterjee et al, 1992; Datta, 1991; Morosini et al, 1998; Weber et al, 1996).

The integration process (Jemison & Sitkin, 1986; Haspelagh & Jemison, 1991) is a complex, interactive process combining task and human integration (Birkinshaw et al, 2000) that reveals the potentially adverse and beneficial effects of cultural differences. Social identity (Tajfel, 1974), information theory and decision-making in diverse work groups (Van Knippenberg, 2007) substantiate the dual processes taking place when complex cultural systems come into contact with one. Considering that culture can be as an asset or a liability depending on the way it is managed (Stahl & Voigt, 2008), this paper delves into the management of cultural differences. Drawing from the psychology (Bennett, 1986) and the international management literature (Cox, 1993; Adler, 2002; Chevrier, 2003), it formulates the proposition that effective management interventions leverage cultural differences. Removing barriers to understanding and building trust so as to bring about effective cooperation are the main drivers behind cross-cultural integration (Larsson & Lubatkin, 2001; Morosini, 2005). They involve creating and implementing mechanisms to alleviate organizational (or task) and sociocultural (or human) tensions and generate synergies (Schweiger & Very, 2003). They rely on a formalized cross-cultural management approach which proceeds from a consistent, aligned, vision-driven integration execution plan. The agents of integration are cross-culturally agile managers (Caligiuri, 2008) able to transform the potential threats of cultural differences into sustainable benefits for the new organization

European Group on Organization Science (July 5, 2013): Bridging the cultural divide in international M&A

In the past 30 years, mergers and acquisitions have been a common form of inorganic growth, suitable for reaching international markets, finding new profitability sources and making economies of scale. In spite of this growth potential, numerous cross-border M&A have reported failure mainly for cultural reasons. Even if the economic crisis has weakened the scope of these operations, organizations from emerging countries are looking hungrily towards Europe and the USA for expansion. Cross-border M&A are an ideal research field for cultural dynamics' and a benchmark for the assessment of close cultural encounters. They confront different national and organizational cultures and provide an ideal opportunity for gauging cultural adjustments made to organizational operations or lack thereof. Drawing from failure to demonstrate consistency between fit and success, this article reverses the main assumptions encapsulated in the cultural distance paradigm and addresses cultural encounters. It identifies the main challenges involved in cross-border M&A integration and points at management guidance to leverage cultural differences.

European Academy of Management (June 26-29, 2013): Cross-border M&A in search for performance: a cross-cultural management approach

Unfortunately, for reasons of political and social unrest in Istanbul at the time of the conference, this conference paper could not be presented.

European Group of Organization Science (July 3-5 2014): Managing cultural dynamics for performance: reshaping a large consulting company after a merger

Cross-border M&A, through the combination of cultural systems incorporating national and organizational cultures, provide an exciting research field for leveraging cultural dynamics in organizations. Two cultural communities are brought together which share different frames of reference and work practices. If not relevantly addressed, this acculturation process may not turn the potential threats of cultural confrontation into the achievement of effective cooperation. This paper draws from the process (Haspelagh & Jemison, 1991) and knowledge creation perspectives (Nonaka & Takeuchi, 1995) to investigate the management of cultural dynamics in a merger between two French and American consulting companies. Data collected by semi-structured interviews are analyzed using text analysis software. Results show that it is not cultural differences per se but the way cultural differences are managed and cultural boundaries are drawn that influence integration effectiveness ; the benefits of cross-border combination are reaped through bonding and learning mechanisms that are activated to shape the merged organization.

Academy of Management (August 3-5 2014): Leveraging the cross-cultural dynamics of M&A integration: the case of a French-American merger

M&A literature demonstrates that cultural factors have an important impact on M&A performance. Analysis of the integration process has outlined organizational drivers of performance such as knowledge transfer and careful integration execution. However sociocultural drivers of integration have not been extensively researched in organizational dynamics. Indeed extant literature has focused on cultural distance and disregarded the cultural processes at work when two independent entities merge. This paper fills this gap in advancing understanding of the influence of cultural dynamics on performance and unveiling sociocultural drivers of performance. Its findings are drawn from the organizational learning perspective enriched by intergroup contact theory.

GENERAL INTRODUCTION

For the past 30 years, mergers and acquisitions have become a common form of business organization and corporate development. Some 289,254 deals were completed in the first ten years of the 21st century at a combined cost of approximately US$19 trillion. At 2010 levels, more than 3 times the annual GDP of China was spent on M&A, reflecting the large-scale, frenzied activity of combining businesses around economies of scale and expanded market base (Mc Carthy & Dolfsma, 2013). According to the Boston Consulting Group report (2010), in spite of the crisis in the global financial markets, M&A activity has increased in every industry across the globe.

And yet successful M&A are not easy to achieve. The impact of M&A activity on the firm's performance is at best inconclusive: 60% to 80% of all deals do not deliver expected results and fail in creating value for the newly combined entity (Mc Carthy & Dolfsma, 2013). For the past 30 years, the management literature has tried to explain the enduring paradox of the growing activity of M&A versus their high rate of failure. Abundant research has investigated domestic and cross-border M&A alike in an attempt to understand the various reasons for the failure of such business ventures (Child et. al., 2001 and Schweiger & Lippert in Stahl & Mendenhall, 2005) and raised awareness of the many obstacles encountered in the attainment of strategic objectives (Zollo and Meier, 2008).

In attempting to predict performance, M&A research has grown along discipline-based lines (Cartwright and Schoenberg, 2006). The financial and strategic tracks have outlined the importance of financial and strategic considerations as to whether M&A create wealth (Agrawal and Jaffe, 2000) or whether strategic fit matters (Seth, 1990). The financial economics stream of research focused on wealth creation for shareholders finding its roots in the agency theory (Jensen, 1987) and the efficient market hypothesis (Manne, 1965). The strategic management stream further investigated the performance of both acquiring and acquired firms, trying to outline synergies such as economies of scale, scope and market power (Chatterjee, 1986; Lubatkin, 1987) or new capabilities (Barney, 1991). When organizational criteria came under scrutiny, interest focused on human and cultural features whose understanding was enhanced by scholars in the psychology, organizational behavior and human resource management disciplines (Buono and Bowditch, 1989; Cartwright and Cooper, 1992; Mirvis and Marks, 1992; Sales and Mirvis, 1984). Organizational behavior has scrutinized the impact of M&A on individuals (Buono and Bowditch, 1989; Cartwright and Cooper, 1993; Mirvis and Marks, 1992; Sales and Mirvis, 1984) as well as the consequences

of acculturation on the different organizational cultures (Berry, 1990; Nahavandi and Malekzadeh, 1988). A broader view has concurrently emerged, converging on the choice of integration strategy with the provision of contingency frameworks for post-acquisition integration (Haspelagh and Jemison, 1991; Cartwright and Cooper, 1993) or on an improved understanding of integration approaches (Child, Faulkner and Pitkethly, 2001; Schweiger and Very, 2003). The process perspective, as it is named, has underlined the creation of value in the post-combination phase, arguing that the actions of management (Jemison and Sitkin, 1986; Hunt, 1988; Shrivastava, 1986) in line with the integration strategy (Haspelagh and Jemison, 1991) determine the extent to which synergies are realized.

Even if these streams of investigation have provided valuable insight into M&A performance, existing research remains incomplete. A meta-analysis conducted by King et al. (2004) of 93 prior empirical studies with data from 206,910 acquisitions on the determinants of M&A performance confirmed the assumption that factors influencing M&A remain largely unexplored (p. 196): "our results indicate that post-acquisition performance is moderated by variables unspecified in existing research." None of the following variables, acquisition by a conglomerate firm, degree of relatedness between the acquiring and the acquired firm, method of payment (cash vs equity) and prior acquisition experience of the acquiring firm were found to be significant in explaining the variance in post-acquisition performance. They concluded that researchers may not be looking at the right set of variables as predictors of post-acquisition performance and recommend that future research should pay more attention to nonfinancial variables that are currently underrepresented or underassessed in theory. Non-financial variables had already been and have increasingly been addressed in M&A research. Factors such as the social climate, the chosen integration approach, cultural differences, the amount and quality of communication, leadership, learning processes, human resource management practices have all been demonstrated to be of considerable importance.

Among these factors, the persistent influence of culture on M&A performance has been singled out (Stahl & Voigt, 2004): culture has often been blamed for M&A failure and has been reported to wreak havoc on M&A integration (Zollo & Singh, 2004). However, the influence of culture on M&A performance has not been clearly established and culture remains an enigma: scholars have come to differing conclusions, some of them establishing the transformation of cultural differences into synergies and others, outlining the detrimental effects of cultural misfits. The culture fit (Weber, Shenkar and Raveh, 1996), cultural compatibility (Cartwright & Cooper, 1993), cultural distance (Morosini, Shane and Singh, 1998) and management style similarity (Larsson and Finkelstein, 1999) perspectives have all

delved into the relationship between culture and performance and achieved the same mixed results. A meta-analysis conducted by Stahl and Voigt (2004) concluded that a huge portion of variance remains unaccounted for.

Some new fields of investigation are gaining acceptance which increasingly point at the 'visible hand' of culture. Teerikangas & Very (2006) suggest scrutinizing management interventions to better apprehend the role of culture. Likewise Stahl & Voigt (2008) wonder whether performance is influenced by 'cultural differences per se' or by the way cultural differences are managed.

This research therefore aims at providing a better understanding of the cultural 'chemistry' of performance and examines the steps involved in leveraging cultural differences in cross-border M&A. The choice of cross-border combinations stems from the literature which underlines the dual challenge involved in bringing together two organizations with different national and organizational cultures. It is substantiated by the growing number of transnational deals across the globe driven by companies starving to expand customer base and gain market share.

The thesis outline is the following:

- Chapter 1 reviews the literature on culture and cross-border M&A performance
- Chapter 2 identifies the limitations of a static approach to culture in contrast to addressing cultural dynamics in cross-border integration
- Chapter 3 delineates the contours of effective integration from a process perspective incorporating cross-cultural dynamics
- Chapter 4 defines the methodology used to investigate the relationship between cultural dynamics and effective integration
- Chapter 5 describes the case study
- Chapter 6 presents and discusses findings

The research contributions are the following: while reasserting the challenges raised by post-merger integration execution, our study sheds light on the complexities involved in managing the interplay between the sociocultural and organizational subprocesses. Management often deals with integration as a standard task and overlooks the substantial changes involved in bringing together two cultural systems.

The study of cultural dynamics justifies the epistemological and methodological shift from the cultural distance paradigm to the multiple cultures perspective and draws attention to the complexity of addressing culture: culture is made of multiple, interrelated layers, not only national and organizational, but also professional, entrepreneurial, functional and individual that come into play in cross-border M&A integration. An investigation of cultural dynamics through an ex-post study of a cross-border merger process draws attention to the mechanisms by which cultural integration is achieved.

Our research demonstrates that it is not cultural differences per se that influence subsequent integration but the way cultural differences are addressed and managed. The influence of culture on performance is moderated by the way cultural dynamics is addressed: cultural dynamics brings cultural systems together whose members' initial merger perceptions and cultural representations develop along the construction of shared meanings to build a common framework for cooperation.

Sociocultural drivers of integration are identified: bonding and learning interventions are instrumental in achieving mutual understanding to promote cooperation. They take place under certain enabling conditions which enhance the cultural exchange. Cooperation, equal status, support of authority and focus on common goals are enabling factors of integration which point at the applicability of Intergroup Contact Theory (Williams, 1947, Allport, 1954, Pettigrew et al, 2005) to post-merger integration.

Inhibitors of integration are also evidenced: they relate to intra-organizational (psychological, structural, managerial) and extra-organizational (institutional, contextual) factors: resistance to change, a hybrid structure, configuration of execution as well as administrative and economic barriers impede integration effectiveness.

Our findings emphasize the need for boundary spanners or culture brokers, i.e. individuals that are able to navigate in and out of cultural systems to bridge differences and generate value. Their understanding of cultural differences enables the new organization to better overcome the numerous frictions, sources of resistance and tensions arising from cultural encounters. Culturally agile members can better and quicker manage cultural change thanks to a larger repertoire of meanings and solutions to be implemented in cross-cultural contexts.

In attempting to advance understanding of cultural dynamics, this research shows that cultural differences are an important building-block of the change management configuration that needs to be designed ahead of skilful integration execution.

THESIS OUTLINE

> **GENERAL INTRODUCTION**
>
> Over 50% of M&A fail and culture is often blamed for failure. Research is both incomplete and inconclusive as it has not looked into cultural dynamics and been driven by the cultural distance paradigm. Deep understanding of cultural interaction is required to unveil key success factors in cross-border M&A integration.

> **PART 1: LITERATURE REVIEW**
>
> CHAPTER 1: CULTURE AND CROSS-BORDER M&A PERFORMANCE investigates the link between culture and performance and delves into the reasons why research remains inconclusive
>
> CHAPTER 2: CROSS-CULTURAL DYNAMICS justifies the theoretical move from cultural distance to cultural contact
>
> CHAPTER 3: LEVERAGING CULTURAL DYNAMICS IN INTEGRATION investigates managing cultural interaction for performance.

> **PART 2: EMPIRICAL STUDY**
>
> CHAPTER 4: METHODOLOGY - A single case study is chosen to suit an interpretive stance rooted in a constructivist perspective: understanding of the influence of culture on performance is achieved through an ex-post reconstruction of a cross-border merger integration process.
>
> CHAPTER 5: CASE STUDY - A thick description of case study is provided to better understand the situational and sociocultural factors involved in integration.
>
> CHAPTER 6: FINDINGS AND DISCUSSION - Sociocultural drivers of integration point at the mechanisms used to lead the cultural exchange and a set of enabling conditions. Integration effectiveness is enhanced by individuals' cultural agility and impaired by psychological, structural and contextual factors.

> **CONCLUSION:** an investigation of cultural dynamics in M&A integration shows the relevance of looking inside culture: it is not cultural differences per se but the cultural dynamics of integration that influences cross-border M&A performance.

PART 1 – LITERATURE REVIEW

Introduction

M&A have become a common form of business enabling organizations to achieve external growth, conquer new markets and generate economies of scale. All in all, there have been 6 merger waves (Mc Carthy & Dolfsma, 2013). While mergers began as a uniquely US growth phenomenon, in the late 19th century, the practice spread to the Anglo-Saxon world, then to the western world, before becoming the norm in the last 2 waves. The fifth merger wave (1991-2001) was driven by deregulation, market liberalization and globalization as it spread from its North-American base to include Europe and Asia. The sixth wave (2003-2008) was characterized by private equity firms taking advantage of low interest rates to finance speculative acquisitions.

The beginning of the 21st century was the start of the first truly global merger wave. Some 289,254 M&A deals were announced and completed in the first 10 years of the 21st century. Cross-border activity was no longer one way but incorporated movements in all directions. Prior to 1990, mergers were unknown in China; in 2000, Chinese companies invested approximately US$ 1 billion on overseas acquisitions; it is to be noted that by 2011, this figure had increased 47-fold. Even if the 2008 financial crisis contained some expansion attempts, shrinking domestic markets in western countries pushed companies to go global and to approach foreign organizations in a move to generate additional revenues and make economies of scale, sparking renewed interest in cross-border merger activity. . A cross-border M&A consequently involves two firms whose headquarters are located in different home countries.

Although M&A are different legal transactions, the terms are often used interchangeably to categorize corporate combinations or "marriages" (Marks & Mirvis, 1992) since in practice a merger is rarely a marriage of equals (Cartwright & Cooper, 1996). A merger is a statutory combination of two corporations, either by the transfer of their respective assets into one corporation or by the joining together of the companies into a single new entity. An acquisition takes place when one company buys enough shares to take control of another: it may be termed friendly or hostile. Formal power relations are more clearcut, the acquiring firm being the dominant partner.

Mergers and acquisitions generally consist in leveraging and recombining five types of assets (Devine, 2002):

- Physical assets such as land, buildings, machinery
- Financial assets: such as cash, receivables, investment and equity
- Customer assets, such as service, brands, distribution channels
- Employee assets such as skills, relationships with suppliers
- Organizational assets such as leadership, strategy, organizational structure, knowledge and intellectual ability.

Theories of M&A that emphasize value creation tend to highlight the importance of efficiency gains derived from various synergy sources (Larsson & Finkelstein, 1999):

- operational synergies in production, marketing and R&D through economies of scale, vertical economies and economies of scope; cost synergies are made as labour forces shrink and production or administration costs ar reduced;
- collusive synergies from market and purchasing power as lower competition and increased size result in increased market power
- managerial synergies from applying complementary competences
- financial synergies from risk diversification and co-insurance; a reduction in costs and taxes results in combined savings and eventually value creation; revenue-expanding synergies as opportunities are exploited to expand into new geographies, products or technologies.

M&A may be horizontal, between companies in the same branch and at the same production stage. They may be vertical, between companies at different production stages in the same branch. They may be concentric, between companies in different but related branches. They may also be conglomerate and occur between non-related companies.

In the 1960s and 1970s, the companies involved were largely unrelated: M&A followed a diversification policy aimed at shaping conglomerates characterized by little integration as opposed to financial and legal amalgamation. In the 1980s and 90s, the companies were horizontally or vertically related. More recently, the predominant strategic goal has not been to diversify any longer but to focus on core business in achieving synergy and the advantages of large-scale operations (Larsson, 1990), hence a much greater level of integration.

Between 60 and 80% of M&A fail or seldom meet performance objectives (Mc Carthy, 2011), challenging both academics and practitioners to unveil the obstacles preventing organizations from reaching set objectives. Even if M&A performance is a well-researched topic, the list of explanatory factors considered by the literature is far from exhaustive. As the time between waves decreases and the scale of the merger increases (McCarthy & Dolfsma, 2013), it is essential to understand the reasons for failure and unveil the factors of success.

Among these factors, the role of culture in both domestic and cross-border M&A success remains an enigma while culture is often blamed for hampering performance. It is a common feature of most culture-oriented studies of M&A that culture is an important explanatory factor of success or performance.

In addition to legal, financial, strategic and organizational differences which may have far-reaching implications, M&A share a wide range of problems as far as culture is concerned. A KPMG study (2009) established that over 100 senior executives involved in 700 M&A deals from 1996 to 1998 found that 83% of all transactions failed to produce any benefit for the shareholders and over 50% actually destroyed value. They identified people and cultural differences as the overwhelming cause for failure. Difficulties encountered in domestic M&A were amplified in cross-cultural situations where organizations came from different countries. Even though literature emphasizes that cultural aspects should be taken into account early in the decision process, the same literature gives little indication on how to carry out such a cultural analysis. Most of the culture-oriented literature concentrates on the integration stage.

All in all, analyses of culture have been grounded in the cultural distance paradigm which assumes a proportional relationship between the extent of cultural differences and the difficulties associated with bridging them. The results of these analyses have been inconclusive showing that cultural distance positively or negatively influences M&A performance (Schoenberg, 2000; Schweiger & Goulet, 2000; Stahl & Voigt, 2004).

A meta-analysis of the impact of cultural differences on M&A performance (Stahl & Voigt, 2004) summarizes past research and concludes that a huge portion of variance remains unaccounted for. The reasons why variance is not accounted for may be found in the conceptual and methodological flaws that have biased research findings and that need to be overhauled (Teerikangas & Very, 2006). Instead of addressing whether or not culture makes a difference and which levels of culture make a difference, scholars should investigate how and in what circumstances culture makes a difference (Teerikangas & Very, 2006). New avenues for research are suggested (Stahl & Voigt, 2008) which point to the management of cultural differences and the role of cultural boundaries in the newly combined organization.

The emphasis laid on the static influence of culture accounts for the limitations of extant research and provides opportunities for investigating the relationshisp between culture and cross-border M&A performance in a new light. The 'active' role of culture in the failure or success of such combinations needs to be investigated and calls for a dynamic approach have been raised. Shenkar (2001) and Shenkar et al (2008) suggest replacing distance with friction and removing the straightjacket in which cultural analysis has been locked.

Chapter 1 summarizes extant research on culture in international management; it provides substance for moving beyond the cultural distance paradigm and better delineates the influence of culture on performance.

CHAPTER 1: CULTURE AND CROSS-BORDER M&A PERFORMANCE

In a study conducted by Bain and Company on Management Tools and Trends with almost 10,000 managers from 73 countries (2009), culture was deemed as important as strategy for business success.

While most scholars corroborate this view and see culture as central to international management, a few others see cultural elements as of less importance. Proponents of a culture-free approach maintain that culture is not a significant variable in management and that the effects of culture are erased by those of other structural, economic and hard factors. They also argue that the culture-free perspective rests on convergence, suggesting that during the last decades, the barriers between cultures have diminished and the business world has become more homogeneous. Since the landmark study of Haire et al. (1966) and the publication of Industrialism and the Industrial Man by Kerr et al. (1960), researchers have continued to search for similarities. If cultures are effectively converging, standard, culture-free practices would emerge and inefficiencies and complexities associated with divergence would disappear.

The proponents of culture-bound management insist on the importance of culture in organizations. In view of the numerous cultural obstacles linked with failed globalization attempts, the convergence conclusion is overly optimistic (Leung et al, 2005). Globalization refers to a 'growing economic interdependence among countries, as reflected in the increasing cross-border flow of three types of entities: goods and services, capital and know-how' (Gupta & Govindarajan, 2001). Even if some parts of the world like Central Asia and Eastern Europe, the former republics of the Soviet Union, parts of Latin America, Africa and South Asia are sceptical of globalization, the trend towards more interdependence is gaining ground and increased contacts between cultures are resulting in growing awareness that culture needs to be acknowledged.

The culture-bound approach rejects the convergence approach by maintaining that cultural values are deeply rooted in individuals and will not converge as a result of industrialization or economic ideology. Cultures differ across boarders and cannot be considered as universal or context-free (Barkema and Vermeulen, 1997). The culture-bound perspective asserts that culture has important implications for organizational behaviour and management practices.

The question of convergence and divergence has puzzled global managers for years: John Child (2002a) has found that most studies concluding convergence focused on macro-level issues such as the organization's structure and technology whereas most studies concluding divergence focused on micro-level issues such as the behavior of people in organizations. Max Weber's institutional framework for the analysis of socio-economic development includes both material and ideational forces: material forces are of an economic and technological nature and give rise to formal rationality in the form of routines, processes and structures becoming increasingly similar; ideational forces are made up of values and idealism which shape the meaning that people give to routines, processes and structures. The dynamic interplay between ideational and institutional forces influences the evolution of culture. Cultures can themselves change under the influence of material and institutional developments: the development of China under the impact of the economic reform or the reunification between East and West Germany illustrate the evolution of cultures with growing economic development (Child, 2002b). Scholars insist on the dynamic nature of culture. In the organization, people can also accommodate culturally to work practices, if these are accompanied by positive material benefits (Leung et al, 1996).

The concept of culture has caused much debate and confusion (Soderberg & Holden, 2002): "this confusion is added to by the multiple disciplines interested in this topic which, while increasing richness, does not necessarily bring clarity" (Schneider, 1988: 242). Anthropologists Kroeber & Kluckhohn (1952) have listed 167 definitions of culture. Together with anthropologists, psychologists and other scholars have brought with them their specific paradigms and research methodologies. For the purpose of our study, we focus on and take a retrospective look at the field of international management in order to better understand how culture influences the behaviour of people in organizations

1.1. CULTURE IN INTERNATIONAL MANAGEMENT

International management as an academic discipline emerged in the 1960s around the American multinational corporation. It developed along the rise of Japan, the emergence of the integrated European market, the collapse of the Soviet Union, advances in communication technologies and the advent of a global economy.

Interest in culture arose in the US in the 50s and 60s as international expansion prompted the need to understand different national contexts: the pioneering work of Harbison & Myers (1959), Haire, Ghiselli and Porter (1966) conceptualized culture as a nation-based independent variable. Haire, Ghiselli & Porter's *Managerial thinking: an international study*

(1966) sought to understand the link between cultural values and management behaviors and assumed that cultural boundaries coincided with national boundaries. Culture in international management, often referred to as cross-cultural management research, has developed along various paradigms and foci (Primecz et al, 2009) with their respective assumptions, definitions and methodologies. It has incorporated the study of cross-national comparisons, intercultural interaction and studies of multiple cultures. There has been an imbalance between the various streams that have investigated cross-cultural management: the positivist paradigm and a functionalist view of culture have prevailed since Hofstede (1980).

1.1.1. National culture categories

Culture's consequences (Hofstede, 1980) filled an important gap in the field of attention to culture, based on Kluckhohn and Strodtbeck (1951) and Inkeles and Levinson (1969), with four universal categories of national culture. Although not without criticism, this model led to a plethora of studies. Yeganeh and Su (2006) observe that research in this field has been dominated by a positivist approach (Aycan, 2000) considering culture as a system of interconnected beliefs and values that can be observed and measured (table 1).

Defining culture in terms of value orientations has allowed the construction of dimensions that map the cultural domain of nations and compare national attributes. Three maps of national culture have a heritage in cross-cultural management research: Culture's consequences (Hofstede, 1980), Schwartz Values Survey (1992), GLOBE, Global Leadership and Organizational Effectiveness study (House et al, 2004).

Although these frameworks have been useful for apprehending and categorizing such a complex concept as culture, they suffer from the limitations of large-scale, comparative analysis. The first limitation is that all draw from questionnaire data about values collected from individuals aggregated to represent nations. Considering the nation state as a unit of analysis sets artificial limits on the notion of culture group as culture groups may cross borders and national territory does not necessarily coincides with culture limits. The second limitation is that focusing on broad dimensional traits or values implies that these observed dimensional traits or values have relatively equivalent meanings to respondents across cultures, which does not happen to be the case as there are significant variations between them.The third limitation deals with terminology: culture orientations and dimensions are wrongly used interchangeably. Dimensions are bipolar and display dichotomous characteristics such as Hofstede's dimensions with extreme points at both ends (Yeganeh & Su, 2006). In contrast with dimensions, cultural orientations are not necessarily dichotomous

and linear: models proposed by Hampden-Turner and Trompenaars (1993) and by Kluckhohn and Strodtbeck (1961) contain examples of orientations. The fourth limitation rests with the fact that cultural dimensions/orientations are essentially etic notions that fail to discern the effects of intra-cultural variation within the population and are of limited value in explaining organizational behaviour at an intra- or inter-organizational level.

Kluckhohn & Strodtbeck's study of Value Orientations (1961) on which Hofstede's model partly rests shows that all human societies have to deal with universal problems and inventory 5 universal questions in their study of American subcultures conducted in the 1950s:

- What is the character of human innate nature?
- What is the relation of man to nature?
- What is the temporal focus of human life?
- What is the modality of human activity?
- What is the modality of man's relationship to other men?

Functional theories such as Value Orientations identify universal human problems that restrict the cultural alternatives between which a society can choose (Kluckhohn & Strodtbeck, 1961): they suggest how climatic and resource contexts elicit cultural choices. In an article published in 1952, American anthropologist Clyde Kluckhohn argues that there are universal categories of culture (p. 317): "all cultures constitute so many somewhat distinct answers to essentially the same questions posed by human biology and by the generalities of the human situation". The character of human nature is expressed in terms of good/evil/mixed nature and related to religious beliefs. The relation of man to nature may be one of dominance, subjugation or harmony. The temporal focus of human life is either past, present or future-oriented. The modality of human activity is defined by doing (achievement), being in becoming (self-development) or being (meditation) orientations and the modality of human relationships with others displays forms of lineal (hierarchical) and collateral collectivism as well as individualism. All alternatives are present in all societies at all times, but some are preferred to others. Preferences are expressed through the different solutions brought to these common problems: such solutions apply to clothing, feeding, housing but they also deal with communication, commerce, transportation, systems of health, justice, education and government.

Models and frameworks	Authors	Dimensions/Orientations
Value orientations	Kluckhohn & Strodtbeck (1961)	Human nature Nature of human relationships Nature of human activity Relationship to environment Time orientation
Four dimensions	Hofstede (1980)	Power distance index Individualism vs Collectivism Masculinity vs Femininity Uncertainty Avoidance
The fifth dimension	Hofstede & Bond (1992)	Long-term orientation
Cultural distance	Kogut & Singh (1988)	Power distance Individualism Masculinity Uncertainty avoidance
Value Survey	Schwartz (1992)	Hierarchy vs egalitarianism Conservatism vs intellectual and affective autonomy Mastery vs harmony
Cultural dimensions	Hampden-Turner & Trompenaars (1993)	Universalism vs Particularism Individualism vs Communitarianism Achievement vs Ascription Neutral vs affective Specific vs diffuse Inner vs Outer Directedness Sequential or Synchronic Time
GLOBE	House et al. (2004)	Performance orientation Future orientation Gender egalitarianism Assertiveness In-group collectivism Institutional collectivism Power distance Humane orientation Uncertainty avoidance
Euclidian Distance Index	Drogendijk and Slangen (2006)	Based on Schwartz's dimensions of national culture
Psychic distance	Dow and Karunaratna (2006)	Language Religion Development level Education system Political system

 Table 1: Models and frameworks for the categorization of national culture differences

Drawing from Kluckhohn & Strodtbeck (1961) and US sociologist Alex Inkeles and psychologist Daniel Levinson (1969) who identified 'national character'as the combination of three standard analytical issues (relation to authority, conception of self, resolution of conflict), Hofstede developed a typology that has been particularly influential in cross-cultural

management research. He studied a large sample of IBM employees (117,000), mostly male, and used surveys to identify differences and similarities between cultures represented in the IBM sample. The study was carried out at two different times, first in the 1970s and then in the 1980s. The use of survey methods in conceptualizing culture was not clear until this landmark analysis: Hofstede aggregated measures of individual endorsements of values within a series of nations. 22 work goals were analyzed which, at the individual level, correlated with Maslow's hierarchy of needs and at the nation level, reflected 4 dimensions. These empirical results turned out to be very similar to the standard analytical issues described by Inkeles and Levinson's (1969): dependence on superiors evidenced relation to authority and was named Power Distance; the need for rules and predictability was linked to the resolution of conflict and was labeled Uncertainty Avoidance. The conception of self included the balance between individual goals and dependence on the company which was referred to as Individualism versus Collectivism and also attitudes to human activity seen as the balance between ego values (money and career) and social values (cooperation and a good environment) which was referred to as Masculinity versus Feminity. Ego values were frequently elicited by men and social values by women but also pointed to country differences. Hofstede's initial four-dimensional model (1980) was supplemented by Hofstede and Bond's fifth dimension or Confucian work dynamism (1992), also named Long-Term Orientation (LTO) dealing with time orientation. It filled a gap in a survey among students in 23 countries conducted by a group of scholars known as Chinese Culture Connection and led by Michael Bond. The long-term orientation is linked with values such as ordering relationships by status, perseverance, thrift and having a sense of shame; conversely, short-term orientation correlates with reciprocating social obligations, personal stability and protecting one's 'face'. The positively rated values of this dimension were already present in the teachings of Confucius from around 500 BC.

These five dimensions are commonly used in cross-cultural comparisons. Power distance reflects the extent to which members of a national culture accept that power be unequally distributed: the Power Distance Index differs according to the prevailing norms of inequality within a culture. In societies with a large power distance index, company structure will tend to be highly centralized along formal, hierarchical lines, whereas in the opposite case, corporations will have a flatter, more organic organization. Masculinity versus feminity describes the extent to which male/female roles can be interchanged. Masculinity will promote values such as performance, assertiveness, achievement and competition to the detriment of the quality of life in the organization, solidarity and personal relationships.

Individualism vs collectivism reflects the centrality of individual vs group prevalence in social relationships: it points at whether identity is based on individual achievements or group membership. Individualism assesses the degree to which employees work as individuals: a high score will emphasize the prevalence of the individual over the group in a professional context and a low score will show the importance of group membership. Uncertainty avoidance describes the extent to which cultures are comfortable with change, novelty, ambiguity and risk or uncomfortable with uncertainties of life. Uncertainty avoidance reflects the need for structured situations governed by rules: a high score on this dimension will show a preference for planning and an aversion for risk whereas a low score will allow for tolerance of ambiguity which will make room for change and flexibility. Long-term orientation contrasts with short-term orientations in terms of respect of traditions, compliance with morals and achievement of results. Lately, Hofstede has added two dimensions which relate to Pragmatism and Indulgence: the dimension named Pragmatic versus Normative describes the attitude towards establishing absolute truths as opposed with an ability to accept contradictions, based on an acceptance of complexity. Indulgence is a dimension that characterizes a society allowing gratification of basic and natural human drives related to enjoying life and having fun; it is related to the importance of leisure and freedom of expression. It contrasts with restraint characterizing a society regulating gratification of needs by means of strict social norms. The validity of Hofstede's dimensions has been debated and deemed controversial but the framework has inspired and continues to inspire a large volume of international management studies which rely on its national 'regularities'.

Kogut and Singh's cultural distance index (1988) is a composite measure of Hofstede's dimensions of national cultures which has allowed the computation of cultural distance between countries:

$$(\text{Cultural distance})_j = \sum_{i=j}^{4} \frac{\left\{ (I_{ij} - I_{iu})^2 / V_j \right\}}{4}$$

The cultural distance between respective countries (i and j) is expressed as the sum of the differences between these countries on each of the four dimensions defined by Hofstede. These differences are corrected for differences in the variance of each dimension and then arithmetically averaged.

Schwartz's Value Survey (1992) is another application of the dimensional paradigm. Israreli psychologist Schwartz (1992) conducted a series of separate individual-level analysis with elementary school teachers and college students in more than 60 nations and outlined which

values had globally consistent meanings. Schwartz identified 7 national-level dimensions of values: conservatism, intellectual autonomy, affective autonomy, hierarchy, egalitarian commitment, mastery and harmony which reflect 3 requirements of human existence to which all individuals and societies must respond: biological needs, social interaction and survival conditions of groups. These dimensions have been used to predict cultural differences and several empirical studies have confirmed their convergence with Hofstede's cultural dimensions.

Hampden-Turner & Trompenaars (1993) investigated the impact of cultural differences in 40 countries, focusing on 3 culturally contrastive features: attitudes towards time and attitudes towards the environment (borrowed from Kluckhohn & Strodtbeck, 1961) and relationships with people borrowed from Parsons and Shils (1951). Of these three contrastive features and the seven dimensions outlined in their frawework, it is interesting to look at the distinctive features of two dimensions of relationships with people. Universalism versus particularism establishes that persons relying on particularistic value standards will emphasize relationships to particular people to a greater extent than persons with universalistic value standards: « the particularistic actor predominantly values interpersonal ties, while the universalistic actor values abstract societal expectations » (Trompenaars, 1985, p.84). Achievement versus ascription asserts that achieved statuses can be filled through ability, effort and competition whereas ascribed statuses are largely predicated on who a person is.

House et al's (2004) GLOBE study (Global Leadership and Organizational Behavior Effectiveness) draws heavily on Hofstede to formulate dimensions of national and organizational culture together with leaders' attributes and behavior. Between 1994 and 1997, in 60 societies throughout the world, some 170 partners collected data from about 17,000 managers in about 1,000 local (non-multinational) organizations belonging to one of three industries: food processing, financial services, and telecommunication services. Respondents were asked to describe societal norms by asking how others behave (measure of practices) and how others should behave (measure of values). In an attempt to understand leadership around the world, House et al.(2004) identified 9 culture-level dimensions: performance orientation, assertiveness orientation (*masculinity*), future orientation *(long-term orientation),* humane orientation, institutional collectivism (*individualism*), family collectivism (*collectivism*), gender egalitarianism *(feminity)*, power distance and uncertainty avoidance. The GLOBE project adopted a theory-based approach and a priori dimensions were defined based on Hofstede's work and Kluckhohn and Strodtbeck's values (1961); *in italics, correspondence is made with Hofstede's dimensions*.

These models are some of the most cited frameworks. They provide valuable insight into so-called national cultural attributes and are useful in developing cross-cultural sensitivity. They serve as guidelines or benchmarks for cross-cultural research and practice. Many contemporary studies still rely on one or the other of these frameworks. More recently, Drogendijk and Slangen's Euclidean distance index (2006) or Dow & Karunaratna's psychic distance (2006) have provided alternative measures of national cultures incorporating systems analysis. The Euclidian distance index developed by Drogendijk and Slangen (2006) does not assume that the differences in the scores of Hofstede's dimensions are of equal importance. Dow & Karunaratna's (2006) psychic distance model includes differences in culture, language, education, industrial development, political systems and even former colonial ties and provide a broader measure of differences between national cultures.

Over the past 25 years the volume of available cross-cultural data on cultural values and related issues has increased tremendously. One of the most impressive databases is the World Values Survey, started by US sociologist Ronald Inglehart that is updated every 10 years. The World Values Survey takes its roots in a study of 6 European Universities concerned with a loss of Christian faith. Originally conducted through public opinion survey methods, the *European Values Survey* expanded into a World Values Survey (WVS). The survey now covers more than 100 countries worldwide with a questionnaire including more than 360 self-scored items. Areas covered are, among others, economy, education, family, gender and sexuality, government and politics, health, happiness, leisure and friends, morality, religion, society and nation, and work. The entire WVS data bank is available on the Internet. (www.worldvaluessurvey.org).

This stream of research has certainly contributed to developing typologies of culture for advancing the understanding of cultural differences but has treated culture as a reified construct.The use of quantitative measures has allowed computation of "cultural distance" (Black & Mendenhall, 1992; Boyacigiller, 1990), a convenient approach to cross-cultural comparisons. All in all, this stream of research has delivered a static analysis of culture (Dupuis, 2013) ignoring some of the fundamental features of the culture construct and failing to account for interaction between cultures in a context where globalization translates into increased contacts and exchanges between people, capital and knowledge.

1.1.2. *From culture categories to intercultural interaction*

Interactions between people from different cultures are the essence of most managerial action (Adler, Doktor & Redding, 1986). In the 1980s, the economic success of Japan, the sharp rise

in direct foreign investment and an increasingly multicultural workforce prompted interest in intercultural interaction, that is to say the study of the impact of national cultures on organizations and their members. A growing body of work on organizational culture developed which contributed to the growing interest in cultural interaction: organizational culture was viewed as something the organization had that could be manipulated as well as something the organization was. A culture war was waged between functionalists referring to cultural systems as basic assumptions and beliefs that operate unconsciously (Schein, 1985) and interpretivists understanding culture as social constructions (Smircich, 1983). In contrast with culturalists who emphasized a strong corporate culture (Deal & Kennedy, 1982), radical humanists studied power relations and cultural identifications (Parker, 2000). These orientations notwithstanding, this stream of research showed how organizational processes were mediated by national culture and helped highlight the interplay between cultural factors and non-cultural, contextual variables. Comparatives studies were again the mainstream approach, studying the differences and similarities between features of organizations that might characterize different countries or regions: this approach focused on comparing national models of organization, assuming they were embedded in different systems of business and culture (Child, 2002b). Consequently many management researchers compared companies in terms of configurations of values. Ouchi (1981) compared American and Japanese companies. More detailed analyses of Japanese and American companies followed (Pascale and Athos, 1981). Growing conviction that particular configurations of values contributed to company success led researchers to typologize and compare various US companies according to corporate cultures (Deal and Kennedy, 1982; Peters and Waterman, 1982) and to examine the development and transmission of value sets (Martin, 1982). The functionalist perspective put together categorizations of organizational culture in an attempt to better understand the influence of organizational culture on performance, on the ground that the dimensional paradigm could be applied at organizational level as well. Some of these categorizations are presented hereafter. They may, but not always, reflect and copy the structure and configuration of national culture models.

Hofstede's organizational culture framework (1980) highlights the fact that values are related to national cultures and difficult to change whereas practices are related to organizational cultures and are thus easier to mould. He defines four categories of organizational culture, which rest on 2 national culture categories: power distance and uncertainty avoidance. The pyramid culture combines high power distance with strong uncertainty avoidance: it is emblematical of French culture. High power distance combined with weak uncertainty

avoidance makes up the family culture that is illustrative of Hong-Kong business practices. The machine culture combines low power distance with high uncertainty avoidance and is representative of German culture. Finally, low power distance combined with low uncertainty avoidance describes a market culture of which the UK is a symbol of.

Deal and Kennedy (1982) view corporate culture as the combination of six basic elements: history, values and beliefs, rituals and ceremonies, stories, heroes and cultural network, i.e. the configuration which allows for circulation of information. Adding two market factors, the degree of risk associated with a company's activities and the speed at which companies learn that their actions are successful, they formulate four corporate culture types: the tough guy-macho culture is a culture of individualists who work very hard, enjoy risk and get quick feedback on their decisions, like in the sports, advertising or entertainment field. The work-hard/play hard culture is a world of sales where heroes are high volume salespeople; they do not take a lot of risks but get immediate rewards. A bet-your-company culture will be characterized by high risk but slow feedback: pharmaceutical, energy companies fit into that culture of large, capital-intensive industries where the right decision will impact long-term future. The process culture involves slow risk and slow feedback: large retailers, banks, insurance companies and government organizations fit into a culture which values technical excellence and where getting the process right is worth more than measuring the final outcome.

Hampden-Turner and Trompenaars (1993) develop a model of organizational culture which takes its roots in Blake & Mouton's grid of managerial orientations (1964): they describe an Eiffel Tower culture rooted in hierarchical relationships organized around the accomplishment of tasks, a Family culture also rooted in hierarchical relationships organized around people, a Guided-Missile Culture based on equality of status and task orientation and an Incubator culture based on equality of status and people orientation. The way knowledge is processed and achievements are assessed vary according to these four orientations.

In the field of M&A, Cartwright and Cooper (1996) use Harrison (1972)'s dimensions, among which we find risk-taking as the degree of risk a company is willing to take, investment as the time a company is willing to wait to realize a gain on its investment (short or long-termism), power and control or the extent of delegation of authority and responsibility and importance of organizational functions as the degree of emphasis placed on various functions (marketing or R&D). The combination of these dimensions enables them to define compatible corporate marriages around power culture (centralization of power), task/achievement culture (team commitment and belief in the organization's mission), role culture (formal procedures, written

rules and regulations) and person/support culture (egalitarianism and individual members' growth).

More recent categorizations of organizational culture (Weber & Tarba, 2012) have included similar dimensions or attitudes towards innovation, risk, hierarchy, autonomy and decision-making, performance and rewards. These dimensions of culture which are deemed to be important predictors of employee and manager behavior are again reflections of national culture dimensions: innovation and risk relate to Hofstede's uncertainty avoidance in describing risk-avoidant or risk-prone organizations. Autonomy, hierarchy and decision-making stem from the power distance index which describes processes of power delegation and authority. Performance and rewards are outcomes of the masculinity/feminity dimension which differentiate between competition and cooperation orientations.

These configurations are still used by consulting companies to profile merging organizations and serve the purpose of an organizational audit or due diligence in providing a snapshot of organizational anatomy before the merger. They all fit in the functional perspective in which a commonly accepted definition of organizational culture refers to "a pattern of shared basic assumptions that the group learned as it solved its problem of external adaptation and internal integration, that has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think and feel in relations to these problems" (Schein, 1992, p.12). The definition highlights the set of beliefs and values shared by members of the same organization in influencing behaviors. In categorizing organizational cultures these models insist that organizations have different ways of achieving and sustaining performance once they have solved their internal and external adaptation issues (Schein, 1992). They are helpful in better apprehending the correspondence between national and organizational cultures within an organizational setting but do not capture the interplay between cultures in interaction. An increasing number of transnational organizations offer an alternative approach to studying an organization in its international context: here the focus is how the organization transcends national boundaries (Child, Faulkner and Pitkethly, 2000) and how this process is incorporated into the organization.

1.1.3. The multiple cultures perspective

This recent trend is embodied in the multiple cultures perspective. The multiple cultures perspective in organization studies (Gregory, 1983; Louis, 1983: Martin & Siehl, 1983; Sackmann, 1985; Van Maanen & Barley, 1983) argues that an organization is a heterogeneous system whose members live within a larger, pluralistic society and that many organizations

can more correctly be viewed in terms of multiple, cross-cutting cultural contexts changing through time, rather than as stable, bounded, homogeneous cultures (Cuche, 2004). Many anthropologists now regard culture as based on shared or partly shared patterns of interpretation. These are produced, reproduced and continually changed by the people identifying with them. Symbolization and communication processes are emphasized and culture is seen as being made up of relations, which implies that a culture comes into existence in relation to and in contrast with another culture.

This perspective has highlighted the inherent complexity of cultures in organizational settings and the need for in-depth investigation of the multiple cultural interactions. The multiple cultures perspective contrasts with the functional national and organizational culture perspectives: organizations and people do not carry one specific, national culture but are embedded in a pluralistic culture context (Louis, 1983; Phillips, Goodman & Sackmann, 1992). The organization is viewed as the potential carrier of a multiplicity of cultures, with the participants maintaining simultaneous membership in any number of these cultural groups:

- Suborganizational or functional cultures relate to subcultures in the organization: they refer to functional (marketing, finance, human resources, production) or professional (engineers, technicians, managers) or divisional (customer, geographic, matrix) cultures;

- Organizational culture relates to the organization as a whole and usually translates in a statement of identity and values;

- Transorganizational (gender, age, profession, joint venture) cultures build bridges between different organizational members;

- Supra-organizational cultures define global, ideological or industrial cultures.

Any or all of these types may coexist within an organizational setting. According to this view, culture is a collective social phenomenon that is created, rather than inherited, by group members. Culture is neither "frozen" nor "finished": it is a permanent construction process molded by culture recipients. "No culture can be apprehended as a finished product: every culture, whether national or organizational, is a synchronic construction, deconstruction and reconstruction process" (translated from Cuche, 2004). The multicultural quality of society has been described by many influential authors (March and Simon, 1958; Likert, 1961; Goodenough, 1996, Strauss, 1978, Van Maanen and Barley, 1982). People participate in many groups, as family members, residents, citizens and employees. As affiliation changes over time, culture from past experience is carried into new ones (Gregory, 1983). Likewise, many organizations are most accurately viewed as multicultural to the extent that subgroups with different divisional, occupational, national or other cultures interpret organizational

interactions with their own meanings and senses of priorities. The business reality of the multiple cultural identities and their potential impact has been illustrated for an individual practicing manager (Phillips, Boyacigiller, Sackmann, Bolton, 1992) and for an international project team (Phillips, Sackmann, Goodman, 1992).

The focus of the multiple cultures perspective is on identification of extant cultural groupings and the description of their assumptions. This definition implies that the essence of culture is cognitive, rather than factual or symbolic, that is to say that a culture may exist whenever a set of basic assumptions is commonly held by a group of people. Gregory (1983) introduced cognitive anthropology in an article on "native-view paradigms". The researcher's task is to discover the shared cultural knowledge, both tacit and explicit, that reflects the way members of a culture make sense of their social setting or cultural themes (Spradely, 1980, in Gregory, 1983). Culture is a system of knowledge and insights, which serve as a basis for interpreting experiences and generating actions. Culture is an individual capacity but researchers have largely studied the social acquisition and use of culture for collective action, assuming that meanings are shared (Gregory, 1983). The form and degree of sharing are problems in need of further study; some studies show that forms of sharing include trial and error or conversation and negotiation; degree of sharing relates to confirming whether cultural meanings are similar enough to achieve effective social interactions. Similarities or dissimilarities lead to further negotiation or conflict. From a base of shared culture, people can negotiate new meanings (Brannen & Salk, 2000).

The multiple cultures perspective calls for a more dynamic approach to cross-cultural studies and encourages explorations of cultural synergy (Adler, 2002; Moran & Harris, 1981): on top of findings ways to bridge differences, organizational members are also encouraged to build on similarities (Boyacigiller & Adler, 1991) in cross-cultural interaction. It is the outcome of a much needed development in research from thinking in terms of sets of psychological dimensions based on values toward thinking in terms of cognitive structures and processes. This evolution suggests that culture is no longer exclusively viewed as a variable that societies or organizations possess: it must also be understood as a sense-making process that provides guidance, a shared sense of reality enabling societies and organizations to understand and interpret the world surrounding them (Olie, 1990). We define culture as "learned ways of coping with experience" (Gregory, 1983), "the acquired knowledge people use to interpret experience and generate social behaviour" (in Gregory, 1983: Spradley and Mc Curdy's, 1975: 5), "a system of knowledge that explains the social and physical universe and provides

plans and decisions for coping" (in Gregory, 1983: Werner and Topper, 1979:34). Culture as knowledge systems or shared knowledge structures attenuates variability in values, behavioural norms and patterns of behaviour (Erez & Early, 1993): it highlights consistent modes of thoughts that introduce systematic preferences for particular kinds of information used in problem-solving and that affect behaviour at individual and collective levels. Defining cultural differences in terms of cognitive processes related to information gathering and problem solving is more useful for managers than defining differences in values and attitudes that are attributable to national cultures. We support these views and define culture as a dynamic, cognitive system whose degree of consistency and homogeneity may vary according to various spheres of influence (nation, region, corporation, profession, family, religion) as well as space and time zones. This definition provides the necessary leeway for researchers of cultural dynamics to deal with culture in cross-border M&A as a focus on cognitive structures and processes enables combining organizations to address culture as a way of interpreting experience and generating behavior. More generally, these views enable research to shift from a static to a dynamic perspective on culture.

In summary, culture has long been investigated by international management scholars and three streams are inventoried in cross-cultural research (Boyacigiller et al, 1995; Adler & Bartholomew, 1992). The comparative approach compares one culture against one another (Kluckhohn and Strodtbeck, 1951; Hofstede, 1980; Laurent, 1983; Hampden-Turner & Trompenaars, 1993; Schwartz, 1994; House et al., 2004); all adopt the nation state as the unit of analysis. The intercultural approach addresses intercultural interaction and complements comparisons of national culture with organizational culture analysis (Adler, Doktor, Redding, 1986).The multiple cultures approach delves into multiple-culture groupings (Gregory, 1983; Louis, 1983: Martin & Siehl, 1983; Sackmann, 1985; Van Maanen & Barley, 1983) and addresses the importance of understanding cultural dynamics.

1.2.   CULTURE IN M&A

Culture has long been a major concern for researchers wanting to assess cross-border M&A performance. The literature of the last 30 years suggests that the influence of cultural differences on post-merger integration is crucial for M&A success (Brannen & Peterson, 2009; Weber et al, 2009). A KPMG study (2009) establishes that over 100 senior executives involved in 700 M&A deals from 1996 to 1998 found that 83% of all transactions failed to produce any benefit for the shareholders and over 50% actually destroyed value. They identify people and cultural differences as the overwhelming cause for failure. Difficulties

encountered in domestic M&A are amplified in cross-cultural situations where organizations come from different countries.

Complex, intangible and subtle, culture has been difficult to conceptualize and scale (Boyacigiller, Kleinberg, Phillips and Sackmann, 1996) in the context of M&A. Organizational researchers have borrowed the concept of culture from other disciplines such as sociology, psychology and tried to redefine it according to their interest and research orientations. The problem has not been a lack of definition but a lack of an exhaustive and generally accepted definition. As a way of overcoming lack of consensus, the cultural distance construct has offered a tangible and convenient tool with which to bypass the complexities and intricacies of culture (Kogut & Singh, 1988), yielding a quantitative measure to be employed with other hard data. It has given researchers a way to address international organizations as well-defined, homogeneous entities characterized by objective cultural differences (Soderberg & Holden, 2002).

Cultural distance has been a widely used construct in management research; for the past three decades, cultural distance and its proxies have been used in strategy, organizational behaviour, human resource management and international business. In international business, cultural distance is used to explain foreign market investment location, predict the choice of mode of entry into foreign market and account for the variable success and performance of MNE affiliates. In organizational behaviour, cultural distance explains the difficulties associated with organizational combinations. Although the conceptual and methodological concerns surrounding the cultural distance construct are well documented (Shenkar, 2001), researchers keep using this measure.

1.2.1. Cultural distance

The cultural distance paradigm has also prevailed to explain the outcomes of M&A integration. In examining the impact of national cultural differences on M&A performance, cultural distance has tried to account for top management turnover, acquiring firm managers' evaluation of post-acquisition performance, cumulative abnormal returns and return on equity or sales growth.

The cultural distance paradigm revolves around Kogut and Singh's index (1988) which takes its roots in Hofstede's cultural dimensions to measure and compare national culture dimensions. It incorporates studies of cultural fit and cultural compatibility which compare culture differences to assess correspondence or similarity. It also includes the management style similarity construct which measures hierarchical distance or control. Therefore, the

cultural distance paradigm is not limited to differences in national culture but also encompasses different levels of culture.

A central assumption underlying cultural fit models is that the degree of similarity or compatibility between the cultures of the merging companies is a critical determinant of subsequent integration process and outcomes (Cartwright & Cooper, 1996; David & Singh, 1994; Weber et al., 1996). The "cultural distance hypothesis" states that the difficulties, costs and risks associated with cross-cultural contact increase with growing cultural differences between two individuals, groups or organizations (Morosini, Shane & Singh, 1998).

Cultural distance and its proxies assess the degree of adjustment needed to combine two cultural systems. In accordance with the 'cultural distance hypothesis', the 'cultural fit' theory (Weber, Shenkar & Raveh, 1996) states that national/organizational cultures have to be similar or complementary to integrate successfully. Lack of cultural fit has been frequently mentioned as a potential factor in M&A failures (Nahavandi & Malekzadeh, 1988, Weber & Schweiger 1992). According to Weber, Shenkar and Raveh (1996), management should pay "as much attention to cultural fit during the premerger search process and during post-merger integration process as it does to finance and strategic factors" for fear of undermining synergy or adding cost. Some studies (Chatterjee et al, 1992) have demonstrated that investors are generally skeptical about mergers where cultures are perceived to be incompatible and supportive of compatible combinations and suggested that the management of a buying firm should pay at least as much attention to issues of cultural fit during the pre-merger search process as they do to issues of strategic fit.

The most widely cited model of cultural compatibility is Cartwright and Cooper's (1993, 1996): its basic premise is that cultures vary in terms of the degree of constraint they impose on individuals, which has important implications for the integration process. They distinguish collaborative marriages (merger of equals) and traditional marriages (acquisitions). This model specifies the conditions under which cultural differences can be expected to have a positive or negative effect on integration outcomes and outlines the important role power asymmetries play. Cartwright and Cooper's model of culture compatibility defines culture as 'the way in which things get done within an organization". Their empirical studies are based on an understanding of organizational cultures which presupposes stability and consistency even if they acknowledge the existence of subcultures. They propose a simple culture typology which can be used to describe all organizations (figure 1). A prior cultural analysis should make it possible to identify problems and prevent them in the integration phases or simply lead to the conclusion that the cultures are incompatible. A power culture can be a

patriarchal culture, where power is legitimate or an autocratic power where power is more resented as illegitimate. In a role culture, logic, bureaucracy and accountability are key factors of success and division of labour is highly specialized: functions are more important than people. In a task culture, achievement is paramount and the stress is laid on the tasks to be accomplished. In a person/support culture, the organization supports the individual whose growth and development are seen as instrumental to the organization's success. Cartwright and Cooper recommend that in collaborative marriages, that is to say mergers of equals, cultures should be similar in order to integrate successfully. They believe that the distance between cultures is important as companies usually want to retain their culture; they recommend conducting cultural analysis before the final merger agreement to determine compatibility. While a prior cultural analysis should make it possible to solve the cultural gaps or decide against the combination, the authors also point out that without an effective integration management process, the chances of cultural integration may be jeopardized.

High individual constraint   Low individual constraint

| Power culture | Role culture | Task/Achievement culture | Person/support culture |

Employees do   Employees act according   Employees act in   Employees do
what they are told   to job description   a way suitable to task   what they like
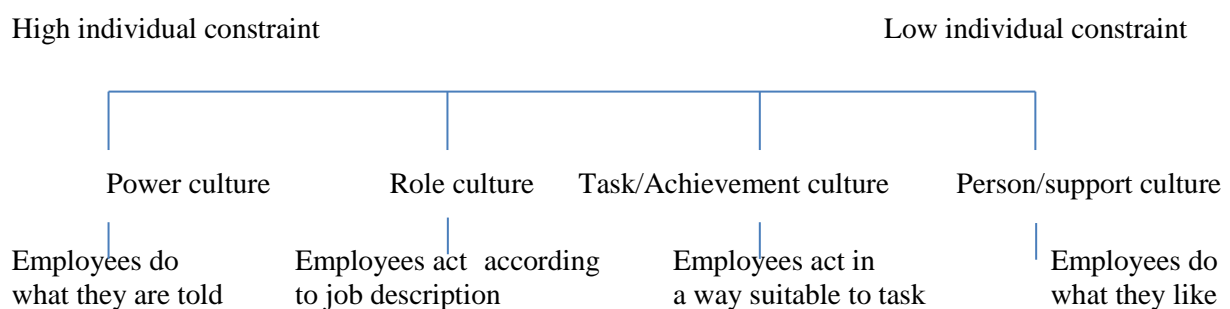
Figure 1: Model of cultural compatibility adapted from Cartwright & Cooper (1992)

Management style similarity (Datta, 1991; Larsson & Finkelstein, 1999) stresses the need for similar management styles to bring about performance. In a study of 61 European M&A case studies, Larsson & Finkelstein found that management similarity, measured by comparing the degrees of formality and participation across merging organizations, was significantly related to synergy realization. Datta (1991) argues that significant differences in management styles can contribute to what Buono, Bowditch and Lewis (1985) call cultural ambiguity, a situation characterized by uncertainties concerning whose style or culture will dominate. The findings of this study suggest that compatibility of management styles is important to superior performance in acquisitions characterized by both high and low levels of post-acquisition integration of operations. In line with Chatterjee (1992) and Cartwright & Cooper (1993) who demonstrate the negative effect of corporate culture differentials on the financial performance of buying firms. Weber, Shenkar & Raveh (1996) show that large cultural differences result in lower top management commitment and cooperation, thus representing a major barrier to the

harnessing of synergy even in the case of related mergers that fit strategically; they recommend that management should pay as much attention to cultural fit during the pre-merger search process and post-merger integration as it does to finance and strategic factors. On the other hand, Morosini and Singh (1998) sampled 52 cross-border acquisitions between 1987 and 1992 and found that national cultural distance enhanced performance by providing access to the target's and the acquirer's diverse set of routines and repertoires embedded in national culture. In this context, cross-border acquisitions provide a mechanism for accessing valuable routines and repertoires embedded in other national cultures without having to follow the developmental path that leads to them (Jemison and Sitkin, 1986). They insisted that access to routines and repertoires via acquisition of a firm from a different culture could enhance performance in two ways: through learning (Ghoshal, 1987) and pooling of organizational resources, or through specialization (Haspelagh & Jemison, 1991) and access to routines adapted to a specialized local context. Based on the assumption that national culture leads and contributes to the adoption of country-specific routines to accomplish certain tasks, extensive empirical research has shown that the greater the National Cultural Distance (NCD), the greater the difference between routines and repertoires. If the ability to develop certain routines and repertoires is partly dependent on national culture, multinational firms will find it interesting to acquire firms in distant cultures because a greater NCD will provide a set of routines and repertoires that are significantly different and that have the potential to enhance the combined firm's competitive advantage and performance (Jemison & Sitkin, 1986). Morosini and Singh complemented their quantitative analysis with interviews thus providing a high degree of consensus about the acquisition of diverse routines and repertoires and the specific absorptive mechanisms: they insisted on HRM practices and global coordinating functions such as international rotation of key personnel to support the benefits of integration.

We observe that whether expressed in terms of cultural fit, culture compatibility or management style similarity, the cultural distance paradigm has unsuccessfully attempted to predict integration outcomes (table 2). As far as cross-border M&A are concerned, we find that cultural distance findings are confirmed when national and corporate culture fit positively influences integration (Weber et al, 1996) or when differences in national, organizational and professional cultures result in cultural risk (David & Singh, 1994). Cultural distance findings are disconfirmed when a greater distance results in benefits for the organization (Morosini eet al, 1998) or when cross-border deals are found to be more successful in achieving synergy

realization (Larsson & Risberg, 1998). More studies outline the role of similarity, fit or compatibility on success: however, distance also means performance.

Culture constructs	Authors	Cultural distance confirmed	Distance disconfirmed
Culture fit	Weber et al (1996)	National and corporate culture fit positively influences integration in cross-border M&A	
	Chatterjee et al (1992)	Strategic and organizational fit both explain M&A performance	
Culture distance	Morosini et al (1998)		A greater distance in national cultures will positively influence M&A performance
	Larsson & Risberg (1998)		Cross-border deals are more successful in achieving synergy realization
	David & Singh (1994)	Differences in national, organizational and professional cultures result in cultural risk	
Culture compatibility	Cartwright & Cooper (1993, 1996)	Firms' culture compatibility brings about M&A success	
Management style similarity	Datta (1991)	Differences in top management styles negatively influence the performance of domestic M&A	
	Larsson & Finkelstein (1999)	Management style similarity provides synergy potential	

Table 2: The culture-performance relationship in M&A (adapted from Teerikangas & Very, 2006)

1.2.2. Limitations of cultural distance

There are conceptual and methodological flaws in sticking to the cultural distance paradigm and its proxies: Teerikangas & Very (2006) and define 3 areas of complexity. The first one deals with the concept of culture: "while the trend in sociological and organizational research is toward a more complex, multinational view of culture, we note that extant research in M&A has retained a more traditional view of culture" (p.45). The authors propose to address culture as a mix of national, industrial, organization, functional, professional and occupational cultures and to study the interconnections between levels of culture. The second area of complexity is related to the dynamics in the M&A process, between selected integration

strategy, firms' preferences for acculturative modes, the cultural integration process and managerial efforts during the integration phase. The third area of complexity is to be found in methodological concerns and draws attention to the focus of studies (mergers or acquisitions), the timing of studies as well as construct operationalization and measurement.

The conceptual properties of cultural distance have been challenged in several ways (Shenkar, 2001). Distance by definition is symmetric (Point A to Point B and conversely). Symmetry is however difficult to defend in the context of foreign direct investment. It supposes a Dutch firm investing is China is faced with the same cultural distance as a Chinese firm investing in the Netherlands (Shenkar, 2001). Cultural distance also infers stability as cultural distance, measured at a single point in time, is assumed to be constant: however, as firms learn more about a market, their CD to that market decreases. Cultural distance suffers from false assumptions of linearity (Shenkar, 2001). The expatriate literature suggests that cultural adaptation is U-shaped and adjustment to a relatively similar culture is often as difficult as adjustment to a distant culture. The psychic distance paradox (O'Grady and Lane, 1996) thus questions the correlation between larger distance and increasing adjustment difficulties. Cultural distance suffers from false assumptions of causality as culture is viewed as the only determinant of distance (Shenkar et al, 2008). Culture is considered to be monolithic and not evolving as a result of cross-cultural contact (Teerikangas & Very, 2006) and little attention is paid to the mechanisms by which cultural differences affect outcomes (Stahl & Voigt, 2005).

Among the flaws outlined in Shenkar et al's argument (2001), discordance seems the most striking feature: research has since shown that difference does not necessarily mean discordance and that some differences may be complementary (Morosini et al, 1998; Larsson & Risberg, 1996). Assumption of divergence contained in cultural distance has laid the focus on what sets cultures apart but not on what might bring them together. By assuming that two cultures are necessarily different, researchers have looked for differences and overlooked commonalities. The dominant view in cross-cultural management has thus viewed cultural differences as inherent obstacles that ultimately affect organizational behaviour adversely (Sackmann, 1997, Soderberg and Holden, 2002) and prevalently underlined differences and irregularities across borders. In summary, this perspective has emphasized a simplistic dichotomy supposing that cultures can be compared on a similar-dissimilar basis whereas two similar cultures may have an antagonistic relationship and two dissimilar cultures may be quite cooperative. Those are the reasons why other scholars have looked at cultural difference as a source of competitive advantage to the global firm (Harris and Moran, 1979; Morosini, 1998). From a resource-based perspective, they have argued that cultural diversity increases

internal capacity to face external uncertainty. Morosini et al (1998) have insisted that cultural differences can be a source of value and synergy in inter-firm ventures. The idea that any kind of cultural difference is necessarily subversive to organizational performance is an oversimplification that fails to take account of the synergetic interactions between different cultures (Morosini, 1998; Shenkar, 2001; Teerikangas and Very, 2006).

Among the methodological concerns voiced about the cultural distance paradigm, one finds the assumption of corporate homogeneity whereas corporate culture can alter the behaviour and beliefs associated with national culture (Laurent, 1986). Cultural distance also assumes spatial homogeneity or uniformity within a national unit whereas there may be intra-cultural variations in line with Martin and Frost's integration, differentiation and fragmentation perspectives (1996): a culture may be a unitary whole or a set of subcultures which clash internally. Equivalence is the last argument: the Kogut and Singh index is an aggregate of Hofstede's dimensions and is thus liable to the same criticism of non-exhaustiveness, reliance on a single company's data, limited number of female participants, etc… Furthermore, the index has not been updated to incorporate later work (the fifth dimension of Long-Term Orientation) and some cultural dimensions may be more influential than others.

In summary, the cultural distance paradigm has assumed a direct relationship between cultural differences and performance and failed to consider moderating variables (Stahl & Voigt, 2008): culture has been studied from an essentially static perspective with survey-based methods. Most investigations in this field have been deterministic, trying to measure the impact of cultural distance on performance and disregarding the dynamics of the cultural combination process. The interplay between the different levels of culture has been overlooked leading researchers to focus on either national or organizational culture. In the case when both national and organizational cultures have been considered, the level of analysis has excluded significant data, investigating management teams only or only considering the acquiring or acquired organization (Teerikangas & Very, 2006). Faced with the limitations of such static analysis, scholars have criticized the fragmented nature of research and issued calls for developing new perspectives on cross-cultural analysis (d'Iribarne, 1997; Primecz et al, 2011; Sackmann & Phillips, 2004; Soderberg & Holden, 2002). Narrative reviews (Schoenberg, 2000; Schweiger & Goulet, 2000; Teerikangas & Very, 2006; Stahl & Voigt, 2005) have called for further research directed at the cultural dynamics of M&A. Until now, few empirical studies have been carried out (Tsui et al, 2007). Shenkar et al (2001) suggest replacing the cultural distance metaphor with that of friction: "how different one culture is from another has little meaning until those cultures are brought

into contact" (Shenkar, 2001, p.527-28). The scale and essence of the interface between interacting cultures should be of interest to those investigating cultural interaction and a balanced analysis should consider both opening and closing mechanisms of cultural distance. The scale of the interface refers to the level of integration (limited versus full) whereas the essence of the interface refers to the mode of integration and power relationships (acquirer versus acquired or merger of equals). Some closing mechanisms have been suggested by literature: behind them, the general assumption that globalization involves lower cultural distance over time through increased contact between cultural systems brought together by geographical proximity, foreign experience or cultural attractiveness. Geographical proximity may facilitate personal contact for the transfer of knowledge and other resources. Foreign experience can contribute to better cultural understanding, notably through expatriate assignments and international staffing. The perception of cultural attractiveness may close cultural distance as certain cultures are considered attractive to others. These mechanisms need to be considered on a case-by-case basis and feed the examination of effectively combining cultural differences.

In this research we answer calls for a new perspective on international management research and argue that the cultural distance paradigm is overdue. While acknowledging the important contributions it has made in advancing understanding of cultural differences, we posit that the mixed findings it has generated opens a new path.

An investigation into the dynamics of cross-cultural combinations which proceeds from the actions and perceptions of merging entities, embedded in different national and organizational cultures, in dealing with change, has long been necessitated: as Stahl and Voigt (2008) pointed out, it may not be cultural distance per se but the way cultural differences are managed and cultural boundaries are drawn that explain M&A success of failure. Following this advice, we set out to conduct an investigation into the cross-cultural puzzle of M&A integration which is here under scrutiny. A study of the dynamic relationship between cultural differences and M&A performance is timely: it consists in opening the black box drawn by the cultural distance paradigm and may prove valuable in understanding the culture-performance relationship.

1.3. CULTURE AND M&A PERFORMANCE

Before opening the black box of culture, we need to define performance. Performance has been the subject of many academic articles and developments and M&A performance has been pictured as a multifaceted construct. An extensive body or research has investigated the

antecedents of M&A performance, demonstrating that there is no clear relationship between performance and such strategic and financial variables as degree of relatedness and method of payment (King et al, 2004).

Measures of performance have been varied and multiple, following the specialized tracks of research that performance has been investigated in. Measures of financial performance abound in the financial track, whether in terms of shareholder and stock market value (earnings per share, abnormal returns), or accounting terms (EBIT, net profit). Strategic measurements of M&A performance include achievement of set objectives and assessment of synergy. More generally, academic studies raise the importance of value creation versus value destruction. When it comes to organizational and sociocultural integration, measures of integration process performance are proposed.

One major concern outlined in practitioners' work is to create appropriate integration performance measurements (table 3).

Performance measurement	Most frequent measure	%
Financial measures	Operating income	**92**
	Cost savings	**92**
	Revenue	**83**
	Head-count reduction	**81**
Market growth	Market share	**79**
	Customer retention	**72**
Integration process effectiveness	Integration speed	**78**
	IT systems integration	**70**
	Product portfolio	**66**
	Employee retention	**64**

Table 3: Measures of M&A performance (adapted from Devine, 2002)

The previous table (table 3) outlines the most frequent measures and confirms the prevalence of financial measures of performance expressed in terms of profit maximization (operating income and revenue) or cost effectiveness (cost savings and head-count reduction). Market share and customer retention come next. Measures of integration process come last with speed of integration, IT systems integration and employee retention. This order of priority is refined while confirmed by the academic literature. Zollo & Meier (2008) conducted a review of

empirical articles utilized in M&A research between 1970 and 2006. According to these articles, 12 significant approaches were outlined: the largest group of studies (36) used the short-term window event study method or short-term financial performance.The second group used long-term accounting measures (25). Long-term window event studies of overall acquisition performance came third (17). Subjective performance measures (12) followed. Variance of integration process performance measures (9) closed the ranking.

Zollo and Meier (2008) define three levels of analysis for M&A performance: firm, transaction and task. Firm level is the performance of the combined entity and can be defined as the variation in performance 'that occurred during the period of relevance for the execution of the business plan connected to the acquisition' (p 56-58). As far as long-term firm performance is concerned, the stress is laid on financial performance differentials. Transaction level is the amount of value, in cost efficiencies and revenue growth, generated by the complete transaction process, from the completion of the negotiation to the execution of the business plan (p 56-58). Merger performance here is assessed in terms of cost improvements achieved, new customer relationships turned into increased turnover.Task level refers to the multiple tasks necessary to reach the desired level of integration, defined as 'the degree to which the targeted level of integration between the two organizations has been achieved across all of its task dimensions in a satisfactory manner' (p 56-58). Integration process performance is assessed in terms of the following blocks: operations and systems are effectively aligned, human resources are effectively integrated, best practices/capabilities are effectively transferred, employees, executives and other staff are retained, the impact on existing customers is positive and customers are retained. Zollo and Meier insist that any model of transaction- or firm- level performance that does not include process-level performance is in danger of being seriously underspecified. They stress the need for monitoring performance at all three levels of analysis with appropriate measures and supporting systems.

Stahl and Voigt (2005) conducted a comprehensive review of 45 research papers, articles and dissertations totalling 9 431 M&A over a 50-year period that examined the impact of cultural differences on performance. The majority of these studies (18) used accounting-based measures such as return on assets, return on equity and sales growth: out of these 18 studies, 8 found a negative relationship between cultural differences and performance, 5 studies found a positive relationship between cultural differences and performance and 5 studies did not find any relationship between cultural differences and performance. Likewise no clear pattern emerged from the the review of studies using stock-based measures: only 2 out of 13 studies

found a negative impact of cultural differences on performance whereas 6 studies of cross-border M&A revealed a positive impact, outlining the promises of foreign market openings for investment communities. Out of 14 studies examining socio-cultural integration outcomes, a majority found a negative relationship between cultural differences and socio-cultural integration outcomes expressed as top management reactions or attitudes (top management turnover, top management commitment), employee reactions (employee resistance, trust, job satisfaction, acceptance of change, willingness to cooperate, job performance, open communication, positive attitudes towards organization, acculturative stress) and organizational effectiveness as a whole (cooperation success, effectiveness of integration process). Cultural differences were shown to be more closely associated to socio-cultural outcomes than financial measures (Stahl and Voigt, 2005) confirming the need to assess process-level performance that looks inside culture for anyone conducting research on the link between culture and performance.

Investigating how cultural dynamics contributes to M&A performance leads us to focus on integration process performance. Integration effectiveness incorporates the mechanisms by which operations and systems are aligned and human resources are integrated. The way two cultural systems come together in a combination process implies considering the multiple tasks necessary to reach the desired level of integration, defined as 'the degree to which the targeted level of integration between the two organizations has been achieved across all of its task dimensions in a satisfactory manner' (Zollo & Meier, 2008; p 56-58).

Attention to the task level of performance assessment correlates with the need for reducing causal ambiguities (Cording et al, 2008), that is to say the link between integration decisions and outcomes. In identifying causal ambiguity as to what factors are responsible for superior or inferior performance, Cording, Christmann and King (2008) propose a model for reducing intrafirm causal ambiguity during integration through the use of intermediate goals. The model suggests that different integration decisions contribute to the achievement of different intermediate goals which in turn generate performance. The model identifies two intermediate goals that are normally considered in mergers and acquisitions: internally reorganizing combined operations (asset rationalization and elimination of redundancies), aligigning systems and operations as well as encouraging coordinated exchange of information and knowledge (Haspelagh and Jemison, 1991) and integrating human resources. Results strongly support the mediating role of the achievement of these 2 intermediate goals. These goals reduce ambiguity because they break down the complex causal chain between integration decision and acquisition performance into more manageable segments.This study

highlights the importance of managing towards the achievement of intermediate goals along the path of acquisition performance: using intermediate goals to guide their management decisions allows managers to advance their causal understanding, improve their decision making and ultimately enhance acquisition performance, justifying our focus on integration process effectiveness. The need to reduce causal ambiguities sheds light on integration outcomes with a particular attention to integration decisions. In line with the purpose of the study, we investigate the degree to which the targeted level of integration has been achieved satisfactorily: we elicit respondents' perceptions of performance to produce perceptual measures of integration effectiveness and probe into 'intermediate goals' defined as reorganizing operations and combining knowledge to achieve performance.

Summary of Chapter 1
There have been 3 streams of research in international management. **The comparative approach compares national cultures and assimilates nation-states to cultural systems (Kluckhohn and Strodtbeck, 1951; Hofstede, 1980; Laurent, 1983; Hampden-Turner & Trompenaars, 1993; Schwartz, 1994; House et al., 2004). The intercultural approach addresses intercultural interaction and embeds organizational culture analysis into national culture comparisons (Adler, Doktor, Redding, 1986) to serve functional goals. The multiple cultures approach delves into multiple-culture groupings (Gregory, 1983; Louis, 1983: Martin & Siehl, 1983; Sackmann, 1985; Van Maanen & Barley, 1983) and addresses the importance of apprehending cultural dynamics in better understanding the chemistry of culture. In M&A literature, the functional perspective has been illustrated in the cultural distance paradigm which has largely dominated cross-cultural and intercultural management research. To overcome the limitations of static analyses of culture, the shift to a multiple cultures perspective has been suggested which opens a new path onto cultural dynamics. Cross-border mergers bring together two firms with multiple cultures (national, organizational, professional). A study of cross-cultural dynamics taking place at the process level with a focus on integration effectiveness should clarify the link between culture and performance.**

The following chapters look inside culture and investigate those factors that remain largely unexplored (King et al, 2004).

CHAPTER 2: CROSS-CULTURAL DYNAMICS

Few attempts have been made to analyze cross-cultural dynamics and existing research remains incomplete (Tsui et al, 2007): neither have the process of overcoming cultural differences and the position which acknowledges that some steps must be taken to go beyond the mere examination of similarities and differences been documented extensively in the M&A field. The underlying reason for this gap is the overemphasis that has been laid on describing, measuring and comparing cultural differences.

2.1. THE DOUBLE-EDGED SWORD OF CULTURAL DIFFERENCES

To better unveil the factors that affect cross-cultural dynamics, we need to recall extant extant research on the double-edged sword of cultural differences. The reason why cross-cultural dynamics needs to be addressed is to be found in the essence of culture in interaction. Cultural differences have been evidenced to "have the potential for both disruption and synergy" (Morosini 1998, p. 529): disruption stems from social categorization mechanisms (Tajfel, 1974) in which ingroups differentiate themselves from outgroups whereas synergy is supported by information theory (Van Knippengerg & Shippers, 2007) which suggests that different groups benefit from enriched information sources and outlooks.

Culture has been blamed for exerting strong pressure on cultural dynamics: many studies have shown that cultural differences increase the probability for M&A failure (Buono & Bowditch, 1989; Cartwright & Cooper, 1993; Chatterjee, Lubatkin, Schweiger & Weber, 1992, Datta, 1991; Haspelagh and Jemison, 1991; Jemison & Sitkin, 1986). Buono & Bowditch (1989)'s review of the literature indicates that the psychological repercussions of combination-related stress typically show five types of manifestations by individual employees: uncertainty and anxiety, grief, loss and the trauma of termination, preoccupation and obsession with the combination, eroded trust levels and self-centered activities. Organizationally, these psychological manifestations can translate into a breakdown in communication, productivity and commitment and a rise in "us versus them" tensions leading to power struggles and employee "bailouts". Scholars have shown that cultural differences associated with lower commitment and cooperation of the acquired employees (Buono, Bowditch & Lewis, 1985; Sales & Mirvis, 1984) may also result in diminished relative standing and increased turnover among acquired executives (Lubatkin, Schweiger & Weber, 1998; Hambrick & Cannella, 1993) and are, in this respect, detrimental to M&A performance. Numerous studies confirm that difficulties increase when the two firms are rooted in different national cultures (Barkema et al, 1997; Calori, Lubatkin & Very, 1994; Weber, Shenkar & Raveh, 1996) and academics

agree that culture "clashes" are likely to be more profound in cross-national mergers because they bring together two firms whose organizational cultures are rooted in different national cultures (Very, Calori & Lubatkin, 1993; Schneider & De Meyer, 1991).

On the other hand, cultural differences can be a source of value creation and learning: this view is largely based on the assumption that differences rather than similarities between merging organizations create opportunities for synergies (Harrison et al., 1991; Shimizyu et al., 2004; Krishnan et al, 1997). Researchers adopting this perspective have emphasized the potential benefits of cultural differences in M&A: Barkema & Vermeulen (1998), Vermeulen & Barkema (2001) argue that differences in cultures and systems may help acquiring firms break rigidities and decrease inertia, develop richer knowledge structures and foster innovation and learning. In emphasizing the benefits of learning from diversity, scholars insist that operating in diverse circumstances increases the variety of events to which a firm is exposed (Huber, 1991) leading to a more extensive knowledge base and stronger technological capabilities (March, 1991), that learning different ways of doing things fosters innovation, that CEOs of internationally diversified firms have richer knowledge structure than CEOs of domestic firms (Calori, Johnson & Sarnin, 1994), that greater diversity in the knowledge of managers and other workers aggregates to richer knowledge structures (Walsh, 1995) at the level of the firm and stronger technological capabilities (Cohen & Levinthal, 1990). Conversely, companies that deal with fewer customers and competitors have a narrower range of experience and narrower mental models: this narrowness can hurt performance in the long run as blind spots or holes in knowledge structures cause failures (Walsh, 1995).

Drawing from the resource-based view of the firm, Morosini et al. (1998) argue on the contrary that a cross-border acquisition can be interpreted as a mechanism for the acquiring firm (and target) to be able to access new routines and repertoires that are missing in its own national culture and which may improve the combined firm's competitive advantage and performance over time: cross-border M&A which bring together different national cultures increase the potential for knowledge transfer and value creation. This perspective is anchored in a stream of research that emphasizes organizations' tendency to gradually become rigid, narrow and simple owing to the repeated use of their knowledge bases (Levinthal & March, 1993). In other words, the double-edged sword of culture in M&A may lead to cultural clashes and tensions causing irreversible problems and unsatisfactory performance (Haspelagh & Jemison, 1991), but can also enrich the knowledge bases and break organizational rigidities (Vermeulen & Barkema, 2001).

These implications have been studied and corroborated by two contrasting perspectives (Van Knippenberg and Schippers, 2007): social identity and the self-categorization perspective on the one hand (Tajfel, 1974; Tajfel & Turner, 1984; De Dreu and Weingart, 2003; Lau and Murnighan, 1998, 2005), information-processing and the decision-making perspective on the other hand (Huber, 1991; March, 1991; Morosini, 1998; Barkema & Vermeulen, 1998; Vermeulen & Barkema, 2001).

2.1.1. Social Identity Theory and the categorization perspective

Social Identity Theory (Tajfel, 1974; Tajfel & Turner, 1982) has been applied to the study of conflicts in M&A: at its center is the observation that people define themselves according to their group membership (the in-group) and in relation to other groups (salient out-groups). Social identity theory (SIT) is based on three main ideas; categorization, identification and social comparison. According to the idea of categorization, individuals tend to classify people along stereotypical dimensions that accentuate differences between them. According to the idea of identification, individuals tend to identify with one or more groups to which they think they belong: this is referred to as one's social identity which is part of an individual's self-concept. According to the idea of social comparison, comparison entails the evaluation of how the position of one's group compares with that of other groups. Organization members show a positive bias towards members of their own group and tend to hold a negative view about members of outgroups, in order to enhance the relative standing of their own group. If an outgroup is perceived to be more attractive and the individual cannot move to that group, a collective strategy will be adopted to favor the in-group and derogate the outgroup. Conversely, Social Identity Theory suggests that in-group bias on the part of a lower-status group (target firm) can be reduced if group members can join the higher-status group (acquiring firm) thus achieving positive distinctiveness through social mobility. This last statement echoes the theory of relative standing (Very et al, 1996): in a survey of more that 200 European chief executives, Very, Lubatkin, Calori & Veiga found that the challenge of integrating the newly acquired company was viewed as more important to the success of the merger than the more traditional strategic considerations. Insights into some of these integration problems were proposed by Hambrick and Cannella (1993), based on Frank's (1985) 'theory of relative standing'. This theory asserts that the status individuals feel for themselves in a social setting is based on how they compare their status to others in a proximate social setting. Hambrick and Cannella showed that diminished standing explained the departure of acquired executives. Conversely, the more attracted the acquired firm's

executives were to the cultural characteristics of the buying firm, the higher its post-merger performance tended to be. Consistent with the social movements theory (David, 1977), there was a positive association between cultural differences and post-merger performance, when the managers found the new culture more in line with their normative ideal.

In mergers and acquisitions, Social Identity Theory (Tajfel, 1974) suggests that cultural differences have a potentially adverse effect on sociocultural outcomes such as the creation of positive attitudes, the emergence of a sense of shared identity and the development of trust (Morosini, 2005) and explains many of the cultural strains experienced by organizations. In a combination process, social entities unconsciously identify themselves in opposition to others, thereby illustrating the 'us versus them' attitude which negatively impacts relationships, involving stereotyping, defense mechanisms and power struggles. Social Identity Theory highlights the constructed nature of sociocultural perceptions in a merger situation: organization members, while emphasizing their own positive distinctiveness, will tend to exaggerate the differences between their own and the merger partner's culture. In-group bias is likely to be greatest under conditions of threat and when the out-group is perceived to be very different from the in-group (Stahl & Mendenhall, 2006; Elsass & Veiga, 1994), generating increased cohesiveness and resistance (Stahl & Sitkin, 2005). The social categorization perspective argues that culturally homogeneous teams are less likely to experience friction and conflict because both task and relationship conflicts are detrimental to team performance and team member satisfaction (De Dreu and Weingart, 2003). Because team members contribute to team performance through task inputs and social inputs, conflict may arise in these two areas: examples of task conflicts relate to judgement and interpretations of facts or allocation of resources. Examples of social conflicts may deal with preferences, values, interpersonal style. Conflicts interfere with team performance because they produce tensions, antagonism and distract attention. Whereas low levels of conflict may be beneficial in stimulating different learning perspectives, high levels of conflict tend to shut down the cognitive system and impede information-processing (De Dreu and Weingart, 2003).

The social categorization perspective findings are reinforced by the faultline model. The faultline model (Lau and Murnighan, 1998, 2005) implies that when team members are from distinct, non-overlapping cultural categories, they identify more with their subgroup than with the entire multicultural team. Research on faultlines has demonstrated that salient faultlines reinforce incapacitating subgroup categorization within teams (Lau and Murnighan, 1998, 2005). Salient cultural identities within multicultural teams are thus detrimental to

sociocultural integration. This finding is consistent with research on group identification which demonstrates that "team members' willingness to contribute to team effort depends on the salience of their team identity relative to the salience of other social identities" (Wit and Kerr, 2002). Byrne's (1971) similarity-attraction theory suggests that people prefer similarity in their interactions (Jehn et al, 1999). Likewise, theories of selection and socialization promote similarity in values and demographics as a prerequisite for effective work environments. The fault line model and self-categorization perspectives find their roots in the Social Identity Theory (Tajfel, 1974) which pervades research on sociocultural implications of M&A. They remind us that "culture is central to a group's identity and view of reality" (Olie, 1990). Consequently cultural differences may cause such problems as stress and negative attitudes (Nahavandi & Malekzadeh, 1988; Weber et al, 1996), lower commitment and cooperation (Schweiger & Weber, 1992; Weber, 1996) and high turnover of top management teams (Lubatkin et al, 1999).

Some authors also argue that culture clashes are the result of the integration process whose interactional dynamics creates clashes as the result of change which is naturally anxiety-generating and that there is a tendency on the part of organizational actors to overassess the influence of culture or to attribute clashes to cultural differences. Some papers warn, that, in integrating cultural systems, practitioners need to be aware of the likelihood of distrust and conflict (Cartwright & Cooper, 1992) as culture may be used as an alibi for conflict, a pretext for isolation or a shelter against intrusion: the differences between interacting groups, whether real or imagined, lead individuals to distinguish between "we" and "them", or in-group and out-group membership, and are used to legitimize identities. However the clashes that this differentiation involves may be due to other factors, which stress the equifinality of the system, away from the search for a single, cultural plague. The impact of group categorization in M&A translates into organizational members' tendency to exaggerate differences rather than find common ground (Elsass & Veiga, 1994; Marks & Mirvis, 1998; Stahl & Sitkin, 2005). Cultural differences, both national and organizational, can become easy attribution targets for political fights or internal strifes even when culture is not to blame (Bjorkman et al, 2007).

In the context of M&A, the challenge of successfully managing the difficulties of interacting with dissimilar others point to the need for relevant, smooth execution of the integration process. The information-processing and decision-making perspectives counterbalance SIT. Jehn, Northcraft and Neale (1999), in a study of 92 cases of workgroup diversity, show that group performance is enhanced by informational diversity.

2.1.2. Information-processing and the decision-making perspective

Indeed, the information-processing and decision-making perspectives suggest that cultural differences can be a source of organizational learning and value creation. The information-processing perspective highlights the tendency for culturally heterogeneous teams to generate superior performance thanks to a larger pool of skills, knowledge, viewpoints (van Knippenberg and Schippers, 2007) from which the organization can learn. It emphasizes the potential benefits of cultural differences on M&A: differences in cultures and systems may help combining firms break rigidities and decrease inertia, develop richer knowledge structures and foster innovation and learning (Vermeulen & Barkema, 2001). A cross-border acquisition can be viewed as a mechanism for organizations to access different routines and repertoires missing in their own national culture that may enhance the combined firm's competitive advantage (Morosini, 1998). Because of learning opportunities and access to specialized knowledge, cultural distance should positively influence post-merger performance. Exploration of new resources and capabilities lead to new ways of doing business (Barney, 1991). These studies support the thesis that cultural differences can be a source of value creation and learning on the assumption that differences rather than similarities between merging organizations create opportunities for synergies. Those who regard culture as a source of competitive advantage emphasize "the importance of generating synergies at the interfaces where knowledge, values and experience are transferred" (Soderberg & Holden, 2002, p. 105), hece the importance of learning from cultural diversity as put forward by Morosini and his colleagues (1998). As Ghoshal (1987: 432) argued:

> "The mere existence of diversity, however, does not enhance learning.
> It only creates the potential for learning. To exploit this potential, the
> organization must consider learning as an explicit objective and must
> create mechanisms and systems for such learning to take place".

The challenge lies in "treating diversity as a resource rather than a threat that is essential for responding to the demands of a global economy, for reaping the full benefits of cross-border alliances and for enhancing organizational learning" (Schneider & Barsoux, 1997, p. 156)./ firms that can draw on the diverse experience of their multicultural workforce can sooner achieve greater decentralization and empowerment at the local level. Morosini (1998) and Gertsen & Soderberg (2000) contend that internal discussion of management styles and practices may serve the understanding of cultural differences. They argue that managers involved in transnational M&A are often forced to reflect on their own cultural meanings and relate them to the organizational practices developed in a certain context. Interconnecting

these meanings and practices with those of the other side can contribute to forging mutual cultural identification with the newly combined entity. The knowledge-based view of the firm (Grant, 1996; Kogut & Zander, 1992) emphasizes the need for knowledge integration capabilities as well as knowledge creation capabilities: knowledge integration capabilities refer to the ability to transfer knowledge and share resources and knowledge creation capabilities refer to the ability to turn knowledge transfer and resource-sharing into new knowledge and resources. These capabilities are identified as key pre-requisites for M&A success (Haspelagh & Jemison, 1991).

The double-edged sword of cultural differences affects the extent to which synergies are realized in two separate and sometimes opposing ways (Reus & Lamont, 2009; Vaara et al, 2010): it has been well documented in M&A research. In a study of the influence of culture on international acquisitions, Reus & Lamont (2009) find that cultural differences impede understandability of key capabilities and constrain communication, bringing about a negative indirect effect on acquisition performance. On the other hand, they show that cultural differences also enrich acquisitions by enhancing the positive effects of understandability and communication on performance. Acquirers that can overcome the harmful effects of cultural differences appear to secure significant performance gains. This study outlines the importance of integration capabilities. In an investigation into the influence of national and organizational culture on international acquisitions, Vaara, Sarala, Stahl and Bjorkman (2010) show that cultural differences at the organizational level are positively associated with social conflict while cultural differences at the national level are negatively associated with social conflict. They also demonstrate that cultural differences at both the organizational and national level are positively associated with knowedge transfer, suggesting that national culture differences may be less of an overall problem than anticipated.

How identities evolve as organizations learn, that is how they mitigate ego defenses is an important management issue (Brown and Starkey, 2000): organizations, like individuals, find implementing a major organizational change difficult. The development of an ability to deal with the anxieties and fears that change triggers is necessary to address the implementation of change management programs: the fostering of a learning organization suggests one beneficial way of dealing with the double-edged sword of culture. Undermining the negative effects of antagonistic identity-building through learning is a promising path.

The previous development supports the fact that M&A performance is liable to the negative and positive implications of cultural differences to bring about success or failure. Dealing with these implications implies investigating the acculturation process and probing into the

facilitation of cultural dynamics. Understanding how interaction develops between two entities rooted in different national and organizational cultures is the subject of the next section. It delves into the concepts of acculturation and double-layer acculturation.

2.2. ACCULTURATION

The process of combining cultural systems is often referred to as acculturation. Past research into acculturation has attempted to solve the cultural enigma and the cultural dynamics approach has somewhat been suggested through the acculturation perspective. While replacing distance with contact has been the subject of several papers outlining the weaknesses of a reified approach to culture, the acculturation perspective has advanced understanding of the stages involved in contact between different cultures. It has been conducted from both the cross-cultural comparison and the multiple cultures perspective, providing both static and more dynamic models of interaction.

2.2.1. Acculturation in the cross-cultural comparison perspective

Processes that involve mutual influence of two autonomous systems and first-hand contact between members of two groups have received considerable attention in anthropology and cross-cultural psychology under the topic of acculturation. In an international context, this process refers to the course of action by which one culture's attitudes and behaviors are modified through contact with another culture. It deals with how foreigners come to understand the norms and values of their host country. The acculturation process thus pictures the change and adaptation of behaviors and attitudes from the old setting to the new one. Most acculturation studies have been conducted in relation to immigrants or international students to resolve issues of culture shock and adaptation, taking their roots in a classic definition of culture: a system of assumptions, values and norms which can be objectively described or something that members of a group, organization, or nation bear collectively.

Berry (1990) describes the process of acculturation as "changes induced in systems as a result of the diffusion of cultural elements in both directions". The process occurs at the group and individual levels in the three stages of contact, conflict and adaptation. Although acculturation is considered to be a balanced two-way flow, members of one culture often attempt to dominate members of the other. The resulting process of change triggers conflict. Conflict is then reduced through an adaptation process which can take various forms (in Gertsen, Soderberg & Torp (1998) :

- Assimilation : the non-dominant group relinquishes its identity;

- Integration: the non-dominant group maintains its cultural integrity but becomes an integral part of the dominant culture;
- Rejection: the non-dominant group withdraws from the dominant culture;
- Deculturation: the non-dominant group loses cultural and psychological contact with both its original culture and the dominant culture.

Berry (1990) discusses psychological reactions further and concludes that "acculturative stress will be the highest when cultural distance is greatest", again emphasizing the negative implications of culture and regarding culture as an objective reality which can be measured. Berry therefore believes that studies prior to contact enable prognoses to be made about how acculturation will proceed. He however deals exclusively with American society and its relationship with American groups and other ethnic minorities. Several management researchers have transferred these concepts to the problems linked to the cultural dimensions of M&A. Models of the acculturation process in M&A (Elsass & Veiga, 1994; Larsson & Lubatkin, 2001; Nahavandi & Malekzadeh, 1988; Sales & Mirvis, 1984) have investigated the ways in which the acquired and acquiring firms resolve conflict. Very et al. (1997) devised a 'cultural compatibility' index that measures respondents' perceptions of cultural compatibility and subsequent behaviour in integration. Interestingly, Veiga et al. (2000) found that post-merger performance was highest when pre-merger cultural incompatibility turned into post-merger cultural compatibility and lowest when cultural compatibility ended up in incompatibility.The study of how congruence between the preferred modes of acculturation of the acquiring and acquired firms affects the integration period has been the underlying theme in Nahavandi & Malekzadeh (1988)'s model of acculturative stress for acquisitions. Using Berry's conceptual system, the model describes preferred types of adaptation and proposes that the degree of congruence between merging firms' preferred modes of acculturation affects the amount of stress and conflict. Members of the two organizations may not have the same preferences regarding a mode of acculturation but the degree of agreement or congruence regarding each one's preference for a mode of acculturation will be a central factor in the successful implementation of the merger. When two organizations agree on the preferred mode of acculturation for the implementation of the merger, they generate less acculturative stress and organizational resistance, making acculturation a smoother process. According to Nahavandi & Malekzadeh (1988), modes of of acculturation vary according to the degree of attractiveness of the acquiring firm's culture, the extent to which the acquired firm values the preservation of its own culture, the degree of multiculturalism and the degree of relatedness in the diversification strategy. The acquired firm's preferred mode is

determined by the extent to which members feel attracted to the acquirer's culture or want to retain their cultural identity. The acquirer's preferred mode is largely influenced by its tolerance for diversity or degree of multiculturalism and its diversification strategy, whether it wants to integrate related or unrelated acquisitions. According to these factors, they define 4 types of acculturation (figure 2). Integration is described as a situation with a highly attractive acquirer and a strong desire by the acquired firm to preserve its culture; it is a situation of cultural pluralism in which differences are largely tolerated. Assimilation is defined by a highly attractive acquirer and little desire by the acquired firm to preserve its culture. Cultural separation characterizes a situation where an unattractive acquirer faces a strong desire by the acquired firm to preserve its culture; an organizational structure is found that enables the two structures to live separately. Deculturation describes an unattractive acquirer and little desire by the acquired firm to preserve its culture:

	How much do members of the acquired firm value preservation of their own culture?	
	Very much	**Not at all**
Very attractive	Integration	Assimilation
Perception of attractiveness of acquirer		
Not attractive at all	Separation	Deculturation

	Degree of multiculturalism	
	Multicultural	**Unicultural**
Related	Integration	Assimilation
Diversification strategy		
Unrelated	Separation	Deculturation
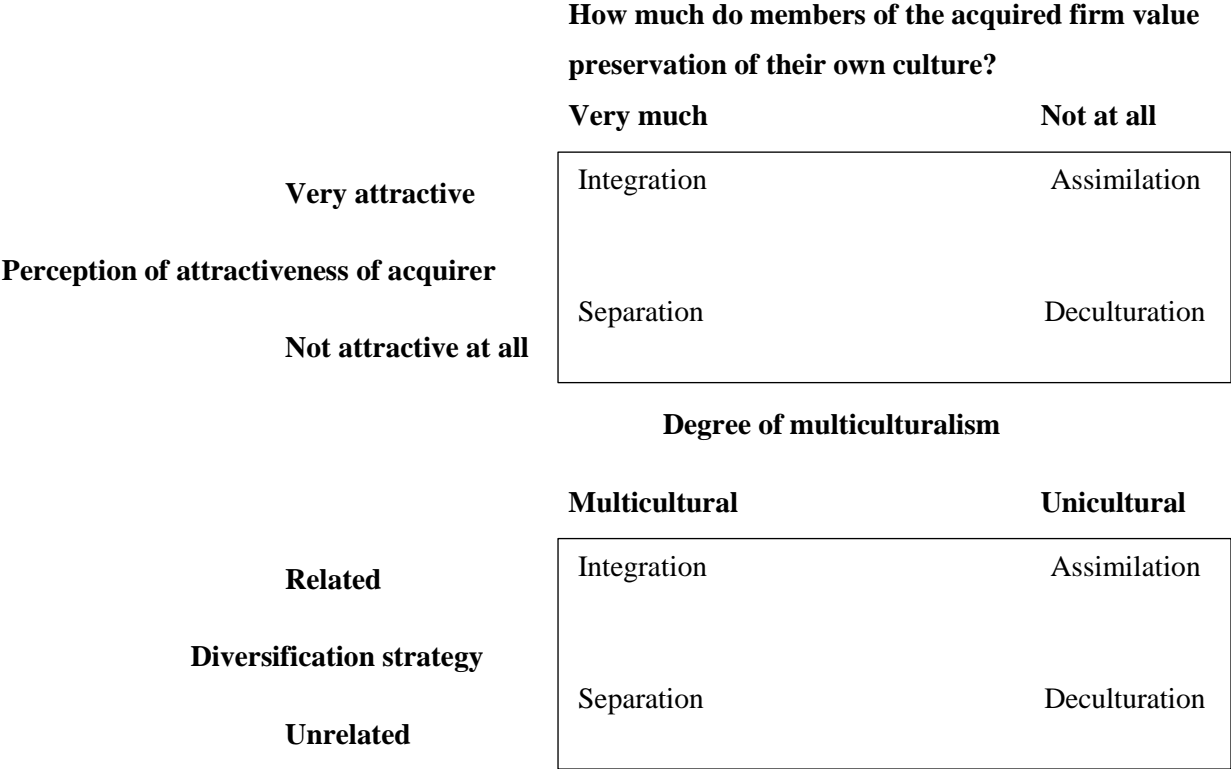
Figure 2: The acculturation model by Malekzadeh and Nahavandi (1988:83)

Though Malekzadeh and Nahavandi have not tested their models empirically, they recommend that the management of the acquiring company should make a prior evaluation of the two cultures in order to decide on acculturation, again relying on the assumption that difference is detrimental. Consistent with this model, Mirvis and Sales (1990), in a longitudinal case study, show that the extent to which the acquired firm can decide on its preferred acculturation mode, the extent to which there are reciprocal and positive

relationships between the companies and the extent to which the acquired firm wants to retain its cultural identity determine the outcome of the acculturation process. Sarala (2010), in a study of domestic and international acquisitions also shows that partner attractiveness, cultural differences and degree of cultural preservation all influence the degree of acculturation: whereas partner attractiveness reduces post-acquisition conflict, organizational cultural differences and organizational culture preservation increase post-acquisition conflict. Sarala suggests that these factors should be considered at an early stage of the combination process and factored into pre-acquisition decision-making.

Forstmann's model (1994) of acculturation also caters for a preliminary analysis of culture fit in acquisitions, but unlike Malekzadeh and Nahavandi (1988) or Cartwright and Cooper (1992), he takes national culture into account along with organizational culture, based on Hofstede's model (1980). In defining acculturation, Forstmann quotes Redfield, Linton and Herskovit's classic anthropological formulation from 1935: "those phenomena which result when groups of individuals having different cultures come into continuous first-hand contact, with subsequent changes in the original cultural patterns of either or both groups". In his exploratory case study, he finds significant differences between the value orientations of the companies and their typical problem-solving patterns: he also recommends that companies implement a cultural analysis before they decide on an integration strategy.

The common findings to all of these investigations point to the need to early consider the potential impact of cultural differences on the combination. However they only provide for an examination of the factors and outcomes of acculturation and do not account for the process. If acculturation factors appear unfavorable, it does not mean that the combination is bound to fail. It sheds light on the challenges faced by the new organization in combining the two previous entities: how to reduce conflict or how to take advantage of the favorable factors of acculturation are the questions that need to be raised once the initial analysis has been made. Consequently cultural integration decisions need to tailor the right cultural interventions to the case under investigation.

The functionalist acculturation perspective also draws attention to the increased difficulties involved in "double-layer acculturation" (Barkema et al, 1996, p.151): problems are exacerbated when two national and organizational culture systems need to be combined. Malekzadeh and Nahavandi (1988) argue that when organizations are located in different national environments, organizations face additional cultural adjustment costs. Different perspectives, different values and beliefs on what should be good organizational practices may lead to conflicts and limit the potential for cooperation (Elsass & Veiga, 1994; Olie,

1990; Stahl & Sitkin, 2005). Nationalism or xenophobia can feed struggles in international M&A (Vaara, 2000). Language barriers, different administrative and legal systems and other aspects of working life may place great strains on the integration of cultures and workforces. However results are somewhat ambiguous in this area as well. In a comparative case study of domestic and foreign M&A, Larsson and Risberg (1998) reveal that contrary to expectations, a higher degree of acculturation, lower employee resistance and higher degrees of realization of synergy potentials are found in the cross-border cases as the presence of both national and organizational differences increase awareness of the significance of cultural factors. A meta-analysis carried out by Stahl and Voigt (2008) shows that national cultural differences are more positively related with socio-cultural integration outcomes than organizational cultural differences. Weber et al (1996) find that in domestic acquisitions, differences in organizational culture are associated with low employee commitment, negative attitudes towards the merger, and a low degree of cooperation between employees of the combined firms whereas in cross-border acquisitions national cultural differences are positively associated with behavioural and attitudinal outcomes.

These mixed findings confirm that it is high time researchers should inquire into cultural dynamics: as far as cross-border M&A are concerned, very few studies have examined the dynamics of acculturation and the interplay of national and organizational cultural factors in integration (Larsson and Risberg, 1998; Stahl and Voigt, 2008; Weber et al, 1996). The multiple cultures perspective emphasizes cultural transformation processes suggesting that it is not cultural differences per se that create problems but the way cultural differences are managed and the way cultural boundaries are drawn.

2.2.2. Acculturation in the multiple cultures perspective

Different views are shared about acculturation depending on the researchers' cultural perspectives. Culture fit and acculturation models are rooted in a functionalist understanding of culture as a relatively stable system of values, norms and beliefs. They highlight the potential for cultural clash and the need to carry out initial cultural analysis. More optimistic views are displayed when it comes to studying acculturation in a dynamic perspective. Larsson (1990) adopts an intermediary position between the static conception of cultural fit and the multiple cultures perspective and Kleppesto studies the cultural construction process behind acculturation.

Larsson (1990) considers the broader scope of integration and encompasses a number of commercial, human and organizational issues. In his study, acculturation is part of a wider-

ranging conceptual model where he builds a bridge between the collective and individual levels. His goal is to illustrate synergy potential. He concentrates on organizational culture which he sees as "collectively shared meanings among the employees" and provides a simplified and positive definition of acculturation as "the development of jointly shared meanings fostering cooperation between the joining firms". He sees acculturation "as a collective process that can be expected to diminish destructive cultural clashes through development of common language, mutual consideration, values promoting commonality of interests, and so on." (Larsson, 1990, p.224) Like Berry, he connects acculturation with the reduction of conflict, but he concentrates on positive courses that result in cooperation. Unlike Forstmann, he concludes that there is no empirical corroboration in his studies that culture differences observable in advance create problems. He finds that the way the actual integration process is managed is a critical factor and the integration goes best if the merger means increased growth and better career opportunities for employees. Similarly, Larsson and Lubatkin (2001) view acculturation as an inherently cooperative process whereby the beliefs, assumptions, and values of two previously independent workforces form a jointly determined culture. Larsson and Risberg (in Gertsen Soderberg and Torp,1998), in a comparative case study of domestic and cross-border M&A find that a higher degree of acculturation, lower employee resistance and higher synergy potentials are found in cross-border cases, due to the increased awareness of the potential impact of cultural factors.

Like Kleppesto (1993), many anthrolopogists regard culture as socially constructed, based or partly based on shared interpretation patterns: the reality of each person is built up of cultural constructions that are kept in place by mutual consent. This consent is embodied in collective representations: language, categories, symbols, rituals and institutions. Cultural patterns are thus the result of social processes, understood as ongoing activity that constantly creates, upholds and transforms realities. Barth (1994), to whom Kleppesto refers, criticizes the view of acculturation adopted by Berry and other classic-oriented anthropologists and recommends laying the focus on the subjective experiences of groups and not on an objective cultural content. According to Barth, cultural groups do not live in isolation but in contact with their surrounding world, boundaries between cultural groups are fluid and in constant movement, and a relational and process-oriented approach to cultural analysis is necessary to capture the full extent of contact between cultures. This perspective emphasizes communication and symbolization processes as pivotal mechanisms in the cultural exchange and sees culture as a dynamic and emergent phenomenon that comes alive in relation and in contrast to another culture (Gertsen, Soderberg and Torp, 1998). Kleppesto defines culture as a "constantly

ongoing attempt of the collective to define itself and its situation (in Gertsen et al, 1998, p.33). Organizational culture, for instance, is seen as a process by which distinct organizational identities are created and maintained. Central to this perspective is the role of culture in building identity.

In the thick description of a single-case study of a merger between two Swedish companies, Kleppesto (1993) understands cultural contact as a confrontation between different organizational self-images and interpretation patterns which develop and unfold in interaction with one another. According to Cuche (2004), modern organizations can be better apprehended through a dynamic perspective in which organizational members interact through cultural construction, deconstruction and reconstruction processes. In Kleppesto's view like in Cuche's view, companies are not homogeneous and unequivocal organizational cultures: organizational reality is seen as a social construction that may well be ambiguous, unclear and contains contradictions. He reaches several interesting conclusions: his main conclusion is that "initial similarity or dissimilarity" does not play the role that present research asserts. This implies that prior cultural analyses have no prognostic value as regards the course of integration. He argues for an increased focus on and involvement in communication and specific processes that can create new shared meanings in the company, hence the critical role of the integration process. His second main conclusion is that "the attempt to rub out social categories and identities makes integration and interaction more difficult rather than making them easier" (in Gertsen Soderberg and Torp, p.34). Instead of trying to break them down or ignore them, it is possible to interact across them if one understands them. Kleppesto thus insists that in order to work together, cultural members must understand each other's cultural and social frames of reference and accept them. If organizational actors understand each other, they are in a better position to build common meanings for cooperation without getting rid of their original patterns of interpretation.

The conclusion that organizational actors are able to build common meanings for cooperation without getting rid of their original patterns of interpretation confirms that it is possible to leverage national and organizational cultural differences and cross boundaries. Kleppesto (1998) explains cultural clashes as quests for identities which develop along the management of the integration processes. He illustrates this point with a domestic merger and an international acquisition and also shows that double-layer acculturation may result in effective cooperation. "The wise individual or organization is one who accepts that a willingness to explore ego-threatening matters is a pre-requisite for developing a more mature

identity…Wise individuals and organizations shape and reshape identity through the ongoing construction/reconstruction of self' (Brown and Starkey, 2000, p.113).

In conducting acculturation, organizations need to acknowledge and incorporate the fact that cultural and institutional contexts have a significant impact on the strategic orientations implemented by top managers: South Korean executives for instance, as opposed to US executives, were shown to place a greater emphasis on growth than on financial returns (Child et al, 2001). Calori et al (1004) demonstrate that different nationalities use different control mechanisms: whereas French acquirers behave as colonialists, Japanese acquirers behave as preservers and US acquirers as absorbers (Child et al, 2001). Any set of controls can be successful if managed effectively. Studies show that double-layer acculturation may be successful: a 1999 KPMG study pointed out that international acquirers that focused on cultural differences in the post-acquisition process were 26% more successful than those that disregarded these issues. Veiga, Lubatkin, Calori and Very (2000) found that 180 executives from 106 acquired companies reported higher post-acquisition performance when cultures were very different before integration.

Without underassessing the difficulty of combining organizations rooted in different national and organizational settings, these studies point to the possibility to leverage national and organizational culture differences. The issue of how a company holistically combines organizational and national culture differences to generate superior execution is critical (Morosini, 2005) as most authors insist that each organization operates in different national environments with different political, economic, social, legal, technological and environmental features which in turn influence the way each organization prospers, develops and operates. Whereas adjustments between organizational cultures are likely to be formalized in terms of work processes, structure and management roles, fine-tuning between national culture differences is not easily formalized. According to Marks & Mirvis (2011), a complicating factor in international combinations is that some parts of the organizations will require a particular treatment and some others, another.

Marks & Mivis (2011) define 4 cultural endstates for business partners to facilitate acculturation in M&A integration:

- Pluralism describes a model in which the partners' cultures coexist and establish a relationship based on valuing diversity;
- Assimilation is the name of the model in which one company's culture absorbs the other: it is the most common endstate in acquisitions which need to move quickly;

- Integration refers to partners blending current cultures together with the intention to select best practices from the partner organizations;

- Transformation describes the process by which the partner companies abandon key elements of their current cultures and adopt new values and norms.

These cultural endstates also incorporate the processes by which cultures are addressed: Marks & Mirvis insist that cultural learning plays a considerable role in awareness of cultural dynamics. From an integration management standpoint, they argue that executives need to define cultural endstates to be able to define leaders' and integration teams' roles. Cultural mapping should enable both firms to identify disconnects between merging partners and provide behavioral anchors for employees in making sense of the combination. A clear statement of the cultural endstate reassures employees that the firm is well-managed.

In figure 3, we depart from Berry's acculturation model of contact-conflict-adaptation which proceeds from cultural distance and the assumption that difference is detrimental to an alternative model of acculturation in line with the multiple cultures perspective combining interaction, learning and understanding and the creation of shared meanings under the assumption that distance can be beneficial:

Classical model of acculturation

Contact - Conflict - Adaptation

Alternative model of acculturation

Interaction- Learning and Understanding- Creation of shared meanings
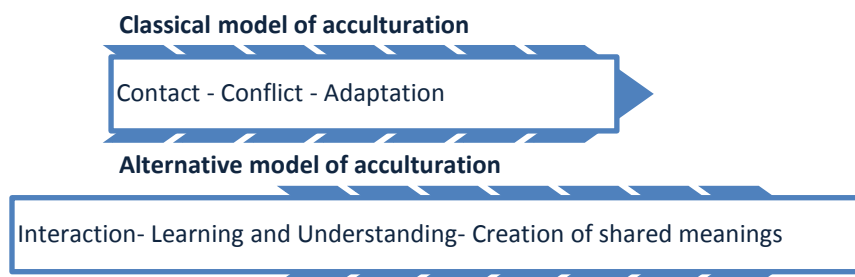
Figure 3: An alternative model of acculturation

2.2.3. Culture as knowledge systems

The need for a better understanding of cultural dynamics in M&A is obvious: on the one hand, there are explicit processes, routines and procedures contained in organizational cultures that need to be adapted to ensure knowledge transfer and operational synergies and on the other hand, there are implicit frames of reference as well as attitudes and values in which these explicit processes are embedded. Two systems of knowledge, both explicit and implicit, are integrated. Such knowledge resources need to be managed carefully in order to reach the intended synergies. An organization's real knowledge is embodied in the experience, skills, attitudes, information and competences of individuals and groups (Weggeman, 1999) which Morosini calls subjective knowledge. It is shaped by values and

beliefs. Trying to change organizations without understanding subjective knowledge is doomed to failure.

Some authors recommend developing knowledge management systems to better apprehend integration: to avoid random and unsystematic knowledge creation, organizations should have knowledge enablers so that organizational knowledge is consistently and systematically developed and also shared in the case of M&As. Here knowledge enablers are defined as organizational mechanisms for intentionally and consistently developing knowledge in organizations. The role of knowledge enablers is to stimulate individual knowledge development, promote knowledge development in organizations, facilitate the sharing of individual knowledge and experience among organizational members so that individual knowledge will be aggregated and transformed into organizational knowledge (Grotenhuis & Weggeman, 2002). In the same vein, Morosini (2005) argues that explicit processes, routines and procedures can be written and demonstrated to be transmitted. They formally address knowledge transfer and resource sharing in facilitating understandability, defined as "the extent to which employees from the combining firms can codify and learn the practices and routines underlying the resource advantages" (Reus & Lamont, 2009, p. 1301). On the other hand, explicit processes find their roots in implicit, subjective, experience-based processes, routines and repertoires as well as attitudes and values (Morosini, 2005) that are not easily identified and codified: they are usually not written and have to be explained to be transmitted. Implicit or subjective knowledge refers to some the processes, routines and repertoires which have proved successful in building and growing the company (Schein, 1996) and also reflects the national culture values and assumptions in which they are embedded. These values and underlying assumptions account for differences in practices and management processes such as planning, leading, organizing and controlling issues reflected in reporting, decision-making, recruiting or troubleshooting mechanisms. Subjective knowledge needs to be explored to avoid questioning the other culture's assumptions: it is a cognitive dimension based on subjective and experience-based understanding of complex phenomena that is critical to business performance (Morosini, 2005).

An empirical study conducted on a domestic scale by Schweiger & Goulet (2005) show that 'deep-level cultural learning', learning about both subjective and objective culture, enhances dialogue between the combining firms and minimizes the effects of information filtering. It points to the importance of bridging the cultural divide in the early stages of integration. Learning about each combining organization's implicit justifications, i.e. about subjective culture increases the acceptability of each partner's culture whereas 'surface-level cultural

learning' or learning about objective culture only does not provide the shared understandings necessary for integrating firms to move beyond the trauma of acquisitions. Grant (1988) indicates that individuals may not be fully cognizant of their own organization's administrative practices that have become a matter of automatic routine. Therefore, to establish an environment capable of supporting the radical change associated with mergers or acquisitions, a process may be required in which both the acquiring and target firms learn about themselves as well as their partners. It is a mutual explanation process that enables two different organizations to converge on a shared model of how an organization should work. Apprehending cultural dynamics through the construction of shared meanings emphasizes the need for a mutual learning process. Learning about an organization's culture is learning not only how the organization functions (objective culture) but why it functions the way it does (subjective culture). Cultural learning may therefore represent a pivotal mechanism for developing the shared understandings necessary to engage in the process of integrating two firms. Explicit knowledge (processes in logistics, reporting procedures or quality management) can be transferred rapidly during the integration process whereas implicit or tacit knowledge (logic of supply chain, relevance of management control system or justification of management style) is transferred, extracted and created through social interaction in a longer two-way process: project management, exchange, interpersonal processes, partnering and mobility are ways to create knowledge. New theories of the dynamics of culture insist on the contextual influences exercised on culture as a multi-level construct. When Triandis (1972) introduced the concept of subjective culture around distal antecedents (physical environment and historical events) that shape proximal antecedents (language, religion, social situations and occupations), he was already referring to the embeddedness of culture into context. The eco-cultural model later developed by Berry views culture as evolving adaptations to ecological and socio-political influences and considers individual psychological characteristics as adaptive to these cultural contexts. The dynamic view of culture therefore analyzes culture as a set of cognitive structures and processes that are sensitive to environmental influences.

This view tends to suggest that it may be easier to overcome cultural differences if cognitive processes associated with national culture for example are relatively fluid and adaptive and can be changed in specific situational contexts influencing them. For instance, Leung et al (2005) have found that Chinese employees of international joint ventures reported more positive attitudes working with Western managers than with Chinese managers.

In summary, the challenges of endorsing cultural differences extend beyond the dual nature of cultural dynamics in cross-border M&A and question the values approach to culture. In dealing with culture in the context of M&A, researchers are faced with a degree of complexity that encompasses multiple levels of culture, including professional, regional, individual cultures and find themselves compelled to delineate a cultural configuration that can be apprehended and investigated. Investigating the two main levels of culture that are at play in integration execution –organizational and national- meets simplification requirements but is again insufficient, as the multiple cultures perspective has suggested. According to the multiple culture views, organizations and people do not carry one specific, national culture; they are embedded in a pluralistic culture context (Louis, 1983; Phillips, Goodman & Sackmann, 1992). The organization itself is viewed as the potential carrier of a multiplicity of cultures, with the participants maintaining simultaneous membership in any number of these cultural groups: suborganizational or functional; organizational; transorganizational or gender, age, profession, joint venture; supra-organizational or global, ideological, industrial.

Adequate analysis of cultural dynamics should not overlook the importance of the context in which it takes place: in viewing culture as an interactive construction process whose degree of consistency and heterogeneity greatly varies from situation to situation and from context to context, one should be in a better position to apprehend the influence of culture on M&A.

In order to generate performance, the new organization must counterbalance the negative and the positive implications of culture (Blanchot, 2008) and handle culture effectively. Judicious handling of cultural differences can lead to competitive advantage and organizational health (Morosini, 1998; Soderberg et al, 2000) whereas failing to address cultural differences may involve disruption. In summary, transnational organizations must be able to resolve the following tensions to their advantage: social categorization breeds social conflict and employee resistance while a larger talent pool feeds creativity and novelty into the organization.

This section allows us to move from seeing culture as value systems to defining culture as knowledge systems and attenuates variability in values, behavioral norms and patterns (Erez & Early, 1993). Considering cultural systems as cognitive processes related to problem-solving and information gathering is more useful for managers than defining differences in values and attitudes attributable to national cultures. It allows us to move from a value-laden perspective to a knowledge-based perspective which is better adapted to the study of cultural dynamics.

Summary of chapter 2

This chapter enables us to reinforce our initial assumptions on cultures: cultures are enacted by organizational members who make sense of their situational contexts. Within a dynamic approach to M&A integration, cultural systems come alive in relation to and in contrast with other cultural systems and potentially contain the seeds for both positive and negative outcomes. Cultural systems are made of subjective and objective culture; subjective culture relates to the cognitive systems through which the world is apprehended and assessed and objective culture is the vehicle through which subjective culture is delimitated, enforced and transmitted. Positioning our investigation in the multiple cultures perspective and viewing cultures as knowledge systems that serve as a basis for production, reproduction and negotiation of shared meanings and interpretations enables us to consider the means by which acculturation may be achieved, tensions overcome and cooperation enhanced.

The next chapter thus delves into the management of culture as knowledge systems: it looks into strategies for managing culture in international settings, extends these strategies to M&A integration and outlines the mechanisms that extant literature has highlighted to achieve successful acculturation. Its purpose is to guide the subsequent empirical study into how cultural differences can be leveraged in M&A integration: while building on cultural dynamics, it introduces complementary assumptions of beneficial management interventions.

CHAPTER 3 – MANAGING CULTURAL DIFFERENCES IN M&A INTEGRATION

The academic and practitioners' literature tends to suggest that managers' awareness of cultures plays an essential role in cross-border M&A performance. In a study of 61 European M&A, Larsson and Finkelstein (1999) found that cross-border M&A reduced employee resistance, an unexpected finding that may provide some insight to how the human side of merger can be better understood and managed. Some academics contend that employee resistance is affected by the nature of the operation (merger vs acquisition, hostile versus amicable takeover) and the extent of integration more that by the nature and extent of cultural differences (Stahl & Voigt, 2008). Some research suggests that cultural differences that can derail effective integration in domestic and foreign M&A are more carefully attended to because of managers' heightened sensitivity to such an important consideration (Ely & Thomas, 2001).

Accounts of past organizational experience reveal that the combination of two cultural systems is a daunting task which, if not addressed, can lead to irreversible damage for the new

entity (Badrtalei & Bates, 2007). The combination of cross-cultural organizations magnifies cultural differences and suggests the need for cross-cultural expertise: practitioners need to develop special skills to help them deal with multicultural contacts and use them in synergistic ways (Sackmann, 1992). People possessing cross-cultural skills are needed to carry out complex coordination functions following an M&A (Morosini, 2005). In support of these claims, the international management literature argues that top management teams' awareness of cultural differences and their ability to take cultural differences into account are useful drivers of the management of M&A integration (Ashkenas & Francis, 2000).

3.1. CULTURE MANAGEMENT MODES

When cultural differences are not addressed, misunderstandings occur between partners and tension increases which jeopardize cooperation (Ashkenas & Francis, 2000). Famous examples of cultural blindness abound in mergers and acquisitions, in which failure to take culture into consideration has resulted in substantial damage for both parties. The merger between Daimler & Chrysler is probably the best academically advertised example of such cultural blindness (Badrtalei & Bates, 2007). Failure to pay attention to differences between non-distant cultures (O'Grady & Lane, 1996) is just as critical as cultural blindness. Ignorance or lack of attention to culture leads managers to underestimate the amount of cultural integration necessary in achieving the combination, an often reported limitation in M&A, known as the psychic distance paradox. Conversely, the inclusion of cultural features enhances integration: ADIDAS or serial acquirers like General Electric or CISCO exemplify attention to culture and successful integration of the former EADS entity renamed AIRBUS has incorporated attention to cultural differences (Barmeyer & Mayrhofer, 2007), institutionalizing cross-cultural training. Drawing from these preliminary observations, the following development probes into culture management modes: the purpose of this section is to better apprehend the reasons why and how managers address or fail to address cultural differences.

3.1.1. Strategies for managing cultural differences

International management scholars more or less explicitly identify three main strategies for managing cultural differences: ignore, minimize or manage cultural differences

These strategies are described as embedded in the nature of relationships between headquarters and subsidiaries and drive the way in which multinational companies manage the often conflicting needs for global integration and local responsiveness (Heenan & Perlmutter, 1969):

- Ethnocentric: an ethnocentric strategy refers to a highly integrative policy aimed at developing a similar corporate culture;
- Regiocentric: a regiocentric strategy refers to a form of multi-ethnocentrism whereby highly integrative and distinct cultural zones are permitted within a large corporation;
- Polycentric: a polycentric strategy refers to the highest form of decentralization, in which subsidiaries are allowed to foster their own local cultures;
- Geocentric: a geocentric strategy describes a mixed policy in which subsidiaries are allowed to participate in the development of a distinct world-wide culture.

These alternatives determine the relevance and scope of cultural integration: the first step in the formulation of a culturally sensitive integration strategy must therefore be to gain an understanding of the preferred culture-transfer strategy, which can lie anywhere on the continuum between the extremes of ethnocentrism and geocentrism (Schneider & Barsoux (1992,. The relationship between headquarters and subsidiaries will vary according to the expected benefits: ethnocentric strategies are implemented in cases when standardization is needed and negate cultural differences. Polycentric or regiocentric strategies follow a need for localization of operations and tend to minimize the management of cultural differences and foster the preservation of local cultures. Geocentric strategies include glocalization strategies where a mix of cultures leads to the development of synergies derived from taking different perspectives into consideration (table 4). Performance criteria will vary from efficiency to synergy, outlining the different challenges the organization has to take up, based on its assumptions towards culture.

Strategy	Ignore	Minimize	Utilize
Assumptions	Culture as irrelevant	Culture as problem/threat	Culture as opportunity/competitive advantage
Headquarter/subsidiary relationships	Ethnocentric	Polycentric/ Regiocentric	Geocentric
Expected benefits	Standardization Global integration	Localization Responsiveness	Innovation and learning
Performance criteria	Efficiency	Adaptability	Synergy
Major challenge	Gaining acceptance	Achieving coherence	Leveraging differences

Table 4: Strategies for managing cultural differences (adapted from Schneider & Barsoux, 1992)

The preferred culture/strategy relationship is contingent upon the benefits to be derived from integration relevance and scope. Integration may not be relevant if the strategy allows the two businesses to continue to work in isolation. The scope of the integration may be far-reaching

or limited depending upon the synergies sought: process standardization and economies of scale may be achieved by limited integration whereas two-way transfer of knowledge requires more extensive integration. The process perspective (Jemison and Sitkin, 1986) in M&A confirms that the management of culture varies according to the preferred strategy. Haspelagh & Jemison (1991) differentiate 3 types of integration design according to the needs for strategic interdependence and organizational autonomy: preservation, absorption and symbiosis. Not all mergers and acquisitions are impacted by the management of cultural differences and the type of organizational design commands the need for cultural integration. In the case of preservation (Haspelagh and Jemison, 1991), each entity keeps its autonomy and continues operating independently: the main concern is to achieve financial and strategic outcomes and we infer that cultural issues hardly come into play. In the case of absorption, resources are shared by a single entity and synergies are derived from streamlining and economies of scale to generate mostly financial benefits: the dominant culture usually absorbs the acquired entity but culture remains a question mark as loss of autonomy usually translates into resistance and conflict. In the case of symbiosis (Haspelagh and Jemison, 1991), two entities are combined into one and the stress is laid on strategic benefits derived from operational synergies. Symbiosis is therefore the most challenging form of combination (Haspelagh and Jemison, 1991) and the the link between strategic and organizational efficiency should guide combinational attempts. In cross-border M&A, symbiosis requires the most skilful management interventions towards leveraging cultural differences (table 5).

TYPE OF M&A (Haspelagh & Jemison, 1991)	PRESERVATION	ABSORPTION	SYMBIOSIS
Relationship between entities	Autonomy	Incorporation of one entity into the other	Combination
Expected benefits	Strategic Financial	Financial	Strategic Organizational
Cultural implications and strategy	Culture as irrelevant: ignore	Culture as question mark: minimize	Culture as opportunity: utilize

Table 5: Relevance of addressing culture in M&A

This table suggests that the degree of needed cultural intervention reflects the 3 basic strategies for managing culture.

Scholars have demonstrated that culture may be an asset or a liability depending on the chosen integration design (Buono & Bowditch, 1989; Datta, 1991; Larsson & Finkelstein, 1999; Schweiger, 2002) in relation to strategic intent and synergies sought. M&A that require higher levels of operational integration generally lead to greater organizational changes and

more interaction, hence the potential for cross-cultural conflict (David & Singh, 1994; Nahavandi & Malekzadeh, 1988). Moderator analyses (Stahl & Voigt, 2008) have revealed that in related M&A that require high levels of integration, cultural differences –especially at the organizational level- were found to be negatively associated with integration benefits whereas in related M&A that require lower levels of integration, cultural differences – especially at the national level- were found to be positively associated with integration benefits. The idea that difficulties increase with the level of operational integration follows the same logic as the cultural distance paradigm. Analyses seem to demonstrate that the higher the level of integration, the more resistance and conflict will moderate the culture-performance relationship. Slangen (2006) found that differences in national culture had a negative effect on postacquisition performance when the acquired unit was tightly integrated into the acquiring company, but a positive effect when loosely integrated.

However these analyses once again capture only static aspects of the combined entities' relationhip. None of these findings have been explicitly related to the management of culture and are more structural than process-oriented. If we move away from structural factors and address the management of culture, we find that scholars insist on the importance of managers' perceptions of cultural diversity in the choice of cultural strategies. Adler (2002) defines 3 strategies for managing culture and infers 3 types of organizations according to managers'perceptions of the impact of cultural differences on the organization. The parochial organization ignores culture on the ground that the impact of cultural diversity is null and void. By coining the term "cultural invisibility", Adler (2002) warns against managers considering that culture does not affect business operations, pointing at the convergence beliefs permeating practitioners' approaches. The ethnocentric organization minimizes cultural considerations on the ground that diversity is a threat and points at the risks involved in managing cultural differences. The synergistic organization manages cultural differences while being aware of the double-edged sword of culture.The synergistic organization is described as the most refined model of cultural integration: it is largely cognizant of cultural differences and utilizes them to create synergies. Adler defines cultural synergy as an inclusive approach to managing the impact of cultural diversity: it involves a process in which managers form organizational policies, strategies, structures and practices based on, but not limited to, the cultural patterns of individual organization members and clients. She concludes that culturally synergistic organizations create new forms of management and organizations which transcend the distinct cultures of their members.

An increasingly accepted view in the US diversity literature thus supports positive organizational scholarship (Cameron, Kim, Dutton and Quinn, 2003) and contends that cultural differences are not detrimental to organizational performance. Difference does not necessarily mean discordance: ignoring or mishandling diversity may become a detractor for performance whereas managing diversity may prove an asset (Cox, 1993). Developing strategies for acknowledging the influence of culture are presented as a better option for leveraging cultural diversity and creating cultural synergy (Adler, 2002; Cox, 1993). Instead of sacrificing strategic potentialities in the search for cultural similarity, firms may benefit more from becoming aware of and learning to manage cultural differences. Similarly, Ghemawat (2003) calls for such strategies as cultural arbitrage to exploit cultural differences, arguing that , if managed effectively, differences in national (and organizational cultures) may be beneficial. These assumptions suggest cultural awareness as a possible explanation of otherwise counterintuitive results in the field of international combinations (Ely & Thomas, 2001). As there has been little empirical development of this stream of research in general and of Adler's synergistic models in particular (Salk, 1997), empirical studies into cultural synergies are much needed; the growing number of international rapprochements reminds us that addressing cultural differences is a vital issue for modern organizations.

Even if it is not the purpose of our research to apprehend the reasons why managers ignore or minimize cultural differences, we put forward several explanations which are plausible (Gancel et al., 2002). Lack of visibility of culture may lead managers to overlook cultural features: culture is one of these soft issues that management disregards, showing prompter and keener interest in facts and figures. The financial and strategic determinants of M&A performance are more easily quantified and thus more visible whereas cultural integration takes time and requires qualitative assessment of combinational factors. As noted by Marks & Mirvis (2011), "managing culture is often a low priority when executives are consumed with the deal's financial and strategic aspects". Lack of past M&A experience may also account for lack of awareness: a first attempt at combining cross-border entities may have prevented management from realizing the importance of cultural and human factors as time presses for organizational and operational moves. Lack of previous exposure to intercultural situations is another stumbling-block: cross-cultural encounters enhance management's understanding of cultural features, both differences and similarities, providing them with additional skills which may be an asset in future situations. Lack of training may also be put forward as a possible antecedent of cultural neglect. Top management teams are seldom trained to deal with cultural differences, a statement inferred from psychological theories of culture in real cases.

3.1.2. Cultural awareness

Psychological theories of culture contact suggest that moving away from cultural ignorance implies an awareness-building process. The Development Model of Intercultural Sensitivity (Bennett, 1986) describes the different stages involved in gaining awareness of cultural differences and identifies cultural integration as the ultimate stage of cultural experimentation both for individuals and organizations: building awareness brings about cross-cultural competence, defined as "the ability to communicate effectively in cross-cultural situations and to relate appropriately in a variety of cultural contexts" (Bennett, 1986).

In trying to understand how cross-cultural competence is developed, Bennett (1986) whose research lies in observation and grounded theory conceptualizes 6 developmental stages of cross-cultural competence. As one's experience of cultural encounters becomes more sophisticated, one's competence increases and passes through various stages.

Organizational implications of the model are presented in the following section:

"Denial: one's culture is experienced as the only real one". Cultural differences are ignored, consideration of other cultures is invalid and perception of cultural variations is inexistent. An organization characterized by "denial" is basically ignorant of cultural issues. It only provides basic language training if it has to address cross cultural contact.

"Defense: one's culture is experienced as the only good one". Cultural differences are denigrated, consideration of other cultures is prejudiced and perception of cultural variations is negative. In the organization, the defense worldview is polarized into us versus them differentiation, the prevailing attitude is one of threat. Cultural differences are seen as an obstacle to be avoided or by-passed.

"Minimization: one's culture is experienced as universal". Cultural differences are negated, other cultures are similar to one's own and perception of cultural variations is biased. The organization claims to be tolerant: however, utmost emphasis is placed on corporate culture which creates strong pressure for culture conformity and standardization.

"Acceptance: other cultures are included in experience as equally complex but different constructions of reality". Cultural differences are acknowledged, other cultures legitimized and perception of cultural variations is passive. In the organization, active efforts are made to recruit and retain a diverse workforce. Managers are encouraged to recognize cultural differences but are not trained.

"Adaptation: ability to shift perspective in and out of another cultural worldview is possible" and one's experience potentially includes the experience of another culture. Cultural differences have been experienced and perception of cultural variations is trained. In the organization, educational training for executives is encouraged: domestic and international cultural differences are used as a resource in newly formed multicultural teams.

"Integration: one's experience of self is expanded to include movement in and out of cultural worldviews". Cultural differences are managed and perception of cultural variations is inbuilt. The organization is a truly multicultural and global organization. Every policy, issue and action is examined in its cultural context. Little emphasis is placed on national identity although roots and cultural influences are recognized.

Denial, defense and minimization are described as ethnocentric orientations where one's culture is experienced as central to reality whereas *acceptance, adaptation and integration* are ethnorelative orientations where one's culture is experienced in relation to other cultures.The Development Model of Intercultural Sensitivity draws attention to the importance of experiencing cultural differences in order to move from ethnocentric to ethnorelative orientations. Strategies for coping with cultural differences are consequently conditioned by stages of cultural awareness or sensitivity: differences need to have been experienced in order to overcome potential threats.

Differences as a possibility are the additional scenario in strategies for managing culture brought by cross-cultural psychology in the development of cultural orientations. Acceptance of cultural diversity translates into a more positive stance towards culture. The intermediary phase of accommodating cultural differences may take various forms: it may very well be a passive process in which organizations pay lip service to cultural diversity by displaying tolerance and open mind. It may also be a more active stance in which cultural differences are used as a resource and incorporated into the management process. By combining the types of M&A strategies (Haspelagh & Jemison, 1991) and Bennett's DMIS, we define 4 types of strategies for managing culture (table 6).

With these strategies in perspective, we set out to investigate the management of cultural differences in post-merger integration. We assume that attitudes towards cultural differences may develop according to 4 main outcomes: irrelevance, threat, possibility and opportunity.

Cultural strategy	Ignore	Minimize	Accommodate	Manage
Type of M&A	**Preservation**	**Absorption**	**Symbiosis 1**	**Symbiosis 2**
DMIS (Bennett, 1993)	Denial	Defense Minimization	Acceptance Adaptation	Integration
Attitudes towards cultural differences	Cultural differences as irrelevance	Cultural differences as threat	Cultural differences as possibility	Cultural differences as opportunity

Table 6: Strategies for managing cultural differences

3.2. MANAGING CULTURAL INTEGRATION

Incorporating cultural differences into the integration management process is the subject of this section. Even if the previous chapter suggests that the influence of cultural differences on the M&A integration process is substantial, so far the process of managing cultural differences as a mediator of the culture-performance relationship, i.e. the process of adapting one's management methods to take care of cultural variations, has received little attention in M&A literature.

M&A literature has focused on key integration capabilities underlined by the process stream. The process stream (Haspelagh & Jemison, 1991) has highlighted the critical role that the integration process plays in the actual combination of previously independent organizations: traditional factors used in predicting performance (strategic fit, payment method, acquisition premium paid) are useful only if the post-combination transition phase is effectively managed, an invariant in the M&A literature over the past thirty years (Cartwright and Schoenberg, 2006). Mergers and acquisitions are considered major organizational changes that need to be carefully managed: integration capabilities have to be secured during execution to ensure that potential synergies are realized. The fact that management efficacy may outplay adverse combinational factors is a recurrent theme in M&A execution: post-combination managerial competence is a repeatedly critical variable to M&A success (Stahl & Mendenhall, 2005). The integration process is in the hands of top management teams or integration managers whose role is to make strategic decisions, translate these decisions into operational objectives and define a schedule for their implementation (Teerikangas et al, 2011).

The key management capabilities (Jemison and Sitkin, 1986; Haspelagh and Jemison, 1991; Zollo & Singh, 2004) that the process view emphasizes to reap the benefits of integration are inventoried in the next section. To what extent cultural integration capabilities overlap with some of them and can be secured is a question that needs addressing. In line with the previous section on perceptions and strategies for managing culture, we look into cross-cultural

integration capabilities to alleviate tensions, minimize interorganizational obstacles and enhance integration (Morosini, 2005).

3.2.1. Key integration capabilities

Zollo and Singh (2004) argue that managing the tensions between the positive and the negative implications of the integration process requires the development of ad'hoc competencies. The process perspective thus outlines the critical role played by integration capabilities making up the management process (Haspelagh and Jemison, 1991; Jemison and Sitkin, 1986) and insists on the dual challenges posed by cross-border M&A. How to leverage cultural differences in double-layer integration raises the spectrum of increased complexity.

In implementing the integration plan, the magnitude of handling two sub-processes has been outlined (Birkinshaw, Bresman & Hakanson, 2000; Stahl & Voigt, 2008): the sociocultural process also referred to as human integration reflected in the extent to which employees express satisfaction towards the new combination; "obtaining the participation of the people" (Haspelagh & Jemison, 1991) involves considering human and social factors and the role social and cultural categorization plays in combinations; the organizational process referred to as task integration reflected in the extent to which operational synergies are realized; achieving capability transfer involves considering the organization of the new entity around structure, systems and procedures.

Research demonstrates that overall effective integration is an interactive process that requires both sociocultural and task integration efforts: it has been shown that poor socio-cultural integration often blocks successful task integration and task integration cannot be realized if success with sociocultural integration has not been achieved (Schweiger, 2002).

When Helmut Maucher was chairperson of Nestlé S.A., a company with substantial M&A experience, he declared: "if implemented properly, M&A are an important and efficient strategic instrument for enhancing the competitiveness of a company… M&A do not automatically generate success. Management should give its undivided attention to aspects of the actual integration process itself during the period when all contractual and financial aspects have been taken care of. These aspects include, inter alia, motivating the new employees, ensuring equal opportunity for all, and achieving a two-way transfer of knowledge…"(Maucher, 1988 in Stahl & Mendenhall, 2005).

One of the keys to managing the integration process is "to obtain the participation of the people" and "to create an atmosphere that can support capability transfer is the real challenge" (Haspelagh & Jemison, 1991). If the rate of future merger failure is to be improved,

organizations should be guided by the following six-point inventory to merger success (Cartwright & Cooper, 1996): making an informed choice of partner that takes into account culture, providing for effective people planning beginning before the merger event, recognizing the importance of people's concerns and taking action to address them, getting to know the acquired organization or other merger partner and the way it operates, including operations at grass roots level, establishing effective communication networks and opportunities for employee participation and remaining in touch with employees and reassessing and monitoring progress.

These key activities relate to the two interrelated sub-processes which describe integration.

The following chart outlines the determinants of task and sociocultural integration: we build on an extant review of literature (Ashkenas et al., 1998; Buono and Bowditch, 1989; Haspelagh and Jemison, 1991; Horwitz et al, 2008; Marks, 1982; Sales and Mirvis, 1984; Shrivastava, 1986) to synthesize execution capabilities (table 7). In addition to identifying and retaining key talent, organizational integration capabilities also include defining organizational structure and management roles, defining integration objectives and briefs, aligning and streamlining systems and procedures. In addition to establishing early and clear communication flows, sociocultural integration capabilities also include showing visible and consistent leadership in developing shared vision, appointint ad-hoc integration teams and managing uncertainty.

Organizational integration capabilities	Sociocultural integration capabilities
Defining organizational structure and management roles	Showing visible and consistent leadership in developing shared vision
Defining integration objectives and briefs	Appointing ad-hoc integration teams
Aligning and streamlining systems and procedures	Establishing early and clear communication and information flows
Identifying and retaining key talent	Managing uncertainty
Outcome= Share resources, transfer knowledge	Outcome = Build trust, respect and dignity through early cooperation and commitment

Table 7 – Determinants of a successful integration process

Communication, talent retention and integration of cultures are rated as the 3 most critical activities in the integration plan. Communication and talent retention are largely documented: cultural integration is more sporadically substantiated.

Communication refers to the extent to which organization members from the combining firms correspond across firm boundaries (e.g., Larsson & Finkelstein, 1999) to explore and exploit resource synergies (Reus & Lamont, 2009). Communication (Schweiger & De Nisi) and social controls (Larsson & Lubatkin, 2001) help develop trust and commitment in the newly combined firm. Schweiger and DeNisi (1991) show that early and clear communication reduces negative employee-level attitudes about the combination.

Talent retention refers to the extent to which members of the combining organizations are retained. Several qualitative studies have emphasized the importance of retaining top management to generate performance (Jemison & Sitkin, 1986) and to transfer critical knowledge-based resources (Ranft & Lord, 2002). Proper human resource management can overcome employee resistance and retain key employees: a large body of research indicates that the way organizational members react to an M&A depends primarily on the personal benefits and losses attributed to this major change in corporate life. The quality of the post-acquisition reward, career development prospects or job security changes is essential in determining employee reactions to M&A (Evans, Pucik & Barsoux, 2002).

Integration of cultures refers to the extent to which members of the combining organizations trust one another and feel a common identity. Using a case survey design, which combines the depth of case studies with the statistical generalizability of a sample of 50 cross-border M&A, Larsson and Lubatkin (2001) demonstrate that acculturation is best achieved through social controls: by participating in such activities as introduction programs, training, cross-visits, celebrations and other similar events that foster communication across boundaries, employees create, through their own choice, a joint culture regardless of differences in nationalities and cultures. Furthermore, in a post-hoc analysis of a proposed integration control typology Larsson & Lubatkin (2001) suggest that social controls also indirectly influence acculturation by acting in accordance with formal integrative efforts.

As research demonstrates, organizational design, operations and procedures are culture-bound. Research on teamwork in international organizations (Smith, Peterson & Thomas, 2006) suggests that culture is related to many sociocultural aspects in organizations: degree of cooperation versus competition, individual versus collective support for achievement or direct vs indirect communication. Both strategy and organizational behavior scholars highlight that decision-making, negotiation, communication and motivation processes are subject to cultural variations derived from national heritage (Very et al, 1996). Analyses of past failures have documented regularities: in some cultural systems, promotion to higher managerial levels tends to be based on merit and appraisal of past performance, whereas in others, promotion

tends to be based on seniority. Gaps need to be bridged when reward systems relying on individual performance differ from flat salary systems reflecting an assessment of teamwork. Top-down communication systems will be used in hierarchical configurations whereas two-way communication is preferred in more egalitarian organizations. Formal rules and regulations are likely to abound in risk-avoidant systems whereas low levels of formality describe risk-prone organizations. These diverging systems and processes need to be apprehended and combined through cross-cultural management interventions.

In line with the cultural dynamics perspective, we argue that the difference between standard integration execution and superior execution resides in the ability for cross-cultural integration managers and teams to understand gaps and discrepancies between cultures as knowledge systems in order to better combine them. Bringing together people from different national backgrounds involves finding common objectives and justifications for unity and coherence, a key step towards building trust, positive attitudes and a new identity. Once teams have understood each other's knowledge systems, they can build a common, acceptable base for cooperation where they start exchanging and sharing knowledge and resources.

3.2.2. Cross-cultural integration capability

The success of a cross-border integration process requires an ability to address cultural conflicts and various human resource problems in acculturation while at the same time transferring knowledge and resources (Weber et al, 2012). Although most M&A failures are linked to problems in post-combination integration, some authors suggest that cultural and people issues should be considered at an early stage in the M&A process (Angwin, 2001). In the due diligence process, the assessment of organizational structure, organizational culture and HR systems is just as important as financial and strategic fit considerations. Undertaking a human capital audit to ensure that companies have the talent necessary to execute the acquisition strategy, identifying which individuals are key to sustaining the value of the deal and assessing any potential weaknesses in management are deemed to be critical to long-term success in both domestic and cross-border M&A. In cross-cultural combinations, the importance of the due diligence phase has been underlined: the complexity of managing multiple cultures calls for a thorough assessment of potential opportunities and threats useful in the definition of a cultural endstate (Marks & Mirvis, 2011), a statement that we endorse.

We view cross-cultural integration capability as an execution capability incorporating cultural differences in the process. Awareness of cultural differences underlies the cross-cultural integration management process. The first stage of this process refers to pre-acquisition stage

with due diligence, negotiating and closing the deal: it gives the opportunity to conduct cultural due diligence and assess cultural stakes. In cross-border M&A integration, an appropriate cross-cultural integration management process rooted in cultural due diligence and translated into strategically aligned cultural plans may serve as a facilitator and enhancer of cultural integration (Angwin, 2001). The second stage applies to the launch of integration with the definition of a cultural integration plan based on an examination of cultural features; the plan should outline synergies and minimize overlaps and hindrances. Third, the cultural integration plan is implemented through the interaction between sociocultural and task integration. Fourth, evaluation and adjustment of cultural integration are achieved which enable TMT to assess integration process effectiveness and monitor performance.

(0) • Addressing cultural differences = awareness of cultural stakes

(1) • Negotiating and closing the deal = cultural due diligence

(2) • Defining a strategy for integration = preparation of cultural integration plan

(3) • Achieving sociocultural and organizational integration = implementation of cultural integration plan

(4) • Evaluating the process effectiveness = monitoring of cultural integration

Figure 4: Formalizing the cross-cultural management of M&A integration

We view cross-cultural integration capability as a formalized approach embracing and endorsing cultural differences in dealing with people issues. Such a capability has not been extensively investigated in the literature. In the pre-combination phase, many authors have called for a more comprehensive due diligence process that places greater emphasis on some of the less quantifiable, intangible aspects and includes HR, employee benefits, information technology, customer relationships or even an assessment of cultural issues (Marks, 1999). In the combination phase, integration plans have to be implemented which take into account strategic intent and integration approach (Bower, 2001). Execution during this phase is the most difficult part of the acquisition process: uncertainty, suspicion and fear may prevent

proper information flow and the realization of anticipated synergies.In the post-combination phase, the new organization should focus on becoming more than the sum of its parts and monitor integration effectiveness. Unfortunately, problems that were not solved in earlier phases are carried forward, delaying or preventing successful integration.

Our formalization of cultural integration endorses cultural differences into the preparation, design, implementation and control phases. It builds on Blanchot's (2008) enriched management approach in the context of international alliances. It consists in minimizing the restraining forces of integration (ambiguity, conflict, confusion, group categorization) and maximizing the driving forces of integration (creativity, flexibility, openness, curiosity). The stakes are high: as previously acknowledged, managers have to overcome the threats of social and cultural integration (salient identities, cultural distance) and take advantage of valuable capabilities, resources and learning opportunities generated by the combination. This framework suggests that cultural differences can be both an asset and a liability depending on the way they are managed (Blanchot, 2008; Stahl & Voigt, 2008).

3.3. ACHIEVING CULTURAL INTEGRATION: THE CULTURAL VALUE CHAIN

Studies on cultural dynamics do not usually refer to a formalized cross-cultural management approach. Instead they argue that it is the processes of mutual understanding, adaptation and constructive interaction that ultimately delineate a cultural hybridization or 'negotiated culture'. Soderberg and Holden (2002) contend that the management of multiple cultures involves knowledge transfer, organizational learning and networking and that a sensible definition of cross-cultural management is to "facilitate and direct synergistic interaction and learning at interfaces, where knowledge, values and experience are transferred" (Soderberg & Holden, 2002, p. 113).

Studies on cultural dynamics eventually stress the instrumental importance of individuals that are bi-nationals or bi-culturals, boundary-spanners that have experienced different cultures and are able to reconcile diverging views of reality. A relational approach to culture also suggests that every individual embodies a unique combination of personal, cultural and social experiences that are enacted in interaction.

Recent work on transnational team effectiveness outlines the importance of the culture emerging from team interaction. Such emerging culture is also called hybrid, although different names have been used such as third culture (Casmir, 1992) or negotiated culture (Brannen & Salk, 2000). A hybrid team culture consists of "an emergent and simplified set of rules and actions, work capability expectations and member perceptions that individuals

within a team develop, share, and enact after mutual interactions" (Earley & Mosakowski, 2000, p. 27). Some studies have advanced the understanding of culture by exploring cultural dynamics in international rapprochements. Recent research investigating culture in international organizations shows that effectively managed change processes can produce negotiated cultures (Brannen & Salk, 2000) that facilitate cooperation and sustained performance or hybrid cultures (Shimoni, 2011) that generate enhanced understanding and satisfaction. Investigating the cultural dynamics within a German-Japanese joint venture, Brannen and Salk (2000) probe into how organizational culture is shaped and propose the construct of "negotiated organizational culture" where "given culture A and B, the negotiated culture outcome will neither be A nor B nor AB, but some other outcome more like a mutation containing parts of both parents as well as some aspects of its idiosyncratic making". Brannen and Salk (2000) distinguish four different categories of negotiated culture, which can also be understood as stages of development in the integration process:

- Division of labor is implemented to minimize the need for further negotiation: teams operate in isolation and ensure minimal coordination.
- Compromise by one group may be effectuated as a result of a negotiation process;
- Meeting in the middle is a third option;
- The ultimate solution is pictured as innovating something new for both groups.

The combination of distant cultures creates new ones through irreversible idiosyncratic processes that are called "cultural hybridizations". Shimoni (2011) develops a multi-case study based on local managers' reactions to cultural imposition in global corporations" (Shimoni, 2011, p.157). He demonstrates that although the global corporations spend much of their time imposing their management cultures onto locals, local managers review and appraise these management cultures, keep practices of their own cultures that they highly regard and only then develop hybridizations of management cultures. The perspectives of negotiated cultures or hybrid cultures illustrate the following statement: "The arithmetic of culture contact is never a process of addition …a culture of multiple origins is different from any of the bodies of tradition that have contributed to it. The dynamics of acculturation are creative" (Herskovits 1948, p.543) hence the need for a contextual approach. In the study of a merger between the French and German branches of the ARTE television channel, Barmeyer & Davoine (2013) show the emergence of a third culture resulting from a collective learning and negotiation process. Evidence of a cultural negotiation process is also provided by Chevrier (2003) in her study of multicultural project teams reflecting individual acceptance of cultural differences. Through trial and error processes coupled with personal relationships,

parties engage in exploration activities for mutual understanding and teambuilding. In this case, cultural differences are not specifically addressed either and effective interaction is based on personal relationships. Relying on professional cultures, parties set up transnational cultures to foster cooperation.

None of these orientations includes a management strategy which explicitly addresses cultural differences and yet these orientations are feasible. In these examples, management orientations are limited to providing the environment for cultural interactions to take place.

3.3.1. Recasting cross-border M&A as a learning process

A more formalized approach is developed in relation to learning (Chevrier, 2003). Formalization occurs through a learning process: in the case of multicultural project teams, a cultural moderator actively engages with the team to build shared understandings through cross-cultural learning and avoid defense behaviors along negative stereotypes. In this context, the cultural mediator identifies cultural dilemmas and conflicts, tackles cultural overlaps and brings about a negotiated approach that fosters acceptance.

The cross-cultural knowledge management perspective proposed by Holden (2001) also illustrates this cultural learning orientation. For the art of cross-cultural management to succeed, a process of interactive translation is necessary: knowledge has to be translated from an implicit state to an explicit state by means of a "serviceable language of corporate endeavour" or workable attempts to develop shared meanings. According to his view, there are three critical elements in this process: people must work in teams to establish common meanings and achieve alignment (there must be contact and cooperation). People must have the capacity to absorb what is communicated to them, which on top of teamwork and negotiation competencies refers to individuals' absorptive capacity (Cohen & Levinthal, 1990). A permanent cross-cultural manager must be appointed, whose task is to repeatedly bring people together to continually update experience and follow up on it. Holden's insists that the management of cultural differences is less important than the creation of environments, structures and procedures which can facilitate cross-cultural learning and knowledge sharing.

Cross-cultural learning is presented as instrumental in building cultural awareness: it is the first step involved in addressing cultural differences if cross-cultural competence has not been exercised. Cross-cultural learning is formalized by the integration manager or cultural mediator who initiates a cultural learning mode aimed at understanding cultural differences.

In line with the knowledge perspective on culture, a number of scholars insist on the benefits of cultural learning to combat the natural tendency for merged groups' antagonism and build shared understandings among people from different cultures. Bridging gaps through cultural learning is deemed essential to a successful integration process (David & Singh, 1993): generating a converged, unifying culture first requires access to an understanding of the cultures to be combined.

Knowledge of one's culture and the partner's culture is presented as a critical element of the integration process. Self-knowledge is part of the broader learning perspective on organizations and triggers a potentially virtuous learning cycle. Merger capabilities start with learning about oneself; it is through an honest and clear understanding of one's strengths and weaknesses that one develops the ability to manage complex integration processes. A company that knows itself well and that knows its culture is better equipped to manage integration: it is aware of its management processes, its strengths and weaknesses, its capabilities and functional limitations, its core and peripheral values (David and Singh, 1993). It involves learning the whats (management processes), the hows (functional and institutional context of management processes) and the whys (history of management processes). Knowledge is acquired through a mutual, collaborative learning process: Jean-Luc Scalabre, former CEO of Novartis, states that companies do not learn well from each other and must improve their internal learning process. His experience of M&A in Western Europe, the USA and Asia confirms that differences in cultures are the main reasons for failed projects. The need to find exceptional managers to run them and to rely on well-trained and experienced teams is critical (in Stahl & Mendenhall, 2005).

The cross-cultural knowledge stream may be the solution to the long-lasting controversy on culture: moving from "a hierarchical perspective of cultural influence, compromise and adaptation to one of collaborative cross-cultural learning" (Adler & Bartholomew, 1996).

In line with the previous development, we suggest that awareness of cultural differences enhances cultural dynamics and emphasize the organizational learning perspective to incorporate learning as a sustainable competitive advantage for the newly combined organization. Embracing cultural differences implies apprehending cultural differences as opportunities rather than threats and endorsing cultural differences means learning about them. Integration managers need to acknowledge the importance of cultural differences before they can start leveraging them. We complement our previous table accordingly (table 8):

Organizational integration capabilities	Sociocultural integration capabilities
Defining organizational structure and management roles	Showing visible and consistent leadership in developing shared vision
Defining integration objectives and briefs	Appointing ad-hoc integration teams
Aligning and streamlining systems and procedures	Establishing early and clear communication and information flows
Identifying and retaining key talent	Managing uncertainty
+ Cross-cultural integration capability	
Implementing DUAL LEARNING : learning about objective and subjective culture	Building CULTURAL UNDERSTANDING: fostering convergence in meanings, decisions, actions
Outcome = Share resources, transfer knowledge	Outcome = Build trust, respect and dignity through early collaboration, cooperation and commitment

Table 8: Adding a cross-cultural integration capability to key integration capabilities

3.3.2. The cross-cultural learning chain

We build on the previous section which aims at designing the contours of a cross-cultural integration capability to outline specific mechanisms used in addressing cultural differences.

3.3.2.1. Organizational learning mechanisms for synergistic interaction

Consistent with the organizational learning perspective in M&A (Vermeulen & Barkema, 2001), we propose that integration is contingent upon learning to build shared understandings of how the organizations function (objective knowledge) and why they function the way they do (subjective knowledge). This approach may apply to both domestic and international M&A but it is more sophisticated in the case of an international rapprochement whereby the shared understanding of objective and subjective culture may take more time and efforts to drive the dynamic construction of a new sociocultural identity (Morosini, 2005). Once former employees of combining organizations have bridged cultural boundaries through mutual understanding, they can start sharing a new identity and are more likely to express satisfaction and trust towards the combined organization (Vaara et al, 2010). For integration to be effective, a two-way knowledge transfer must take place between combining firms around the type and nature of knowledge to be combined. A longitudinal field experiment led by Schweiger & Goulet (2005) in the context of a domestic merger indicates that deep cultural learning interventions aimed at enhancing cultural awareness and communication between merging firms can facilitate the development of constructive employee attitudes and accelerate the process of sociocultural integration. We extend Schweiger & Goulet's (2005) experiment to cross-border merger situations and emphasize the need for a deep cultural learning phase. We argue that cultural learning is paramount to engaging collaborating parties

in sense-making, helping them to achieve mutual understanding and establish common ground for cooperation to take place and eventually building trust and a new identity (Figure 5)

| Learning | Understanding | Cooperating | Building trust and a new identity |

Figure 5: the cross-cultural learning chain

Cross-cultural learning gives access to shared meanings of management tasks and processes. When common or congruent understandings are developed, cooperation is facilitated and generates shared value creation (Vlaar et al. 2006). Knowledge transfer and resource sharing are facilitated and effective task integration translates into operational synergies and shorter time spans (Reus & Lamont, 2009). In managing learning, an organization's task is to understand and mitigate ego defenses: managing learning triggers self-reflexivity and advances critical reflection on individual and organizational identity. As previously quoted, "the wise individual or organization is one who accepts that a willingness to explore ego-threatening matters is a pre-requisite for developing a more mature identity…Wise individuals and organizations shape and reshape identity through the ongoing construction/reconstruction of self" (Brown and Starkey, 2000, p.113).

We suggest that cross-cultural dynamics building on culture as knowledge systems enhances mutual learning experiences that generate trust: they reduce anxiety in getting to know the other and minimize the adverse effects of the 'us versus them' factions, thus contributing to the building of a new identity. Cross-cultural integration managers should remember that organizational members are more likely to engage in knowledge transfer activities if they trust organizational members of the other firm. Trust is pictured as the outcome of cooperation based on shared meanings (Stahl & Sitkin, 2005). By definition, cross-cultural learning mechanisms involve cross-cultural contact. For cross-cultural learning to take place, people must work in teams to establish and perpetuate common meaning for alignment: face-to-face teamwork is particularly helpful in this regard because it reduces noise and ambiguities related to the knowledge integration process (Holden, 2001). Cross-cultural learning interventions accelerate acceptance of change, willingness to cooperate and open communication. Cross-cultural integration management provides an "enabling infrastructure" (Mitleton-Kelly, 2006) for different talent pools having developed different knowledge bases to co-create meanings and solutions in line with the new business case.

A newly merged organization will not learn during the post-combination phase if it has not been engaged in a learning process from the start (Greenberg, Lane, Bahde, 2005). To build a new cultural identity, shared meanings must be developed by groups which later become institutionalized in organizational systems, processes and routines and over time form the new organizational logic of a company. When dealing with cultural differences, the major challenge is culturally synergistic problem-solving. The newly merged organization must overcome the potential barrier between exploiting previous knowledge (feed back) and assimilating new learning (feed forward). Culturally synergistic problem-solving starts by describing the situation faced: what is the situation from all parties' cultural perspectives? Description of the situation at hand is followed by interpretation: which cultural assumptions explain the different perspectives and behaviors? Determining underlying assumptions and identifying cultural similarities and differences help assess culture overlaps. From step 3 onwards, the objective is to increase cultural creativity, i.e. to create culturally synergistic alternatives by leveraging the various cultures involved (Adler, 2002).

We put forward the assumption that a cross-cultural integration approach which takes its roots in cross-cultural learning interventions sets a process of cultural construction in motion. In line with Holden (2001) we define cross-cultural integration capability as the 'art' of being able to access localized varieties of common knowledge, and to combine them into a meaningful whole. In our view, the lack of mutual learning negatively impacts two-way transfer of knowledge and inhibits cross-border M&A performance. Numerous examples can be found in the practitioners' literature which substantiates loss of time, market share profitability, hampered growth, employees' trauma and management's nightmare. If merging organizations are not designed to support learning in the early phases of the acquisition process, i.e. the due diligence and integration phases, then the strategic learning that supports value creation in the later phases is less likely to occur. The tensions between the two systems need to be managed carefully if the combined entity is to reap the benefits of the merger: literature shows that knowledge transfer is facilitated by social cohesion and trust (Bresman et al, 1999) as individuals participate more willingly in knowledge exchange once they share a sense of belonging with their colleagues. As noted by Buono, Bowditch and Lewis (1985): "since subjective culture evolves over time as a product of shared experience, when attempting to merge two firms, the greater the number of these shared experiences, the faster a repertoire of symbols and shared meanings will develop with which the merged group of members can begin to identify, and a new culture can begin to take hold". Shared experiences can take various forms as further elaborated on in the next section.

3.3.2.2. Socio-cultural integration mechanisms for synergistic interaction

Academics (Stahl and Voigt, 2008) have highlighted the use of socio-cultural integration mechanisms such as cross-functional teams, cross-unit teams, participation in joint training programs, personnel rotation, short-term visits, task forces and committees in order to facilitate the development of common values and the building of trust (Bjorkman et al., 2007; Larsson and Lubatkin, 2001; Morosini, 2005). It has also been shown that bonding interventions lessen cross-cultural work alienation (Brannen & Peterson, 2009) and ease cooperation. However, scholars have not necessarily outlined a cultural learning foundation for these mechanisms.

We bring together the knowledge perspective on culture and socio-cultural integration mechanisms to suggest a framework for the development of an effective cross-border integration process. In line with Nonaka & Takeuchi (1995), we insist on the use of learning and bonding mechanisms and argue that effective organizational and sociocultural integration are contingent on mutually reinforcing practices to foster learning and bonding in international combinations. Some of the mechanisms likely to be implemented by integration managers are cultural awareness seminars, cross-cultural knowledge management teams and joint learning teams (Grotenhuis & Weggeman, 1999): the investigation led by Schweiger & Goulet (2005) refers to an intergroup cultural mirroring exercise to help the acquiring and target work units explore cultural differences and similarities and to decide which cultural attributes should be retained or eliminated or adopted. The bonding mechanisms supporting these learning experiences include dedicated integration task forces and committees, international staff meetings, mixed project teams, joint functional meetings, personnel rotation (Brannen & Peterson, 2009) and inter-unit communication (Shrivastava, 1986). These mechanisms must be consistent and mutually self-reinforcing to bring about sustained cooperation (Becker & Huselid, 1998) and must not be disconnected from the business case.

There may be barriers to learning: absorptive capacity (Cohen & Levinthal, 1990) may be a barrier to learning. Identifying barriers and bonds that affect learning enables managers to manage them. In their study of enablers and inhibitors to learning, Greenberg, Lane and Bahde (2005) identify 4 factors. They insist on linguistic, structural, spatial and motivational bonds to sustain cross-cultural understanding: language must be shared (national, specialist, industry); there must be geographic proximity; organizational structure must include linking mechanisms and there must be a culture of trust built around a social community. We put forward a general assumption that cross-cultural integration management consists in providing an "enabling infrastructure" (Mitleton-Kelly, 2006) based on formalized socio-

cultural and organizational conditions. The provision of structures, rules, procedures and processes based on careful consideration of cultural differences organizes interaction between participants and enables them to make sense of their new partners and the context in which interaction is taking place. The purpose is to build unity between the two former organizations and to strive for coherence and convergence in the achievement of the objectives set for the newly formed entity.

When monitoring integration effectiveness, the following outcomes are vital. Creating an atmosphere of mutual respect and trust alleviates tensions between entities. Showing consideration for and commitment to employees' concerns and aspirations enables management to build positive attitudes and reconcile diverging views of reality in the business realm. Effective sociocultural integration translates into employee satisfaction through developing constructive employee attitudes, building a new identity, establishing trust and two-way communication. Effective organizational integration translates into operational synergies and shorter time spans: combining operations involves identifying and achieving transfer of capabilities and resource sharing. Knowledge transfer implies key talent retention which is paramount in the transfer of critical knowledge-based resources. Addressing the threats and opportunities derived from cultural encounters finds its roots in formalized cross-cultural mechanisms that comply with diversity and refrain from uniformity or homogeneity. The cross-cultural integration management process is aimed at creating shared cultural value: it rests on an awareness of cultural differences in the pre-merger stage which leverages differences in integration. The analogy with Porter's recent shared value concept (2011) points at endorsing culture in integration (figure 6):

Pre-merger stage

EMBRACING CULTURES through awareness of cultural differences

Integration

ENDORSING CULTURES through cross-cultural integration mechanisms: organizational learning + sociocultural bonding

Post-merger outcomes

CREATING SHARED CULTURAL VALUE through knowledge transfer and resource sharing +shared identity and employee satisfaction
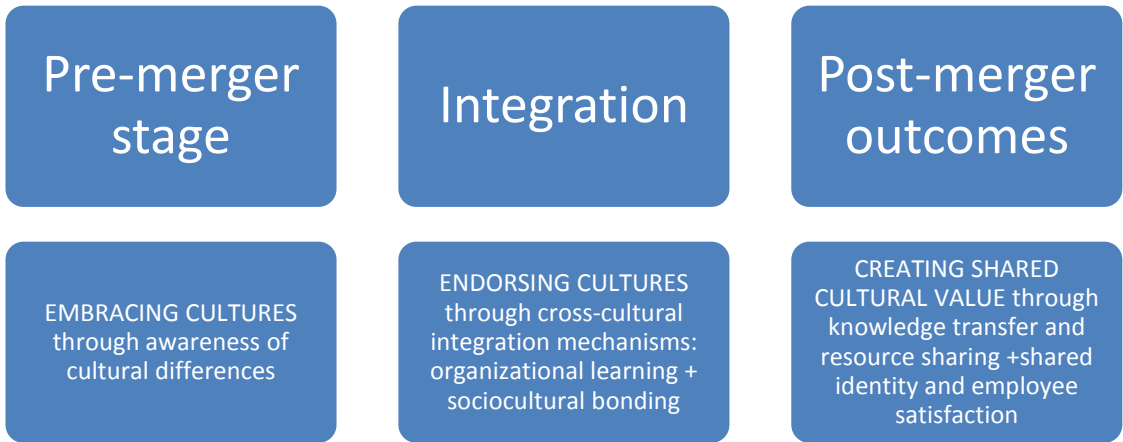
Figure 6 – Creating shared cultural value: embracing and endorsing culture in integration

We draw the characteristics of effective integration from the literature: resource-sharing and knowledge transfer in integrating tasks (Reus & Lamont, 2008), shared identity and employee satisfaction in integrating cultural systems (Vaara et al, 2010). Knowledge transfer refers to the extent to which capabilities can be transferred to exploit combining firms' competitive advantage. Resource-sharing refers to the extent to which resources can be shared across the organizations to exploit combining firms' competitive advantage. Shared identity refers to the extent to which former employees of combining organizations have bridged cultural boundaries. Employee satisfaction refers to the extent to which former employees of combining organizations express satisfaction and trust towards the combined organization.The building-blocks of integration effectiveness are in line with the definition of task performance (Zollo & Meier, 2008): operations and systems are effectively aligned for knowledge transfer and human resources are effectively integrated. Shared identity and positive attitudes have a positive impact on existing customers and customers are retained. Internal consistency defined as the existence of coherent, joint organizational and sociocultural integration mechanisms (Becker & Huselid, 1998), is seen as a booster of integration outcomes. Organizational and sociocultural integration mechanisms must be mutually supportive or self-reinforcing to promote integration outcomes (Birkinshaw et al, 2008). The resource-based view of the firm suggests the importance of complementary resources, the notion that individual policies and practices have limited ability to generate competitive advantage in isolation; but in combination, they can enable a firm to realize its full competitive advantage (Barney, 1991).

In summary, cross-cultural integration management interventions proceed from embracing and endorsing diversity. Diversity in national and organizational origins is seen as an opportunity, not a threat. Learning and bonding mechanisms enable integration managers to create an environment that promotes understanding and cooperation to create value for the organization. In line with Vermeulen & Barkema (2001) we explore how "through well-planned integration strategies, the two firms can increase their knowledge base and grow through a synergistic process successfully". Effective acculturation dynamics based on organizational learning and sociocultural integration mechanisms contrasts with compatibility and fit concerns that generate largely unconscious cloning processes reinforcing cultural boundaries. Through cross-cultural learning, cultural representations are addressed and the learning exchange promotes cooperation. One important point is that learning does not collapse former knowledge systems; it amalgamates the representations derived from these

systems into commonly accepted meanings for cooperation. It has been established that through socialization processes cultures are powerful tools for identity-building and maintenance (Schein, 1992). The creation of a negotiated culture through learning and bonding mechanisms contributes to building a new identity: it empowers people to build shared meanings for understanding and cooperation: building bridges over splits and translating diverging views into constructive dissimilarities is the challenge that combining organizations have to take up.

We note that three main shifts in management beliefs may be useful in apprehending cultural dynamics:

- A shift from hierarchy to team-based operations: the concepts of servant leadership (Greenleaf, 1977.) and teaming (Schein & Edmonton, 2011) may be introduced in reference to this point. Servant leadership and teaming help employees achieve clearly set objectives while leaving the process unattended. The mechanisms used in this shift are formalized cooperation, consultation, collaboration mechanisms in which the cross-cultural leader helps employees find solutions to arising difficulties.

- A shift in attitudes towards conflict: handling of conflict must be positive and creative so as to advance understanding and promote innovative solutions (Tjosvold, 1991). Conflict is unavoidable in cross-cultural relationships and must be used creatively to achieve mutual understanding. Conflict-handling is based on mutual respect as well as empowerment and effective two-way communication. Common forms of dissent (conflicts, unconcealed tensions) are used creatively to generate new solutions to organizational obstacles.

- A shift in attitudes towards ambiguity: tolerance of ambiguity must be seen as a way to foster creativity and progress in a constantly changing environment (Stacey, 1992): it means focusing on processes and refraining from describing tasks in order to allow for mutual understanding (Wheatley, 1991). Ambiguity is tolerated to better address changes in a turbulent environment.

Embracing and endorsing cultural diversity is at the heart of a management transformation: diversity cannot be managed through command and control mechanisms but through careful consideration of work team design (task integration) and teams' assumptions towards work (sociocultural integration). Diversity breeds conflict: diverging viewpoints on how to execute tasks (task integration) and diverging attitudes towards cooperation or decision-making (sociocultural integration) may jeopardize company operations, if not handled effectively.

Diversity is tantamount to ambiguity. Building unity through diversity entails tolerating ambiguity. Not all differences can be addressed simultaneously and a certain degree of ambiguity has to be accepted if the organization is to move forward. This perspective runs against traditionally accepted theories of selection (Chatman, 1991) and socialization (Van Maanen & Schein, 1979) which "promote similarity in values and demographics as the basis for maintaining effective work environments". In summary, we make the general assumption that learning and bonding mechanisms set a cooperation process in motion.These mechanisms allow cross-cultural managers to combine cultures as knowledge systems in order to create synergies. They stimulate positive conflict which fosters creativity. Assumptions are not questioned but put in perspective: the focus shifts from eliminating cultural differences to combining knowledge. This new management approach is endorsed by culturally agile individuals, able to understand both objective and subjective knowledge.

Summary of chapter 3:
Embracing and endorsing cultural differences enable the new organization to activate a learning process aimed at combining objective and subjective knowledge systems. Interventions to manage cultures rest on learning and bonding mechanisms which set a cooperation process in motion. This cooperation process meets a dual objective: it achieves knowledge transfer and alleviates social tensions in the construction of positive attitudes and a new identity. Apprehending cultural dynamics through the construction of shared meanings emphasizes the need for a mutual learning process. Learning about an organization's culture is learning not only how the organization functions (objective culture) but why it functions the way it does (subjective culture). Cultural learning may therefore represent a pivotal mechanism for developing the shared understandings necessary to engage in the process of integrating two firms.Bringing together people from different national backgrounds involves finding common objectives and justifications for unity and coherence, a key step towards building trust, positive attitudes and a new identity. Once teams have understood each other's knowledge systems, they can build a common, acceptable base for cooperation where they start exchanging and sharing knowledge and resources.

PART 2- EMPIRICAL STUDY

CHAPTER 4 – METHODOLOGY

In attempting to advance the cultural enigma in M&A research, we define several objectives for our study: our guiding objective is to investigate cultural dynamics, i.e. the way two organizations with different organizational and national cultures combine assets to sustain organizational performance. This general objective leads us to ask two complementary questions:

- How organizations offset the negative implications of culture and leverage its positive implications in implementing the culture exchange;
- What management interventions are instrumental in creating value.

Few attempts have been made to analyze cultural dynamics and existing research remains incomplete: the process of offsetting the negative implications of cultural differences to focus on the driving forces of cultural integration (Blanchot, 2008) has not been documented extensively in the M&A field. The underlying reason for this gap is the overemphasis that has been laid on describing, measuring and comparing cultural differences. Narrative reviews (Schoenberg, 2000; Schweiger & Goulet, 2000; Teerikangas & Very, 2006; Stahl & Voigt, 2005) have called for further research directed at the cultural dynamics of M&A.

In situating our research at the level of cultural dynamics, we adopt a constructivist perspective. In line with Barth (1994), we argue that boundaries are fluid and in constant movement, and that a relational and process-oriented approach to cultural analysis is necessary to capture the full extent of contact between cultures.

4.1. RESEARCH PARADIGMS

In order to define a methodology for our study, the ontological and epistemologal perspectives in which our research takes place must be specified. Ontology relates to how reality is seen and apprehended. Epistemology defines the relationship between the researcher and the research topic and methodology describes the way knowledge is created.

4.1.1. Ontology

At the ontological level, a Kantian perspective implies that the process of perception does not consist only in the passive reception of a reality independent of us, but it is a creative process in which our minds produces those objects. Therefore, cultures are not only systems of beliefs and values, but also products of mental constructions. The tendency to reify culture exists and stems from empirical positivism. The main opposition to this empiricism comes from

interpretivism: "the concept of culture I espouse is essentially a semiotic one. Believing, with Max Weber, that man is an animal suspended in webs of significance that he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of laws, but an interpretive one in search of meaning" (Geertz, 1983). In this perspective, culture theory is not a natural science whose findings facilitate the control and manipulation of the object under investigation. Moving away from the natural science model, research into cultural interactions follows a general trend toward interpretive research, assuming that reality is not only socially constructed but also multiple and that all entities are in a state of mutual and simultaneous shaping (Lincoln & Guba, 1985). Interpretive research stems from constructivism which proposes that the world of experience is mentally constructed through cognitive processes. The words constructivism and constructionism tend to be used interchangeably: whereas constructivism aims at individual constructions, social constructionism describes social constructions. Giddens (1995) offers a view of social relations which has important consequences for any understanding of culture. He insists first on seeing the human actor as a 'knowledgeable agent'. One of the consequences of knowledgeability, that is to say the ability to monitor and respond to flows of social life is that 'a variety of manipulative attitudes are possible' suggesting that a wide range of responses to an awareness of cultural norms is possible. Giddens goes on to say that much of the 'mutual knowledge' of actors in not directly accessible to their consciousness and differentiates practical consciousness or, in other words, what is done, from discursive consciousness or in other words, what can be said about.

Yet positivist philosophy and methodology form the lion's share of the research strategies used by scholars studying M&A and other organizational processes. They are grounded in the functionalist paradigm that is overrepresented in education, research and management practice (Primecz et al, 2009, p. 269). However the previous chapters draw attention to the holistic perspective required to delve into the cultural dynamics of M&A integration execution. Culture is not simply a variable that organizations possess; it is part and parcel of the construction and interpretation process that takes place between the organization members and their environment at large to produce action. In line with cognitive theory which focuses on the representation of organizations in the thoughts of individuals, constructionism investigates the construction of cultures through actors' interpretations. Viewing culture as a mental construction implies a hermeneutic approach to investigation rather than using etic measures. Many anthropologists now regard culture as based on shared or partly shared patterns of meaning and interpretation: these are produced, reproduced and continually

changed by the people identifying with them. Cultural actors negotiate meanings in the course of social interaction: therefore interpretive analysis of culture requires an empathic approach in which an attempt is made to understand culture holistically and through the participants rather than through objective analysis and surveys. In its interpretive tradition, culture theory focuses on the detailed examination of the actions and perceptions of human actors and the context within which those actions and perceptions happen (Klein and Myers, 1999). Recent cross-cultural research provides valuable insights into cultural theory: Brannen and Salk (2000) offer rich, contextualized descriptions of a negotiated culture, pointing out that aggregate models of cultural differences (such as that produced by Hofstede, 1980) are of use in as much as they serve as latent conceptual anchors. Their research is a model of what an interpretivist view of culture might produce.

4.1.2. Main research paradigms

Culture has been adapted from the Latin *cultura* which is related to cultus, cult or worship.*"Cult"* in Latin means to inhabit, till or worship. Earlier, the term was closely associated with socially elitist concepts such as refinement of the mind, tastes and manners based on superior education and upbringing. It has also been identified with the intellectual side of the civilization, particularly in its German spelling. In Europe, before WWII, the term Kultur was used extensively to support arguments on the social and racial superiority of some groups over others (Cuche, 2004). The following table (table 9) summarizes the main research paradigms that are used in extant research on culture:

	POSITIVISM AND POST-POSITIVISM	CONSTRUCTIVISM	CRITICAL STUDIES
Nature of reality	Reality exists with immutable truths and facts independent of people	Reality is created and is recognized as true or factual through social constructions or representations.	Reality is historically produced and recognized as true: reification disguises constructed, contradictory nature of reality and hidden interests that are served
Relationship between researcher and research topic	Objectivity	Subjectivity	Oriented subjectivity Critical reflexivity
Goals	Prediction and control: explanation	Understanding	Understanding and emancipation
Methological orientation	Assesses variables, tests hypotheses	Provides thick description of meanings including divergent views	Produces descriptions that show reified structures and false truths
Implications	Produce knowledge of true variable interrelationships	Produce insights into meaning and sense-making	Create critical reflexivity and social change

Table 9: Research paradigms and methods (adapted from Harris, 2008)

Some definitions of culture culture among the 167 that have been recorded by Kroeber & Kluckhohn (1952) are in line with the mainstream approach to culture which is based on a classic concept of culture as a stable, objectively identifiable system of assumptions, values and norms:

- A patterned way of thinking, feeling, and reacting , acquired and transmitted mainly by symbols, constituting the distinct achievements of human groups, including their embodiments in artifacts (Kluckhohn, 1951);

- Norms, roles, belief systems, laws and values that form meaningful wholes and that are related in meaningful ways (Triandis, 1972);

- The collective programming of the mind that distinguishes the members of one human group from another (Hofstede, 1980).

Other definitions of culture point to a social constructivist approach:

- The part of the environment that is created or modified by human beings (Herskovits, 1955);

- A historically transmitted pattern of meanings embodied in symbols, a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate and develop their knowledge about and attitudes towards life (Geertz, 1983);

- Systems of shared meanings placed upon events (Smith & Peterson, 1994).

A social constructivist approach rests on the premise that "people in their discursive practices constitute their social relations, identities, and their social reality whereby they maintain or change social structures". They claim that discursive practices not only shape organizational structures but are also simultaneously shaped by them. Hence, organizational identities are neither stable nor well-defined entities. On the contrary, they must be viewed as products of ongoing construction and negotiation of meaning. Social constructivism thus emphasizes that the constructions of individual as well as organizational identities are relational (Soderberg & Vaara, 2002). Within this dynamic approach to the conceptualization of culture, culture is seen as being made up of relations: people's cultural identity constructions and their social organizations of meaning are contextual. Every individual embodies a unique combination of personal, cultural and social experiences. Cultural data are inevitably social constructs made on the basis of the practitioners' and the researchers' own cultural thought patterns and the concepts and categories they are socialised into. Unlike most research in the international business field, the social constructionist approach is neither normative, nor prognostic; it

argues that one cannot make analyses whose results can be applied in the form of abstract generalizations, nor can the outcome of cultural interaction be predicted. Social constructivist research focuses on cultural transformation processes in the course interaction in which self-organizational images evolve, develop and transform, so that new socially negotiated cultural systems and identities are devised. Its scientific contributions to the study of cultural complexity (Sackmann, 1997) are contextually sensitive, qualitative case studies focusing on organizational actors' interpretations, identity-constructions and sense-making processes (Weick, 1995; Gioia, Schultz and Corely, 2000).

Social constructivist research is relevant to the study of cultural complexity in a context in which multiple levels of culture, not only national but organizational, professional, individuals and supra-organizational, interact. Some authors have even advocated a multi-paradigmatic approach (Martin, 1992: Martin & Frost, 1996): the study of regularities of cultures in the integrationist framework can be complemented with the study of differences and ambiguities: "any organizational culture contains elements congruent with all three perspectives. If any organization is studied in enough depth, some issues, values and objectives will be seen to generate organization-wide consensus, consistence and clarity (an integration view). At the same time, other aspects will coalesce into subcultures that hold different opinions about what is important, what should happen and why (a differentiation view). Finally, some problems and issues will be ambiguous, in a state of constant flux, generating multiple, plausible interpretations (a fragmentation view)" (Martin & Frost, 1996, p.609-610).

4.2. RESEARCH DESIGN

4.2.1. Epistemology

The epistemological perspective in which this research takes place is an interpretive one. To understand context-specific processes and interpret them to advance understanding is the objective of our research. It counters some of the obstacles that cross-national comparative research encounters when following a natural science model. Among the conceptual issues derived from a positivist perspective is the delivery of large-scale quantitative studies in which culture is a nation-state independent variable. Among the methodological issues involved in cross-national comparative research is what Triandis called "pseudo-etic" research in which instruments based on Western theories reflecting Western conditions are used in other cultures. Another crucial concern is to isolate the impact of culture from other explanatory variables such as contextual and individual differences, which does not meet the

requirements of an interpretive stance. Subjective meaning is at the heart of interpretivism. In order to understand the social reality of human beings, the interpretivist has to grasp the meaning(s) of the action. To be able to find the meaning of the action, he/she has to interpret the action within context. The contexts in which meanings take place help the interpretive researcher find the correct meaning for action.

Denzin and Lincoln (1998) include interpretivism under qualitative research. Leaving some epistemological debates aside, most scholars have used the terms anti-positivism, interpretivism, qualitative inquiry, and naturalistic inquiry to mean almost the same thing. The term 'anti-positivist' is sometimes used as an equivalent to interpretive research. Under the umbrella of interpretivism is a number of paradigms and methods of data analysis which have been derived from the German intellectual tradition that emerged in the second half of the 19th century, and share the same anti-positivist orientation to research. Human sciences are considered fundamentally different from the natural sciences and cannot be studied in the same manner. Interpretivists contend that human beings are not like matter: they have consciousness which enables them to think and feel, and give them a sense of awareness. They impose meanings on their natural and social worlds and their actions are simultaneously defined and confined by these meanings. In order to operate effectively, human beings have to construct a world of meaning. Meanings for the interpretivists are not static. They are constantly being created, modified and developed through interaction. New meanings are negotiated in interactions between actors (Mead, 1934) and interactions feed a continuous process of interpretations.

The interpretive approach is very popular among ethnographers and anthropologists. Gregory (1983) introduced cognitive anthropology in an article on "native-view paradigms". The researcher's task is to discover the shared cultural knowledge, both tacit and explicit, that reflects the way members of a culture make sense of their social setting. The "native-view paradigm" reflects the focus of the multiple cultures perspective on identification of existing cultural groupings and the description of their assumptions. The business reality of the multiple cultural identities and their potential impact has been illustrated for an individual practicing manager (Phillips, Boyacigiller, Sackmann, Bolton, 1992) and for an international project team (Phillips, Sackmann, Goodman, 1992). No single methodology predominates, although an emic approach has prevailed (Sackmann, 1992) through inductive methodologies and field data collection.

4.2.2. Methodology

Quantitative and qualitative research is often opposed: whereas quantitative research is a variable-oriented strategy, qualitative research analyzes actors and agents' actions and representations. It focuses on actors' discourses to understand their intentions (the 'why') and the modalities of their actions and their interactions (the 'how'). This research strategy is rooted in actors' actions and interactions that the researcher tries to understand and interpret (Dumez, 2013). Studies adopting an interpretive approach rely mainly on qualitative methods and try to provide delicate, thick, microscopic understanding of phenomena. One exception to this rule is Philippe d'Iribarne's approach (1997) which, following a process of abduction, conceptualizes national cultures as "articulated around a main concern at the heart of social existence" (Primecz et al, 2013).

The main challenge for interpretive researchers it to structure their studies and develop appropriate strategies to collect and analyze data. First, they study people in their natural surroundings. Second, they use methods of data collection that allow the meanings behind the actions of the people under study to be revealed. Commonly used methods in interpretivist studies are informant interviewing, both participant and non-participant observations, and analysis of documents of all kinds (Gephart, 1999). Finally, interpretivists use different criteria to judge the results of their studies. While positivists adhere to concepts of reliability and validity in their assessment of research findings, interpretivists evaluate in terms of trustworthiness, which includes credibility, confirmability, transferability and dependability. In places of generalization and prediction, interpretive research emphasizes the transferability of research findings.

The relative scarcity of interactional studies and the overemphasis laid by managerial and academic literature on the static influence of culture on M&A performance command an in-depth investigation of cultural dynamics in post-merger integration. Such investigation makes sense in transnational contexts in which the new organization is viewed as the combination of cultural groups of participants with simultaneous membership: suborganizational or functional; organizational; transorganizational or gender, age, profession; supra-organizational or global, ideological, industrial. Any or all of these types may coexist within an organizational setting. Our research thus adopts a qualitative methodology that is aimed at exploring and understanding the mechanisms at work when two entities rooted in different organizational and national settings undertake an integration process. The need for research to move away from macro levels of analysis to micro-level interaction is evident if one wants to advance understanding of what happens when organizational members endowed with

different cultural perspectives work together and how they establish a working culture to guide cooperation and further interactions. We have chosen a single case study approach because it particularly fits a situation when contextual conditions are strongly relevant and significant to understand the investigated phenomenon and when research questions focus mainly on "why" and on "how" questions, i.e. when researchers try to understand the meaning of underlying actions and phenomena (Yin, 2009).This empirical research deals with perceptions, constructions and understandings of a representative group of French and American organizational actors merging two entities rooted in different national and organizational environments. We study how organizational actors make sense of the combination process in apprehending, implementing and assessing it: our guiding objective is to investigate cultural dynamics, i.e. the way two organizations combine cultural systems to sustain organizational performance. Our complementary questions relate to how organizations offset the negative implications of culture in implementing the culture exchange and what management interventions are instrumental in creating value. The choice of a single case study approach (Eisenhardt, 1989b) is justified by the inherent complexity of a post-merger integration process. The single case study is a research strategy which aims at understanding the dynamics operating within single settings. It investigates a contemporary phenomenon within its real-life context (Yin, 1991). In comparison to the benefit of greater generalizability associated with multiple case studies, a single case study enables the researcher to better grasp the complex features of social phenomena such as cultural dynamics in cross-border combinations. Furthermore, case studies involving single cases can employ an embedded design, that is to say, multiple levels of analysis within a single study (Yin, 1991): we investigate multiple levels of interaction: business, functional, hierarchical, cross-functional and cross-organizational. The choice of a single case study thus meets the requirements of an in-depth investigation of the processes at work in a complex, multi-level and multi-dimensional context.

Our investigation of cultural dynamics is 'an inquiry from the inside' aiming first to explore some of the assumptions reflected in past research limitations derived from the cultural distance paradigm: it is aimed at developing situationally grounded theoretical formulations which may be further tested and refined by research conducting inquiries 'from the outside' (Evered & Louis, 1981). In conducting this inquiry from the inside, we carry out an ex-post study focusing on actors' experience, sense-making categories and retrospective interpretations of the post-merger integration process. A focus on analyzing converging or diverging interpretations of organizational phenomena provides a much needed complement

to the quantitative, comparative analysis stemming from the positivist stream. Instead of building propositions on the positive/negative effects of cultural differences on post-merger integration, we focus on the execution of integration as the driving force for cultural narratives and a vehicle for conscious or unconscious cultural interpretations. Retrospective narratives of the merger process enable the researcher to delve into the constructions of organizational actors' representations and identifications with a national community, a corporate culture or a business unit and make it possible to construct and interpret the integration process; they are instrumental in grasping the interviewees' various sensegiving and sensemaking efforts. In soliciting accounts of the merger integration process, we study the way interactions both shape the culture of the new organization and are influenced by its cultures of origin: "culture is a product of the past and shapes the future" (Olie, 1990.). Our purpose is to outline the cultural synergies that are generated by the dynamics of cross-border merger integration and warn against interferences and hindrances.

Our main source of data collection is interviews. Prior to the interviews, we collected corporate documents about the organization, the vision and the activities of the new entity: advertising brochures, keynotes on divisional achievements, company internal magazines… We also intensively surfed on its website, paying particular attention to company presentation and looking for relevant information contained in external corporate communications. Archival data also include interviews in the press with senior managers and press releases to limit potential biases. The sampling of respondents is particularly insightful as this study gathers an equal numbers of respondents on each side, French and American, in similar, equivalent positions. We conducted 19 in-depth semi-structured interviews of management and operational teams in equal numbers but one from each merging entity. Key informants in pivotal roles representing different hierarchical and functional levels from both organizations allowed a more robust understanding of the phenomenon under investigation and also helped reduce potential bias.

The case combines several features that make it particularly interesting for our study. As our main focus is to explore cross-cultural dynamics in cross-border integration, we study how actors apprehend and tackle the integration process: we concentrate on the interactions and processes involved in adapting previous systems and practices when creating new ones: we thus outline 4 construction mechanisms used in integration. In eliciting narratives of post-merger integration, we unveil some of the cultural assumptions and constructions underlying these interactions and processes: these assumptions and constructions provide support for the multiple culture persepctives and refer to the embeddedness of at least 4 levels of culture. As

our general purpose is to look for cultural and other synergies (psychological, business, managerial, institutional), the timing of the study is adequate: after 2 years and a half, most of the integration has been achieved and organizational actors are able to assess the performance outcomes of the merger which enables us to meet unveil the sociocultural drivers of performance. A summary of research objectives is presented hereafter (table 10):

MAIN RESEARCH OBJECTIVE	EXPLORE CULTURAL DYNAMICS AND THE CULTURE-PERFORMANCE RELATIONSHIP
Research objective 1	UNVEIL Cultural integration mechanisms
Research objective 2	IDENTIFY interaction between multiple levels of culture
Research objective 3	UNCOVER sociocultural drivers of performance

Table 10: Research objectives

Finally, the dynamics of qualitative research is well adapted to the subject under investigation: it is a loop process that goes back and forth between theory and field investigation to better delineate the research question and answer it (Dumez, 2013). In our case, all interviews took place in the spring of 2013, that is to say between April and June, and we were able to enrich field investigation through inductive and abductive processes. Data analysis proceeded in several rounds: after initial open coding of interviews, a comparison between emerging themes across interviews was achieved which led to theoretical saturation. Intrigued by some converging themes, we returned to the literature and identified a psychological theory of cross-cultural contact that appeared to be relevant to account for some of the factors of effective sociocultural dynamics. We also probed into further ramifications of social identity theory and teamwork effectiveness, bringing additional constructs into play and notably the links between organizational identity and learning (Brown & Starkey, 2000). We brought together the literature on acculturation and organizational change management.These back-and-forth investigation process led us to better identify enabling conditions and mechanisms of effective integration.

Critics of qualitative research argue that, because of the interpretive nature of the analysis, the data remain subjective and context-bound. Findings may be hardly replicable and reliable and the lack of generalizability may weaken the value of knowledge creation and dissemination. To counterbalance lack of generalization and meet the needs of value creation we made sure that the study was in line with the following methodological concerns.Dumez (2013) warns against the risk of "abstract actors", circularity and equifinality. A qualitative research strategy is meaningful only if it shows and analyzes the intentions, the discourses, the actions and interactions of organizational actors from their viewpoint as well as from the researcher's

viewpoint. In order to do so, it must describe a context and tell a story.In order to circumvent the risk of "abstract actors", we provide a thick description of the case with extensive supporting quotations. The risk of circularity relates to the fact that the data collected in the course of an investigation is used to confirm a theory instead of refuting it or qualifying it. In order to eliminate this risk, the theoretical framework must orient research and not structure it. Theory should only suggest a set of mechanisms or relationships that the researcher may be in a position to observe. In our case study, the theoretical assumptions made in the review of literature serve to pave the way for in-depth exploration of the role of culture in cross-border combinations. We focus on general themes and processes outlined by the literature review and investigate these themes and processes. By questioning them and going back and forth between theory and emerging concepts we are able to assess the relevance of Intergroup Contact Theory which has not been used in extant research on M&A. The risk of equifinality relates to the fact that the same outcome does not necessarily stem from the same cause and is not necessarily generated by the same process. To eliminate the risk of equifinality, the researcher must use the "what if" question extensively, be able to trace the process and always investigate different assumptions for different related outcomes. Instead of providing one single interpretation of observations made and links hypothetized, the research should inventory several interpretations to counter the risk of equifinality. We use a 360° view of the implementation process as we incorporate decision-makers at the top level, business leaders at the next level and implementers on a one-to-one basis. In order to get a comprehensive view of cultural dynamics, we include three levels of players to in our sample:

- the top level management team who defined the plan for merger execution
- the country and practice leaders making up the Global Leadership Team who translated the plan in operational terms
- the managers of the Back Office Functions (Marketing, IT, HR and Knowledge Management) who implemented the plan.

This sampling enables us to circumvent the equifinality while enabling us to reach a certain degree of homogeneity: the people we interviewed are former management consultants - the management team is made of former consultants who climbed up the corporate ladder, the global leadership team is made of former consultants who were appointed to management positions; the back-office functions are managed by former consultants - we were able to interview respondents with similar educational background and experience track whose added value resides in the intellectual resources and expertise brought to clients, a feature that characterizes the professional culture of the knowledge-intensive industry to which the new

organization pertains. This justification reminds us that we focus on the knowledge-intensive industry: such a field is likely to provide more sophisticated analyses of cultural dynamics as knowledge transfer and creation are 'routine' activities in the consultancy world. Hence we assume a superior level of expertise in change management and cultural change on the part of organizational actors.

Finally, the choice of a cross-border merger and not acquisition is particularly relevant to answer questions of cultural dynamics. A merger is a collaborative marriage or merger of equals: how different organizational actors located in different national contexts conduct a cross-border merger integration process should exit power issues and focus on cross-cultural win-win situations or synergies as a mediating mechanism of the link between culture and performance.

The sequence studied is the window between the launch of the merger (01/01/2011) and spring 2013, that is to say a two-year and a half integration sequence which fits the average one-to-three-year lapse of time that literature allocates to integration implementation: all interviews took place between April and June 2013, an adequate time span in line with most estimates of temporal homogeneity that gives consistency to our data. The case at stake gives the opportunity of a multi-dimensional and multi-level study of a two-year and a half integration sequence. In summary, this multi-dimensional approach takes into account multiple levels of culture and business interventions to better apprehend the cultural dynamics process and guard against single-level approaches that may be biased. We explore cultural dynamics on both sides from a functional perspective, investigating marketing, information technology, human resource and knowledge management functions. We also examine cultural differences from a business perspective in cross-sectioning geographic and expertise fields as country leaders' and practice leaders' views are compared and contrasted. The multi-level approach considers 3 different decision-making and operating levels: executive committee, global leadership team and functional heads. We inquire into the interaction between top and global management teams; we also delve into top management interaction with functional divisions and, through these observations, we look at the interaction of the new organization with the environment, as influential forces shaping merger integration effectiveness or lack of it. A specific analysis of one fully-merged business team that combines multi-dimensional (country and practice) and multi-level focus (practice leader, country leader, consultant) is carried out to better outline cultural integration challenges and again limit potential bias.

Credibility is met in several ways. First this 'inquiry from the inside' (Evered and Louis, 1981) is substantiated by an inquiry from the outside. Other consultancies and practitioners'

literature on cross-border M&A and testimonials by experts in the field of cross-border merger integration are used to corroborate the findings of the study. Second, in conducting this multi-level, multi-dimensional study, we organize and structure our material in independent series or matrices. Confirmability is obtained by linking independent series together (Dumez, 2013). Findings obtained by one series are validated if confirmed by another independent series. A first series gathers the narrations of the mixed top management team, a second series is organized around the testimonials given by the global leadership team who assists and reports to the top management team and a third series is structured around functional leaders' narrative processes (table 11). The multi-level and multi-dimensional approach confers credibility and confirmability to our study as independent series deliver comparable findings.

SERIES /MATRICES	US	FRANCE
Multi-level (3)	Top management team Global leadership team Back office team	Top management team Global leadership team Back-office team
Multi-dimensional (4)	Marketing HR IT	Marketing HR IT Knowledge Management
Merged practice (3 levels of hierarchy)	Top management team	Practice leader + consultant

Table 11: Series used in embedded design

In line with Gertsen et al (1998) and Kleppesto (1998), we contend that research on culture in international management is contextually sensitive. Due to the nature of culture as social construction, one cannot make cultural analyses whose results can be applied in the form of general guidelines or recipes for managers. Therefore, our research is neither normative nor prognostic. However, considering the methodological features of the research that prevent from the risks of abstract actors (thick description), circularity (inductive and abductive processes) and equifinality (multiple series), we are able to generate findings that may be transferrable to other contexts and situational combinations. These findings are processual drivers of integration as well as enabling conditions under which smoother integration proceeds. Considering "cultural complexity and the relational approach to culture that suggest that every individual embodies a unique combination of personal, cultural and social experiences" (Soderberg & Holden, 2002, p.112), we argue that the outcome of collaboration and integration processes in M&A cannot be predicted: however, one can provide an environment (Mitleton-Kelly, 2003) which facilitates cultural constructions and smooth integration.

CHAPTER 5 - CASE STUDY

No adequate case study opportunity presented itself spontaneously in the course of our theoretical research process. Once our literature review was achieved and the main themes for our research had been identified, we started looking for a cross-border M&A case to match our research question. We insisted on finding a merger case to get rid of acquisition bias and power issues. We established contacts with large entities through networking with colleagues and experts in cross-cultural management integration and found ourselves faced with 2 main obstacles. The first obstacle deals with confidentiality: investigating merger processes inevitably gives access to very sensitive data that organizations are not willing to convey. Several times, we ran up against organizational actors' unwillingness to release such sensitive information: to preserve the confidentiality of our sources, we are not disclosing them. We must nevertheless confess that these organizations had not been particularly successful in integration. The second obstacle was one of 'can-do' attitude: the organizations contacted replied that they had overcome cultural differences and did not consider the research topic relevant to their needs, as in the case of the European AIRBUS consortium.

We again resorted to networking, this time with alumni of the business school we worked at and were able to shortlist a number of cross-border merged M&A at which alumni were employed. The choice of a management consulting company was made after several preliminary interviews with other actors from other fields of industry such as telecommunications services, plastic transformation or waste treatment. As previously mentioned, a management consulting company was deemed suitable for our aim of elaborating extant exploration of the influence of culture on integration outcomes, as a consulting company operates in a knowledge-intensive industry where knowledge transfer and knowledge creation are key capabilities needed in sustaining growth and performance. Again, we assumed that faced with such a profound change in organizational life as a merger, management consulting companies were better equipped to deal with it as their daily routine business was transfer and creation of knowledge. A research protocol was established and presented to the consulting company through one of its representatives. The consulting company expressed their interest in the researcher's exploration of the cultural integration process and the knowledge creation that could result from it.

The research protocol was validated by the top management team and supplemented with a list of potential respondents to suit the purpose of the study. The final list of respondents which was agreed upon included an equal representation of informants from each of the

merged entity at 3 levels of of decision-making and implementation responsibility in relation to the merger.

The following development gives a brief description of the case, and outlines the way data was gathered and processed. After a presentation of the data collection and processing phases, we provide a thick description of the case.

5.1. DATA COLLECTION AND ANALYSIS

5.1.1. Brief case presentation

The case study under investigation is that of a merger between two management consulting firms, a French consulting firm and an American consulting firm, with different areas of expertise but one at the time of the merger. Both management consulting firms belong to the same organization which is an umbrella firm for management consulting organizations based in the UK and quoted on the London Stock Exchange. The umbrella firm acquires the two organizations respectively in 2006 and 2007. The merger is initiated by the holding company with the approval of both management teams. The new organization is a large consulting firm totaling 1600 staff, 66 % of whom come from the French organization. It is named XYZ in our study.

The merger takes place on January 1, 2011, two years after the initial planning decision of January 2009. Because of the 2008 financial crisis, the merger has been postponed and the delay in implementation is taken advantage of to start planning for integration execution. The merger makes sense for several reasons:

- The crisis has hit one of the firms more seriously which needs boosting
- Management consulting expertise is complementary between the two entities; there is only one minor overlap area
- Geographic scope is complementary between the two entities

Although these arguments are all clearly in favor of a combination, there remain differences between the 2 firms:

- One was founded in 2003, is headquartered in France with offices in the USA, Belgium, Luxemburg and Switzerland and delivers value for a wide variety of clients in many fields of expertise. It is named YYY in our study.
- The other was founded in 1935, is headquartered in the USA with offices in France, Germany, the UK and Japan and delivers value for clients operating in a major field of expertise. In addition to this overarching practice, there are 2 other fields of expertise. It is named XXX in our study.

A new management team is formed with an equal number of US/French representatives: an Executive Committee is set up and meets regularly, assisted by a Global Leadership Team.

The new management team is aware of the challenges raised by merging two organizational and human systems located in different national and organizational settings and ready to take them up.

Anticipated synergies are:

- Operational with economies of scale through the combination of back office functions
- Market with broader geographic scope making it possible to tap into reciprocal markets and address new outlets
- Customer with combined client base through combined client offer
- Organizational with knowledge combination to sustain competitive advantage

5.1.2. Data collection

Our case-study approach follows structural and methodological elements of other case studies of cultural dynamics in the field of joint ventures and M&A (Brannen and Salk, 2000, Clausen, 2007, Yagi and Kleinberg, 2011). In the phase of preparation and conception, we conducted a comprehensive documentary study in order to understand the combining organizations, their field of expertise and the broader consulting world. A full press review on the merger was put together to complement internal corporate literature. We sampled 17 respondents to reflect different management roles in the 2 entities plus 2 external actors who had been involved in the communication of the merger at an early stage. The composition of the sample is summarized in table 12: it defines sample attributes in terms of national as well as organizational origins and positions in the company. The collection of primary data was obtained through semi-structured interviews with 19 informants in total. Secondary data in the form of corporate literature and press releases was collected to gather information on the history of the two organizations, the history of the merger until the official announcement, the official communication campaign that followed up on the announcement and operations between January 2011 and June 2013.

We apprehended the steps taken to combine two cultural systems as perceived, experienced and narrated by organizational actors at 3 levels of interaction. In the organization's structure, the back-office functional managers report to the top management team who is assisted by the global leadership team. The global leadership team also reports to the top management team while assisting them in making decisions. The merged practice based in France gave us the opportunity to inquire into 3 hierarchical levels: we interviewed the global leader, a US

national and member of the Top Executive Team, the French leader hired by the US organization, a French national, and a consultant recruited shortly before the merger, also a French national.

Inside the new entity	Respondents from XXX organization		Respondents from YYY organization		*Totall*
Features	National culture	Number	National culture	Number	TOTAL
Top management team	US	2	F	2	4
Global leadership team	US	2	F	2	4
Back-office function leaders	US	3	F	4	7
Merged retail practice	F	2			2
		9		8	17
Outside the new entity	US	+Marketing and design specialist	F	+ Former communications officer	2
Total					19

Table 12: Composition of the sample

We devised an interview guide incorporating 3 main topics to suit our research objectives:

- (1) How two consulting companies coming from different national and organizational cultures apprehend an M&A integration process: this topic aimed at unveiling perceptions of merger relevance and acceptance
- (2) What steps are taken towards integrating the new organization: this topic aimed at describing the processes by which integration was initiated and/or achieved
- (3) How synergies are generated and tensions overcome in the context of business challenges and long-term growth: this topic aimed at assessing the outcomes of integration.

The questions on the interview protocol are listed in appendix 1.

Interviews focused on (1) the perceptions of the merger by the respondents, (2) the steps taken to merge the two entities and (3) the outcomes of the merger at the time of the interviews. We intentionally concentrated on the merger integration process to elicit narratives of how the process unfolded, what opportunities arose, what pitfalls were avoided in order for drivers and inhibitors of cultural dynamics to emerge through these ex-post accounts of the process.

Excluding references to culture in the interview process enabled us to better put our research question in perspective (Dumez, 2013).We did not directly question respondents' perceptions

of different national and organizational cultures and did not explicitly ask respondents to describe cultural differences unless the subject of differences in culture was brought up by respondents themselves. Again, as previously mentioned, culture systems are internalized and do not surface until they are confronted with other cultural systems. Therefore, questions related to cultural differences were asked indirectly in relation to specific events unless mention of culture was made explicitly. 17 people were interviewed inside the new organization reflecting parity at each management level:

- 4 people from the top management team (2 US and 2 French)
- 4 people from the global leadership team (2 US and 2 French)
- 7 people from the back-office functions (3 US and 3 French) plus the Head of the Knowledge Management department which had already merged on Day 1 of the combination
- 2 additional people in the overlap practice area and 3 in total (all previously reported to the US organization – 1 was the US practice leader included the top management team, 2 were already based in France, one is the new practice leader for France, one is a consultant).

Outside the combined organization, 2 interviews were conducted with communication experts: one artistic director in charge of designing the communication campaign and one communication officer who seized a job opportunity and left the company after implementing the communication plan. These 2 interviews complemented the narratives of the marketing experts. Each level of actors was addressed on a one-to-one basis. One US member and one French member were interviewed at each level of the merger hierarchy: top management, global leadership and back-office, except for the Knowledge Management Function which had merged shortly after the official merger announcement. Focusing on how the merger process was made sense of, conducted and evaluated at different hierarchical levels and in different functional spheres gives more credibility to our findings. We were able to have a 360° view of the merger process decision-making and implementation as both line, staff as well as line-and-staff relationships were investigated.We extended this analysis to the overlap area reported in one field of expertise; a practice common to both former organizations merged in the French office and we were able to interview the overall practice leader, the practice leader based in France and a consultant to complement our multi-level approach.

Data collection was conducted in the native language of the interviewees as the researcher is bilingual and able to switch from one linguistic frame to the other. Interviews were conducted in English with the US entity's key informants. Although English is the official merger

language which most French respondents were willing to use, interviews were conducted in French to avoid any inaccuracies or lack of confidence with English and better decipher constructions and interpretations.

Interviews were held face-to-face in the Paris offices with 2 of the top executives: one French and one US. All other interviews were conducted over the telephone as half of the respondents were spread around the world and it was not feasible to have a physical meeting. Interviews lasted 60 minutes on average and were recorded and transcribed extensively for a total of approximately 140 pages and 83,336 words (records are provided in Appendices). All respondents agreed to have their answers recorded.

5.1.3. Data processing and analysis

We first listened again and again to the interview recordings to better apprehend the material under investigation and read and re-read all the transcriptions: this is what Dumez calls (2013) "floating or gliding attention" which enables the researcher to grasp the material at hand and avoid translating this material into pre-existing categories. Floating or gliding attention prevents from the risk of circularity by facilitating the emergence of new categories. Our attention was drawn to the importance of the business case, the many implicit references to culture and the complexity of the integration process in its change management component. From this first rehearsal stage, we made several decisions for data analysis. First in order to prevent from the risk of 'abstract actors' (Dumez 2013) and provide a thick description of our case study, we investigated each of the chronological steps included in our research protocol to better account for the progress of cultural dynamics. In this process, we were keen on unveiling perceptions of merger relevance and on finding out how these perceptions evolved in different cultural spheres throughout integration. Second, the double-edged sword of culture in integration was evidently under examination and our aim was to understand how the negative and positive implications of culture collided and what leveraging mechanisms were used to advance integration. That is why we turned our attention to the specific mechanisms used to overcome tensions and laid the stress on the cultural drivers of cross-border M&A integration while keeping track of cultural integration inhibitors. At the same time, in line with the multiple cultures perspective, we were able to identify several levels of culture at play in integration. Third in singling out the cultural drivers of cross-border M&A integration, we remained attentive to the other factors that conditioned integration effectiveness and unveiled enabling conditions for smooth organizational and sociocultural integration to come about. This phase enabled us to identify several criteria that together

confirm the tenets of the intergroup contact theory that was first elaborated in the context of interracial relations.

We used the most recent version of NVivo to support our data analysis: NVivo is software for textual analysis that allows researchers to code interview transcripts and analyze the frequency and degree of agreement in the topics and themes brought up and discussed by informants referred to as nodes. It also allows for the drawing of hierarchical trees of themes and concepts which enables the researcher to reduce the number of themes into general categories. We first transcribed our interview data and coded them manually first. We then cleaned them for transfer to the software and proceeded to multi-thematic coding. Thematic content coding began with assigning quotes to each stage of the merger integration process to better understand pre-merger conditions, phasing and execution outcomes and to write a thick case description. These codes were first very descriptive and close to the interview data. They were then sorted into related meaningful themes or categories to better apprehend the integration process (table 13).

Stages in the merger process	Number of quotes	Number of nodes
Pre-merger conditions	40	2
Merger integration	156	9
Merger outcomes	95	6

Table 13: Coding stages in the merger process

We carried out the coding process several times at different times of the data analysis. The second phase continued with assigning quotes to drivers and inhibitors of integration in order to delineate factors of effective cultural combination. All documents were revisited and coded and specific mechanisms were identified which we defined as likely to facilitate cultural integration: they were sorted out in 3 different categories: psychological, managerial, sociocultural. This phase also enabled us to uncover inhibitors of integration along the same line (table 14).

Integration mechanisms	Number of quotes	Number of nodes
Drivers of integration	139	19
Inhibitors of integration	159	16

Table 14: Coding drivers and inhibitors of integration

In the third phase of our coding, we identified levels of culture that had been explicitly or implicitly referred to: examining references to different culture levels enabled us to

characterize the relative importance of different culture spheres in the interplay between them (table 15).

Levels of culture	Number of quotes	Number of nodes
Professional culture	13	2
Organizational culture	44	1
National culture	36	1

Table 15: Coding levels of culture

The analysis allowed to identify relationships between nodes and provided visual representations of clusters of nodes which helped in categorizing the case. IN VIVO made it possible to quantify the material collected in terms of number of quotes and word queries. Culture ranked first on the word query that we ran, which confirmed the importance of the culture concept in our study. Second in order of importance were quotes which pointed at facilitating or impeding factors of integration. We were also able to isolate organizational actors who with the most comprehensive number of 'facilitating' quotes positioned themselves as 'boundary spanners', able to navigate in and out of different cultural spheres. The resulting inferences contributed to showing the relevance of addressing cultural dynamics: it is not cultural differences per se but the way cultural differences are addressed and managed that impedes or enhances M&A integration effectiveness together with other enabling conditions. Without underassessing the interplay between cultural issues and integration, we were also able to point out that the management of cultural differences is contingent on quality of execution which itself relies on capabilities and interventions in line with the business case. Before we set out to describe the findings of our research, we provide a thick description of our case study in line with our qualitative methodology.

5.2. THICK CASE DESCRIPTION

5.2.1. Initial merger conditions

The merger is officially announced on January 1, 2011. Time is ripe for a combination as adequate complementarity has been assessed in terms of management consulting expertise and geographic market scope and the crisis has hit one of the firms more seriously. The French organization, headquartered in France with offices in the US, Belgium, Luxemburg and Switzerland, delivers value for a wide variety of clients in many fields of expertise; it describes itself as a *generalist* with 15 practices. The US organization, headquartered in the US with offices in France, Germany, the UK and Japan, delivers value in one main field of

expertise which is retail; it describes itself as a *specialist.* In addition to this overarching practice, there are 2 other fields of expertise (healthcare and information systems). Hopes for a bright future are expressed and associated with the new challenges the combined organization is going to take up. The potential for future business synergies is unanimously emphasized and the merger is seen as an asset for future growth prospects associated with complementary geographic overlay. The merger decision makes sense and there is strong support for the business case across the board:

> *On a vu qu'il y avait de bonnes complémentarités aussi bien en termes d'offre qu'en termes de géographie et c'est ce qui a fait qu'on a vite été persuadés que 1+1 pouvait faire plus que 2 (French top executive).*

> *I think that on paper the synergy of geography as well as services was very strong for the merger. In principle, the merger of two similar type consulting companies giving us a really well-balanced global presence, I think, made absolute sense (US top executive).*

The US entity's powerbase is in America with relatively subscale offices elsewhere and the French entity's powerbase is in France with relatively subscale operations elsewhere. Growth prospects are anticipated on account of simplicity of integration as there are small offices from each entity on each side of the Atlantic: the US entity has a small retail practice in France and the French entity has a team of consultants in finance based in New York City. Simplicity of execution is justified by limited overlap in terms of expertise and geography:

> *There was not a lot of overlap which made the sort of the nuts and bolts of the merger pretty simple (US member of GLT- country leader)*

The 2 sister organizations belong to the same group and have known each other for a couple of years. The merger is described as a welcomed, friendly operation whose organizational challenges are not jeopardized by feelings of hostility. This merger is not a financial transaction either: it is pictured as a reorganization which defuses potential tensions. Increased business potential is anticipated in terms of client and geographic synergies. The merged entity has access to a more global offering:

> *If you look at it, it almost fits together; together we are one truly global powerful firm but from that standpoint, it made perfect sense"*
> *(US practice leader).*

It shapes a new value proposition supported by a global vision:

> *We want to be the world's leading experts within the industries in*
> *which we choose (Internet site).*

The merger extends the new organization's playground. With a very strong French entity in Europe and a very strong base in the US and a presence in Asia–Pacific, the new organization reaches out to the world's main business arenas. By the same token, the merger makes the organization a stronger business able to level off economic fluctuations. It allows the new entity to offer a wider range of services across different sectors and balance downward business trends in either practices or geographies:

> *Cela permet d'avoir au niveau corporate un business plus équilibré et*
> *d'amortir les crises (French top executive).*

With the merger, there are anticipated back office efficiencies, reduced overheads and other economies of scale. At the individual level, this global perspective generates a lot of positive expectations about future career development prospects and pride in the new entity is an overarching feeling when it comes to describing the impact of the change resulting from the new organizational configuration. The merger is welcomed and wanted: business benefits are reported, assumed simplicity is voiced and extended global reach is seen as an asset for future individual and collective prospects. Positioning the new organization upscale and extending the geographical scope are overarching factors of merger acceptance. Global business benefits and customer synergies are predicted which elude references to the difficulties of integrating two cultural systems:

> *Aujourd'hui, le cabinet XYZ est dans le Gartner qui est notre*
> *Standard & Poor's dans le conseil. Donc c'est une fierté et on le doit*
> *notamment à la qualité de service reconnue des équipes retail aux*
> *USA pas uniquement mais principalement. Donc le fait de se*
> *positionner comme un égal de Mc Kinsey de façon très qualitative fait*
> *sens d'un point de vue stratégique (French back-office leader).*

However the challenge lies in adjusting two lines of business and combining two legacy cultures. Everyone is aware of the far-reaching implications that such a major organizational change entails as cultures and business models reflect different business histories. The US organization was founded in 1935 by a charismatic leader who gave his name to the organization. It is a well-known, well-established consultancy in the US and global markets and counts some 300 consultants in 2007 whereas the French organization is a much younger organization which was founded in 2003 through a Management Buyout and has been

consolidated to reach a capacity of 600 consultants by 2006. In 2013 the organization totals 1600 consultants, 2/3 are French (1100) and 1/3 is American (500).

5.2.2. Post-merger integration

Consolidate global offering and minimize inefficiency are the objectives set in integrating the two entities; they reflect the strategic intent behind the merger. The real merger process begins in Q2 of 2010 and the remainder of 2010 is devoted to planning. After the official merger announcement, the new organization chooses a name, logo and visual identity and shows a united front to the outside world.

A new name for the combined organization

The new organization takes the name of the founder of the former XXX organization minus the word Associates (which removes one letter from its acronym). Considering the anticipated global reach of the new company, the reputation and seniority of the US name on the world scene settles the debate on name change. The new name is well-known across America and Asia-Pacific and is a real asset to consolidate the former French organization's international activities:

> *Très vite, le choix de la marque s'est imposé. La marque XXX était très connue dans le monde. La marque YYY était très connue en France (French back-office leader).*

The former US organization bears a quality excellence reputation which, with the merger, automatically extends to the whole organization:

> *Il suffisait de dire : vous connaissez la qualité de conseil XXX dans le retail. C'est la même dans la banque, dans l'assurance, donc vraiment plus facile à gérer (French back-office leader).*

Brand attraction activates operational integration and reflects the eagerness with which both management and functional teams want to merge.

Corporate Structure and Governance

The new organization's territory is broken down into geographies and practices. Two geographic territories are defined, America and Asia-Pacific on the one hand and Europe, Middle East and Africa on the other hand. Three practices – CG (Consumer Group), CIO (Chief Information Officer) Advisory and GFS (Global Financial Services)- are made global:

> *On a une organisation qui est mixte dans le sens où on a d'un côté les verticaux, ce qu'on appelle les verticaux, en fait, ce sont des équipes*

> *qui ont vocation à être managées de manière internationale (CG, CIO*
> *Advisory et GFS). Et puis il y a aussi le management par pays ou par*
> *plaque : la plaque Amérique du Nord + Asie Pacifique, et la plaque*
> *EMEA (French top executive).*

A dual business model is maintained which preserves the legacies of the former organizations. The need for a dual business model is substantiated by the nature of consulting activities in each country:

> *Within each country, you have specific practices that are unique to*
> *that country; healthcare in the US, in France, public sector, utilities,*
> *aerospace (US top executive).*

The new organizational structure is therefore a matrix structure combining horizontal (country) and vertical (global) divisions. The manager of EMEA rules over YYY legacy and an additional 2 XXX offices established in the UK and Germany while the manager of America-Asia-Pacific rules over XXX legacy plus one YYY office in the USA. In the case where countries and practices overlap, a dual reporting line is established. The new organization is led by an Executive Committee (EXCOM) assisted by a Global Leadership Team (GLT) made of country and practice leaders. The composition of the executive committee and the global leadership team, the two main governance bodies, reflects the balance of power wanted to comply with former legacies: there is one French representative per each US representative on the executive committee:

> *There was representation from both sides at the most senior level. I*
> *was part of a small group of people who led that process. That was*
> *the structure (US top executive).*

The merger is a merger of equals.

Back-office functions

Each of the back-office functions is invited to combine their operations in order to serve the new organization's growth and profitability objectives and make economies of scale. Integration proceeds along a phased approach: Knowledge Management merges one month after the official announcement. Human Resources departments start operating together in 2011, Information Technology functions are harmonized in 2012 and marketing converges in 2013. The tools needed to facilitate operations management from the inside are combined first. Knowledge Management (KM) has been anticipated as knowledge content and methods are the organization's core business. Some Information Technology (IT) operations have also

been shared as information technology drives the implementation of a common operating system needed for cooperation. The people side is addressed by human resources management (HRM) who starts harmonizing evaluation, promotion and recruitment processes after the official merger announcement. The marketing function attends to the process from the outside: how to best convey the brand and the image of the new entity to the outside world points to issues of common corporate communications. Merging back-office functions is a major challenge in providing momentum to business operations: it involves integrating one function per year.

Marketing

The marketing department keeps its initial country structure from January 2011 until April 2013. Marketing executives on both sides engage in a conversation about merging marketing services; after adopting the new name, the new logo and implementing the new Internet site, the two sides start thinking about global reach:

> *Le marketing n'a pas été coordonné de façon officielle depuis la fusion : on se parle, il n'y a pas de problème, mais il n'y a pas un leadership opérationnel qui commande à droite ou à gauche. Ma collègue américaine devient globale à compter d'avril 2013 (French back-office leader).*

The French side takes the leadership on the choice of a new name: a consultation process is initiated which leads to the adoption of a shortened version of the US name. The creation of the logo follows suit and blends the former legacies' symbols (a star and a diamond) in a new visual symbolizing top quality consulting expertise which is displayed on the common website and advertising material. The two marketing executives jointly supervise corporate communications campaigns and resolve global issues. From April 2013 onwards, the US marketing executive is assigned to global leadership and the French marketing executive takes responsibility for Europe, Africa and the Middle East. The next challenge is the definition of a baseline for the new organization.

Human Resources Management

Reshaping the Human Resources organization falls under the sponsorship of two executives on each side of the Atlantic. Since there are very distinct processes in terms of human resource management administrative constraints, working language and labour law on each side of the Atlantic, integration is limited to those processes that can be harmonized across the board. The need for benchmarking global competencies leads to the coordination of

performance review criteria and promotion processes:

> *Performance review criteria are the same today from consultant to partner; it is one global criterion and that was accomplished fairly quickly. The process is similar in terms of the promotion processes: there are some new answers (US back-office leader).*

Recruiting and career development processes are harmonized too. As far as training is concerned, work regulations keep processes apart. A common Enterprise Resource Planning system is adopted which is implemented to ease administrative HR management and reporting. Work in progress includes similarities in titles and levels as well as job definition and compensation. Talent acquisition and other global systems still need to be coordinated as they involve cross-functional examination. Only after a common foundation for Human Resource Management has been built can the new organization address new challenges such as international rankings or common projects such as Great Place to Work rankings.

Information Technology

In the new organization, the US leader is appointed to global reporting and each of the IT leaders supervises a different geographical area: the French IT leader is in charge of EMEA (Europe, Middle East and Africa) and the US leader is in charge of the USA/Pacific area. Although IT redesign is undertaken in common, autonomy is kept on both sides. The French and American executives continue to manage IT teams independently in Europe and the US. Execution is planned in 3 phases. The IT departments' top priority is to make sure that the new organization is a one-brand company. Phase 1 has provided organizational members with information and communication technologies for external facing, enabling everyone to communicate throughout the organization through common e-mails and templates. Phase 2 is aimed at creating synergies with common streams in an environment where two models are coexisting: indeed the French model is outsourced whereas the US model is insourced. The new organization adopts the French Enterprise Resource Planning system to serve the new organization's objectives. Work in progress includes exploring potential technical synergies in infrastructure architecture such as networks and accounting systems. Half way through 2013, 80% of the second phase has been accomplished.The team is still working on implementing an active directory and merging the e-mail system:

> *Until you have the same architecture, that can be applications, or technology, without a common solution, it is difficult to have a common organization (US back-office leader).*

Phase 3 will follow suit. It should bring about consolidated systems with a new organization to match operations:

> On Jan. 1 2014 we are all on the accounting system so we will announce a new organization where IT is supporting this one accounting system (US back-office leader).

Knowledge Management

The Knowledge Management Function is the only function that has merged. The new department is broken down in 2 divisions: one is research and deals with external data; the other is knowledge and deals with internal data. The former US leader deals with the internal division. The French leader supervises the external division and holds responsibility for the whole Research and Knowledge department who takes care of knowledge transfer to all the offices in all the countries. When the merger was first anticipated (2 years before the actual announcement), the department heads started working together on defining the new organization: they drew up a common organization chart, wrote the profiles of the team members and established a common skills framework; to bridge the gap between competency profile and skills, they provided for subsequent intensive training. Then they started working on harmonizing processes and operating modes. When the merger was announced to executives in April 2010, they spent 9 months finalizing the department's alignment with the new organization, scheduling a monthly meeting to share resources, streamlining the resource portfolio and renegotiating international partnership contracts. The name of the department was changed into Knowledge and Research to enact the new department's identity. 6 weeks after the merger announcement, the Knowledge Department was in place and operational.

Since its merger, the knowledge department has provided the necessary tools for divisions to sustain value creation.

Business operations

Most consulting divisions have continued operating from their geographical base as local divisions serve local clients.The only team that physically merges is the US Consumer Group (retail) team based in France who joins the French headquarters right after the merger**.** The US legacy specialist practice characterized by its niche, innovation-tinted DNA is brought into contact with a generalist practice delivering transformational projects to energy, automobile, luxury and retail clients. Continuity is enacted in dual reporting lines, reflecting the coexistence of the two former organizational legacies. The retail unit has been

administratively incorporated into the French country division but has kept its US operating mode and business practices:

> *En France, on est complètement rattachés à la France (salaires, promotion) mais les Américains ont toujours cherché à garder une indépendance assez marquée dans le business (French leader of merged practice).*

Management duality suffers some departures but the XXX-legacy team based in France manages to retain most talent. A new leader for the merged entity is appointed to manage the post-merger transition. The merged unit incorporates consultants from the ex-XXX business and from the ex-YYY practice and names itself the Consumer Goods practice to symbolize change in continuity, a name that is slightly different from the American label of Consumer Group but bears the same initials. Business operations proceed in the merged unit totalling 40 consultants operating in the retail industry in France. The Consumer Group is one of the 3 global practices which have been identified as having global growth potential and are managed globally.These three global practices concentrate most of the interaction: CG (Consumer Group), CIO (Chief Information Officer) Advisory and GFS (Global Financial Services) intersect to trigger cross-industry and cross-border synergies. Their global reach contrasts with the local features of most other practices as these have been developed from a local customer base in one specific territory or geography. As the deal not only foresees extension but multiplication of client base, management encourages inter-consultancy exchanges and collaboration. Teams continue to deliver value for their customers in the specific territories or geographies where they operate while considering forming new capabilities through knowledge cross-fertilization.

5.2.3. Merger outcomes

After two years and three quarters after the official merger announcement, the new organization expresses satisfaction in terms of business, customer and branding synergies. There has been no value destruction in spite of the economic downturn: on the opposite, value has been created through cross-fertilization of business expertise and cross-country collaboration. The new entity is able to reap the rewards from geographic and business expertise complementarities. It has successfully navigated through the crisis. By onboarding former YYY and former XXX the new organizational entity has widened its horizons, consolidated business offering and gained access to the top tier of professional consultancy

firms. The merger has broadened the scope of the business in each of the countries or markets addressed:

> *Le plus, il est en rayonnement, en taille, en exploitation. On est 1600 personnes. Le fait qu'on ait maintenant 300 personnes aux USA, c'est un vrai plus. Cela nous a permis, rationalisation, économies d'échelle, une seule marque… une culture économique… (French back-office leader)*

In increasing the size and reach of the business and adding the quality reputation of the brand, the new entity has gained access to the top tier of management consultancy and ranks in the Magic Quadrant of the Gartner:

> *XXX, sans cette fusion, ne rentrait pas dans le Gartner. Et nous, sans XXX, on ne rentrait pas dans le Gartner, c'est bien XYZ, le nouvel ensemble, qui rentre dans le Gartner. Donc tout le monde y gagne (French back-office leader).*

The new organization is better positioned. It has been moved upwards the consulting scale between the strategy and the management consultancy business lines:

> *XXX était plutôt vraiment très, très en amont sur des domaines stratégiques, vraiment, le Mc Kinsey, le BCG, le Bain du Retail ou du Healthcare, si j'ose dire, aux USA. Alors que finalement, YYY, à la base, c'est la spinoff d'un grand cabinet de conseil français, donc c'est plutôt du management consulting (French member of GLT – country leader).*

The effects on upscale positioning of the former French entity are immediate. The merger has given the opportunity to mix consulting expertise and to address the same clients from different functional perspectives. Such knowledge combination has resulted in market share gains for the new entity. There has been value creation through cooperation between practices leading to the building of new global capabilities, both in terms of customer base and geography. Economies of scale have been made in most back-office functions with tremendous savings on overheads. The merger has enabled the 2 entities to offset the economic downturn in the retail sector; in spite of unfavorable economic conditions, the merger is successful because it has not destroyed value. Value has not been destroyed because there has not been intense friction either. Complementary geographies and fields of expertise have accounted for limited, thus smooth integration. The new business has consolidated its strengths mixing local and global reach. Traditionally business synergies have been limited to

geographic territories. With the merger, synergies cross borders; cross-fertilization of knowledge results in enriched geographic customer base and business rewards. After 2 years and 3 quarters, the merger is deemed successful although integration may not be fully over:

> *We have successfully brought together two groups that are co-existing. Would I say that we are completely integrated? I would not; I still think there is continual work to do but I think we are on the right path and we are not there yet (US top executive).*

The reasons why integration has taken longer to achieve are addressed in the following chapter.

CHAPTER 6 – FINDINGS AND DISCUSSION

A relevant analysis of cultural dynamics must incorporate the various mechanisms that contribute to integration and condition integration effectiveness. As previously indicated, effective cultural dynamics stems from managing the positive and negative implications of cultural systems in interaction (Blanchot, 2008). Considering that culture has the potential for both synergy and disruption (Morosini, 1998), an investigation into cultural interaction brings valuable data on the culture-performance relationship.We therefore provide an extensive, contextual analysis of the dynamics of culture. We then identify drivers and inhibitors of the integration process and develop the concept of cultural value chain. In line with the multiple cultures perspective developed in our literature review, we eventually probe into the multidimensional nature of cultural representations and expand on the knowledge perspective on culture.We evidence the fact that organizational cultures encompasse the main challenges the combining organizations have to take up and concentrate most of the negatives.We provide support for apprehending cultures as knowledge systems through a mutual learning process: respondents substantiate objective culture in the form of processes and systems that are endorsed by subjective culture; subjective culture encompasses the processes and systems that have been engineered throughout corporate history to generate success. They are embedded in different environments and conditioned by different mindsets.We find that apprehending cultures as knowledge systems helps defuse tensions and soothe cultural resistance. It implies moving from an emotional value-laden approach to a more objective content-based approach.

6.1. CULTURAL INTEGRATION

In order to understand how two organizations with different national and organizational cultures combine assets to sustain organizational performance, we first provide an account of

the perceptual measures of integration effectiveness. We examine integration effectiveness as a starting-point for a more in-depth analysis of the integration mechanisms and phasing aimed at bridging cultural differences.

6.1.1. Integration effectiveness

Integration effectiveness has been assessed across the board using the criteria outlined in our literature review: knowledge transfer and resource sharing for organizational integration and shared identity and positive attitudes for sociocultural integration (Stahl & Voigt, 2008). Integration process performance also outlines best practices/capabilities transfer, talent retention and market and customer impact (Zollo & Meier, 2008).

We find double support for the dual, interdependent subprocesses of organizational and sociocultural integration: knowledge transfer and resource sharing have been instrumental in fostering shared identity and positive attitudes and shared identity and positive attitudes have been reported when knowledge transfer and resource sharing have been achieved (Bresman et al, 1999 ; Bjorkman et al, 2007; Birkinshaw et al, 2000). We find that organizational and sociocultural integration have been achieved in these areas where activities have been combined, that is to say, in global practices and back-office functions. In the case where two different organizations and business models have been kept coexisting, organizational and sociocultural impediments are reported: we find that dual identity and cultural ambiguity impair knowledge transfer and resource sharing which also point at the interdependency between organizational and sociocultural integration (Birkinshaw et al, 2000). We thus find support for the double-edged sword of culture: social identity (Tajfel, 1974; Tajfel & Turner, 1983) as well as the information-processing and decision-making perspective (Van Knippenberg & Shippers, 2007) and the organizational learning perspective (Vermeulen & Barkema, 2001) operate interdependently in integration. We find that the double-edged sword of change also influences integration speed and effectiveness. When change is viewed as an opportunity, it eases integration. When viewed as a threat, it taxes integration.

Our attention is drawn to the benefits of the knowledge exchange process which defuses fears of usurpation (Empson, 2011), a finding that has been evidenced in a previous paper on professional service firms. It is easier to overcome social categorization tensions when two-way knowledge transfer takes place. Our analysis of integration effectiveness points out the importance of mindful change management: in numerous instances we evidence the fact that in each entity to be combined, organizational change works best when perceived to be effected in both directions. Careful consideration of both legacies and cultures is shown to

result in win-win situations. However, perceptions of change may positively or negatively impact this process.

These findings corroborate the fact that effective integration, expressed as knowledge transfer, resource sharing, the feeling of a new identity and positive attitudes, creates value for the merged organization. We find that value creation is generated by means of interrelated business and branding synergies. Respondents insist that some value creation has resulted from formal transfer and some from informal transfer through networking, which evidences the multiple channels through which cultural dynamics may operate (Larsson & Lubatkin, 2001). We also find that value creation is impaired by dual identity and cultural ambiguity: the matrix structure is responsible for most of the negatives outlined in accounts of merging operations. Our study shows that to be successful, integration must combine institutionalization and internalization processes. Insitutionalization is the extent to which the new organization shows a united front to the outside world; it needs to be reinforced by merger internalization, the extent to which all members identify with the new entity.

6.1.1.1. Business synergies: value creation through two-way knowledge transfer and resource sharing

Business synergies are reported to have been generated in the areas of business that have been combined as well as in back-office functions. Most integration objectives have been reached: value has been created through synergies and complementarities between practices and countries. Talent retention has additionally been achieved because of complementarities and limited overlap.

Business synergies have resulted from formal, structural decisions.Three practices have been made global: they have been anticipated as having global reach and are managed globally or, in the new organization's corporate language, vertically. In these cases, the global synergies that have been predicted are underway and are translating into a wider client base. These synergies have resulted from knowledge cross-fertilization across global practices such as consumer goods and financial services in a two-way exchange of information serving business needs:

> *C'est des points sur lesquels on a fait des missions croisées ; ce n'était pas absolument évident mais ça a fini par se matérialiser et on a commencé à faire des synergies (French member of GLT – practice leader).*

Banking services have been offered to retail companies and conversely, retail services have

ben transferred to financial organizations: customer loyalty programs are one retail service that has been exported to the banking field. Knowledge combination has resulted in enriched geographic customer base and business rewards:

> *We have a large consumer client in Japan we sold multi-million dollars of work to last year that we never would have done if we had not had some of the other entity's resources and experience. That would have been revenue that would not happened at all because XXX did not have the capabilities and YYY did not have the contacts (US member of GLT –country leader).*

The combined and cross-fertilized knowledge underlies and promotes business deals which are the engine of growth: thanks to two-way knowledge transfer, new business opportunities have been seized, knowledge has been combined and cooperation on large-scale projects has intensified.

Business synergies have also resulted from informal contact across global practices. In some other cases, there have been random, unprompted synergies between practices across countries as a result of business inquiries into emerging needs:

> *We kind of hopped upon them by chance. We kind of missed some big opportunities because if I tell you that in the last year, we had major, major wins with clients where my French partners and colleagues contributed to that, yet it was only by chance that we found out who they were and how they existed (US member of GLT – country leader).*

Inside global practices, some practice leaders have had to overcome fears of usurpation (Empson, 2001) in cross-country collaboration. The potentially adverse effects of initial resistance and us versus them attitudes (Tajfel, 1974; Tajfel and Turner, 1982) linked to business overlap have eventually been counterbalanced by mutual benefits. Fears of usurpation are overridden when multi-country collaboration translates into win-win situations:

> *Faire intervenir l'experte allemande du textile sur mon territoire, je me dis ca va être bien, je vais gagner un dossier mais derrière est-ce qu'elle ne va pas tout me piquer sur mon territoire…Donc j'ai plutôt mené ces terrains-là, mais oui, ça paye, ça paye de travailler en collaboration (French practice leader).*

Economies of scale have been made in most back-office functions through resource combination rather than elimination, which explain why downsizing has been limited. Economies of scale have been engineered by redeploying cross-border teams, providing

inventive solutions instead of reducing headcount: teams have been redesigned to generate mutual cost benefits, a counter-intuitive phenomenon that sheds new light on issues of cost-effectiveness in international mergers. In other words, cooperation between IT departments has enabled the new entity to make substantial cost savings in exploiting the knowledge capabilities of the global team. Instead of outsourcing IT tasks, the French branch is now able to leverage US internal capabilities: we draw careful attention to the extent of innovativeness demonstrated in this particular case by back-office leaders matching organizational with human concerns. It is a model for back-office functions to follow when involved in cross-border M&A. These creative solutions in meeting business and users' needs combine economies of scale with quality of service, viewed as additional successes:

> *The mission of ours is to meet the business goals as effectively as we can. The bottom line is at a good cost. The measure is that customer service will go up and cost will go down: that is the measurement of success (top US executive).*

Value creation has been engendered by savings made on overheads, premises and back-office functions in all countries and practices. We find that organizational synergies result in mutual wins when changes are effected in both directions:

> *The teams are working well together; there are some functions that have been made globally operating out of France, some out of the US; organizational transformation has been effected in both directions which explains that cooperation is smooth (US back-office leader).*

In sharing resources, executives acknowledge that they have been careful enough to take into consideration both legacies and focus on the effective solutions born from the assessment and combination of the better practices.

> *We have been very careful to make sure that the opinions from the legacy firms come through and frankly we have gotten rid of some of the bad things and we have combined some of the better answers (US back-office leader).*

In summary, business synergies are the outcome of effective organizational and sociocultural integration: two-way knowledge combination and cross-fertilization, mindful cooperation and creative solutions have resulted from formal and informal interactions taking into account both legacies and effecting changes in both directions.

6.1.1.2. Branding synergies: value creation through a new identity and positive attitudes

In addition to business synergies, value has been derived from moving the new organization upwards between the strategy and the management consultancy business lines. Perceptions of relative standing (Very, 1996) about the new organization complement positive attitudes. The transformation of two entities into one global upscale organization has been driven by the marketing function in implementing the phased approach that has led to the adoption of the new name: a large-scale consultation campaign has been conducted that has reached out to all organizational members concerned by the change. The adoption of the new name has not only translated into branding synergies but also with organizational members' overall identification with the new organization. By onboarding former YYY and former XXX entities, the new organizational entity gains access to the top tier of professional consultancy firms. In gaining access to the top tier of management consultancy, the former YYY entity gets into the Gartner ranking. It is a sweepstake and the winner gets it all. The winner is the merged organization:

> *XXX, sans cette fusion, ne rentrait pas dans le Gartner. Et nous, sans XXX, on ne rentrait pas dans le Gartner, c'est bien XYZ, le nouvel ensemble, qui rentre dans le Gartner. Donc tout le monde y gagne (French back-office leader).*

Uspcale positioning translates into increased business: the new name has generated more business and contributed to the better health of the company both in Europe and the USA:

> *Le nom XYZ a généré plus de business et a fait que YYY en Europe en tous cas se porte mieux et aux USA aussi (French top executive).*

The acceptance of the new name has driven a common identity. For the former US entity, the new name facilitates acceptance of change and confirms joint adherence to common corporate values. For the former French entity, the new name defines the contours of the new international identity of the company and symbolizes global reach. It is a win-win situation since the US entity has not had to manage a change in name and the French entity has a new story to tell. Upscale positioning also translates into pride and positive attitudes towards the new entity. Positive attitudes towards the new organization are voiced across the board when it comes to defining branding synergies: these positive attitudes reinforce feelings of pride and common identity. The acceptance of the new name extends beyond organizational borders: international scope and quality reputation have strengthened the attractiveness of the new organization with potential recruits and increased its members' relative standing (Very, 1996). The benefits of overall identification with the new branding and the new organizational entity have to be weighed in relation to the decisions made in terms of organizational design. One of

the biggest stumbling-blocks in integration is the choice of an organizational structure for the new entity to converge the two business models.The decision has been made to have a matrix organization. It is pictured as an 'agree to disagree' posture or a positive version of stalemate and concentrates the adverse effects of keeping the 2 legacies coexisting. We find that the matrix structure perpetuates dual identity and hampers the building of a new identity: such structural impediments translate into us-versus-them attitudes and weaken the creation of a new identity.

6.1.1.3. Matrix structure: dual identity

Structuring the new activity involves the first clashes between top management teams: XXX, the former US-based organization, wants to continue ruling over its French-based operations whereas the former French-based organization wants to integrate them. The decision is made to establish dual reporting lines where overlaps are identified. Coexistence is exemplified in the « agree to disagree » posture which follows the decision to keep the legacies of the two former organizations in managing the new entity: this decision is said to have been made to take into consideration the nature of business. Indeed most business activities diverge: jobs, business models and go-to-market models are reported to be different. Two business models coexist and feed internal strifes. The internal processes that drive the go-to-market models are different and stem from two different business models. Whereas the former French organization stimulates growth, the former US organization promotes profitability:

> *It is always a battle between people who want to grow fast and those*
> *who want to keep high profitability (US top executive).*

These business models support different go-to-market models: one vertical relying on a global focus, one horizontal, based on a country focus. The coexistence of the two go-to-market models is reinforced by the fragmentation of business lines. In the consultancy business, activity is fragmented into geographies and partitioned into practices. Unlike the merged teams of the retail practice in France, many teams continue to work in isolation. Cooperation is not a case of emergency due to the nature and location of the performed jobs:

> *We just do different things for different companies and there is some*
> *but not a lot of opportunity for us to get to know each other (US back-*
> *office leader).*

The human interface is consequently limited and staff exchanges are more regular among Europeans than between Europeans and Americans. Fragmentation of business lines is also reflected in back-office functions. The reason why phase 3 of the IT merger plan forecasting

the formation of a single team has been delayed is that IT teams cater for different regions of the world with different business models and different needs.

If we read between the lines, this posture is aimed at not disrupting business operations. However the matrix structure seems to impair business operations more than it enhances it:

> *I feel that in some areas, we have made great progress. I think that if I look at back office, operations, we have done a pretty good job. I would rate that more like an 8/9. In the way we go to market, there is a tremendous amount of improvements to be made (US top executive)*

The matrix organization is the subject of continuous conflict and tensions among top management executives. The 'agree to disagree' posture is sometimes interpreted as a sign of undecisiveness and generally viewed as an obstacle to efficiency by both sides as it reinforces business partitioning and hampers cooperation:

> *One of the things that are difficult again, you have… this matrix is just such an opposing way to manage a business (US practice leader).*

Tensions and frictions engendered by the matrix organization suggest that go-to-market models need to be upgraded if improvements are to be made. They reflect the "us-versus-them attitude that is perpetuated by the matrix structure. There are calls for more consolidation. If the management wants to achieve a single identity, it will have to make a decision on overcoming isolation and fragmentation: at the time of the study, there is a Chief Financial Officer in the umbrella firm to whom one person in France and one person in the US report, doing the same job split into two. There is an IT service internal group for the old XXX offices (UK, Germany, US) and another IT construct for France, Belgium, Luxembourg and Switzerland. The new organizational structure and its dual reporting lines bring about increased complexity and bureaucracy, stifle communication and put pressure on business objectives. Duality of reporting lines slows down decision-making in back-office functions:

> *At the end of the day, it is multiple people that are involved in trying to make a decision. So it would be nice to have one to report to in order to ease the decision-making process (US back-office leader).*

Threats of misalignment are perceived, of which the organization is cognizant. The organization is aware of governance limitations when it pictures itself as a multinational company, not a global company, with decentralized, country-focused operations. Dual business models and reporting lines impair cooperation whereas cooperation is instrumental in building a common identity.

The limitations of verticality are also reinforced by the difficult economic conditions that

certains practices face: the French management insists that it is easier and quicker to mobilize country consultants to help one practice progress than to initiate cross-country moves to comply with the vertical organization. The vertical organization is seen as artificial and consequently detrimental by country leaders with multiple local practices.

In summary, the merger has been institutionalized but structural partitioning has delayed internalization. Dual identity is expressed as a reflection of the matrix structure and the coexistence of the two go-to-market models. Some problems still need to be solved if integration is to move forward:

> *I do believe that the end result of the merger will be very positive. I will tell you that the transition period is longer and less fruitful than I would have hoped for, so I do think the merger has caused some issues that we need to get over to see if it is going ever to be truly successful (US top executive)*

6.1.1.4. Institutionalization vs internalization: cultural ambiguity

The case of the merger of retail teams headquartered in the French offices epitomizes the obstacles encountered on the integration path and susbtantiates issues of dual identity and cultural ambiguity. Here again, it is important to note that organizational integration interlocks with sociocultural integration. The matrix structure impairs organizational integration and triggers dual identity and cultural ambiguity. A small team of 20 former XXX specialist consultants joins the French headquarters which accommodates approximately 700 former YYY consultants working in multiple industries. Moving from a Hausmann flat located in the center of Paris to a modern building in the business district of the French capital symbolizes the change in size and scope. This move substantiates the alleged transition from a small, flexible structure to a bureaucratic, less agile organization: the newly merged entity brings together two operating modes and has to manage the blending of a niche model with a multi-practice structure. Assignments are different in orientation and scope: very technical, narrow-focus improvement projects contrast with large-scale transformational or process management projects. Gaps are consequently rightly identified between the US and the French organizational practices which need to be bridged. When the 20 former XXX consultants join the French organization, they report a reverse culture shock: indeed these French nationals have intentionally joined a US organization and fitted in a US business culture to which they have been willing to adapt:

> *On était relativement peu franco-français dans notre mode de fonctionnement (French consultant from US retail practice).*

Now they see themselves transplanted back from a US business culture to a French business culture. This reverse culture shock stands in sharp contrast with projections of a positive culture shock reported by former YYY consultants in blending the two business approaches. A positive culture shock is attributed to the 'personality' of the US practice. The culture is described as a collaborative culture, based on human proximity and organizational flexibility. It contrasts with the French organizational culture described as more hierarchical and bound by more bureaucratic procedures. It is said to introduce a more collaborative, more attractive approach into business operations substantiated by more specialized, attractive assignments.

We find that cultural ambiguity is the outcome of dual reporting lines. In perpetuating the co-existence of two organizational legacies, the top management team has created a buffer zone where the newly merged CG practice based in France seems to be "sitting between two chairs". Dual reporting lines prolong dual identity and perpetuate cultural ambiguity. Two business models are coexisting; if left unattended, this co-existence may turn into a tug-of-war. The importance of organizational members' perception orientations needs to be outlined; negative perceptions are voiced by individuals who view change as a constraint and positive intentions are expressed by individuals who view change as an opportunity. The blending of cultures is seen as an opportunity by the newly formed team.

Whereas the newly formed CG practice in France displays positive feelings and induced enthusiasm, the change is differently perceived and interpreted by the US side, perpetuating us-versus-them attitudes:

> *They (former XXX consultants) want to be associated with the global consumer group, not the French practice. They don't like the bureaucracy and the way the French practice is managed. They would much rather just be part of the global consumer group (US top executive).*

These perception orientations reflect the double-edged sword of culture (Reus & Lamont, 2009) and the need for management interventions to tilt the balance in one direction (Blanchot, 2008). The interventions of the new retail practice leader in France help the merged unit reap the benefits of consolidation. He initiates cooperation across cultural boundaries (both organizational and national) to cross-fertilize knowledge:

> *Faire intervenir l'experte allemande du textile sur mon territoire, je me dis ca va être bien, je vais gagner un dossier mais derrière est-ce*

> *qu'elle ne va pas tout me piquer sur mon territoire...Donc j'ai plutôt*
>
> *mené ces terrains-là, mais oui, ça paye, ça paye de travailler en*
>
> *collaboration (French practice leader).*

However, before the appointment of the new leader, most of the former XXX consultants have left, reporting not feeling at ease with the dual structure.The coexistence of the business models leads business teams to constantly refer to the coexistence of two worlds and probably explains why benefits have come later than expected:

> *I would say that we have succeeded in bringing together two groups*
>
> *that are co-existing (US back-office leader).*

Dual identity and cultural ambiguity also explain why differing opinions are voiced about integration process completion depending on organizational origin, positions and business scope. Abundant evidence describes differences in perceptions of time and quality of execution. Perceptions of time differ. Some country and practice managers contend that the merger process is over:

> *La fusion, ce n'est pas une droite qui en coupe une autre ; c'est une*
>
> *asymptote, donc on ne va jamais arriver à une fusion à 100% mais en*
>
> *même temps ce n'est pas ce qu'on cherche. Donc aujourd'hui, c'est*
>
> *derrière nous, ça y est, c'est fusionné, le comité de direction*
>
> *fonctionne de manière opérationnelle et les résultats sont corrects*
>
> *(top French executive).*

Others exhibit a different time frame and contend that the newly formed organization should be in a position to fully consolidate the consulting divisions in the next 2 years, later than expected:

> *In terms of the benefits of the merged company, in terms of our ability*
>
> *to go to market on a broader basis, in terms of our ability to attract a*
>
> *wider client base, in terms of our presence in the world, if you like, all*
>
> *those things are starting to come through now...but 3 years or 2 years*
>
> *later that they should have done (US top executive).*

The outcomes of execution are diversely identified: quality of execution is an ill-defined concept in our study. Most respondents are not comfortable with defining quality of execution, which evidently points at a lack of formalization. The perception of consolidation also varies according to functions and individuals: different views are expressed by different legacy people in back-office and consulting positions. There is no single assessment of merger success which suggests that the metrics of merger success have not been formalized:

> *I don't think we have ever done a good job of looking at that real*
> *metrics and gauging the actual success of the merger (US top*
> *executive).*

Some leaders report that execution of the integration process has not been satisfactory:

> *I do not have an issue with the merger; I have an issue with the*
> *execution of it (US member of GLT-practice leader).*

The need for more formalization is stressed by organizational actors. On a more strategic level, increased market power and complementary expertise have not been fully felt yet because formalization of cooperation has not been sufficient. The lack of formalization explains the reasons why synergies appear to be organic at times:

> *I think in the merger, there was a lot of ignorance about the practices*
> *and about what the other practices did (US member of GLT – country*
> *leader).*

Whereas the benefits of knowledge transfer are unanimously acknowledged, issues of dual identity and cultural ambiguity remain:

> *We have the transferred knowledge; we don't have the built identity*
> *(US back-office leader).*

This dual assessement points to mixed feelings about success: institutionalization is said to have been achieved but internalization remains to be done. Institutionalization refers to building a united front vis-à-vis the external world whereas internalization relates to building common identity:

> *We have got people's minds but we do not have their minds and hearts*
> *(US top executive).*

We find that building a new identity takes time. Our analysis point to the double-layer identity felt at the time of the study: there is a corporate identity through single branding, a common name and corporate governance (institutionalized identity) and then there is the felt (or internalized) identity. The felt identity translates into lost reference to the former names, which is not the case yet, as both parties continuously refer to their legacy worlds.Another measure of felt identity is the ability to reach out to other partners in other parts of the globe to expand the business:

> *The ability for a US partner to pick up the phone and call a French*
> *partner or the ability of a French partner to pick up the phone and*
> *call a Japanese partner; it still does not come as second nature to*
> *people (US top executive).*

"It takes time to go from institutionalization for internalization", says a top executive who insists on having the right kind of Human Resource Management (HRM) metrics:

> *We restructured the whole partner program a couple of years ago:*
> *your stature, compensation and standing within the firm are not based*
> *on the title you hold but are dependent upon the contributions they*
> *make (US top executive).*

The importance of HRM metrics is emphasized by many respondents. One needs to take into consideration people's personal and professional motivations to match institutionalization with internalization. Different individual motivations and organizational justifications coexist in the new organization: individual versus collective achievement expressed in individual bonuses versus collective growth. Self-fulfillment varies according to the different cultures and subcultures that have guided people's actions. Being able to adequately reward achievement is a major challenge in going from institutionalization to internalization of the merger:

> *What we did last year, we carved out a certain amount of the bonus to*
> *reward cross-border good behavior: that was very well-received and*
> *people are getting there but it takes time (US top executive).*

The gap between merger institutionalization and internalization is indicative of the many difficulties that have been reported in previous accounts of M&A execution and lays the emphasis on wrongly assumed simplicity of execution and lack of formalization. As reported in the literature, bringing together two organizations and cultural systems is not easy because people seldom feel the same identity overnight. There are reasons to believe that the sharing of a common identity will take some more time. Some factors need to be outlined in establishing common ground: the case of integrating the back-office functions shows that the negative implications of dual identity can be offset by combining knowledge systems.

6.1.2. Integration mechanisms

In this section, we analyse the mechanisms that have been used by back-office functions in conducting integration. The study of merger execution outlines the difficulty to adopt a 'one-size-fits-all' approach: several cultural integration options are singled out which emphasize the diversity of issues to be addressed in transition. They refer to recent developments in research which outline a convergence of models for cultural integration. An analysis of cultural integration enables us to outline those cultural integration processes that are at play in building bridges between the two organizations. Two theoretical perspectives are brought

together from our literature review to put our analysis in perspective: one is static and focuses on cultural endstates. The other is dynamic and focuses on the combination process.

Marks & Mirvis (2011) focus on cultural endstates:

- Pluralism describes a model in which the partners' cultures coexist.
- Assimilation is the name of the model in which one company's culture absorbs the other.
- Integration refers to partners blending current cultures together.
- Transformation describes the process by which the partner companies abandon key elements of their current cultures and adopt new values and norms.

Brannen and Salk (2000) distinguish four different categories of negotiated culture, which can also be understood as stages of development in the integration process:

- Division of labor is implemented to minimize the need for further negotiation: teams operate in isolation and ensure minimal coordination. We identify this process as separation in our study;
- Compromise by one group may be effectuated as a result of a negotiation process: we replace compromise by 'best of both worlds approach' in our study as our respondents' assessment of compromise is sometimes tinted with negative overtones. The best of both worlds approach is also the result of a negotiation process which acknowledges that one solution fits best;
- Meeting in the middle is a third option: we name this process combination in our study. We view it as a combination of two solutions to a common problem. We prefer the word combination to meeting in the middle on account of the cultural construction process that takes place between both parties;
- The ultimate solution is pictured as innovating something new for both groups: we identify this process as transformation in our study.

In our study of the integration process, merger execution combines 4 options: we use process words to focus on the dynamics of cultural integration that takes place in each of the investigated functions and identify four cultural integration mechanisms:

1) Separation: the 2 models remain as the best solution for the new global organization, which is the case of most of the marketing function processes until April 2013;
2) Adoption of one of the two systems or 'best of both worlds': the French model is made global and the US model disappears or the US model is made global and the French model disappears, which refers to some of the IT and HR processes;

3) Combination: common, hybrid or mixed solutions are implemented, which again applies to some IT and HR processes;

4) Transformation**:** the 2 models are transformed into a better one as in the case of KM.

We summarize the convergence areas between the models outlined in literature in the following table (table 16) and include our findings:

Scenarios	Two legacy cultures coexist (1)	One legacy culture is preferred (2)	Two legacy cultures are combined (3)	Two legacy cultures are transformed (4)
Cultural end-states (Marks & Mirvis, 2011)	Pluralism	Assimilation	Integration	Transformation
Categories of negotiated culture (Brannen & Salk, 2000)	Division of labor	Compromise	Meeting in the middle	Innovation
Cultural integration Mechanisms (our research)	Separation	Best of both worlds	Combination	Transformation

Table 16: Cultural integration scenarios

6.1.2.1. Reshaping the marketing function

The marketing department is early mobilized to market the new organization. Issues of external communication such as adoption of a new name, a new logo and a new website are addressed to enable the new entity to enter the global scene without any major disruption. Operations are monitored by an external advisor who attends to the transformation process: a famous, worldwide communication agency headquartered in Paris and led by a US artistic director supervises the design process.

The need to capitalize on the reputation of the former legacies is undertaken through a large-scale internal consultation drive which includes various options: a brand new name, a combination of the former names or a co-creation. The co-creation process results in unanimous adoption of a shortened version of the US legacy name (minus one word or one letter in its acronym). To promote the new name, an intensive communication campaign is undertaken which aims at advertising and legitimizing the new name in France and

counterfighting rumors of takeover. The design of the logo epitomizes the combination of 2 symbols into one. The symbolic meanings of the star (former French organization) and the diamond (former US organization) are combined into a storytelling process that emerges out of large-scale consultation and produces a common foundation for the newly merged entity. Because it is the result of a combination process, the design of the logo typifies the first mutual satisfaction that is shared by the merger players. It points at the importance of taking into consideration the 2 legacy cultures in building a new entity and symbolizes reciprocal change. The initial Internet site is launched after 4 months of collaboration and surfaces some major cultural issues: common identity and single structure are questioned in the design of the front page and redirections to the country sites. Perceptions of universalism impair the negotiation process. The former US organization through its vertical operating mode assimilates the XYZ.com site to the XYZ.us American site and does not want to include country redirections whereas the former French organization stresses the need for horizontal structuring and insists on including country sites such as XYZ.fr for France or XYZ.be for Belgium in redirecting visitors.

The marketing executives continue to operate from their geographic base for 2 years and a half until the US executive is assigned to the global marketing responsibility. The separation mode accounts for the discrepancies noticed in internal and external marketing operations: whereas the French entity insists on issuing paper documents, as epitomized in a merger passport for all organizational members and advertising brochures, the US entity has digitalized all its communication aids.

In summary, 3 mechanisms have been implemented as far as marketing is concerned (table 17): the new name symbolizes the best of both worls approach. The US name has been adopted after a large-scale consultation campaign. The Internet site and the logo combine the strengths of the 2 entities. Until April 2013, governance remains separated and different types of marketing literature (specialist versus generalist – paper versus electronic) are devised by the new entity.

Best of both worlds	Combination	Separation
•NEW NAME	•INTERNET SITE •LOGO	•GOVERNANCE •PASSPORT •ADVERTISING BROCHURE

Table 17: cultural integration mechanisms used in marketing

6.1.2.2. Reshaping the Human Resource function

As far as the Human Resource (HR) department is concerned, information and knowledge exchange starts when threats have been lifted and organizational actors' positions have been confirmed. Managing uncertainty is a key element in the integration process. Integration will not start until ambiguities about people's roles and responsibilities have been clarified. After scrutinizing operating modes and establishing that there is no overlap, the two HR functions work towards harmonizing processes with a view supporting business objectives. How to best serve organizational objectives and avoid disrupting operations is the question underlying the whole HR amalgamation process. The amalgamation of the two human resource departments starts with a meeting of both heads taking place in the USA: the complexity of the task is acknowledged (differences in culture, language and administrative environments), which justifies the need for a physical encounter. The meeting lasts for a whole week: after this lapse of time, both back-office leaders are able to outline sources of synergies and legal sources of constraints. Some HR processes cannot be brought together on account of different legal environments: this is the case, for instance, of training which in France is regulated and monitored by the French authorities.

Administrative HR reporting is carried out through the adoption of the French Enterprise Resource Planning system. The French ERP system is extended to the whole organization to replace the old EXCEL system that the USA had put in place. This change triggers a large-scale process analysis to harmonize operations and bring US HR into the system. The encoding process is carried out by US integrators who insource the French system. The system is extended to include fields of application that are specific to each country and helps top management keep human resources aligned. Adoption of best practices has reached out to the manager nomination process: the French nomination process is extended to the new entity after thorough examination of mutual benefits and implications. The insertion of a manager's grade is validated and included in the new organization's structure:

> *En France, on avait un grade de directeur qui n'existait pas aux USA,*
> *donc on a expliqué pourquoi c'était important dans notre modèle et*
> *les USA ont trouvé que c'était une bonne idée donc ils l'ont adopté le*
> *grade de directeur dans leur modèle (French top executive).*

Reciprocally the competency inventory system is imported from the former US entity (and slightly adapted to suit the French institutional context) on grounds of better clarity and more insightful categorization:

Sur le référentiel de compétences, nous on l'a revu complètement en

s'appuyant sur le modèle de XXX parce qu'on l'a trouvé quelque part

plus clair et mieux structuré que le nôtre (French back-office leader).

Two mutually supportive processes are identified: recruiting and career development processes are harmonized to support the new organization's expansion by incorporating the US skills inventory (advisory, client expertise, management and production), by building a common CV databank and organizing global mobility. The process of compensation and title harmonization is left to a later examination on grounds of complexity and cultural change involving such sensitive issues as power, status and remuneration.Next to best-of-both worlds options, win-win solutions are the result of a combination of solutions that work in both directions: to harmonize HR practices, a system of improved career development is designed and implemented which plans for two-way transfer of personnel. Career development opportunities are offered to consultants from the 3 global practices on both sides and global career development to other consultants willing to move across the structure. Global mobility is an additional asset in career development as well as talent acquisition. The new organization thus increases its attractiveness towards internal and external stakeholders.

Integrating the HR function is best pictured as a process aiming at compatibility rather than merging. The US and French HR administrative configurations are radically different and the stress is laid on labor relations constraints that compel the French organization to report to the French labor department and other social relations organizations. HR practices are very different when the two organizations merge.

Pay has not been standardized on account of different business models and the decision to converge business models has not been made yet. The partner promotion and nomination process has not been harmonized either on account of differing procedures. In summary, three cultural integration mechanisms have been implemented in HR (table 18): whereas ERP, global competency inventory and manager nomination have been adopted, pay, partner nomination and promotion, training, social relations have been kept separate. Performance criteria, recruitment and career development have been combined.

BEST OF BOTH WORLDS	SEPARATION	COMBINATION
•HR ERP •GLOBAL COMPETENCY INVENTORY •MANAGER NOMINATION	•PARTNER NOMINATION AND PROMOTION •PARTNER COMPENSATION •TRAINING •PAY •SOCIAL RELATIONS	•PERFORMANCE CRITERIA •RECRUITMENT •CAREER DEVELOPMENT

Table 18: cultural integration mechanisms implemented in HR

6.1.2.3. Reshaping the Information Technology function

The Information Technology (IT) department addresses merger execution in a phased approach: the two IT departments first focus on making sure that the new organization is a one-brand company. The first phase consists in implementing external facing (e-mails and templates) and focus. The second phase deals with implementing the infrastructure, a common set of solutions, for the new organization to operate smoothly and the third phase is the organization to match the single infrastructure. After 2 years and a half of negotiation and exchange processes aimed at reconciling different business models backed up by dissimilar practices, IT specialists talk of middle ground but the stress is laid on the importance of a single IT architecture. In planning for the 3 phases, the modus operandi adopted by the IT executives is the same as the HR mode. The reorganization starts with a meeting meant at understanding the two organizational cultures and operating modes. Implementation is difficult because of cost issues: sometimes the 2 organizational models need to be kept for cost purposes. In the case of distant networks, the cost of globalizing operations is prohibitive. Or they need to be kept for efficiency purposes in line with business models and operating modes such as in the case of accounting systems which have not been harmonized at the time of the interviews or because the French IT model is outsourced and the US model insourced. Search for mutual interest drives cultural integration. It results in choosing the best option and finding creative solutions such as combining the best of both worlds where the French ERP has been chosen and ERP monitoring is done in the USA:

> *Comme notre ERP était le plus up-to-date, on a décidé de prendre notre ERP ; en revanche, le coût de l'infogérance qu'on avait en France était plus élevé. On a pris le meilleur des deux mondes ; notre ERP mais hébergé aux USA (French back-office leader).*

The main difficulties faced by IT back-office leaders are generated by users' needs and the difficulty to transform local processes into global ones:

Sur la partie LAN (local area network), sur la partie supports utilisateurs, effectivement c'est là où l'on parle de proximité ; qui dit proximité, dit service local. Donc on ne peut pas prendre le modèle européen et l'appliquer aux USA (French back-office leader).

Once again, each business model is embedded into a set of administrative, operational and technical constraints and any radical change overlooking these needs and constraints is seen as bound to failure. The strategic importance of IT is emphasized as underlies the whole integration configuration and needs to combine operational efficiency with cost-effectiveness criteria.

In summary, three cultural integration mechanisms are implemented in IT (table 19): the French ERP system has been adopted and is monitored by the US team. IT superstructure has been combined in the form of external facing whereas IT infrastructure is still partitioned.
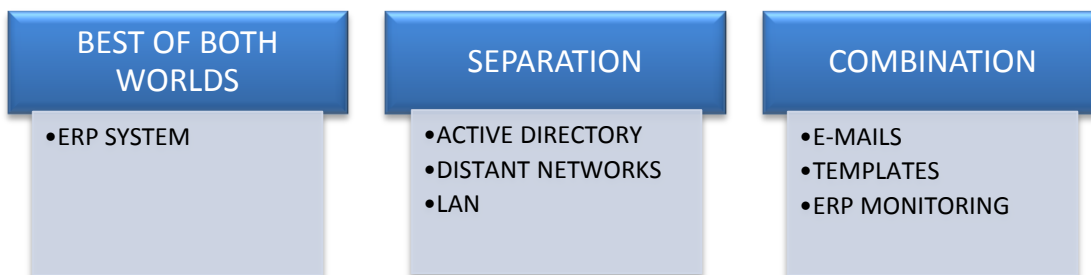
BEST OF BOTH WORLDS	SEPARATION	COMBINATION
•ERP SYSTEM	•ACTIVE DIRECTORY •DISTANT NETWORKS •LAN	•E-MAILS •TEMPLATES •ERP MONITORING

Table 19: Cultural integration mechanisms implemented in IT

6.1.2.4. Knowledge Management Reorganization

The new organization follows management's request for a joint proposal. The two heads are empowered to decide on their own fate and produce a common, workable solution. Although the US executive has more seniority in the company (she had been working for XXX for 16 years compared to 14 for her French counterpart), it is decided that the US leader should assist the French leader on account of her 10-year management consulting experience. The integration process lasts for 6 weeks: after defining the new organization, staffing the new organization according to a common skills framework and harmonizing processes and operating modes, the department starts operating as a single entity with a new name. The merging process is made easier because of the intrinsic feature of knowledge. The sharing of knowledge pertains to Knowledge Management: it goes without saying that the raison d'être of a Knowledge department is to combine knowledge and make it available to all organizational members. Both departments very early defined 3 objectives that were met on the eve of the merger: to enable teams to know each other, carry out a gap analysis on what degree of convergence could be found at a global level and start renegotiating partnerhip

contracts to be ready on D-Day. It resulted in a general transformation process in which processing of internal data was assigned to a Knowledge team and a Research team was entrusted with processing external data. Being the only team that really merged, the new Knowledge Management Department structure is validated and advertised on Feb. 25, 2011, 7 weeks after the merger announcement. The merger of the two departments has undergone a transformation approach (table 20):
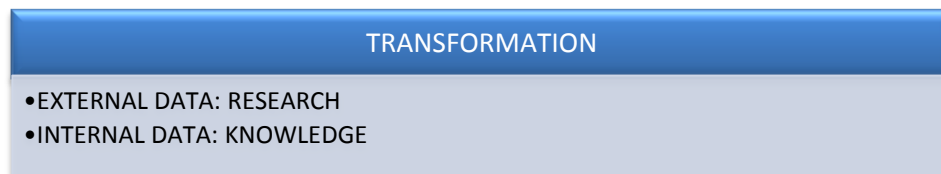
<div style="border:1px solid #888; max-width:600px;">

TRANSFORMATION

•EXTERNAL DATA: RESEARCH
•INTERNAL DATA: KNOWLEDGE

</div>

Table 20: Cultural integration mechanism used in KM

6.1.2.5. Merger execution and business operations

Choosing one legacy over the other also applies to assessment of cross-border practices as in the case of improved profitability. Increased performance has been reached through the adoption of the US set of management control metrics. By adopting the US control metrics which is a much more detailed, analytical margin-oriented system monitoring each stage of the profit-generating process, the former French entity has increased its performance:

> *On a, nous, adopté leur mode de pilotage économique : ça nous a finalement permis d'améliorer notre performance (French top executive).*

Adoption of the US metrics system has constrained the former French organization to increasingly individualize rewards, a move which has radically changed compensation systems. US performance assessment criteria have been adopted by the former French entity on grounds of greater accuracy involving better monitoring. Whereas bonuses are individual in the US, in France performance used to be assessed collectively and rewards were therefore collective. The move has taken time to be implemented on account of a profound change in mentalities but has improved the new entity's business performance:

> *Ils nous ont fait beaucoup progresser dans la culture économique, énormément. Par contre on a profondément changé et transformé la mentalité en France ; aujourd'hui, on a beaucoup plus individualisé ; et ça c'est très difficile à faire passer dans les équipes. Si on a mis du temps, c'est à cause de cela (French top executive).*

This change has contributed to make performance monitoring more accurate and in this

particular instance, undeniably more effective. It has enabled the new organization to navigate through the economic storm and sustain organizational performance. It has also been sustained by combination and cross-fertilization of knowledge resulting in win-win situations. The steps taken to integrate the two organizations describe cultural integration mechanisms enabling the new organization to align its processes and systems. The evidence brought by a change in management control metrics which results in increased performance shows that organizations assess their respective practices and conduct reciprocal evaluation of the opportunities of combining different knowledge systems.The steps taken to integrate the two organizations confirm our assumption of addressing cultures as knowledge systems. They refer to objective knowledge in the form of routines, processes and systems derived from organizational cultures which rest on subjective knowledge assumptions. The example of the performance monitoring system is probably the most symbolic one: performance criteria are the reflection of business models and corporate legacies. The growth business model in France is inherited from the company's history: it has been formed by the need to start the business after a Management Buyout and generated collective rewards as a symbol of unity and solidarity in engineering success in a wide range of practices. The profitability business model in the USA which is supported by individual rewards denotes a much more sales aggressive approach built in the course of the company's 75-year history in a niche market. Adopting more individual performance criteria in the former French organization means relinquishing the previous operating system where everybody, that is to say, the collective, benefits from corporate growth. In changing performance assessment criteria and individualizing rewards, the former French entity has managed to increase its performance. When evidence is brought that a change in culture is or has been beneficial, it is always easier to address. When change is resisted, managing change in terms of knowledge systems rather than in terms of values defuses potential tensions and implies explaining why change is going to take place at both objective (individual versus collective rewards/ multi-practice versus single-practice portfolio) and subjective knowledge levels (related to values and beliefs). Organizational members do not have to give up their cultural values but they need to be willing to adjust to a new knowledge system. These findings support the multidimensional nature of cultural systems: objective and subjective knowledge systems operate at different levels: we find similarities and convergence in the sphere of professional and entrepreneurial cultures which boost acceptance and dissimilarities and divergence in the realm of organizational and national cultures which increase reluctance.

6.2. THE MULTIDIMENSIONAL NATURE OF CULTURE IN INTERACTION

In management studies, analyses are focused on the macro or national level, the micro or organizational level and the micro or professional/ occupational level that either refers to the entire organization or organizational departments. Our study elicits references to these levels and confirms that culture is a multi-dimensional concept. We find references to at least 4 different levels of culture that interact in integration, bringing together or keeping apart original ways of doing and thinking. Objective and subjective knowledge systems collide whenever there is a disagreement. An analysis of the account of the merger enables us to clarify the relationships between the different levels of culture and delineate the interactions occurring in the construction of a new working culture. References to national, organizational, professional and entrepreneurial cultures are made in connection with the conduct of the cultural integration process. In soliciting perceptions of merger justification and narrations of merger execution, our research unveils three main levels of culture: national, organizational and professional/occupational. We also identify one additional level of culture in the form of an entrepreneurial subculture.These different cultural spheres are directly or indirectly referred to in our navigation through the multidimensional world of culture. As previously mentioned, we made a point of not mentioning culture as a buzz word. When the interviewee used the word culture, we ventured complementary questions meant at exploring the reference further. In some cases, interviewees were able to go deeper into the examination of culture levels while acknowledging complexity:

> *La culture, c'est tout, c'est la culture de la société, la culture du pays,*
>
> *la culture par la langue parce que les choses sont beaucoup plus*
>
> *sournoises, plus compliquées qu'elles n'y paraissent (French back-*
>
> *office leader)*

However, as epitomized in the following exchange, our endeavors were not always successful. When asked:

> *Would you say this is more a matter of understanding cultures-both*
>
> *national and organizational? (Researcher)*

Our respondent answered:

> *I don't know the answer to that… I don't know if it is country or other*
>
> *– related to our historical company; that I can't comment on (US top*
>
> *executive).*

This quotation corroborates the fact that it is difficult to solicit perceptions of culture as systems are most of the time taken for granted and do not surface until they are confronted to

other culture systems. When not previously exposed to other culture systems, culture protagonists are not cognizant of the features of their own cultural system since they have internalized them, a feature that can lead to cultural blindness (Adler, 2002) or ethnocentrism. Second, due to cultural complexity, culture protagonists are not aware of the existence and interplay between multiple levels of culture.

We find that culture incorporates many of the challenges raised in the previous literature review on the double-edged sword of culture and epitomizes inner tensions between reconciling differences and keeping them untouched**.** Whereas professional culture is the common glue (Morosini, 2005) that brings the two organizations together, differences in organizational cultures are reinforced by miscommunication issues and misunderstandings derived from the embeddedness of organizational cultures into national cultures. These misunderstandings strengthen social categorization (De Dreu & Weingart, 2003), reinforce faultlines (Lau & Muningham, 1998) and translate into us versus them attitudes (Tajfel, 1974). In our study, professional culture is synonymous with convergence and common glue whereas organizational culture reflects diverging realities. National cultures are expressed in the form of negative stereotyping unless cultural differences have been previously experienced in cross-cultural contexts. We establish that our study enhances the description of cultures as knowledge systems: in line with Morosini (2005), we find that objective knowledge revolves around processes, systems and procedures that enable the organization to reach its goals. These processes, systems and procedures deal with planning (Enterprise Resource Planning), leading (partner nomination and compensation), staffing (recruitment and career development), organizing (insourcing versus outsourcing) and controlling (performance monitoring) flows: they are well-illustrated in our analysis of cultural integration mechanisms which shows that processes, systems and procedures are described and assessed before they can be combined, transformed or kept separate. Explicit processes find their roots in implicit, subjective, experience-based processes, routines and repertoires as well as attitudes and values (Morosini, 2005) that are not easily identified and codified: they are usually not written and have to be explained to be transmitted. In our case study, business models find their roots in the history of the companies which support a growth-oriented versus a profitability oriented model. Go-to-market models illustrate the experience-based processes that have engineered the success of a niche business versus a multi-practice company. Routines and repertoires support objective culture. Whereas the former French organization thinks in terms of country focus, the former US organization apprehends the business world as second nature in terms of practice focus. Attitudes towards specialist versus

generalist approaches often clash and do not refer to the same values. They reflect fears of contamination on the part of the US entity (Empson, 2011).

We subsequently find that subjective or implicit knowledge is knowledge that is rooted in the history of the organization, its myths, its values, its leaders, its success stories, and has to be decoded to be deciphered. Some of these values, myths or beliefs are reflections of national culture. Implicit or subjective knowledge refers to some the processes, routines and repertoires which have proved successful in building and growing the company and also reflects the national culture values and assumptions in which they are embedded. We therefore find evidence to support the fact that subjective culture is a cognitive dimension based on experience-based understanding of complex phenomena that is critical to business performance (Morosini, 2005) when two organizations merge.

6.2.1. Professional culture and convergence

Professional culture is reported to be the common denominator for professional identity and the foundation for merger success: it is identified as a factor of convergence. Professionals on both sides assess that they are doing the same job and that professional culture builds a bridge between former organizations. This statement is reflected in the motto of the new organization: *"we create value for the customer"* which is the common glue for the organization (Morosini, 2005). Literature insists on the homophily construct (Mirc, 2012) in bringing people together: people who share significant social attributes (gender, social class, age, occupation, position in organization) are more likely to feel a common identity. Narrations of merger acceptance and merger execution confirm that homophily partakes in the perceptions of similarity. An allegedly common professional culture eases professional relationships and constitutes the cement of the organization:

> *On faisait le même métier XXX/YYY et on le fait globalement de la*
> *même façon parce qu'il y a cette culture de métier d'un grand cabinet*
> *de conseil international anglo-saxon (French top executive).*

Management consulting culture is said to be common to all Anglo-Saxon management consulting firms in which the new entity positions itself. It is defined in terms of jobs and practices:

> *YYY & XXX were very similar, they were and still are more traditional*
> *management consulting firms: trying to be trusted advisors to clients,*
> *help them with their business needs, whether it is growth, expense*
> *control, efficiency (US top executive).*

It is also defined in terms of values and motivation for learning and excellence. There is a common values and motivations foundation between the 2 entities driven by professional culture. 'Be the best and thrive on knowledge" are identified as the two chief motivational traits of management consultants which underlie the mission statement of the new entity: it is because consultants are eager to learn and want to be the best that they create value for the customer. The professional culture is defined by similar ways of doing and thinking throughout the company and revolves around knowledge. Knowledge transfer and creation are implicit in common value definition and drive unity. Knowledge is at the heart of the professional culture of the merged entity; it is at the same time the mission of the 2 former organizations and the "raison d'être" of the combination. It is also the common denominator to organizational objectives and work execution. The role of the Knowledge Management Department is pivotal in knowledge transfer and creation; it codifies the acquired knowledge and transfers it to operational teams for them to build and capitalize on it. Knowledge is the key word in our research: it is the driving force behind the merger. A knowledge-centered professional culture is however not sufficient to erase the many discords raised by attempts at bringing two organizational cultures together.

6.2.2. Organizational culture and divergence

Organizational cultures are a major challenge in the merger. They are blamed for hindering and slowing down integration. Organizational culture is the subject of many controversies and attempts at reconciliation. Each organizational culture is reflected in the history of the former organizations that has given rise to different ways of generating performance. Divergence is epitomized in the following sentence:

> *On fait le même métier; on ne le fait pas de la même façon* (French top executive).

Professional culture is consequently not strong enough to outdistance the many obstacles encountered on the path of combination and to solve the difficulties brought by XXX and YYY organizational cultures. Accounts of differences are multiple and challenge the way people enact their professional culture. Differences are reflected in cultural legacies inherited from success stories making up the history of the organizations. Differences revolve around the practices that have proved successful in growing the organization (Schein, 1985); through a socialization process, these practices have been perpetuated and constitute the cement of the organizations (figure 5).
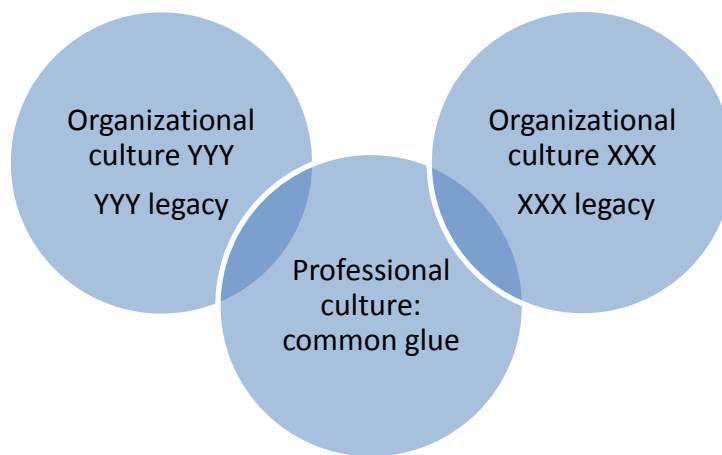
Figure 7: the culture configuration of the new firm

In line with acculturation theory (Berry, 1990), differences in organizational cultures collide when brought in contact. The negative implications of social identity theory (Tajfel, 1974) are expressed in the reluctance for any close-knit partnership (or strong organizational culture) to welcome a new breed of people that has not been previously socialized into the target culture. The US retail team who joined the French offices right after the merger has experienced the difficulty to mix and match the community spirit of a flexible structure with a more hierarchical, bureaucratic organization in the hard way. Most organizational culture differences are voiced as manifestations of objective culture (Morosini, 2005). They are described as the outcomes of different legacies: the consequences of history and success stories translated into business models, leverage models, business systems and processes. The ways these organizations have grown and found solutions to internal and external issues (Schein, 1985) are by all means different: XXX is a longstanding organization which has grown out of a niche strategy and has always focused on profitability drivers whereas YYY is a young organization which was born out of a Management Buyout and was forced to develop a growth model. The history of the organizations explains why XXX is a specialist whereas YYY is a generalist. A hidden convergence is identified in the existence of an entrepreneurial subculture in both organizations which has not surfaced at the time of the merger. The growth model of YYY has engineered an "entrepreneurial culture"as some pioneering consultants have been sent to various destinations to expand YYY organization and gain market share. The verticality of XXX organization has also produced an entrepreneurial subculture as some XXX consultants have started up operations abroad:

> *Basically, for many years, there was just a few of us over here trying*
> *to start up the business. And it does take a different type of attitude, a*
> *different type of thinking because it is basically up to you (US GLT*
> *member- country leader).*

The features of an entrepreneurial subculture are common to both organizations but remain unknown to most organizational actors in the course of the merger. Figure 6 pictures the limited cultural overlap areas identified by respondents:
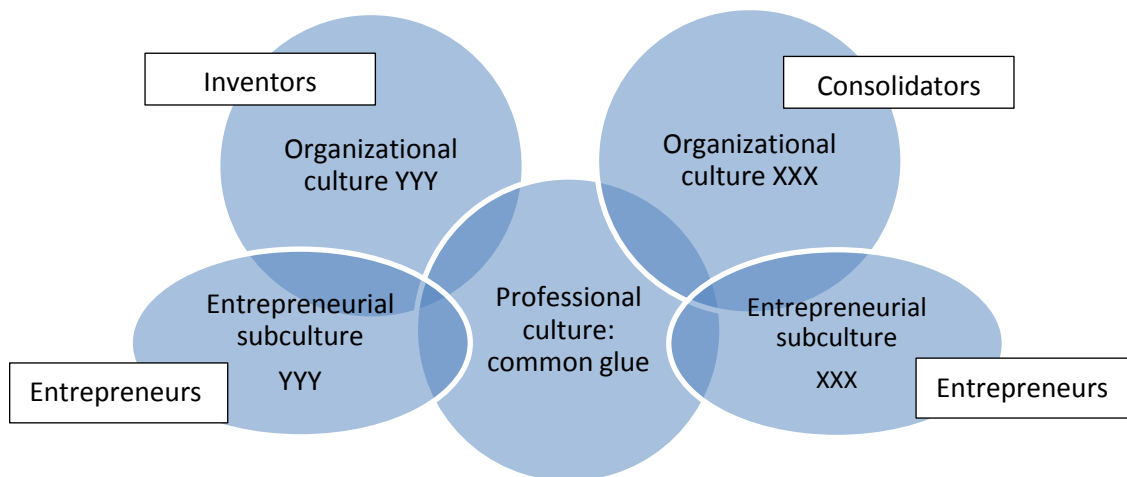

Figure 8: Cultural overlap areas

The complexity of blending 3 populations is consequently emphasized: there are XXX organizational members who have been consolidating a niche brand for 80 years. There are YYY organizational members who have recently made secession from their organization of origin and reinvented their business. And there are organizational members who started their business from scratch in a foreign country in both XXX and YYY entities. In other words, if one was to design a typology, one would have the consolidators, the inventors and the entrepreneurs (common to both organizations). The difficulties in blending organizations not only reside in the diversity of populations with different motivations but also in the systems and processes used by these people. Go-to-market models cascade down the whole attributional process: how to combine the features and competitive advantage of a generalist with those of a niche specialist? XXX describes itself as a specialist with geographic extensions in Europe and Asia whereas YYY sees itself as a generalist with practices serving a wide variety of local clients.The business model of YYY is inherited from the previous organization and consists in serving a maximum of clients in the widest possible array of businesses on a domestic market. Once all business opportunities have been exploited in a

national market, YYY moves to another geographical area. Therefore YYY's conception of the verticality of business is much more restrictive. These processes explain why in this particular case as well as in general each organization brings ethnocentric views along to the merger table. They also reflect the need for a thorough pre-merger examination of organizational cultures in order to identify possible obstacles and opportunities: in our case study, no cultural due diligence was achieved which reinforces the lack of structure and formalization surrounding the merger. As an overarching theme in the interviews, go-to-market models represent one of the major stumbling-blocks in integration. Different business models - profitability versus growth model –translate into different leverage models: whereas 1 to 3 or 4 US consultants are busy completing an assignment, the French structure involves "more people on the project billing at lower rates". The nature of assignments is consequently different: the US model is more content-consulting and the French model is project management or process consulting. Differences in business and leverage models translate in different processes and practices. Former XXX organization operates in a much more individually-focused reward system with bi-annual promotions and pays whereas the former YYY organization sets rewards on a more collective scale valuing total organizational performance and promoting and rewarding individuals annually. Diverging reward systems impair cross-country collaboration. The difference in reward systems epitomizes the many difficulties encountered by organizations which do not play by the same rules. In the first scenario, individual prosperity benefits the organization as a whole but it is the sum of individual interests; in the second scenario, collective prosperity is engineered by individuals who are used to cooperating to enhance general interest. To reconcile differences and overcome misunderstandings and miscommunications, the new organization must align reward systems and business objectives.

The word "culture" most of the time refers to organizational culture differences and points to the centrality of operating modes in integration. And differences crop up every time there is a conflict or disagreement. Differences in objective culture are identified (Morosini, 2005) but not necessarily bridged: accounts of differences seldom go beyond statements of differences.

The two organizations might have benefited from cultural due diligence, an examination of fronstage and backstage culture (Weber & Camerer, 2003), or of objective and subjective culture (Morosini, 2005) aiming at understanding the cultural systems in which operating modes are entrenched. Some actors refer to different ways of doing reflected in different institutional, legal and procedural contexts in which culture is embedded: the US entity contrasts the French social contract between employer and employees with the flexibility of

the US system in which employers can hire and fire employees at will. Differences also reflect different stages of digital development. One organization uses recruiting brochures whereas the other has got rid of paper and only uses digital communication:

> *It is not to say that one is not ahead of the other because there are*
> *many other things that we are behind and France is ahead of us; but*
> *some are those of the cultural differences. Not everything works in the*
> *same way in different countries (US back-office leader).*

Cultural clash is epitomized in a few organizational features. In numerous instances, the large degree of centralization and formality in the former French organization is reported to contrast with the high level of informality in the former US organization: relation to authority translates into top-down procedures in the French organization whereas empowerment and collaboration are common practice in the former US entity. Furthermore, remuneration in the US is linked with achievement and not status. Relation to time is also differently enacted: IT architecture and processes are organized with a long-term view in the former French entity whereas work practices reflect short-termism in the former US organization. Because of this discrepancy, the US organization is "accused" of favoring operational, short-term results to the detriment of sustainable, long-term benefits.

In spite of major moves initiated to bridge differences and produce common referentials such as the adoption of the US performance monitoring system, the combination of the two legacy cultures is pictured as a major challenge. When organizational actors blame cultural differences, they blame organizational culture differences. Differences in organizational cultures are magnified by national culture differences. We find that references to national culture reinforce the negative perceptions conveyed by differences in organizational culture and serve as an alibi for conflict (cultural differences crop up whenever there is a disagreement) or a shelter against intrusion (some teams continue to operate in isolation). Differences in national culture surface in the form of negative stereotyping.

6.2.3. National cultures and negative stereotyping

It is difficult to solicit perceptions of national culture as national culture systems are most of the time taken for granted and do not surface until they are confronted to other national culture systems. When not previously exposed to other national culture systems, culture protagonists are not cognizant of the features of their own national culture system since they have internalized them, a feature that has often been recalled in literature on cultural diversity (Ely & Thomas, 2005). However we notice that when organizational actors are not cognizant

of the features of their national culture, they usually resort to the negative stereotyping mode, thus displaying an ethnocentric attitude, expressed in "my way is the best way" and refusing to acknowledge the benefits of the other culture (Berry, 1990). They function as a first interpretative pattern when interaction has been limited. National culture is conveyed through the negative stereotyping mode and generates unqualified statements on the nature of people and the way they relate to the nature of human beings or the nature of human activity. These statements proceed from differences and not similarities and are more or less bluntly worded, depending on the level of conflict experienced in the cultural encounter. They relate to organizational or extra-organizational events. The example of homeless people in one of the US cities visited by a French executive gives an illustration of stereotypes:

> *C'est terrible, les stéréotypes. Qu'est-ce qu'on a vécu comme grands stéréotypes ? L'exemple des SDF dans la rue à New York…Pour les Américains, s'ils sont là, c'est que c'est leur place, ils l'ont mérité (French top executive).*

National stereotypes are attenuated when conveyed through anecdotes or humorous generalizations:

> *Vous prenez 10 associés de 10 pays différents et vous leur donnez un problème idiot à résoudre. L'Américain il se lève, il dit : bon on va faire comme ça. Le Hollandais explique, non on va faire comme moi je veux faire. L'Allemand il fait dans son coin parce qu'il sait qu'il est le meilleur et le Français, il essaye de naviguer entre tous (French top executive).*

Cultural blindness exists in each entity and is conveyed through running jokes:

> *Quelqu'un qui parle 3 langues est trilingue, quelqu'un qui parle 2 langues est bilingue, quelqu'un qui parle 1 langue est américain (French top executive).*

Cross-cultural misinterpretation is caused by subconscious cultural "blinders", lack of cultural self-awareness and projected similarity (Adler, 2002). In the absence of previous cross-cultural experience, culture differences may be misinterpreted. The legendary enthusiasm of Americans may be misinterpreted by French nationals:

> *Ça va, on travaille sur une méthodologie…J'ai l'impression d'avoir des enfants à qui vous lancez une balle (top French executive).*

After a period of time in which interaction has been experienced, a contrary opinion is expressed by the same respondent and enthusiasm is deemed impressive:

> *Par contre, ils ont une capacité à y croire, une capacité à ne jamais*
>
> *refuser l'obstacle quand ça les intéresse, une capacité à se mobiliser,*
>
> *un enthousiasme ! (top French executive)*

Such national stereotypes can function as an important part of the identity-building and sense-making processes within international corporations. There are some very strong stereotypes in our analysis: auto-stereotypes ('us') and hetero-stereotypes ('them') may hinder integration, they bring with them prejudices that may have long‐standing consequences if not counterbalanced by two-way communication. One executive reports on the change in mindsets that will have to take place as a consequence of required adjustments to play equals, in pointing to the alleged hegemonistic mode of Americans:

> *Ca va être très important : car ça leur demande un effort considérable*
>
> *de s'imaginer que cela n'est pas nécessairement eux qui sont le centre*
>
> *du monde, eux qui dirigent le monde (French back-office leader).*

Assumptions of hegemony work both ways:

> *During the merger, for a while, we had lots of documents that had*
>
> *maps of both the US or North America and France (maps of the two*
>
> *countries) or image profiles (solar webs) of countries, not maps but*
>
> *you could recognize them; France's visual image was as large as or if*
>
> *not larger than the US (US back-office leader).*

This example shows that stereotypes serve as means of reinforcing self-identities when not mediated by cultural awareness. The cultural interpretations and constructions (Vaara, 2000) made in the course of an integration process reflect various levels of cultural proficiency in cultural dynamics: our study reveals that culture protagonists who have not been made cognizant of cultural differences are not aware of the interplay between multiple levels of culture. Conversely culturally proficient actors are able to leverage cultural differences. Our analysis consequently stresses the need for "enlightened" cultural dynamics to take place in integration and expands on cultural drivers of performance in the following section.

6.3. THE MISSING HYPHEN BETWEEN CULTURE AND PERFORMANCE: CULTURAL DRIVERS OF PERFORMANCE

Our study unveils cultural drivers of performance which facilitate execution and delineate the contours of a cross-cultural integration capability as the missing hyphen between culture and performance. We find that cross-border M&A integration relying on an understanding of cultural differences enhances the management of the integration process: cultural intelligence

underlies cross-cultural integration capability, defined as the ability to embrace and endorse cultural differences in M&A integration, or, in other words, the ability to address and leverage cross-cultural differences in combining organizations. When cultural intelligence has not been acquired and exercised, we find that other processes are initiated and implemented which compensate for cross-cultural agility. Cultural learning acts as a proxy for cultural intelligence in deciphering objective and subjective culture. We also find support for our cultural value chain as learning develops mutual understanding and sets a process of cooperation in motion for the building of trust and a new identity.

6.3.1. Cultural intelligence

It is useful to put into perspective the different degrees of cultural awareness displayed by organizational actors in dealing with cross-cultural issues. In cases where cultural blindness aggravates misunderstandings, cultural proficiency attenuates and overcomes them. Cultural intelligence is one of the main lessons of this research work: it enables actors to leverage interpretations in making sense of the multiple levels of culture at play in integration. Cross-border experience enhances understanding of cultural differences:

> *Ceux qui ont la capacité à travailler à l'international sont relativement ouverts aux différences culturelles en général parce qu'ils les ont déjà expérimentées et parce que leurs clients leur demandent de le faire (French member of GLT : practice leader)*

Cultural intelligence enables organizational actors to display a different mindset and apprehend reality differently, that is to say from multiple angles:

> *J'ai vécu et travaillé à l'étranger. Mon problème, c'est que du coup, il y a des sujets que je vois et que j'anticipe et que mes interlocuteurs, qu'ils soient ici ou là-bas, ne perçoivent pas de la même façon. Ce qui fait qu'aujourd'hui, il m'arrive d'alerter mon management sur le fait qu'on ne comprend pas la même chose (French practice leader).*

This capacity enables organizational actors to anticipate cultural difficulties and be prepared to reconcile diverging interpretations of reality. Differences in organizational culture rooted in national culture are acknowledged and originate in different worldviews:

> *Again, in the spirit of candor, I do think there are differences between the styles (management) of different countries and I see that in the UK, Asia, Germany...says one member of the executive committee (US top executive).*

> *La façon de penser des Américains est radicalement différente de la*
> *nôtre (French back-office leader).*

Culture-proficient actors are cognizant of cultural differences and aware of different worldviews. An already experienced US ethnocentric vision of a simplified world is felt in the communications policy which leads to a better understanding:

> *Quand vous parlez d'un championnat de NBA ou de base-ball, il*
> *s'agit d'un championnat national, les Américains, ils appellent ça les*
> *World Series… Parce que pour eux, le best of du monde, c'est chez*
> *eux et cela, c'est un point très important qui va transparaître dans*
> *leur vision du monde (French back-office leader).*

Two visions of the world collide in the Internet site design. Sticking to its industry-based model, the former US organization fights against the French country-based model. Different worldviews translate in preferences for certain types of management processes: in the process of nominating the CG practice leader in France, the choice is made to appoint a younger, more sales aggressive, less experienced executive reporting to the former US entity to the detriment of a senior, well-established executive reporting to the former French entity. These management processes reflect different views on HR practices: this particular case epitomizes the difference between promotion on merit and promotion by seniority. Power distance and formality are attributed to the French management style and stands in contrast with empowerment and informality alleged to characterize US practices.

Cultural understanding is a requirement for cultural integration to take place. Cultural understanding stimulates awareness of cultural obstacles and eases perceptions. It enables organizational actors to counterattack ethnocentric behavior. There is a cost of entry into cultural understanding:

> *Crossing these differences is a lot of work (US marketing executive).*
> *Les relations interculturelles demandent à passer du temps,*
> *d'apprendre à se connaître, de démontrer sa valeur (French back-*
> *office leader).*

However understanding different cultures does not mean relinquishing one's own cultural knowledge systems, that is to say, one's ways of thinking and behaving. Multiple cultural mindsets exist that require multiple, agile interpretations. Being able to exit your cultural system or cultural comfort zone gives access to enriched understanding and a widened cultural perspective which both facilitate interaction:

> *L'important est de comprendre plusieurs schémas et modes de pensée*

> *ou codes d'interprétation culturelle : je connais bien la culture*
> *américaine ; j'ai travaillé 2 ans en mission dans 2 villes différentes*
> *avec des équipes 100% américaines (French top executive).*

The beneficial influence of cultural intelligence (Early & Mosakowski, 2000) on integration translates into the ability to deal with a multiple cultures perspective: because the categories through which reality is apprehended are different, interpretations of reality may collide in a context in which messages need to be filtered and reactions adapted to match the new cultural configuration. Cultural agility facilitates cross-cultural interaction and what is more, removes the fear factor, as the fear factor may distort or simply prevent cross-cultural communication. Cultural intelligence rests on education and/or experience. Long-standing experience implying involvement in international activities accounts for proficiency:

> *I have been actually in Asia since 1996. And I work with Chinese,*
> *Japanese, Koreans, Europeans, US, British, Australians, New*
> *Zealanders. It is probably very much more helpful for me to claim*
> *involvement in an international project (Us country leader).*

Most of the back-office leaders have accumulated cross-border experience. Cross-border experience does not necessarily mean intensive travelling: it can be exercised at home interacting with others:

> *Moi j'ai pas vécu dans un autre pays ; mais cela fait 16 ans que je*
> *travaille et j'ai toujours travaillé avec beaucoup de gens de pays*
> *différents, de langues et de cultures différentes donc pour moi, c'est*
> *pas une nouveauté (French back-office leader).*

Experience in allegedly dissimilar cultures is perceived as having even more added value:

> *Quand j'étais consultante, je travaillais avec des clients pour lesquels*
> *j'étais en contact avec l'Asie et le Japon, des cultures plus*
> *compliquées (French back-office leader).*
> *J'ai travaillé au Qatar : j'ai compris qu'il fallait que j'arrête de*
> *réfléchir avec mes codes, avec les codes d'origine. Il fallait que*
> *j'essaie d'en comprendre d'autres (French back-office leader).*

Conversely lack of cross-cultural experience taxes understanding of cultural differences and may be aggravated by lack of fluency in the target language. Difficulties are reported in dealing with same nationality partners not sharing the same cultural competence. Ignorance and parochialism combined with egos are pictured as the main barriers to cultural understanding:

It seems that there are some people who feel that their way is the right way. They are slowing us down. That still exists: it is born out of a few things, egos, ignorance, parochialism (US top executive).

Varying degrees of cross-cultural competence are exhibited in our study and translate different levels of cultural awareness and agility (table 21). We find that three levels of cultural skills are identified in the new organization which confirms the 6 stages in the Development Model of Intercultural Sensitivity (Bennett, 1993):

- The beginner level defines those organizational members who have not been made aware of national cultural differences until the merger; those people are culture blind. They have not been confronted to cultural differences, hence a tendency to deny their existence (denial) and are experiencing differences in culture in the hard way; they exhibit ethnocentric attitudes, do not want to see culture (defense) and have a tendency to minimize cultural differences when confronted to them (minimization), which illustrates the denial, defense and minimization stages (Bennett, 1993);

- The intermediate level defines those organizational members who have been made aware of national cultural differences in various circumstances but have not been able to acquire cross-border experience ; they exhibit acceptance and adaptation attitudes (Bennett, 1993) and need a learning phase to be able to leverage cultural differences;

- The advanced or proficient level defines those organizational members who can navigate in and out of the cultural systems in presence; it includes the bicultural qualifier which defines those organizational members who have been raised in two different cultures and are deemed qualified to operate in a cross-cultural context, hence exhibiting a cultural integration attitude (Bennett, 1993).

A majority of our respondents have lived or worked in foreign environments and display cultural proficiency.

Cross-cultural competence	Beginner	Intermediate	Advanced	TOTAL
Top management team	2	---	2	4
Global Leadership Team	---	---	4	4
Back-office functions	3	1	3	7
Merged practice	---	1	1	2
TOTAL	5	2	10	17

Table 21: Cultural proficiency levels in the new organization

Cross-cultural competence (Smith & Peterson, 2006) or cultural intelligence (Early & Mosakowski, 2000) is defined as comprising an intercultural mindset (knowledge), an intercultural heartset (attitudes) and an intercultural skillset (behaviors). An intercultural mindset is defined as one's awareness of operating in a cultural context; it comprises cultural self-awareness, knowledge of cultural frameworks and an ability to use generalization, also referred to as *knowledge* in the intercultural learning literature. An intercultural heartset is a disposition to display curiosity and tolerance of ambiguity often complemented with empathy and openness, also referred to as *attitudes* in the intercultural learning literature. Ruben & Kealey (1979) draw up a list of emotional features demonstrated by individuals such as empathy, respect, openness, tolerance of ambiguity and nonjudgmentalness. An intercultural skillset is a toolbox designed to analyze interaction, predict misunderstanding and define fashion adaptive behavior; it resorts to an expanded repertoire of behaviors, alos referred to as *behavior* in the intercultural learning literature. Gudykunst & Kim (1997) document these skills as an ability to deal with conflict, an ability to communicate effectively and an ability to establish meaningful relationships. In the case of cross-border M&A, these skills enable organizational actors to enhance understanding, establish common meanings and build common ground for cooperation. They are used by boundary spanners in their accounts of cross-cultural interaction. Cultural agility is identified as a key success factor (Caligiuri, 2010) in international management. It is a superior capability that gives access to different frames of reference and enables organizational members to exit their culture of origin to endorse other meanings and understand other values. It warns against ethnocentric attempts at interpreting the world through one's own lens. It develops empathy, tolerance, open mind and fosters understanding. Cross-cultural agile organizational members are able to extract themselves from their reality to consider multiple views. They share non-judgementalness and bring together diverging views and operating modes. They are in a position to distanciate themselves from the issue under investigation and find solutions to potentially conflicting attitudes. Conversely, lack of awareness of cultural differences may jeopardize understanding, create open conflict and prevent organizational actors from reaching shared meanings.

6.3.2. Cultural learning as a proxy for cultural intelligence

In spite of cultural intelligence, not all constraints and opportunities are identified in the merger; there are loopholes in the process. There are far-reaching organizational culture differences that find their roots in different economic and social models. An example is given the outdated use of paper in the US: digitalization has taken over and invaded all aspects of

business life, a difference that has been overlooked in the design of new brochures. Some subtleties and peculiarities may thus be unnoticed: that is why a mutual assessment phase may be necessary to solve the issue under consideration. Assuming that the whole organization needs a paper brochure is an ethnocentric view which justifies the need for a learning phase and would have benefited from further understanding. This misunderstanding shows that a mutual learning process is necessary to overcome common obstacles and difficulties. It may be started through a cultural due diligence process in which each partner assesses each other's features or it may be initiated later if due diligence has not been included in the combination. Mutual learning needs to be enacted at each stage of the integration process and be far-reaching, that is to say, question each step of the combinational process. The importance of mutual learning and constant interaction is reinforced in the following example: a retail newsletter has been intended for the US market that does not display the visual identity of the new firm. The reason given for this omission is the benchmark with McKinsey Quarterly, whose quality does not need branding. Implicit referencing to US standards perpetuates the old way: neglect of the partner's operating mode antagonizes the French entity and restores the 'us versus them' conflict potential.

The evidence brought by a change in management control metrics which results in increased performance shows that organizations assessing their respective practices are in a better position to conduct reciprocal evaluation of the opportunities of combining different knowledge systems to agree on a common framework.The following culture-bridging process may offset the lack of cross-cultural agility (figure 8): it proceeds from an evaluation of the cultural systems in presence through learning about cultural systems, moves into contextualization of knowledge systems for cooperation to take place and closes on (re) configuration of cultural systems to suit the business objectices. This process matches a model suggested in literature aroung the evaluation, re-contextualization and re-configuration of values (Soderberg & Vaara, 2002). In contrast with this model, we argue that apprehending culture as knowledge systems made of objective and subjective knowledge – rather than value systems - helps one demystify cultures and defuse emotions rooted in values when one has to depart from previous cultural systems.
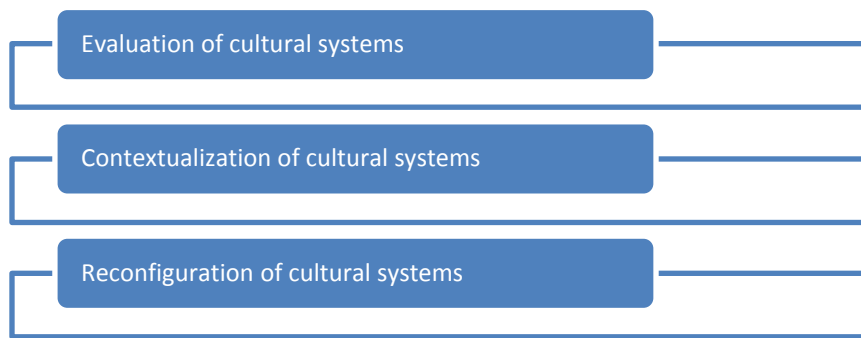
Figure 9: Cultural learning as a three-stage knowledge exchange process

In our case study, the Knowledge Management department symbolizes the necessary sharing of knowledge resources to synergize performance. Three stages are described in the transformation process:

- Learning about reciprocal cultural systems and processes (evaluation phase)
- Conducting a gap analysis (contextualization phase)
- Renegotiating work processes (reconfiguration phase).

Because subjective knowledge needs to be explored to avoid questioning the other culture's practices, the need for a cultural learning phase is imperative (Morosini, 2005). The length and depth of the cultural learning phase varies according to the level of cultural intelligence displayed by organizational members. If knowledge of national cultural systems has been acquired as in the case of a French national having lived and worked in the US, the cultural learning phase should be shorter and simpler. Cultural learning is achieved through a mutual discovery phase aimed at understanding each other's frames of references and solving the issue under investigation. It starts with an evaluation of cultural differences, sets these differences in the context of cooperation and reconfigurates cultural systems to align them with business goals. Mutual learning includes a key mutual listening component geared to business objectives. Mutual cultural learning enables organizations to reinvent themselves as well as to develop knowledge exchange:

> *So it was an extra set of services that we normally would not have*
> *been able to offer. In that sense, there are some good synergies in*
> *terms of service (US member of GLT -country leader).*

At business operations level, mutual learning creates a virtuous circle leading to business synergies generated by cross-fertilization of knowledge.

In implementing cultural learning initiatives, organizational players insist on time pressure put on business objectives. However, skipping the cultural learning phase slows down integration.

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Some teams are not aware of what other teams are doing, even if they share the same expertise:

> *Comme personne n'a pris le temps d'expliquer à l'autre ces modèles,*
>
> *on les découvre au fur et à mesure (French top executive).*

There is a wide range of services selling and delivering value to the customer. Lack of awareness of the existing business models may have slowed down execution. Not having taken the time to explain business models and operating modes to one another entity has not necessarily hampered integration but it could have accelerated it.

Skipping the cultural learning phase stems from underestimating the importance of cultural differences on account of the hidden nature of culture:

> *S'agissant de la même culture de métier, je pensais que la fusion*
>
> *serait simple mais ça a été très compliqué en raison de nos differences*
>
> *de fonctionnement (French top executive).*
>
> *We were aware of the 2 business models but not of how difficult it*
>
> *would be (US top executive).*

A cultural due diligence phase would have been useful:

> *La phase préalable d'examen des differences culturelles est souvent*
>
> *sous-estimée mais je pense que cela aurait été utile (French back-*
>
> *office leader).*

Lack of cultural due diligence is evidenced and assimilated to a weakness in pre-planning and anticipation. Indeed, there has not been any cultural due diligence planned in the process; it is an analytical step that enables the organization to assess differences in operating modes and mindsets and anticipate potential synergies and difficulties. Likewise the lack of a team-building operation within the top management team is assimilated to the lack of a cultural understanding phase which accounts for the slower execution process:

> *Il n'y a pas eu, au moment où le nouveau comité de direction s'est mis*
>
> *en place, d'exercice comme un team-building et ça c'est une erreur.*
>
> *(French top executive).*

To avoid two companies being smashed together rather than integrated, a proper consultative phase should have been scheduled by the integration team. An integration leader was appointed who overlooked this priority phase. He has since left the company. The learning phase or consultative phase was skipped which prevented the new organization from apprehending the full scope of the business and cross-fertilize knowledge:

> *We weren't aware really of all the services YYY offered at the time of the merger so we did not really know that much how the company operated, the services it offered particularly in France (US member of GLT –country leader).*

Skipping the consultative phase has far-reaching consequences as some synergies have happened by chance that could have remained unnoticed: In summary the consultation or learning and gauging phase is deemed of paramount importance for the success of integration execution.

6.3.3. Learning, bonding and building shared identity

Learning cannot be implemented without bonding. The importance of the bonding phase is unanimously underlined by global practice, country and back-office leaders: meeting, getting to know each other and developing a trust relationship enable individuals to better work together. Building awareness of a shared identity goes through learning together with bonding:

> *Education, getting people together in a room, in that process, they become more aware of what the other is coming from (US top executive).*
>
> *Il faut impérativement donner à ces équipes qui sont sur le terrain et qui font tourner la boutique, l'occasion de se rencontrer, et de s'apprécier, de travailler ensemble en confiance (French back-office leader).*

In many functional contexts, the initial move is that of a physical meeting in which sufficient time is spent together to build mutual understanding. Top management meets, functional teams meet. In organizing the cultural exchange, the modus operandi is similar across all functions: first explaining and understanding the two organizational cultures and operating modes.

Spending time together activates bonding. Bonding is reported to help develop legitimacy and build shared identity, pictured as the outcome of harmonious relationships:

The bonding phase is sometimes judged insufficient. In the cases when it has not been effectuated, cooperation has taken longer to achieve. People need to get to know each other to collaborate with each other and develop mutual trust:

> *It is a shame; it would probably have been worthwhile to get to know the others and to make closer links in order to develop partnerships,*

(US member of GLT- country leader).

Shared identity rests on trust which brings about genuine, mutual confidence:

> *Other people may not have the same agenda; knowing that you can*
> *trust the person, when things come up and get a little questionable,*
> *you know what the person's heart is on this. That's a big deal (US top*
> *executive).*

Bonding may take place at a distance through electronic aids: newsletters, stories of partners' achievements are released to compensate for the geographical remoteness of partners. However physicality is highlighted as being pivotal in establishing and reinforcing trust:

> *Being physically together was key: you start to develop a bond, a*
> *friendship and a trust of each other (US back-office leader).*

The benefits of trust-building are acknowledged as authenticity and transparency ease cooperation. The trust developed by Knowledge Management teams enables the Knowledge Management department to merge after one year. Solid personal relationships and frank, straightforward communication enable teams to do away with politicking. Bonding involves working on an equal footing, which facilitates collaboration and also enhances mutual confidence as one partner does not attempt to dominate the other:

> *My counterpart and I are peers. We are very much equals. We met in*
> *a room and I think either one of us were cautious when we met, but*
> *quickly, developed a fair, honest relationship. We were able to put the*
> *company's interest ahead of what may be perceived better for one*
> *legacy firm versus the other (US back office leader).*

Bonding makes it possible to develop a strong relationship that obliterates national differences:

> *If you get people down to an individual level and they work together*
> *and build that trust and respect, then the nationality piece really falls*
> *out (US top executive).*

After 2 years and a half since the merger implementation, people know one another better: mutual encounters have lifted misunderstandings. People have connected with one another and have been able to better assess mutual opportunities and constraints. In HR as well as in marketing, people have extended their scope of activity. Mutual constraints have been identified and evaluated to grasp the full extent of the merging process. Cooperation has reinforced mutual legitimacy and trust which has kept the execution process running smoothly. Unfortunately, for budget reasons for which the crisis is to blame, the top

management expresses the frustration that they have not been able to organize a global merger meeting of partners and consultants. Cross-fertilization has consequently been delayed between non-global practices; interconnexions are currently limited to top management teams, back-office teams and global practice teams. Through bonding, the Global Leadership Team has progressed in the building of shared identity. The country managers and practice leaders who sit on the Global Leadership team are starting feeling a shared identity. Getting to know each other better has been instrumental in building a shared identity and developing mutual interest in the company's success.

The bonding process has been evidenced in many of the functional improvements brought to the new organization through knowledge exchange: learning about the whats, whys and hows easses cooperation. To overcome the weight of egos, fostering a sense of common identity is essential:

> *How do you address egos? The old story goes that there are 2 guys in*
> *a fox-hole: one guy with the machine gun, one with the ammunition.*
> *Our job is to create fox-holes (US top executive).*

The learning and bonding process epitomizes the mutually supportive outcomes of a smooth organizational and sociocultural integration process (Birkinshaw et al, 2000) and draws the contours of a cross-cultural integration capability for which we find support (table 8, chap.3).

Cross-cultural integration capability	
Implementing DUAL LEARNING : learning about objective and subjective culture	Building CULTURAL UNDERSTANDING: fostering convergence in meanings, decisions, actions
Outcome= Share resources, transfer knowledge	Outcome= Build trust, respect and dignity through early collaboration, cooperation and commitment

Table 8: Adding a cross-cultural integration capability to key integration capabilities

However, learning and bonding have not reached out to the whole organization. We find that lack of bonding resets distance counters: size and matrix structure are liable for separation and fragmentation of activities. Distance however takes various forms other than cultural: we inventory accounts of geographical, structural, operational and psychological distance. With the merger, the new organization reaches a critical size with business units spread over 4 continents: geographical distance separates teams and bringing people physically together from Europe, China, Australia, Japan and the USA is difficult and costly. Missing links are reported between partners and consultants inside the same line business due to geographic distance. Structural distance is formalized in the matrix structure which keeps the two go-to-

market models coexisting. Separation of business activities implies separation of support functions. In spite of successful attempts at combinating the two back-office infrastructures, some specific functions remain split:

> *We have one official CFO and then we have somebody in France and*
> *somebody in the USA doing the same job split into 2 (US back-office*
> *leader).*

Fragmentation of activities keeps practices apart and opertional distance is seen an obstacle to cooperation and cross-fertilization of knowledge:

> *There is some but not a lot of opportunity for us to get to know each*
> *other (US member of GLT – country leader).*

Integrating minorities into the already existing practice blocks is painful. They are viewed and assimilated as *"foreign islands off the domestic coast"* (US top executive). On top of geographic, structural and operational distance, distance stems from psychological resistance and parochialism:

> *Some of the parochialism is around protectionism. We went into this*
> *merger under the premise that there would be some efficiencies. In a*
> *people business, efficiencies come from people; it is very natural that*
> *team leaders protect their team (US top executive).*

Tensions and conflicts are natural and part of human nature. Regrets are expressed that there are oppositions and conflicts in spite of and beyond the merger:

> *En France, comme aux US, vous avez des gens qui au-delà de la*
> *fusion, passent du temps à se taper dessus et qui commencent à se*
> *battre avant même de gagner des projets chez le client (French*
> *member of GLT – country leader)*

Distance clearly stands as a barrier to integration: distance is made of physical elements which prevent people from establishing the physical bond needed to foster mutual learning. Distance is also made of structural and operational components which refer to the matrix structure, different practices in different locations which do not yet feel the benefits of a common identity. We find that structural elements are the biggest stumbling-block in the merger: the 'us versus them' attitude is derived from the matrix structure whereby consultants work side by side without any cross-fertilization. Different ways of doing magnify identification gaps. In line with the Social Identity Theory (Tajfel, 1974), people tend to identify themselves to their original groups more strongly in case of identified differences which reinforce people's self-image. The differences that play out loud in this case are the

organizational culture differences sustained by geography. These various tensions outline the difficulties of understanding one another as long as bonding has not been established.

6.3.4. Mutual understanding

The learning and bonding phase is paramount in developing mutual understanding. Effective integration cannot take place without mutual understanding needed to bring different cultural systems together. We find that mutual understanding is facilitated by 'enlightened' awareness of culture: as previously indicated those organizational members that are able to understand the knowledge systems of national, organizational and other possible subcultures are in a better position to establish common meanings. Cultural agility enables organizational members to avoid oversimplifying cultural issues: being able to understand how culture operates in other people's minds, being able to translate one's cultural reality into another is a powerful asset. Organizational members with previous cross-cultural experience are able to leverage cultural differences and build bridges between cultural systems. The mutual understanding phase enables organizational actors to initiate cooperation.

In this process, time commitment is singled out as an enhancing factor of cultural understanding:

> *It is about dedication meaning devoting the time to it (US top executive).*

To avoid cultural misunderstandings, a sufficient amount of time should be devoted to the issue under consideration. Respondents stress that time spent on building mutual understanding is time spent away from business activities but our study shows that synergies come from spending time together on building win-win situations. Mutual understanding is a matter of devoting sufficient time to sitting face-to-face in order to build common ground. Time and commitment are outlined as conducive to trust and instrumental in consolidating the work relationship:

> *What you need to know, and that works for me. I know that when we are not together, when my counterpart is talking to the CEO or one of our superiors, I know what he is going to say is going to be in the best interest of the company (US back-office leader).*

Committing time and interest in building common ground generates trust and trust is a shield against conflict and resistance. Global practices and back office functions have progressed towards more and better interactions and misunderstandings have been lifted through bonding and mutual learning. Mutual understanding is required for merger progress. Mutual

understanding rests on learning, bonding, and reciprocal understanding of objective and subjective culture which lead to joint production of solutions to organizational issues:

> *Là où ça marche bien, c'est là où les interlocuteurs de part et d'autre ont appris à se connaître, ont compris leurs moteurs, ont créé des processus communs, une compréhension commune des modes de fonctionnement réciproques et là, ça marche (French member of GLT-country leader).*

The emphasis on mutual understanding outlines the following implications: once mutual understanding is achieved, the balance of power shifts and redesigns boundaries from former hierarchical entities to two-way relationships. Mutual understanding enables organizational members to adapt power lines and controlling flows and start thinking in terms of the new organization. The organization shifts from a competition to a cooperation mode. Mutual understanding , in redesigning formal boundaries, also generates informal connections as it reaches out to different categories of organizational members: according to the HR department, a women's network has been started that brings people together across national borders with a view to exchanging information and generating more participation in top management. In better apprehending mutual understanding components, a focus needs to be made on the role of those boundary spanners who have reached mutual understanding. They are the new organization's interface: they are back-office leaders, practice or country leaders in our case study. Their role is to span formal boundaries to enable communication and coordination to take place across the board. They take on different hats: facilitators, moderators, problem-solvers, challengers, innovators. When not achieved, mutual understanding is alleged to be one of the biggest threats to merger success. Besides, understanding is impaired by lack of fluency in the target language. In our study, cultural agility includes language proficiency: the people who have lived and worked in different cultures have been able to develop a proficiency in the working language of the new organization which enhances cultural understanding. Conversely, in those accounts which report difficulties in understanding, language issues are perceived as cultural inhibitors; because English has been chosen as the working language of the new entity, the mastery of the language is described as an instrument of cultural dominance versus submission. Proficiency in the language is deemed necessary to understand the subtleties and the full extent of the exchange. The French executives who have not been exposed to previous international situation and have exercised their skills locally have had to take intensive language training courses.

Overcoming cultural misunderstandings comes with enlarging one's worldview by enriching one's knowledge systems to include other knowledge systems. It involves communicating across cultural boundaries and thinking in terms of "togetherness". The "agree to disagree" stance is a starting-point: it means that parties have been able to exchange about the issue under consideration. However disagreement should be overcome in a transition between initial merger negotiations and final post-merger outcomes if the organization wants to move forward as a single entity. At the time of the study, the new organization has not yet come to terms with one of the most fundamental issues for the merger outcomes which is finding a baseline for its new identity.

In summary, our investigation of the missing links between culture and performance points at the cross-cultural learning chain and delineates the contours of a cross-cultural integration capability as the missing link between culture and performance. We find that effective cross-border M&A integration is contingent upon understanding cultural differences: an understanding of cultural differences in the form of cultural intelligence or cultural learning as a proxy for cultural intelligence is the foundation for a cross-cultural integration capability, defined as the ability to address and leverage cross-cultural differences in combining organizations. When cultural intelligence has not been acquired and exercised, we find that cultural learning acts as a proxy for cultural intelligence in providing explanations of objective and subjective culture and initiates virtuous processes which bring about cooperation, trust and the emergence of a new identity.We consequently find support for our cross-cultural learning chain (figure 10) in which learning backed up by bonding and physical connections develop mutual understanding and set a process of cooperation in motion for the building of trust and a new identity:

Learning and bonding → Understanding → Cooperating → Building trust and a new identity

Figure 10: Inserting bonding in the cross-cultural learning chain

Learning about the other cultural system facilitates transfer of knowledge (Kogut & Zander, 1992) which incorporates both the tacit "know why" rooted in both national and organizational culture and the explicit "know what". By giving the keys to cultural knowledge systems, learning undermines the negative implications of cultural confrontation (Tajfel, 1974) and takes advantage of the positive features of cultural interaction, involving multiple perspectives, diversity and creativity (Blanchot, 2008). As noted by Buono, Bowditch and

Lewis (1985), "since culture evolves over time as a product of shared experience, when attempting to merge two firms, the greater the number of these shared experiences, the faster a repertoire of symbols and shared meanings will develop with which the merged groups of members can begin to identify". Shared meanings come about once teams have understood each other's knowledge systems. In this process, cohesion of cross-cultural teams in both back-office and business functions occurs through shared meanings derived from assessment, contextualization and reconfiguration of knowledge. Individuals that understand one another are more likely to co-create a work culture guided by shared goals (Mitleton-Kelly, 2006). Synergistic learning occurs when organizations are able to cross-fertilize knowledge across former organizational boundaries in line with new organizational needs.

6.4. DISCUSSION OF THE FINDINGS

The following development sparks interest in the numerous obstacles that hinder smooth cultural integration and underline the complexity and ambiguities of an integration process: mergers and acquisitions are major organizational changes that place great strains on integration dynamics.

Cultural change is just one if the many far-reaching transformations that a merger brings about. While investigating cultural dynamics, we unveiled a multiplicity of other factors affecting the integration process. An important focus of this research work is related to change management: change management incorporates many of the execution challenges involved in integration. Numerous comments point to the fact that a merger involves a major transformation of two entities operating in different environments and with different constraints: merging any two companies is about change management and change management needs to be monitored to deliver the expected changes, a topic which had not been emphasized in our literature review.

It is important to emphasize that change in and of itself is often associated with anxiety, tension and resistance. Individual anxiety, tension and resistance may be counterbalanced by the effects of rapid modifications in the psychological contract: if employees within an organization are treated as they expect to be treated, or if the organization's expectations of employees match the reciprocal expectations of its members, then greater organizational effectiveness, work satisfaction, enthusiasm and commitment to the organization are probable outcomes (Argyris, 1960). We observe that employees' expectations match with the organizational promise after role ambiguities have been lifted. Overcoming resistance from the inside involves considering change management processes. An examination of collective

resistance delivers mixed findings: this case demonstrates that the extent, impact, and direction of change positively or negatively influence integration.Overcoming resistance from the outside provides confirmatory evidence that an organization is embedded in an institutional, geographic, economic environment whose features must be taken into account in devising inventive solutions to organizational constraints.

This case also demonstrates that change management must be in line with the business case. In other words, a good strategy is useless without proper execution (Haspelagh & Jemison, 1991). Alignment of strategy and execution is substantiated as one of the main drivers of integration effectiveness and has to be timely. To enable people to work towards a common goal, strategy must have been defined and a plan for execution devised for strategy implementation. We find that timely execution and that degree and extent of interface enhance the integration process, which presupposes that vision, mission and purpose have been clearly defined and communicated.

Strategy definition and execution are incumbent on the right kind of leadership: balance of power and empowerment are singled out as drivers of sound integration as well as focus on common goals.

6.4.1. Overcoming resistance through change management

Without underassessing the influence of culture on M&A integration, we point out that mastering change involves considering psychological factors at the micro-level, managerial factors at the meso level and institutional factors at the macro level (figure 11). Psychological factors incorporate motivational drivers and individual qualities that can positively influence change. Managerial factors relate to integration execution; they are managerial capabilities needed for change implementation that enhance integration. Institutional factors relate to the legal and administrative context in which businesses operate. All these factors interplay in the strategic and operational change management process which permeates integration execution in an attempt to overcome ambiguities (Cording et al, 2008).

Cultural factors	Cultural systems in interaction
Psychological factors	Motivational drivers and psychological traits
Managerial factors	Integration capabilities
Institutional factors	Legal and administrative barriers

Table 22: the complexity of the integration process

Overcoming ambiguities is the major challenge in managing change. Our research unveils 4 types of ambiguities (Buono & Bowditch, 1989) outlined in table 23. Environmental

ambiguity emerges when organizational members try to understand, make sense of and respond to external conditions, such as an economic crisis or the socio-political environment (Buono & Bowditch, 1989). In our case study, the 2008 financial crisis has scaled back some of the practices making up the new organization; the way the new entity is going to manage this imbalance and the risk of backlash on remuneration packages are brought up as an ambiguity. However, with businesses in different continents and industries, the new organization manages to navigate through the crisis and create value. On the administrative side, the US representatives are not familiar with the legal and procedural constraints that the French environment imposes onto corporations. The social contract between an organization and its members is different on each side of the Atlantic: it is less procedural and adversarial in the USA and more compelling and binding on the French side. These ambiguities and discrepancies need to be resolved if the organization wants to harmonize its HR processes. Structural ambiguity normally concerns potential changes in the formal linkages of an organization. In our case study, structural ambiguity emerges from the new organizational design in perpetuating the co-existence of the two go-to-market models, crossing vertical (practice) with horizontal (country) focus. Cultural ambiguity is related to values and norms in flux or lack of connections; we find that early learning and bonding mechanisms enable the new organization to lift ambiguities inside merging teams whereas ambiguities remain in those practices that continue to work in isolation. Role ambiguity arises when individuals focus on questions and concerns about what the M&A will mean for them personally. Role ambiguity in the initial merger phase soon vanishes as clarity of members' positions in the new structure is early achieved through voluntary departures and nominations of replacement positions.

Jemison and Sitkin (1986b) argue that ambiguity during the early phases of M&A is beneficial since it provides opportunities for manoeuvring and discovering areas of compromise. They also note that as integration proceeds, these same ambiguities can create conflicts and obstacles. While we do agree that early ambiguity can provide opportunities for negotiation and compromise as in the case of finding inventive solutions to cultural ambiguities or assigning new people to top positions, we find that in our case study organizational design is the prevailing cause of disagreement viewed as a permanent ambiguity. We observe that external, organizational and individual factors incorporate the ambiguities that need to be resolved at institutional, managerial and psychological levels. Ambiguities carry resistance to change which needs to be overcome if one is to move forward quickly and effectively.

Levels of ambiguities	Types of ambiguities	Application to case study
EXTERNAL	**ENVIRONMENTAL** Technological (automation, changes in work process) Market (competitive structure, consumer preference) Sociopolitical (values, legal change, work force diversity, regulation/deregulation)	N/A **Lifted through market synergies** Different socio-political contexts
ORGANIZATIONAL	**STRUCTURAL**: Patterned (structural considerations such as reporting relationships, communication patterns, policies and procedures in flux) **CULTURAL**: Normative (Anomie, norms in flux, absence or disruption of social ties)	Matrix structure **Lifted through learning and bonding**
INDIVIDUAL	**ROLE**: Positional (job and status)	**Lifted through voluntary departures and early appointments**

Table 23: Types of ambiguities, adapted from Buono & Bowditch (1989)

An analysis of the change management process involved in the merger under consideration confirms that resistance is a natural phenomenon that springs from change. Management must be aware of the individual, organizational and external obstacles to change in order to address them, which implies thorough analysis of pre-merger conditions. In order to conduct effective change management, integration leaders must pay utmost attention to the quality of execution: awareness of the extent and implications of change is paramount in integration execution and implies that a formalized but flexible plan for execution has been put together.

6.4.1.1. Psychological factors: overcoming individual resistance

In our study, resistance is pictured as a natural phenomenon that is triggered by a major organizational change.

Even if the merger decision is unanimously accepted, some organizational actors express the natural reluctance to deal with a major change in the life of an organization. There are mixed feelings common to both sides reflecting reluctance to change rather than cultural conflict or upright resistance. Some of the feelings that offset psychological resistance are voiced in perceptions of relative standing (Very et al, 1997): joining the Gartner's Magic Quadrant in September 2012 boosts merger acceptance on the French side. Furthermore, the promise of internationalization linked with the name and scope of the new organization also counterbalances potential tensions. French consultants are enthusiastic and happy to reassure their clients on the future of the company and American consultants are eager to take advantage of a broader geographic base. Mixed feelings are the consequence of the natural reluctance towards a merger process as a major event in the life of an organization likely to bring about substantial change where streamlining often involves fears of downsizing:

> *Donc ça c'est la première chose, tout le monde se demande s'il n'y en*
>
> *a pas un qui fait la même chose que l'autre et qui risque de prendre*

> *l'ascendant: c'est ce qui se passe dans toutes les fusions (French*
> *back-office leader).*

When the XXX retail team is incorporated into the larger YYY structure, resistance against adopting horizontal (country) processes and relinquishing the vertical (practice) processes results in the adoption of a matrix organization structure. Individuals have a tendency to perpetuate old ways of doing. The former XXX entity still organizes a convention where all new consultants to the retail practice are welcomed. This event is pictured as a cultural incongruity which outlines the gap between the prevalence of the retail division in the new group. The retail division is the core of the US business, self-centered and reluctant to communicate on other fields of expertise. A brochure positioning the new business as a multi-expertise consulting organization is validated by the executive committee but rejected by the retail division:

> *Notre brochure a été présentée au Comité Exécutif et au GLT, pas de*
> *problème ; dans cette brochure-là, on a effectivement expliqué le*
> *nouveau positionnement multi-experts, mais eux, ils ne veulent pas*
> *parler d'autre chose que du retail à leur marché (French top*
> *executive).*

The focus laid on retail leads to ignoring other fields of expertise: advertising documents take no notice of the fields of health and banking which are also US practices for which the new consulting organization expertise is acknowledged. The new name is hardly advertised in the US: in some cases, it is just not spelled out as if the US entity was reluctant to push the new name and the new scope. The US retail practice refuses to endorse the multi-expertise orientation put together by the French marketing department. Since this refusal, a US official has been appointed to the position of Global Marketing Officer. This stance sheds light on the underlying fears of contamination (Empson, 2001) of the XXX retail division by a larger-scale multi-expertise positioning. This issue is at the root of the problems encountered in the merger and accounts for much of the social categorization differentiating the ingroup from the outgroup (Lau & Murningham, 1998).

This set of perceptions and reactions reminds us of the emotional reactions (table 24) that this type of massive organizational change brings with it and the need for channeling perceptions through early communication, dealing with uncertainty and clarifying people's roles. Power asymmetries, feelings of superiority and reduced headcount pervade accounts of reluctance. There is resistance from XXX in integrating a larger organization whose size and scope are

questioning the old ways of doing. The emotional responses inventoried in our case studies combine fear, anger, sadness, acceptance, liking and enjoyment.

Stage	Characteristic response	Case study response
1. Denial	The 'it won't happen' syndrome	N/A
2. Fear	When will it happen? What will happen to me?	*Qu'est-ce-qu'on rationalise? Mon poste va-t-il être remis en cause ?*
3. Anger	We have been sold out	*On leur a filé l'informatique, on a changé de nom etc…It is not a merger, it is a takeover…Eux, ils ont le sentiment de s'être faits flouer dans la fusion…*
4. Sadness	Mourning and grieving for the past	*C'était quand même notre bébé…*
5. Acceptance	Recognition of futility-positive approach starts to develop	*On rentre dans le Gartner*
6. Relief	Things actually better than expected	N/A
7 Interest	Increasing feeling of security	N/A
8. Liking	Recognition of new opportunities	*Il y aura advantage de mobilité internationale…*
9. Enjoyment	It is really working out well	*We have had major wins…*

Table 24: Emotional responses to merger (adapted from Cartwright and Cooper, 1996)

After initial resistance has been overcome, cultural tensions or frustrations may be sparked by collective, passive resistance or non-implementation of discussed changes; credibility of one party is undermined by not playing by the rules. When discussed changes are not implemented, there is a feeling of lost time which negatively impacts the atmosphere in which the teams operate. Even when a reciprocal process of learning and bonding takes place, subsequent execution may not take place. Passive resistance takes the form of procrastinating and « burying » projects. Potential tensions are aggravated by discarding people's contributions and not implemented mutually agreed upon plans. These attitudes jeopardize cooperation: they show that when one party is put at a disadvantage, it may react negatively and faces an alternative: either yield or resist. The French side recalls giving in too often which sparks frustrations. Fake discipline, delayed or stifled execution, and passive resistance are some of the reactions which are attributed to the other party in the integration process. When deliverables are required, passive resistance can turn into cultural conflict. Conflicts of assumptions translate into national antagonisms; in amplifying so-called national wars, they

question the potential for cooperation. National culture may be used as an alibi for confict as in the case of assumption wars. Or it can be used as a shelter against intrusion:

> *People have said internally, the French refuse to be managed by Americans. That is running inside. The French do not want Americans to come and tell them what to do and vice versa (US back-office leader).*

Collective resistance rests on individual resistance. What is acceptable at the organizational level may not be accepted at the personal level when it deals with changing one's role and prerogatives and exiting one's comfort zone:

> *Companies should merge for the better and people should get rid of former ways of working to produce a better company, that is the goal; I think everyone believes in that goal but when it becomes personal and you are changing what you are responsible for, the visions that you have made in the past, that's when it gets more difficult (US top executive).*

Overcoming individual resistance means resolving role ambiguities and clarifying people's status and assignments early as well as making people accountable for their contribution:

> *Si on arrive à passer rapidement le plus angoissant de « qu'est-ce qu'on rationalise » pour concentrer les gens sur leur mission, on rentre dans une dynamique beaucoup plus positive (French top executive).*

6.4.1.2. Managerial factors: overcoming resistance from the inside

Because of the technical complexity of merger-related activities, combination efforts are segmented into a series of different analyses. This segmentation usually leads to a disproportionate amount of attention being placed on strategic and specific operational issues at the expense of the broader dynamics and cultural ramifications of the transformation (Jemison & Sitkin, 1986b). We agree that in our study of a merger of two 'sister' companies, less attention wass devoted to the cultural dynamics as a whole on account of reported complementarity leading to false assumptions of simplicity. Integration execution would certainly have benefited from more formalized attention to the process, as reflected in the following comment:

> *There were very little things in terms of structured change management: communication was relatively poor, people were not*

> *consulted, as I said, nobody sat down with us to think through the*
> *implications of this merger. There was none of that consultative phase*
> *(US member of GLT –country leader).*

Operational change management should have relied on clearly defined procedures to be implemented as early and smoothly as possible, as a consequence of adequate pre-planning. Pre-planning and consultation of all stakeholders are deemed necessary to execute the integration process and point at the need for relevant execution capabilities. We find that formalization of change management enables consulted merging parties to make sense of change. Formalization of execution starts with pre-merger planning:

> *The main task was, prior to the merger (as we ran up to the actual*
> *1/1/11 time frame), the main task was making sure that marketing was*
> *in place, that we had our branding was in place, to make sure that our*
> *leadership team was in place (US back-office leader).*

Formalization needs to reach out to all countries and functions but not disrupt business operations:

> *The idea was to keep the operations, meaning the consultants,*
> *operating as normal as possible under the merger (US top executive).*

Formalization must plan for execution and not just structuring: executing merger plans is a continuous, incremental process. Respondents insist that in formalizing change management processes, integration teams must pay attention to the extent, impact and direction of change. When executing integration, one must assess the extent of change needed: the larger the extent, the larger the impact of change and matching execution. The amount of change has been different according to the practices and to the countries concerned.

A recurring comment on the French side is that change is better accepted when it is perceived to impact the whole organization:

> *Il y a un sentiment au départ que tout le monde va repartir à*
> *l'attaque. Finalement, c'est un plan de transformation pour tout le*
> *monde.Tout le monde se dit ; il faut y aller. Et comme il n'y a pas non*
> *plus de redondance dans l'organisation, tout va bien (French top*
> *executive).*

Only after a few months is this perception adjusted. There is an ex-post feeling that the scope of the transformation plan is wider for the ex-YYY consultants. This statement is made after a period of time in which internationalization has brought partners and consultants from both sides into contact:

C'est plusieurs mois après que certaines personnes, notamment celles qui étaient plus en contact avec l'international ont pu percevoir qu'en fait ce plan de transformation culturelle a quand même surtout eu lieu pour les ex-YYY (French top executive).

When the impact of change is felt to place greater strains on people, as in the case of the former French entity that has had to change its name after 8 years of existence, more effective change management is required whereas when change is limited, a tendency to stick to the old ways is likely which feeds frustrations and a feeling of injustice on the other side:

Pendant plus d'un an, les équipes de ex-XXX, même si on s'appelait XYZ, mettaient tous XXX dans leur signature et se présentaient comme XYZ, donc cela veut bien dire que la fusion n'était pas faite chez eux, alors que nous on n'avait pas le choix, il fallait changer de nom.

As a consequence, change is better accepted when it is a two-way process and impacts the whole organization**.** We find that two-way change design and reciprocal impact facilitate acceptance of change. There is natural resistance against imposed ways of doing. The smooth transition that has to take place must address the human and organizational issues of give and take (Alter, 2010). An exchange process must be initiated in which 'giving and receiving' are the psychological mechanisms that smooth integration should endorse. Organizational synergies result in mutual wins when changes are effected in both directions. Effecting changes in both directions help convey a sense of mutual engagement that undermines social tensions and align people on common achievements:

Organizational transformation has been effected in both directions which explains that cooperation is smooth (US back-office leader).

This sense of engagement and alignment is all the more obvious and pregnant when organizational members are empowered to bring about change. People who are given the required autonomy to decide over the best way to provide an answer to the case under examination whether it deals with separating, combining, blending or transforming are better engaged. The design of the logo epitomizes the combination of 2 symbols into one. The symbolic meanings of the star (former French organization) and the diamond (former US organization) are combined into a storytelling process that emerges out of large-scale consultation and produces a common foundation for the newly merged entity. Because it is the result of a combination process, the design of the logo typifies the first mutual satisfaction that is shared by the merger players. It points at the importance of taking into consideration the 2 legacy cultures in building a new entity and symbolizes reciprocal change. Numerous

examples show that change is better accepted when it is a two-way, balanced process, with a need to make concessions on both sides.

Additionally, we find that degree of change is moderated by change imminence:

> *Il y a un projet de re-branding, les gens ont de nouvelles signatures*
> *Internet, de nouvelles cartes de visite, les gens sont obligés d'avoir*
> *des plaquettes pour aller expliquer : bonjour on est XYZ. Ce qui n'est*
> *pas du tout nécessaire du côté américain (French top executive).*

When a change is promptly needed, more energy and commitment are devoted to managing it and the need for establishing a workable foundation for cooperation is more pressing. When a change is not urgently needed, then people perpetuate old behaviors and practices, they usually refrain from action, freezing their positions and representations. Lewin's (1947) model of change may be activated to account for the burning platform concept. In summary, the merger has been institutionalized but not yet internalized: on paper, the framework of the organization is institutionalized but some practices are still reluctant to collaborate or keep working in isolation, which has delayed internalization. The French side agrees that institutionalization is over: while reflecting the difficulty of getting rid of the two former legacies, the matrix structure is reported to ensure the balance of power that keeps the company together. This ongoing ambiguity, derived from the difficulty to blend 2 different business models embedded in 2 different organizational histories, must now be addressed. To solve its matrix, the merged entity must proceed with internalization and unify mindsets. As many respondents voiced this concern, execution of integration was very pragmatic and focused on institutional features rather than a common mindset, hence the conclusion that internalization may have been neglected. 'Two structures, one mindset' defines the next merger challenge, taking into consideration resistance from the outside.

6.4.1.3. Institutional factors: overcoming resistance from outside

According to institutional theory (Biggart and Hamilton, 1992), management and business have different institutional foundations in different societies. At the national level, social and political institutions form the context in which managerial practices develop and are applied (Calori, Lubatkin, Very & Veiga, 1997). Thus differences in institutions across countries can result in distinct management practices and approaches to M&A. Research on cross-border M&A suggests that integration approaches and practices need to be aligned to some extent with the cultural and institutional context within which the target firm or merger partner operates (Calori et al; 1994; Morosini & Singh, 1994; Shimizu, Hitt, Vaidyanath & Pisano,

2004). National culture, government regulations, labor management relations, and other factors embedded in the national context affect the M&A process (Angwin, 2001; Child et al., 2001; Shimizu et al. 2004). In the Academy of Management Journal of 1995 on 'International and Intercultural Management Research', Early and Singh (1995: 337-8) insist "that the field integrate its working definitions of nation and culture and create an understanding based on various facets of nations and cultures, including economic, legal, cultural and political systems. The key to conducting quality international or intercultural research is to understand the context in which firms and individuals function and operate". In examining the merger of two consulting organizations in context, we find that administrative and economic barriers (Ghemawat, 2001) are often disregarded and under-assessed in the territories where they do not apply. In our case study, administrative barriers are referred to as a major impediment:

> *Un point qui est compliqué, c'est de faire comprendre les*
> *problématiques légales propres à chaque pays, surtout qu'en France,*
> *on en a…Et ça c'est encore des freins (French back-office leader).*

One key challenge is the management of human resources which has to comply with different regulations (few versus many):

> *In the US if we decide to do something and leadership agrees or if*
> *leadership decides and we execute, we can do it. We do not have to*
> *ask anybody (US back-office leader)*

Contextual impediments confirm that merging is not an easy task. Embeddedness into local contexts affects the process and outcomes of merger operations. In the case of HR regulations, embeddedness disturbs feasibility and effectuation. It prevents organizations from playing by the same rules and perpetuates discrepancies. Decisions to merge should be based on thorough examination of potential PESTEL obstacles residing in different institutional contexts. In this particular case study, France is clearly running with iron shoes.

Contextual impediments also include contractual obligations linked to organic constraints: some operations are subject to contract provisions that guarantee contractors' rights and include substantial compensation fees:

> *There were some inherited constraints that we had: some of our*
> *contracts prevented us from throwing everything away and starting*
> *anew because we had these pre-merger contractual obligations (US*
> *back-office leader).*

Economic conditions may vary across continents and practices and enhance or impede integration. The crisis that hit the US entity left the organization in a pretty unstable situation,

depriving it of some of its asset base before the merger. Conversely, the depression affecting the French market has spread to the whole organization.

This study confirms that one should not disregard the importance of contextual analysis (Ghemawat, 2001): the historical, political, economic and social contexts influence the perceptions of actors (Dupuis, 2005) and shape cultural interaction. Culture cannot be apprehended in isolation form the wider institutional context and we should often be reminded that cultural knowledge is relative and contextual (Soderberg & Holden, 2002).

While a thorough examination of the political, economic and social influences should be undertaken ahead of integration, specific attention to executing the business case should follow suit.

6.4.2. Change management and the business case

This case also demonstrates that a good strategy is useless without proper execution (Haspelagh & Jemison, 1991). Alignment of strategy and execution is substantiated as one of the main drivers of integration effectiveness and has to be timely. To enable people to work towards a common goal, strategy must have been communicated together with a plan for strategy implementation which incorporates the right timing and interfacing.

6.4.2.1. Timely execution and appropriate interfacing

Research has not answered the question of whether high speed of integration leads to better outcomes than low speed. There is considerable disagreement in this area. Buono & Bowditch argue that there is a window of opportunity during the first 100 days. Some (Jemison & Sitkin, 1986; Shrivastava, 1986) argue that such speedy change initiatives contribute to high failure rates. Others (Haspelagh & Jemison, 1991; Evans, Pucik & Barsoux, 2002) contend that speed is a variable that is moderated by other intervening variables (strategic intent, integration approach).We observe that timely execution is a driver of success together with other intervening variables such as consultation of stakeholders, cultural due diligence and impact of change.Timing and phasing are two crucial constructs in post-merger integration Timely execution rests on pre-planning which should include a consultation phase. Even if the real merger process began in Q2 of 2010, the planning phase seems to have overlooked the initial consulting phase with practices spread all over the world. Converging statements focus on earlier planning and interaction:

> *Je pense que je verrais mes homologues plus vite…pour faire encore*
> *quelque chose de mieux (French back-office leader)*
> *J'introduirais une rapidité peut-être plus grande dans l'interaction*

(French back-office leader)

Fair assessment of cultural issues in the pre-planning phase is a major asset in timely execution:

> *Je pensais que ça allait aller plus vite et j'avais mal estimé les problèmes de culture de société et de pays. J'avais sous-estimé l'impact que ça aurait (French top executive).*

As a result of misassessment of merger issues, achieving full integration of business operations is going to take some more time:

> *In the best case scenario, for us to really work well, I think we are still a couple of years away (US top executive).*

There are time-consuming processes that slow down integration. Timely execution must take into account the burning platform that drives execution and change implementation. Organizational members in the French division are urged to spend time away from business to implement change whereas in the US division, people can keep focused on market needs:

> *En France et en Europe, il y avait la burning platform, il fallait changer puisqu'on avait changé de nom, de toute façon, il se passait quelque chose. Aux USA, ils pouvaient être dans une position d'attente pendant quelques mois (French top executive).*

There are a number of tradeoffs with timely execution. In conducting the integration process, time management is pictured as a key success factor: the quicker interaction proceeds, the greater the synergies can be derived from the learning phase. However, learning takes time: as noted earlier, learning about objective and subjective culture is a time-consuming process which may delay some business results:

> *I can also tell you that when I brought clients to the YYY people to help me on certain things, there are some difficulties of working in a client together. It took a couple of months for each side to get the feel of the other (US member of GLT – country leader)*

At the same time, the lack of a team-building or 'learning and bonding' phase explains why the go-to-market synergies were not fully exploited.

> *I think we are starting to exploit them now but we are 2 years down the line (US member of GLT- country leader).*

In order for timely execution to take place, the importance of the pre-planning phase is underlined: an appropriate integration strategy must be defined together with appropriate metrics to facilitate change management. However, one must acknowledge that the

coexistence of two go-to-market models has slowed down integration. Time could have been saved by moving quicker on strategic alignment of business operations, which involves deciding on the type and degree of interface. The executive committee is a laboratory for the examination of cultural differences and epitomizes the often difficult creation of cultural synergies:

> *It is no mystery that on the executive committee, there is one American for every French person. There are some very strong wills on that committee. That is where you see the cultural differences play out in the loudest way, if you will, in the most typical way (US back-office manager).*

At back-office level, the type and degree of interface have produced mostly beneficial results: the knowledge management department has merged. All other functions have been able to make good use of cultural integration mechanisms to serve business needs. On the other hand, limited or non-existing cultural interface has moderated the difficulties likely to arise from cultural interaction which confirm some previous literature findings (Slangen, 2006):

> *Pour que les différences émergent, il aurait fallu que les gens travaillent ensemble, ils ont finalement assez peu travaillé ensemble (French member of GLT-country leader).*

Timely execution and appropriate interfacing are contingent upon clarity of the business case. We find that there was insufficient clarity of goals in aligning strategic change with execution.

6.4.2.2. Strategy definition and execution

The importance of operational change management taking its roots in clearly articulated strategic change is underlined by global leaders:

> *First you need to very clearly articulate how the company is going to work, then it is the change management piece (US top executive).*

Pre-planning is emphasized in our study as a prerequisite for smooth interfacing to happen as well as timely execution. However, pre-planning relies on a well-defined strategy. Strategy definition needs to take into consideration the characteristics of the 2 firms, their strengths and weaknesses as well as the opportunities and threats related to the external environment.

Inclusion of these features demands thorough analysis of the systems and processes that govern business structure and operations. They require deep understanding of the cultural systems which guide action and point to clarity of the business case. If shared clarity has not

been achieved, then misalignment may disturb integration. Any approximation in this field is likely to impair the integration process and distort intended synergies:

> *I am not 100% sure that the executive committee and the executive team were fully aligned on what that vision should be (US top executive).*

Misalignment stands out as a major stumbling-block in the integration process and stems from various sources: insufficient clarity in vision setting and communication, ambiguities in structure; misalignment of processes and values supported by motivational goals. The vision has been set: it is to be each client's trusted advisor but it may not have been shared by all members. Instilling a common vision, a common purpose and legitimacy around that vision is a major challenge that can be impaired by misalignement.

A strategy has been put together which consists in consolidating an organization around geographic and business complementarity. However, the sub-strategies underlying this vision are still conflicting and tensions are perceptible between the US and France. Top officials agree that better communicating the vision would have been beneficial to the new organization and just putting together two entities which again had complementary geographic and market potential may not have been sufficient. Converging statements are echoed in the following quotations made by top officials:

> *There was not enough clarity around early on in the merger process, I just don't think that we - and I am part of this - did a good enough job communicating what that vision was (US top executive).*

How the vision is going to be achieved, what values are going to be conveyed are questions of utmost importance:

> *We have defined our values but I do not personally feel that they have been communicated enough and reinforced (US top executive).*

In other words, the merger has been pragmatically addressed and effectuated but raises questions about the future of the company. Clarity of goals and vision is still at stake. The use of different covers to communicate about different practices challenges the very nature of the firm and raises the spectrum of the "specialist vs generalist" divide: whereas the US division supports 3 main practices, the French division has 15 of them. Lack of clarity (or undecisiveness) involves misalignment. Marketing has not been aligned yet and needs a common baseline: is the new identity going to be expressed in terms of specialists vs generalists or multi-experts?

Misalignment may be detrimental to future success, hence the recent positioning of the French division as a collection of experts. The marketing department's job is to explain the new vision:

> *Notre travail en France à présent, c'est d'expliquer qu'on n'est pas des généralistes mais des multi-spécialistes, des multi-experts (French back-office leader).*

Similarly, the matrix organization needs to be more 'readable':

> *It is that kind of matrix organization that caused confusion (US back-office leader).*

Misalignment of processes jeopardizes business operations as tensions and ambiguities spring from loose alignment of values and operational processes:

> *I think that when you are dealing with a small firm like ours that is so geographically diverse, it is just difficult. That is easier to overcome if we had a tighter alignment of values and operational processes and those kinds of things (US back-office leader).*

Convergence of values and congruence on business management are deemed essential to keeping the company together:

> *We have to get our act together and figure out how we are going to manage this company in total. Otherwise we risk losing some of our very best people (US top executive).*

For people's motivational goals to be aligned, an endorsement phase needs to take place that reconciles them. Solving the matrix organization seems however to be the first step. We find that communicating a clear strategy is contingent upon converging values and establishing a common purpose. Leaders now need to agree on a common purpose; agreeing on a common purpose implies converging values. If former entities stick to the old ways, fragmentation will follow suit. A merger is like a construction: putting pieces together requires building bridges between values, defining a credo that is acceptable by both partners and defining a common roadmap to implement this credo. Unity can be built around the fight against a common enemy but it has to be sealed in a common pact. Specialists of change management find it more difficult to deal with change management applied to them:

> *We teach our clients to bridge differences: closer to home, it is a little bit different and it becomes very personal, so you get 5 to 10 different people trying to fix the same problem and sometimes you don't move as quickly as you would think (US top executive).*

And yet there are some 'serial' acquirers that have made formalized the M&A integration process. GE Capital calls its framework the pathfinder model: where the M&A process is divided into 4 action stages: in the pre-acquisition phase, as much attention is placed on cultural issues as on the business, cultural assessment and issues of cultural compatibility receive high priority and integration planning starts as son as possible. In the foundation building phase, the emphasis is on the managers of GE capital and the acquired firm working jointly on an integration plan. The implementation phase should be rapid and involve continuous assessment of progress and adjustment of the integration plan. The post-implementation is viewed as the assimilation phase, where the integration effort is assessed, the long-term business plan is refined and evaluated.The more people-based the integration is, the more engagement-oriented the approach should be (Devine, 2002). Focus on general interest is a motto for smooth effectiveness to proceed and a key success factor:

> *C'est un des critères primordiaux de succès : c'est quand on oublie l'intérêt particulier au profit de l'intérêt général ; pour moi, oui, c'est un succès (French back-office leader).*

> *You do not keep score; the reality is if we looked back and kept score, it would probably be sometimes what we did was better for YYY previous company; sometimes what we did was better for the other previous company. We never said; well you gave in on that one, I gave in on this one; we always focused on what was truly best for the company and in reality it came out 50/50(US back-office leader).*

Working in the general interest and discarding the political or emotional agenda helps manage change better. We find that to be able to work in the general interest and discard their political and emotional agenda, people must have solved their own "matrix": that is to say, they must have lifted ambiguities about their new status and role and endorsed the new entity's goals, which is the case of all back-office functions.Transformation is supported by people sharing the same concerns for growing the new organization, enhancing departmental operations, sustaining the teams' performance and disregarding personal interests. Alignment and search for mutual, general interest drive the various cultural integration steps taken to meet business objectives:

> *We don't go and say: this needs to be done in France. This needs to be done in North America. We just go: OK ! What are the objectives? What is the best solution? Legacy 1? Legacy 2? Or a new solution? And we have done all 3 (US back-office leader).*

After scrutinizing operating modes and establishing that there is no overlap, the two functions work towards harmonizing processes with a view supporting business objectives: how to best serve organizational objectives is the question underlying the whole amalgamation process. Alignment and search for general interest are contingent upon the ability to relinquish one's power:

> *We all hang our titles at the door when we walk in and we are frank*
> *with each other (US member of GLT - country leader).*
> *He and I are the kind of people that we don't get hooked on titles…*
> *The ability to check your egos at the door and do what is best for the*
> *company (US top executive).*

Leaders' propensity to do what is best for the company revolves around balance of power. In the case under investigation, balance of power appeases tensions and enables parties to focus on general interest.

6.4.3. Change management and leadership: empowering and leading

In spite of the numerous controversies that question the merger, the guideline for implementation is balance of power and equal status for the merging parties in spite of numerical imbalance: the French organization is larger by one-third than the US entity.

6.4.3.1. Balance of power

Balance of power is a leadership decision:

> *Là où notre CEO a été intelligent et malin, c'est qu'il n'a pas imposé*
> *la logique du nombre. On est plus importants en France, donc toutes*
> *les directions sont en France. C'est ce qu'il n'a pas fait et il a donné*
> *du pouvoir aux Américains (French back-office leader).*

Unity at the top trickles down: balance of power at the top was the outcome of the work relationship that the CEO and the deputy CEO managed to build: it was the cement of the organization. Cross-cultural balance of power is effectuated through equal numbers on the management and global leadership committees. On the executive committee, there is one American for every French person. On the Global Leadership Team, the same rule is applied; there is a representative for each country and following the merger decision, for each of the global practices. Working on an equal footing involves cross-cultural balance of power and equal status. Contrary to numerical imbalance, balance of power is seen as a sine qua non condition for mutual success. There is a subtle balance of power between the French and US divisions instilled by top management which has been institutionalized from the outset.

The merger has been advertised as a merger of equals. Balance of power also is enhanced by equal status between merging parties which enable them to quicker agree on joint processes and establish common goals. In order to work out common processes, back-office divisions are empowered to make proposals. Mutual confidence, cooperation and concern for mutual interest are some of the features enacted by practice leaders in cultural integration. Balance of power helps overcome boundaries and initiate cooperation through the learning exchange:

> *My counterpart and I, we are peers. We are very much equals. We met in a room and I think either one of us were caution when we met, but quickly, developed a fair, honest relationship. We never always agreed but we were always honest with each other (US back-office leader).*

Removing cultural boundaries across the former entities leads to social and networking events. POWER DAY is a social commitment initiated by YYY that invites members to devote one working day to contributing to a social/educational/citizen event. This year, the operation has been extended to the whole organization involving both YYY and XXX members. This non-professional spinoff event conveys a meaningful symbol of identity. Similarly, the US network of women has been extended to the whole organization.

For reasons of balance of power, the French general manager has been put in charge of Europe, Middle East and Africa and the US leader manages USA, UK and Asia. Balance of power is a management decision aimed at counteracting numerical imbalance. There are two contrasting explanations for the matrix structure: one is that the legacies of the two organizational cultures have been kept precisely for reasons of balance of power. Another is that the US management do not want to relinquish their power. Consequently, a compromise has been reached on structuring the organization as a matrix:

> *Quand la fusion s'est produite, le message a été de dire que c'était une fusion entre égaux, entre 2 cabinets d'égale importance qui faisaient partie du même groupe avec le souci de conserver toujours la parité, d'avoir un exécutif à deux têtes avec un représentant français et un représentant américain (French back-office leader).*

Interpretations of balance of power often reveal negative views: when other imbalances are felt, like in the case of reportedly unequal impact of change, balance of power is criticized and feelings of surrender are brought to the surface. Balance of power is a very unstable factor: economic conditions may shift the balance of power in one or the other direction which then claims power legitimacy. In the consulting business, power legitimacy comes from the

volume of business that consultants generate, not from a title or a status. There are different management styles and personalities on the executive committee which may tilt the balance of power in one or the other direction:

> *It is no mystery that on the executive committee, there is one American for every French person. There are some very strong wills on that committee that are juggling for power (US back-office leader).*

Balance of power has not translated into language terms as English has become the official language and French has been side-tracked, which may also be interpreted as a sign of dominance. The new name has also been interpreted as a breach of balance of power:

> *J'ai souvent eu l'impression que la prise de pouvoir était du côté des US: en France on considérait que comme on avait pris le nom XYZ, on était désormais sous l'emprise des US.*

These interpretations corroborate the fact that, in spite of the wanted balance of power, some ambiguities remain. Even if substantial progress has been accomplished, reports of unofficial struggles between egos, territories and titles are made which have taken time off merger execution:

> *Donc aujourd'hui on a beaucoup progressé mais cela a mis 2 ans. Pour que le comité de direction travaille, ça a mis 2 ans. Pendant 2 ans, chacun a essayé de prendre des points, de marquer son territoire, de prendre des pauses, de prendre des fonctions et on a perdu du temps. C'est très formateur (French top executive).*

Power issues and differentials are not easy to address: as a consequence of the merger, some executives left. Loss of power may explain some loss of talent. The retail practice leader of the merged team in France left shortly after the merger. He was not happy with the merger. Other executives in other practices than the merged one have also left the company:

> *Some of the people with big egos who thought they should be in different roles or different titles and were not willing to go along are no longer with us. Good people, capable people but there was that cultural mismatch between them and the values that we have within the firm; and so those people have by their choice or ours gone away (US top executive).*

In summary, equal status and balance of power among people endorsing the merger have facilitated merger implementation. Our case study shows that the allocation of power was instrumental in building common identity and legitimizing each merging party's contribution

to the construction of the new entity. We must note that true mergers of equals are rare because of the difficulties of keeping a genuine balance in power allocation. We therefore also note that this balance of power is flimsy and can easily tilt in one or the other direction, hence the stabilizing effect of support of authority as shown in the following paragraph.

6.4.3.2. Leadership: support of authority

Dual sponsorship has facilitated integration: the trust that the two organizations' heads have managed to build has been instrumental in sending out the right backup signals:

> *I think our leaders have both done a good job to try to facilitate the*
> *integration: the work relationship that they managed to build has been*
> *the cement of the organization (US top executive).*

Dual sponsorship has succeeded in institutionalizing the merger. To support the building of a new identity, the CEO has started a crusade to connect the dots and establish a physical link between all geographies. The personal commitment of leadership in building shared identity is underlined by many respondents:

> *Depuis 2010, notre CEO ne passe quasiment qu'1 à 2 semaines par*
> *mois en France. La plupart du temps, il fait le tour du monde et passe*
> *énormément de temps pour créer le lien « physique » entre les*
> *différentes équipes (French back-office leader).*

Support of authority addresses motivation, accountability and constructive conflict:

> *It is leading from the front, rewarding them in public, reprimanding*
> *them in private, holding people accountable, rewarding them ….Every*
> *case is different (US top executive). .*

It also includes the ability to make decisions out of constructive conflict:

> *We have a very good working relationship and he knows if I disagree,*
> *I will tell him and we always do things in a constructive way with one*
> *voice coming out (US top executive).*

That is why the posture built around "we agreed to disagree" is deemed countereffective (though enacted in the matrix structure) as constructive conflict must breed new ideas and not ratify dead-ends or stalemate situations:

> *That phrase, I heard a number of times and I am not really sure I*
> *understand it completely. In any leadership role, you have to do 2*
> *things: one is truly value and understand the opinions of the people*

around the table but then you have ultimately to make a decision for

the business based on the input of all those people. I think conflict in

the right way and the right environment is positive (US top executive).

One of the key features of support of authority is sponsorship. Sponsorship breeds individual and collective commitment through onboarding. Sponsorship and onboarding include a key explanation or justification component: sponsors must explain the reasons why they are backing up the merger move before they can commit their team to execution:

Pour des fonctions support qui vont interagir, si vous ne les avez

pas… « onboardées», si vous ne les avez pas pris avec vous pour leur

expliquer, vous avez de grandes chances pour qu'il y ait une réticence

très forte (French back-office leader).

Sponsorship is cascaded down in the organization and at back-office level, sponsorship breeds empowerment which in turn enables back-office leaders to engage their teams and make more committing decisions:

Chacun respecte l'autre et l'équipe de l'autre et personne n'essaye de

forcer des décisions ou n'impose des décisions. Et j'irais plus loin

encore, les décisions sont rarement prises entre nous ; on implique

toujours nos équipes pour développer, rentrer encore plus dans le

détail (French back-office leader).

Participation and commitment to decisions are key elements in the integration process. Onboarding and sponsorship are deemed instrumental in fostering commitment to the new organization:

Si vous n'avez pas expliqué les choses, donné les clés, donné aussi une

chance de réfléchir, vous ne pourrez pas faire (French back-office

leader).

These facilitating factors for change in integration were previously identified by Cartwright & Cooper (1996): they insist on continued visible top-management support for successful integration. They also emphasize consultation and participation of employees at all levels. They promote a multi-dimensional approach to culture change which incorporates a clear and consistent articulation of the values of the new/integrated culture, reinforced and supplemented by rational justification, example and training, which support such values. In line with Cartwright and Cooper (1996), we evidence visible, permanent support of authority as the cement of the integration process. We also corroborate consultation, participation and empowerment as the building-blocks of integration of merger implementation. We

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substantiate the fact that rational justification for the merger and expectations of a promising and positive future (in line with consistent articulation of vision) are the foundations for sound employee endorsement of the merger. Furthermore we find that by outlining the importance of cooperation, focus on common goals, balance of power and sponsorship of authority, our research incorporates the features outlined in intergroup contact theory (Williams, 1947; Allport, 1954; Pettigrew et al, 2005) that has gained widespread recognition in connection with social identity theory. Intergroup contact theory originated in the study of interracial relations in the USA in 1947: it is a psychological theory that has been used beyond its original field of application and is originally based on 4 principles: contact between groups, work on common goals, equal status and support of authority. We find that intergroup contact theory links up acculturation theory and post-merger integration studies. Acculturation theory was used to provide support for immigration processes (Berry, 1990) and theorize what happens when people from a different cultural background come to live in a foreign environment. It was extended to M&A literature to explain the difficulties encountered in cross-cultural contact and examine the three stages of contact, conflict and adaptation. However, it is not sufficient to encompass the facilitating or impeding factors of cultural change in integration. Our study evidences a link between acculturation theory, process and intergroup contact theory. Earlier studies of cross-border acquisitions (Bresman et al, 1999) have shown that increased contacts between acquired units and acquirers foster shared understanding and reduce intergroup bias. As Allport (1958, p.454) states: "to be maximally effective, contact and acquaintance programs should lead to a sense of equality in social status, should occur in ordinary purposeful pursuits, avoid artificiality, and if possible enjoy the sanction of the community in which they occur. The deeper and more genuine the association, the greater the effect. While it may help somewhat to place members of different ethnic groups side by side on a job, the gain is greater if these members regard themselves as part of a team". In line with Pettigrew et al (2005) who reviewed empirical literature on the intergroup contact hypothesis, we emphasize the benefits of intergroup contact: to the extent that contact conditions are fulfilled, negative outgroup prejudices are undermined, common ingroup identity is fostered, intergroup cohesion is secured and trust between teams is fostered. Functionally, positive interdependence produces favorable attitudes towards outgroup members, reduces anxiety and enhances empathy. In achieving positive interdependence, learning about each other is a critical step that enables people to see outgroup members in more individuated and personalized ways.

Intergroup contact theory (Williams, 1947; Allport, 1954; Pettigrew, 2008)	Integroup contact evidence (XYZ case study)	
Cooperation	*Management team* *Global leadership team* *Back-office functions*	
Work on common goals	*Management team:*	Devise a strategy Articulate vision and values Build a new identity
	Global leadership team:	Assist management team Cross-fertilize knowledge Enlarge customer base Develop staff exchange
	Back-office functions:	Streamline back-office Transfer knowledge Share and combine resources Serve business objectives
Equal status	Equal number of US/French members in top management and global leadership teams Equal status for back-office leaders except for merged KM	
Support of authority	Identity crusade Physical link between territories Rational justification of merger Sponsorship Empowerment	

Table 25: intergroup contact theory and evidence

We observe that intergroup contact conditions are fulfilled: cooperation between groups has been initiated and achieved through global operations and back-office functions. In places and practices where teams continue to work in isolation, cooperation may not have reduced intergroup bias. Cooperation has developed in these areas where intergroup contact has eliminated negative outgroup prejudices and fostered the attainment of common business goals. Equal status has been instituted at all levels of hierarchy as a management decision enacting support of authority: management has set the example and incorporated balance of power into organizational design. Equality of status between groups has side-tracked power issues (table 25).

Intergroup contact theory substantiates most of the enabling conditions observed in our study. In integration, these enabling conditions need to be endorsed by a learning and bonding process which builds understanding and trust. In our case study, success is mediated by the impermeability of the structural boundaries perpetuated by the matrix structure: by co-existing, vertical and horizontal divisions reinstate fragmentation in an otherwise smooth amalgamation process. We picture our current understanding of cultural integration in the following figure (figure 11) and suggest the need for a new acculturation theory combining enabling conditions and acculturation process in dealing with the double-edged sword of culture.
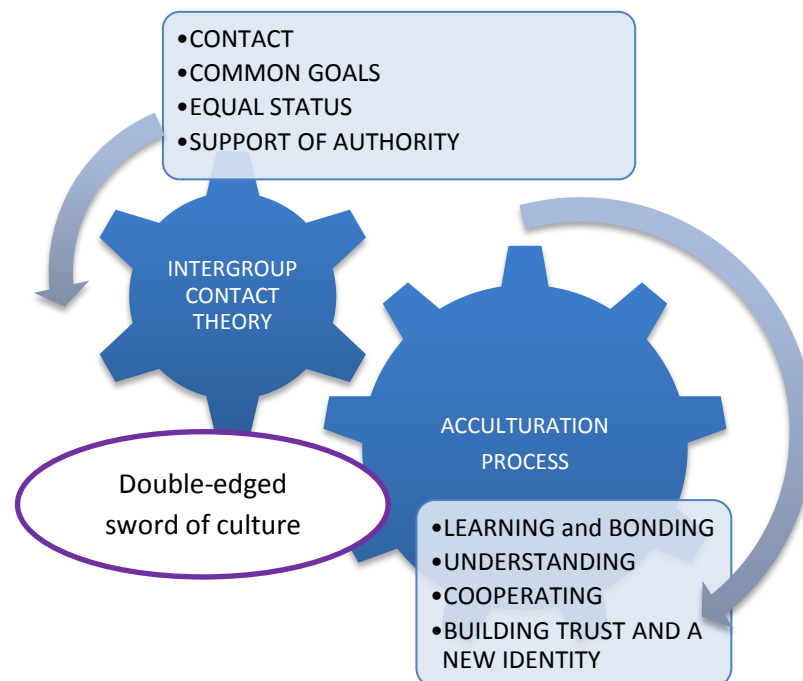

Figure 11: a new acculturation perspective combining enabling conditions and acculturation process

6.4.4. Research Limitations and research avenues

The results obtained in our study need to be qualified by some professional, contextual and external limitations. In outlining the relevance of the intergroup contact theory, we must note that the merger of two management consulting firms is the merger of specific groups of professionals who are in a better position to undergo a major transformation and consider the field of industry in which this merger takes place as one of the benefits or limitations of our case study. There are some features that are specific to the knowledge-intensive industry which may have prevented the former organizations to run into more blatant merger difficulties. Consultants have strong educational backgrounds which have prepared them to

deal with complex situations. They are usually an independent breed of professionals who are self-reliant and do not necessarily work in collaboration and pride themselves on decision-making autonomy. They also are an independent breed of professionals whose legitimacy comes from the volume of business that they generate: success breeds power. The more performance they generate, the more decision-making power, autonomy, independence, freedom of enterprise and business scope they achieve. They consequently are used to demanding tasks and achievements. They have a natural ability for networking with clients and developing synergies: when their clients move to another company, they usually bring them into the new structure. Independence, freedom of enterprise are identified as the guiding principles of success and legitimacy of success, according to some of the country leaders. Some of these features sometimes clash against the cooperation and collaboration needed to achieve integration: once cooperation has been achieved and been translated into visible achievements, tensions are appeased and spark interest in achieving common results. One of the recommendations derived from this research work is therefore to make collective achievements visible in order to generate common pride and a new identity and to reward them accordingly. Consultants' motivational drivers include quest for excellence and thirst for knowledge: by turning these motivational drivers into more collective rewards can the new organization also prosper. At the same time, this knowledge-intensive industry is characterized by high personnel turnover. The high rate of personnel turnover in the consultancy business is identified as a driver of integration; it makes it easier to do away with resistance to change as personnel turnover brings new blood into the company:

> *L'univers du conseil fait qu'on a un turnover entre 15 à 20% par an, le temps est un facteur majeur car les cycles d'exploitation sont courts, et le turnover assure un taux de renouvellement complet de l'effectif au bout de 5 ans. La population qui n'est pas enracinée YYY est aujourd'hui majoritaire. Donc c'est peut-être aussi pour cette raison que ça a pu aller vite (French back-office leader).*

New consultants have outnumbered former consultants in the French organization, which has facilitated the adoption of the new brand:

> *Aujourd'hui, les collaborateurs ne parlent plus de YYY en France, ce n'est plus le sujet. L'appartenance d'origine est dépassée (French back-office leader).*

Economic conditions are another contextual limitation of our findings. There are two converging trends that underline the influence of economic conditions on the merger. Before the merger, the economic crisis had hit one of the firms more seriously. Conversely when the pain was felt from the crisis on the French side, it created some bitterness from XXX organizational members and resentment and frustrations were expressed in those practices and countries that had to make up for other countries and practices' losses. We find that tougher economic conditions and feeble growth in another sector than one's own reinforced 'us-versus-them" attitudes and impaired integration:

> *If France does not do well, we can't offset because we are too small.*
> *The same thing would happen with the US as well; if the US was*
> *doing badly, everybody in France would say: we were better off*
> *before (US member of GLT- country leader).*

The economic crisis also prevented the newly merged company from organizing gatherings and social events and bringing people repeatedly together: gathering all the partners together and celebrating the merger by sealing partners' commitment to the newly born entity could not be done for budget reasons. We assess that the crisis may have delayed and negatively influenced the implementation of the merger and that therefore our findings may have emphasized the impact of economic factors. In times of better economic conditions, the merger might have been implemented more smoothly and more rapidly.

The type of combination may also be included as a contextual limitation of our research. Power differentials may have altered the findings of our study: the degree and extent of integration vary according to strategic objectives and requirements for organizational autonomy or cooperation. As Haspelagh & Jemison (1991) demonstrated, the degree and extent of integration vary according to the type of combination and are likely to affect power differentials. The type of combination, merger or acquisition, usually reflects the direction and extent of power relationships. In cross-border acquisitions, clashes of identity usually reflect underlying authority struggles. An acquiring company is suddenly put into a position where it can dominate an acquired company with its own views, practices and background. A history of long-term competition between both entities may impair cooperation and reinforce stereotyping attitudes and perceived superiority. The mutual learning phase may consequently be complicated and poisoned by power differentials. However, respect and admiration are possible feelings that can offset disrespect and loathing and be reinforced by frequent interaction (Bjorkman et al, 2007; Brannen & Peterson, 2009). In our case study, the merger was thought out as a merger of equals. Even if some biased, one-sided interpretations

assimilated the merger to an acquisition because of tensions or frustrations generated by change processes, the balance of power wanted and enacted at the most senior levels facilitated integration.

In line with Zander et al (in Verbeke & Merchant, 2012), we however observe that "the outcomes of a cultural integration process depend heavily on initial culture and status perceptions together with openness to cultural change" (p. 223). Zander et al (2012) argue that the perceived status of the other, based on national and organizational culture in relation to past achievements and potential success, plays a major role in facilitating acculturation and mutual learning. We find that the US perception of the French generalist organization clashes with its self-perception of a specialist and impairs acculturation while downplaying the benefits involved in merging with a larger-scale business. Conversely, the French perception of the US organization evidences the many benefits derived from moving the business upwards in the consulting industry and translates into readiness to change. There is accordingly a status perception differential that has pervaded merger proceedings from the official announcement onwards. Even if the new organization as a whole manages to be ranked in the Magic Quadrant of the Gartner, we feel that the term 'equals' is tinted with a superiority bias on one side. We find that this merger of equals is more a coexistence of adjacent businesses more than a merger. There are discrepancies in perceptions which impact openness to cultural change and impact of change. These discrepancies are epitomized in the matrix structure that perpetuates business histories, processes and procedures and impair cultural integration.

There may be some methodological limitations to our ex-post study of a merger integration process. In line with its epistemological stance, it relies on actors' perceptions and interpretations at the time of the interviews, that is to say 2 years and a half after the merger took place. In such retrospective analysis, there may be limitations due to memory gaps or ex-post rationalisation which may imperfectly reflect ex-ante intentions or alter the scope of certain inferences. There may also be social desirability biases which embellish the account of the process. However, due to numerous convergences of ex-post rationalizations on both sides at different organizational levels, the research findings may be considered credible and reliable.

Finally, from a global perspective, the national environments in which our research takes place may have influenced our research findings. Language and culture systems have been in previous contact. There is a good deal of exchange that has taken place between the two systems at many different levels, political, economic, educational and cultural, which may

have facilitated the integration process. The two cultural systems belong to developed world economies. Research findings need to be applied to more remote contexts in which language and culture systems are new to organizational members from different economic spheres or emerging economies.

These limitations translate into research avenues. We suggest investigating other fields of industry than knowledge-intensive industries, other economic contexts than recession-impacted contexts, other types of combinations and other cultural systems. As far as methodology is concerned, to prevent the potential bias linked with ex-post rationalization, we recommend conducting longitudinal analysis.

As previously and frequently mentioned, cross-border mergers and acquisitions are a case for several research fields: cross-cultural management, strategy, finance and international organizational behaviour are the main perspectives from which cross-border M&A have been studied. It may be valuable to conduct less fragmented research which cross-fertilizes extant findings. We suggest linking the cross-cultural management of M&A with the literature on the creation of synergies (Martin & Eisenhardt, 2001) which investigates the transfer of knowledge as a primary step in economies of scale, then co-evolution as the process by which entities are linked to cooperate and finally the embeddedness, structuring process by which the combined entities adapt to the market. The literature on the creation of synergies compares with recent work on the transfer and creation of knowledge and in particular the process by which multinational companies create new knowledge (Regnér and Zander, 2011). The authors argue that diversity brings about knowledge creation which fosters a competitive advantage for global firms compared to local firms. This advantage being rooted in a common corporate social identity frame, it is likely to sustain organizational competitiveness and growth which is a sound objective for cross-border M&A to reach. The normative literature on the management of diversity (Adler, 2002; Cox, 1991) may be complemented with further empirical studies demonstrating the benefits of diversity on knowledge creation and socio-cultural integration.

CONCLUSION

This thesis has been designed on the ground that research into the influence of culture on cross-border M&A is incomplete (Stahl & Voigt, 2008), fragmented and inconclusive; it has therefore outlined unresolved tensions and persisting gaps.

In many recent scholarly and managerial studies, culture has been identified as a critical impediment to M&A performance and managerial failure to take the cultural factor into consideration has also been outlined as a major hindrance to corporate success, an arena for what Boyacigiller and Adler (1993) call a marriage of organizational behaviour and international management.

Extant research has stipulated that some factors of M&A performance remain unexplained and suggested considering effective cross-cultural interaction as a key process moderator in M&A integration. A review of literature on culture in M&A has outlined numerous avenues for further investigation to which culture is related: investigating management interventions and cultural boundaries in order to better assess success factors (Teerikangas & Very, 2006; Stahl & Voigt, 2008), examining how the interaction between sociocultural and task integration generates synergies (Birkinshaw et al., 2000), how differences in culture encourage the transfer of capabilities, resource sharing and learning (Bjorkman et al. 2007) while alleviating social tensions, how a new culture and corporate identity are shaped and begin to take hold (Larsson & Lubatkin, 2001).

This thesis has focused on cultural dynamics and attempted to answer these questions from a process perspective, aiming at understanding how cultural differences are apprehended and leveraged and outlining the mechanisms used by organizational actors to influence integration effectiveness.

In line with current views of culture in anthropology and cross-cultural psychology, our research has shown that culture is not a static construct but is dynamic, ongoing, subject to construction, deconstruction and reconstruction processes initiated by organizational actors to produce solutions to organizational issues. It has enhanced the need for a relational and process-oriented approach to cultural analysis in order to capture the full extent of contact between cultures (Barth, 1994).

In investigating cultural dynamics, this research has shed light on how culture interacts with other factors to affect productive versus dysfunctional outcomes and delivered a different

acculturation perspective. It has demonstrated that it is not cultural differences per se but the way cultural differences are addressed and cultural boundaries managed that influences failure or success (Stahl & Voigt, 2008): it has evidenced specific cultural exchange mechanisms that are deployed in engineering success. These mechanisms include learning and bonding interventions (Nonaka and Takeuchi, 1995; Brannen and Peterson, 2009) which minimize friction and provide for mutual understanding to initiate self-reinforcing cooperation. They are supported by enabling factors evidenced by Intergroup Contact Theory (Williams, 1947; Allport, 1954; Pettigrew, 2008): we find that interaction, focus on common interest, support of authority and equal status are the engines of smooth cultural cooperation. Success is engineered through the cultural value chain, a set of self-reinforcing cultural integration mechanisms which produce creative, mutually acceptable solutions that come out of the understanding of both objective and subjective culture (Morosini, 2005).

The empirical evidence in our study also reveals the importance of cultural intelligence (Early & Mosakowski, 2004). Cultural intelligence has been recognized in a variety of contexts including but not limited to M&A integration. As Bhawuk and Brislin (1992) suggested: "to be effective in another culture, people must be interested in other cultures, be sensitive enough to notice cultural differences and then also be willing to modify their behavior as an indication of respect for the people of other cultures", an orientation that has been acquired and trained in the course of international assignments or foreign experience.

However, cultural issues cannot be viewed in isolation from other sources of influence: the use of these cultural integration mechanisms may be impaired by intra-organizational or extra-organizational factors. Intra-organizational sources of influence outline the importance of a clear vision, a relevant organizational structure and change management design. Extra-organizational sources of influence refer to the institutional, economic, linguistic, geographic and business environments in which the combination takes place. Some of the contextual sources of influence cannot be circumvented; they proceed from regulations and legal constraints (Ghemawat, 2001) that are imposed onto the newly combined entity. Others are mutable and can be eliminated or by-passed such as temporary economic downturns.

In summary, we have provided an in-depth description of the processes at work when two entities with different national and organizational cultures address post-merger integration. Such an ex-post investigation of the dynamics of cultural integration clarifies the cultural encounter and may be a starting-point for further research on cross-border combinations. We hope this merger case can stimulate further research on the way cross-border M&A organize the cultural exchange (Primecz et al, 2011).

Even if the limitations of our study are well-identified, our research advances theory by documenting the process of cultural integration, showing how differences in both national and organizational cultures are leveraged and theorizing a number of influential mechanisms that influence the course of integration. Avenues for research include further exploration of bonding and learning mechanisms, deeper insight into cultural intelligence and global managerial skills as well as further investigation of cross-cultural integration capabilities. Additional research into these drivers of merger success may prove valuable in minimizing failure in future cross-border mergers and acquisitions.

These findings are useful for both academics and practitioners as well: mindful management of cultural dynamics incorporating both enabling factors (intergroup contact theory) and process-oriented mechanisms (cultural learning chain) should enable organizational actors to leverage cultural differences in order to foster cooperation.

The growing number of international rapprochements reminds us that levering cultural differences is a vital issue for modern organizations. Diversity should no longer be seen as an obstacle but an asset for sustainable competitive advantage. Organizations that are able to leverage diversity are able to combine, create and recreate knowledge and are thus more likely to succeed in the global race for market share.

From a general perspective, this thesis calls for an increased recognition of the strategic importance of knowledgeably addressing culture in international management.

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Leveraging cultural differences in cross-border M&A

The case of a consulting company

Summary

M&A literature demonstrates that cultural factors have an important impact on M&A performance. Analysis of the integration process effectiveness has outlined organizational drivers of performance such as knowledge transfer and careful integration execution.However sociocultural drivers have not been extensively researched in organizational dynamics. Extant literature has focused on cultural distance and disregarded the cultural processes at work when entities located in different organizational and national settings combine. This thesis fills this gap and advances understanding of the influence of cultural dynamics of performance. It demonstrates that it is not cultural differences per se that influence integration effectiveness but the way cultural differences are managed and cultural boundaries are drawn. Mechanisms for conducting cultural integration rest on learning and bonding interventions which foster understanding and promote cooperation. Effective integration occurs under specific enabling conditions evidenced by Intergroup Contact Theory applied to M&A.